### Strode's College



# Report and Financial Statements for the year ended 31 July 2016

#### Key Management Personnel, Board of Governors and Professional advisors

#### Key management personnel

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

Rowan Cookson: Principal; Accounting officer<sup>1</sup> Rachel Burgess: Director of Finance & Business Bernadette Joslin: Assistant Principal Guidance<sup>2</sup> Amanda Down: Assistant Principal Curriculum<sup>3</sup>

#### **Board of Governors**

A full list of Governors is given on page 13 of these financial statements.

Carol Martin acted as Clerk to the Corporation from 30<sup>th</sup> November 2015; the previous clerk was Eleanor Rose.

#### **Professional advisors**

#### Financial statements auditors and reporting accountants:

MHA MacIntyre Hudson

London

#### **Internal auditors:**

MHA MacIntyre Hudson

London

#### Bankers:

**HSBC** Bank plc

**Staines** 

<sup>&</sup>lt;sup>1</sup> Acting post in 2015-16, became the permanent Principal from 16 March 2016

<sup>&</sup>lt;sup>2</sup> Acting post in 2015-16, became Assistant Principal Student Services on a permanent basis from 1 August 2016

<sup>&</sup>lt;sup>3</sup> Acting post in 2015-16, became Assistant Principal Curriculum & Quality on a permanent basis from 1 August 2016

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#### Members' report

#### **NATURE, OBJECTIVES AND STRATEGIES:**

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

#### Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Strode's College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

The Corporation was incorporated as Strode's College.

#### Vision

Governors reviewed the College's vision during 2015/16 and it remains as follows:

"Our vision is to be the first choice college for students in Runnymede, Spelthorne and the surrounding area."

#### **Public Benefit**

Strode's College is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education for Sixth Form Colleges. The members of the Governing Body, who are trustees of the charity, are disclosed on page 13.

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 vision, the College provides identifiable public benefits through the advancement of education by, for example, delivering high quality teaching and learning, enabling students to achieve their full potential and partnering with local organisations such as schools, colleges and employers.

#### **Strategic Plan**

In July 2015, the College adopted a strategic plan for 2015-2020.

#### **Purpose**

The College's purpose, as approved by its members, is to inspire students to fulfil their potential by providing a broad and high quality education in a supportive and dynamic learning environment.

#### Core values

Strode's College is committed to:

- Deliver excellence to provide an inspiring, challenging and supportive learning environment with high expectations of staff and students
- Behave with integrity to be fair, transparent, honest and consistent in everything we do
- Respect each other to value, support and develop the abilities and skills of our students and staff and to celebrate their successes
- Value diversity
   to create a caring community in which diversity is respected and celebrated

#### Strategic priorities

The College's current strategic plan, covering the period September 2015 to August 2020, includes the following strategic priorities, reviewed annually:

- 1. To deliver consistently high quality teaching and learning that enables students to achieve their full potential within a safe environment.
- 2. To provide a responsive curriculum that meets the diverse needs and aspirations of all students and equips them with the skills and knowledge to progress to appropriate destinations.
- 3. To employ qualified and skilled teaching and support staff who feel motivated and empowered to deliver excellence.
- 4. To ensure ongoing financial wellbeing and stability and investigate opportunities for collaboration to ensure long term financial resilience
- 5. To partner with local schools, colleges, universities, employers and community organisations to enhance the prospects of our students.

#### Implementation and performance against strategy

The Strategic Priorities are monitored using the College Improvement Plan which is reviewed in detail at relevant Committee meetings and at Corporation meetings.

At the final Corporation review of the College Improvement Plan it was noted that majority of the key actions have been achieved. There have been three-year improvements in:

- Alps (value added) at all levels
- Achievement Rates Long courses, especially 16-18, at all levels
- Pass Rates at all levels
- College Attendance target exceeded
- College measures are now at or above National benchmarks and a majority are at SFC benchmarks

In addition, the College Improvement Plan noted that during 2015-16:

 New ideas introduced in Teaching, Learning and Assessment and Tutorial and Support services have had a positive impact.

- The quality of curriculum and support Self-Assessment Reviews has improved.
- The quality and quantity of staff training attended and delivered across the College has improved.
- The functionality and accuracy of operations in MIS has been enhanced.

In other areas, financially the College exceeded the planned budget, and plans put in place regarding strategic options for the College were successfully completed.

#### **Performance indicators**

The College is committed to observing the importance of sector measures and indicators and is monitoring these through the completion of the annual Finance Record for the Skills Funding Agency/Education Funding Agency. The Finance Record produces a financial health grading. The current rating is Outstanding.

In addition to the above, the College used a series of detailed quantitative key indicators in 2015/16 to monitor performance during the year, covering:

Quality
Student Satisfaction
Attendance and retention
Teaching, Learning, Assessment and Support
Staff performance, recruitment and satisfaction
Financial measures
Recruitment and progression

#### **FINANCIAL POSITION**

#### Financial results

The College underwent a major restructure in preparation for 2015/16 in response to anticipated funding reductions. Despite a significantly reduced expenditure budget the College has exceeded anticipated budget and succeeded in generating a surplus before other gains and losses in the year of £148,000 (2014/15 – deficit of £14,000).

Compared to 2014/15, funding body income was reduced by £1.2m due to changes in the rate received per student in addition to a lower number of funded students. Other income was also reduced due to a one-off refund received in 2014/15. Expenditure in both staff costs and other operating expenditure has been deliberately reduced in response to these lower income levels.

The College has accumulated reserves of £6,338,000 and cash and short term investment balances of £1,848,000 (prior year £1,778,000).

Tangible fixed asset additions during the year amounted to £146,000, all of which related to equipment.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2015/16 the FE funding bodies provided 93% of the College's total income (prior year: 93%).

#### 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's policy with regard to treasury management is contained within the Financial Regulations.

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

#### Cash flows and liquidity

Net cash flow from operating activities was £319,000 (2014/15 £1,491,000). Cash increased by £70,000 during the year; this is lower than 2014/15 (£469,000) due to a relatively high level of accruals at 31 July 2015 which have been paid out during 2015/16.

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

#### Reserves

The College made considerable budget cuts in preparation for 2015-16, in order to retain a comfortable level of reserves to act as a buffer for any further funding reductions that may arise.

#### **CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE**

#### **Student numbers**

In 2015/16 the College has delivered activity that has produced £5,991,000 in funding body main allocation funding (2014/15 – £7,221,000). The College had approximately 1,083 funded 16-18 students in 2015-16 and 993 adult learning students.

#### Student achievements

Students continue to prosper at the College. Exam results this year show improvements once more at both A2 and AS in terms of pass rates, high grades and A\*-C grades. Performance at BTEC Level 3 remains good with improved high grades and GCSE and Level 2 BTEC results have also improved.

#### **Curriculum developments**

The College continues to support programmes of study by offering a wide range of AS, A level and BTEC courses at Level 3, as well as GCSE and BTEC courses at Level 2.

#### 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 2015 to 31 July 2016, the College paid 84 per cent of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

#### Events after the end of the reporting period

Strode's College and East Berkshire College, which has campuses in Langley and Windsor, intend to merge in order to create a larger college group, which will provide greater opportunities for young people, adults and businesses in Surrey and Berkshire.

The partnership will mean both colleges will retain their existing campuses and unique ethos, while sharing their wealth of expertise, staff talent, state-of-the-art facilities and resources for the benefit of current and future students.

As part of the merger, the Corporation of Strode's College will dissolve and its assets and liabilities will be received by East Berkshire College. The planned merger date is 6<sup>th</sup> February 2017, with the Boards of Strode's College and East Berkshire agreeing the final merger proposal in December 2016.

#### **Future prospects**

The vision and aim of the proposed merged college group will be to protect the independent identity and management of Strode's College, Langley College and Windsor College. Teaching and learning at each college will continue as before, with all three college campuses committed to maintaining and building upon their long records of success in delivering the highest standards of education and training.

As a college with strong financial health and fantastic student results, as part of this merger Strode's College plans to continue to build on its 300-year history of delivering high quality education, continually raising standards and developing strong links with universities, to ensure the best possible outcomes for all our students.

The College took part in the Surrey Colleges Area Based Review during 2015-16 and the recommendation of that review was to merge with East Berkshire College.

#### Going concern

The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future. Cash reserves are healthy due to good budget management and cost control. Accordingly, the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

#### **RESOURCES**

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

#### **Financial**

The College has £6,338,000 of net assets (including £1,540,000 pension liability) and long term debt of £1.3 million. Cash balances are £1,848,000.

#### **People**

The College employs 106 people (expressed as full time equivalents), of whom 57 are teaching staff.

#### Reputation

The College has a good reputation locally and nationally. It is known to blend history and tradition with modern facilities, and has a reputation for offering students an exceptional sixth form college learning experience. The College has an extensive reach with learners recruited from 16 neighbouring local authority areas, with parts of West London such as Hounslow and Richmond upon Thames being important areas of recruitment.

#### 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.

The College has a Risk Management Policy that forms part of the College's internal control and corporate governance arrangements and applies to all risks that might affect the College's business – its estate, resources, staff, students and other users.

The College makes conservative and prudent recognition and disclosure of the financial and non-financial implications of risks, and key risk indicators will be identified and closely monitored on a regular basis.

A comprehensive review of the risks to which the College is exposed is undertaken annually. The College's system of internal control incorporates risk management and encompasses a number of elements that together facilitate an effective and efficient operation, enabling the College to respond to a variety of operational, financial and commercial risks. These elements include policies and procedures, regular risk reporting, the annual priorities within the College Improvement Plan, review against budget, a risk management register, on-going assessments by College managers, and on-going review by the Audit Committee.

The risk register is compiled by the Senior Leadership Team and reviewed by the Audit Committee in full; it is also reviewed in detail by individual committees for relevant sections, and by the Board. It helps to facilitate the identification, assessment and on-going monitoring of risks significant to the College. The document is formally appraised annually but emerging risks are added as required, and improvement actions and risk indicators are monitored regularly by the Senior Leadership Team. 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.

#### STAKEHOLDER RELATIONSHIPS

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

- Students
- Parents and carers
- Staff
- Education sector funding bodies
- Local employers (with specific links)
- Local authorities
- Government Offices/Regional Development Agencies/LEPs
- The local community
- Other education institutions
- Trade unions
- The Worshipful Company of Coopers
- The Strode's Foundation
- Royal Holloway, University of London
- East Berkshire College
- Professional bodies.

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

#### **Equal opportunities**

The College is committed to ensuring equality of opportunity for all who learn and work at the College. We respect and value positively differences in race, gender, sexual orientation, disability, religion or belief and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy is resourced, implemented and monitored on a planned basis. The College's Equal Opportunities Policy is published on the College's website.

The College publishes Annual Equality Information and Equality Objectives to ensure compliance with all relevant equality legislation including the Equality Act 2010. The College undertakes equality impact assessments on all new policies and procedures. Equality impact assessments are also undertaken for existing policies and procedures on a prioritised basis.

The College is a Disability Confident Committed Employer and has committed to the principles and objectives of the 'Disability Confident' standards. As a Disability Confident Committed Employer the College has committed to:

- Ensure the College recruitment process is inclusive and accessible
- Communicate and promote vacancies
- Guarantee an interview to any disabled applicant who meets the essential criteria for the post
- Anticipate and provide reasonable adjustments as required
- Support any existing employee who acquires a disability or long term health condition, enabling them to stay in work
- At least one additional activity that will make a difference for disabled people.

The College's policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non-disabled employees.

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

#### **Disability statement**

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

- a) As part of its Property Strategy the College ensures that all capital projects aim to improve College access.
- b) The College has a Support for Learning Manager, who provides information, advice and arranges support where necessary for students with disabilities.
- c) There is a list of specialist equipment, which the College can make available for use by students and a range of assistive technology is available on request.
- d) The admissions policy for all students is available on the College website. Appeals against a decision not to offer a place are dealt with under the complaints policy.
- e) The College has made a significant investment in the appointment of specialist staff to support students with learning difficulties and/or disabilities. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
- g) Counselling and welfare services are described in the College Student Pocket Guide, which is issued to students together with the Student Management Procedures at induction.

#### Disclosure of information to auditors

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

Approved by order of the members of the Corporation on 13 December 2016 and signed on its behalf by:

Jacqui Gerrard

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. This statement covers the period from 1<sup>st</sup> August 2015 to 31<sup>st</sup> July 2016 and up to the date of approval of the annual report and financial statements.

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);
- having due regard to the UK Corporate Governance Code 2014 insofar as it is applicable to the further education sector

The Corporation adopted the Code for Good Governance for English Colleges ("the Code") with modifications in March 2016. The modifications ensured the Code was relevant and applicable to Strode's College and comprised the following:

- Lessening the emphasis on engaging with external stakeholders such as LEPs and local authorities, as this is less relevant to a sixth-form college where the majority of students progress to Further and Higher Education
- Modification of the wording on the maximum term of office of governors so that more than 8 years is allowable when the governor is undertaking a senior role, for example as chair of a committee, or where they bring particular expertise or experience

In the opinion of the Governors, the College complies with/exceeds all the provisions of the Code, as modified by the above provisions, and it has complied throughout the year ended 31 July 2016. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times.

The College is committed to exhibiting best practice in all aspects of corporate governance. We have not formally 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.

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 original appointment	Current term of office	Date of resignation	Status of appointment	Committees served	Board Attendance During 2015-16
Jacqui Gerrard	08/12/2009	4yrs		Independent	Finance & Estates Human Resources Quality & Curriculum Remuneration & Governance Search	100.0%
Rob Lewis	07/10/2014	4yrs		Independent	Finance & Estates Quality & Curriculum Remuneration & Governance	66.7%
Felix Birch	14/07/2015	1yr	31/05/2016	Student	Finance & Estates	83.3%
Darren Bryant	13/10/2015	4yrs		Independent	Audit Quality & Curriculum	75.0%
Jo Classick	01/07/2016	4yrs		Independent	Quality & Curriculum Human Resources	66.7%
Rowan Cookson	01/09/2015	n/a		Principal	Finance & Estates Human Resources Quality & Curriculum Search	100.0%
Jack Glasper	01/06/2016	1yr		Student	Quality & Curriculum	33.3%
Rebecca Harington	14/07/2015	1yr	31/01/2015	Student	Quality & Curriculum	0.0%
Lewis Hickmott	01/06/2016	1yr		Student	Quality & Curriculum	66.7%
Harry James	18/12/2012	4yrs	31/08/2016	Independent	Human Resources Remuneration & Governance	30.0%
David Knight	13/10/2015	2yrs		Foundation	Finance & Estates	22.2%
Carol Manger	14/07/2015	4yrs		Independent	Human Resources Quality & Curriculum Remuneration & Governance	88.9%
Abi Mason	07/12/2010	4yrs		Staff	Human Resources	100.0%
Roy Miller	01/12/1992	2yrs		Foundation	Audit Quality & Curriculum Search	88.9%

Name	Date of original appointment	Current term of office	Date of resignation	Status of appointment	Committees served	Board Attendance During 2015-16
Emily O'Neill	13/10/2015	4yrs		Independent	Audit Human Resources Remuneration & Governance	66.7%
Tony Paxton	15/12/2015	2yrs		Parent	Quality & Curriculum	100.0%
Eiry Price	06/02/1994	2yrs		Foundation	Finance & Estates Remuneration & Governance Search	77.8%
L Ali Sadiq	01/04/2014	4yrs		Independent	Finance & Estates Remuneration & Governance	55.6%
Sandra Scott	12/07/2011	4yrs	15/12/2015	Independent	Quality & Curriculum Remuneration & Governance	100.0%
Natalie Viola	08/07/2014	4yrs		Staff	Human Resources Quality & Curriculum	66.7%
Kiran Virdee	01/10/2003	4yrs		Independent	Audit	88.9%
Keith Wilson	17/12/2013	4yrs		Independent	Audit Quality & Curriculum	88.9%

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 at least once 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 and Estates, Quality and Curriculum, Audit, Remuneration and Governance, Search and Human Resources. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website at www.strodes.ac.uk or from the Clerk to the Corporation at:

Strode's College High Street Egham Surrey TW20 9DR

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

All governors are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Clerk to the Corporation, who is

responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Corporation as a whole.

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

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

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

#### **Appointments to the Corporation**

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a search committee which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required. Members of the Corporation are appointed for a term of office not exceeding four years.

#### **Corporation performance**

Governors conducted a thorough self-assessment report for 2015-16 covering the context, key activities during the year, quality assessment, key strengths, areas that have significantly improved and areas that require further improvement. The overall grading was assessed as Outstanding and the report identified the following key strengths:

- the governors have a good understanding of the Board's statutory obligations and ensure that they are fulfilled
- the governors have a good understanding of the strengths and weaknesses of the College
- the governors have an uncompromising ambition to improve performance
- the Governing Board is strongly pro-active in addressing key issues facing the College

The Committees are as follows:

#### **Audit Committee**

The Audit Committee operates in accordance with written terms of reference approved by the Corporation. Its members exclude the Accounting Officer and Chair.

The Audit Committee meets twice a year and provides a forum for reporting by the College's internal, reporting accountants and financial statements auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and 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, reporting accountants and financial statements auditors and their remuneration for audit and non-audit work as well as reporting annually to the Corporation.

#### **Finance and Estates**

This Committee reviews the College finances, and matters related to premises, health and safety and the College estate.

#### Search

This Committee is responsible for validating that there are the appropriate number of Governors (as set by the Instruments and Articles of Government) and that together they have the skills to exercise good governance; or where there are gaps in expertise that Advisors (Co-opted Governors) with the relevant skills are appointed. The Committee is also responsible for advising the Board on governance structures (such as committees, and committee membership) required to ensure good governance.

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation is responsible for ensuring that appropriate training is provided as required.

#### **Quality and Curriculum**

The purpose of this Committee is to assist the Board's full engagement with quality and curriculum issues, to enable the Board to fulfil its duties to ensure the achievement of high standards. It is responsible for considering all aspects of the educational experience provided by the College and for verifying that quality issues have been properly identified. It is also responsible for gaining assurance that robust and focussed action plans are developed and implemented and for monitoring the effectiveness of those plans.

#### **Remuneration and Governance**

The purpose of this Committee is to provide co-ordination between Committees to ensure that any topics not covered by any of the other Committees are dealt with appropriately and that items of legitimate concern to more than one Committee are shared. In addition, the Committee leads on issues pertaining to the employment of Senior Post Holders; this includes salary, other terms and conditions of service, performance management, training and professional development and policies and procedures.

Details of remuneration for the year ended 31 July 2016 are set out in note 8 to the financial statements.

#### **Human Resources**

The purpose of this committee is to ensure the effective governance of the management of teaching and support staff by monitoring information and policies, and making recommendations to the Corporation on relevant topics.

#### 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/Financial Agreement between Strode's College and the funding bodies. The Principal 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 ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Strode's College for the year ended 31 July 2016 and up to the date of approval of the annual report and accounts.

#### Capacity to handle risk

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

Strode's College has an internal audit service, which operates in accordance with the requirements of the EFA and SFA's *Joint Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the audit committee. At minimum, annually, the Head of Internal Audit (HIA) provides the governing body with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

#### Review of effectiveness

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

- the work of the internal auditors
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework
- comments made by the College's financial statements auditors, the reporting accountant for regularity assurance, the appointed funding auditors (for colleges subject to funding audit) in their management letters and other reports.

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

The senior 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 thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2016 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2016 by considering documentation from the senior leadership team and internal audit, and taking account of events since 31 July 2016.

Based on the advice of the Audit Committee and the Accounting Officer, the Corporation is of the opinion that the College has an adequate and effective framework for 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, such as reviewing Financial Health, the affordability of outstanding loans and the strength of the balance sheet, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 13 December 2016 and signed on its behalf by:

Jacqui Gerrard Chair

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Rowan Cookson Accounting Officer

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

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

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

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

Rowan Cookson Accounting Officer 13 December 2016 Jacqui Gerrard Chair of Governors 13 December 2016

#### Statement of Responsibilities of the Members of the Corporation

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

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

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

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- 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 a Members Report which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the College, and which enable it to ensure that the financial statements are prepared in accordance with 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 Skills Funding Agency / Education Funding Agency are used only in accordance with the Financial Memorandum/ Financial Agreement with the Skills Funding Agency / Education Funding Agency and any other conditions that may be prescribed from time to

time. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the Skills Funding Agency / Education Funding Agency are not put at risk.

Approved by order of the members of the Corporation on 13 December 2016 and signed on its behalf by:

Jacqui Gerrard Chair

### Independent auditor's report to the Corporation of Strode's College Year Ended 31 July 2016

We have audited the financial statements of Strode's College which comprise the Income and Expenditure Account, the Statement of Historical Cost Surpluses and Deficits, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK accounting standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Governors, 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 Governors, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Governors, as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective Responsibilities of the Members of the Corporation of Strode's College and Auditor

As explained more fully in the Statement of the Corporation's responsibilities set out on pages 21 and 22, the Corporation is responsible for the preparation of financial statements which give a true and fair view.

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

#### Scope of the audit of the financial statements

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

#### **Opinion on the Financial Statements**

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the College's affairs as at 31 July 2016 and of the College's surplus of income over expenditure for the year then ended;
- have been properly prepared in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education.

Opinion on other matters prescribed by the revised Joint Audit Code of Practice issued jointly by the Skills Funding Agency and the Education Funding Agency (August 2016)

In our opinion:

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

MUHA Mac Putza Hudson

MHA MACINTYRE HUDSON Chartered Accountants & Statutory Auditor New Bridge Street House 30-34 New Bridge Street London EC4V 6BJ

**Date: 20-12-2016** 

## Reporting Accountant's Assurance Report on Regularity to the Corporation of Strode's College and the Secretary of State for Education acting through the Education Funding Agency

This report is produced in accordance with the terms of our engagement letter for the purpose of reporting on the College's Statement of Regularity, Propriety and Compliance in respect of whether the transactions underlying the College's financial statements for the year ended 31 July 2016 are regular as defined by and in accordance with the Funding Agreement with Secretary of State for Education acting through the Education Funding Agency, in accordance with the authorities that govern them.

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

Our review has been undertaken so that we might state to the Corporation of Strode's College and the Secretary of State for Education acting through the Education Funding Agency those matters we are required to state to them in a report and for no other purpose. This report is made solely to the Corporation of Strode's College and the Secretary of State for Education acting through the Education Funding Agency in accordance with the terms of our engagement letter. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation of Strode's College and the Secretary of State for Education acting through the Education Funding Agency, for our review work, for this report, or for the opinion we have formed.

#### Responsibilities of the Corporation of Strode's College

The Corporation of Strode's College is responsible under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that financial transactions are in accordance with the framework of authorities which govern them and that transactions underlying the financial statements for the year ended 31 July 2016 are regular.

The Corporation of Strode's College is also responsible, under the requirements of the Accounts Direction for 2015 to 2016 financial statements published by the Skills Funding Agency and the Education Funding Agency for the preparation of the Statement on Regularity, Propriety and Compliance. The Statement confirms that, to the best of its knowledge, the Corporation believes it is able to identify any material, irregular or improper use of funds by the College, or material non-compliance with the Education Funding Agency's terms and conditions of funding under the College's funding agreement. It further confirms that any instances of material irregularity, impropriety or funding non-compliance discovered in the year to 31 July 2016 have been notified to the Education Funding Agency.

#### Reporting accountant's responsibilities

Our responsibilities for this engagement are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Joint Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work

which suggests that, in all material respects, expenditure disbursed and income received during the year ended 31 July 2016 have not been applied for the purposes intended by Parliament or that the financial transactions do not conform to the authorities that govern them.

#### **Basis of opinion**

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

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

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

Our engagement includes examination, on a test basis, of evidence relevant to the regularity of the College's income and expenditure. The work undertaken to draw our conclusion included:

- Reviewing the self-assessment questionnaire which supports the representations included in the Chair of Governors and Accounting Officer's statement on regularity, propriety and compliance with the relevant framework;
- Reviewing the Corporation minutes relevant to our consideration of regularity;
- Testing transactions with related parties;
- Testing a sample of payments to suppliers and a sample of payroll payments to staff.

#### **Opinion**

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 year 1 August 2015 to 31 July 2016 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

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MHA MACINTYRE HUDSON Chartered Accountants & Statutory Auditor New Bridge Street House 30-34 New Bridge Street London EC4V 6BJ

Date: 20-12-2016

### **Statement of Comprehensive Income**

	Notes	Year ended 31 July 2016	Restated Year ended 31 July 2015
		£'000	£'000
INCOME Funding body grants Tuition fees and education contracts Other grants and contracts Other income Endowment and investment income	2 3 4 5 6	6,230 157 - 70 5	7,460 137 - 177 4
Donations and Endowment	7 _	5	1
Total income		6,467	7,779
EXPENDITURE Staff costs Fundamental restructuring costs Other operating expenses Depreciation Interest and other finance costs	8 8 9 12 10	4,387 - 1,256 603 73	5,320 115 1,630 658 70
Total expenditure		6,319	7,793
Surplus/(deficit) before other gains and losses	_	148	(14)
Loss on disposal of assets	12	-	-
Surplus/(deficit) before tax	_	148	(14)
Taxation	10	-	-
Surplus/(deficit) for the year Unrealised surplus on revaluation of assets	11	148	(14)
Actuarial loss in respect of pensions schemes		(365)	(115)
Total Comprehensive Income for the year	_ 	(217)	(129)
Represented by: Unrestricted comprehensive income		(217)	(129)
Restricted comprehensive income	<u>-</u>	(217)	(129)

### **Statement of Changes in Reserves**

	Income and Expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Restated balance at 1st August 2014	6,591	93	6,684
Surplus/(deficit) from the income and expenditure account	(14)	-	(14)
Other comprehensive income	(115)	-	(115)
Transfers between revaluation and income and expenditure reserves	5	(5)	-
	(124)	(5)	(129)
Restated balance at 31st July 2015	6,467	88	6,555
Surplus/(deficit) from the income and expenditure account	148	-	148
Other comprehensive income (note 25)	(365)	-	(365)
Transfers between revaluation and income and expenditure reserves	5	(5)	-
Total comprehensive income for the year	(212)	(5)	(217)
Balance at 31st July 2016	6,255	83	6,338

### Balance sheet as at 31 July

	Notes	2016 £'000	Restated 2015 £'000
Fixed assets			
Tangible fixed assets	12	12,433	12,890
Investments	13	-	-
Pensions asset	25	-	-
	_	12,433	12,890
Current assets			
Trade and other receivables	14	59	86
Investments	15	-	-
Cash and cash equivalents	20	1,848	1,778
		1,907	1,864
Less: Creditors – amounts falling due within one year	16	(1,039)	(1,409)
Net current assets	_	868	455
Total assets less current liabilities		13,301	13,345
Less: Creditors – amounts falling due after more than one year	17	(5,423)	(5,689)
Provisions Defined benefit obligations	19	(1,540)	(1,101)
Total net assets	=	6,338	6,555
Unrestricted reserves			
Income and expenditure account Revaluation reserve		6,255 83	6,467 88
Total unrestricted reserves	-	6,338	6,555

The financial statements on pages 27 to 53 were approved and authorised for issue by the Corporation on 13 December 2016 and were signed on its behalf on that date by:

Jacqui Gerrard Chair

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Rowan Cookson Accounting Officer

#### **Statement of Cash Flows**

			Restated
	Notes	2016 £'000	2015 £'000
Cash inflow from operating activities			
Surplus/(deficit) for the year		148	(14)
Adjustment for non cash items			
Depreciation		603	658
(Increase)/decrease in debtors		27	52
Increase/(decrease) in creditors due within one year		(372)	33
Increase/(decrease) in creditors due after one year		(189)	640
Pensions costs less contributions payable		74	92
Pensions finance costs		(40)	(36)
Adjustment for investing or financing activities			
Investment income		(5)	(4)
Interest payable		73	70
Net cash flow from operating activities	_ _	319	1,491
Cash flows from investing activities			
Investment income		5	4
Payments made to acquire fixed assets		(146)	(914)
		(141)	(910)
Cash flows from financing activities	_		( /
Interest paid		(33)	(34)
Repayments of amounts borrowed		(75)	(78)
Repayments of amounts believed		(10)	(10)
	- -	(108)	(112)
Increase in cash and cash equivalents in the year	_	70	469
•	=		
Cash and cash equivalents at beginning of the year	20	1,778	1,309
Cash and cash equivalents at end of the year	20	1,848	1,778

#### **Notes to the Accounts**

#### 1. Statement of accounting policies and estimation techniques

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

#### **Basis of preparation**

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

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

#### Transition to the 2015 FE HE SORP

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

An explanation of how the transition to the 2015 FE HE SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the College is provided in note 28.

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

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

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

#### **Basis of accounting**

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

#### **Basis of consolidation**

In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2016.

#### Going concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Members Report. The financial position of the College, its cashflow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

The College currently has £1.3m of long term loans outstanding with bankers. £1.1m of this borrowing is with AIB on terms last negotiated in 2014; the remaining £0.2m is with Barclays. The relationship with the lenders is good and College's forecasts and financial projections indicate that it will be able to operate within this existing facility for the foreseeable future. The College's cash reserves are comfortable for the size of College.

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

#### **Recognition of income**

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

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

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual method as permitted by

FRS 102. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

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

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

#### **Accounting for post-employment benefits**

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

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

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

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

#### **Short term Employment benefits**

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

#### Non-current Assets - Tangible fixed assets

Tangible fixed assets are stated at cost / deemed cost less accumulated depreciation and accumulated impairment losses.

#### Land and buildings

All the land and many of the buildings which the College occupied at incorporation are owned outright by the Strode's Foundation. The value of this property has not been valued by the Trustees, and is not reflected in their accounts.

Up to 1 August 2002, the College had not attributed a value to, nor depreciated, these Nonowned Trust Assets. The LSC in Circular 04/04 required each College to determine whether the legal framework of the College requires the land and buildings owned by the Trust to be treated as if they were owned by the College. If so, where practicable, a value should be obtained and the fixed assets revalued. After detailed discussions, the Governors decided that the Circular does apply to the Land and Buildings owned by the Strode's Foundation and occupied by the College.

As at 1 August 2002, Fixed Assets and the Revaluation Reserve were increased with these amounts, and additional charges were made to depreciation in the Income and Expenditure Account for the results for continuing operations from 2003/04 onwards. Corresponding amounts were released from Revaluation Reserve. Following a review of this treatment, the Learning & Skills Council issued guidance in 2009 that the transfer in respect of buildings credited to Revaluation Reserve should now be treated as a Deferred Capital Grant, and the annual release in relation to the associated depreciation should be included in Capital Grant income within the Income and Expenditure account. This change was incorporated in the 2008/9 accounts.

However, this treatment has now been superseded by FRS102, and any trustee deferred capital grant balances have been credited to reserves.

Building improvements made since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings, and major adaptations to buildings, are depreciated over their expected useful economic life to the College of between 20 and 50 years.

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

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

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

#### Assets under construction

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

Subsequent expenditure on existing fixed assets

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

#### **Equipment**

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

#### Depreciation

All assets are depreciated over their useful economic life as follows:

Motor vehicles and general equipment

Computer equipment Furniture and fittings

- five years

- three to five years

- three to 10 years

#### **Borrowing costs**

Borrowing costs are recognised as expenditure in the period in which they are incurred.

#### **Leased assets**

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

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as finance leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease

obligation. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

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

#### Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts.

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

#### Financial liabilities and equity

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

All loans, investments and short term deposits held by the College are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the College has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

#### Foreign currency translation

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

#### **Taxation**

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

The College is not registered for Value Added Tax, so it cannot recover input VAT; this is therefore 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 and contingent liabilities**

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

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

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

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

## **Agency arrangements**

The College acts as an agent in the collection and payment of discretionary support funds from the funding agencies in addition to student welfare grants provided by the Strode's Foundation. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

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

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

- Determine whether there are indicators of impairment of the College's tangible
  assets, including goodwill. Factors taken into consideration in reaching such a
  decision include the economic viability and expected future financial performance of
  the asset and where it is a component of a larger cash-generating unit, the viability
  and expected future performance of that unit.
- Determine the going concern of the College, taking into account the College's forecasts, cash flow and financial projections and the impact of the expected merger with East Berkshire College.

# Other key sources of estimation uncertainty

# Tangible fixed assets

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

#### • Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 25, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 July 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

## 2 Funding council grants

	Year ended 31 July 2016	Year ended 31 July 2015
	£'000	£'000
Recurrent grants		
Skills Funding Agency	236	251
Education Funding Agency	5,755	6,970
Specific Grants	47	40
Education Funding Agency	47 192	42 197
Releases of government capital grants	192	
Total	6,230	7,460
3 Tuition fees and education contracts		
	Year	Year
	ended 31 July	ended 31
	2016	July 2015
	£'000	£'000
Adult education fees	157	137
Total	157	137

4 Other grants and contracts		
	Year ended 31 July 2016	Year ended 31 July 2015
	2010	2010
	£'000	£'000
UK-based charities	31	31
Allocated to teaching, learning and support	(31)	(31)
Total		
5 Other income		
	Year ended	Year ended
	31 July	31 July
	2016	2015
	£'000	£'000
Other income generating activities	24	15
Miscellaneous income	46	162
Total	70	477
Total	70	177
6 Investment income		
	Year ended	Year ended
	31 July 2016	31 July 2015
	£'000	£'000
Other investment income	-	-
Other interest receivable	5	4
Pension finance income (note 25)	5	4
Totalon initiation income (note 20)	5	4
•		
7 Donations		
, Donations	Year ended	Year ended 31
	31 July	July
	2016	2015
	£'000	£'000
Unrestricted donations	5_	1
Total	5	1

#### 8 Staff costs

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

Teaching staff Non teaching staff	<b>2016 No.</b> 57 49	<b>2015 No.</b> 76 61
	106	137
Staff costs for the above persons	2016	2015
	£'000	£'000
Wages and salaries	3,451	4,309
Social security costs	262	266
Other staff costs Other pension costs (including FRS 17 adjustments of £34k; 2015 £56k)	49 625	33 712
Payroll sub total Contracted out staffing services	4,387 -	5,320 -
	4,387	5,320
Fundamental restructuring costs contractual non contractual	-	115
	4,387	5,435

#### Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented in 2015-16 by the College Senior Leadership Team (SLT) and Joint Leadership Team (JLT) which comprise the Principal, Director of Finance & Business, two Assistant Principals, Director 16-19, Director of Adult Learning and the Head of Information Services.

In 2015 the SLT and JLT comprised the Principal, Director of Finance & Business, two Assistant Principals, three Directors of Faculty, Director of Adult Learning, Director of Guidance and the Information Manager. The remuneration of the clerk is not included. Staff costs include compensation paid to key management personnel for loss of office.

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

	2016 No.	2015 No.
The number of key management personnel including the Accounting Officer was:	7	10

The above persons represent the management structure for the academic year beginning 1 September 2016. Two key management personnel who are included in the 2015 figure left the College on 31 August 2015 and have not been included in the 2015-2016 figure.

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

	Senior po	Senior post-holders		Senior post-holders Other s		
	Year ended 31 July 2016	Year ended 31 July 2015	Year ended 31 July 2016	Year ended 31 July 2015		
	No.	No.	No.	No.		
£30,001 to £40,000	-	-	1	-		
£40,001 to £50,000	-	-	2	6		
£50,001 to £60,000	1	1	2	-		
£60,001 to £70,000	-	2	-	-		
£70,001 to £80,000	-	-	-	-		
£80,001 to £90,000	1	-	-	-		
£90,001 to £100,000		1				
	2	4	5	6		

NB. Two key management personnel (the previous Principal and one of the Assistant Principals) who are included in the 2015 figures left the College on 31 August 2015 and have not been included in the 2016 figures.

Key management personnel compensation is made up as follows:

	2016 £'000	2015 £'000
Salaries	380	534
Employers' National Insurance	39	52
Benefits in kind	0	0
	419	586
Pension contributions	66	83
Total emoluments	485	669

The above table shows the compensation for the key management personnel for the academic year. Therefore, no remuneration has been included in 2015-2016 relating to the two key management personnel who left the College on 31 August 2015 (the previous Principal and one of the Assistant Principals).

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

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

	2016 £'000	2015 £'000
Salaries Benefits in kind	92	98
	92	98
Pension contributions	15	14

The 2015-2016 figure includes the compensation of the previous Accounting Officer up to 31 August 2015 and includes the new Accounting Officer from this point.

# Compensation for loss of office paid to former key management personnel

	2016	2015	
	£	£	
Compensation - contractual	-	38	
Estimated value of other benefits, including provisions for pension benefits	-	-	

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

#### 9 Other operating expenses

9 Other operating expenses		
	Year	Year
	ended 31	ended 31
	July	July
	July	July
	2016	2015
	£'000	£'000
Teaching costs	380	567
Non teaching costs	378	423
Premises costs	498	640
Total	1,256	1,630
Other operating expenses include:	2016	2015
	£'000	£'000
Auditor's remuneration:		
Financial statements audit	18	14
Internal audit	7	6
Other services provided by the financial statements auditors	1	1
Hire of assets under operating leases	20	19

10	Interest	กลง	vable
	111161631	Pu	y abic

10 Interest payable	2016 £'000	2015 £'000
On bank loans, overdrafts and other loans:	33	34
	33	34
Pension finance costs (note 25)	40	36
Total	73	70
11 Taxation	2016 £'000	2015 £'000
United Kingdom corporation tax	-	-

# 12 Tangible fixed assets

Total

	Freehold Land Owned by	Buildings Owned by Trustees	Freehold Inherited by College	Freehold buildings (College)	Equipment	Total
	Trustees £'000	£'000	£'000	£'000	£'000	£'000
At 1 August 2015	2,824	2,976	250	9,141	2,034	17,225
Additions Disposals	- -	-	- -	- -	146	146
At 31 July 2016	2,824	2,976	250	9,141	2,180	17,371
<b>Depreciation</b> At 1 August 2015	-	1,220	162	1,437	1,516	4,335
Charge for the year Elimination in respect of disposals	-	51 -	5 -	274 -	273	603 -
At 31 July 2016	-	1,271	167	1,711	1,789	4,938
Net book value at 31 July 2016	2,824	1,705	83	7,430	391	12,433
Net book value at 31 July 2015	2,824	1,756	88	7,704	518	12,890

Land and buildings were valued in 2005 at depreciated replacement cost by a firm of independent chartered surveyors. Other tangible fixed assets inherited from the LEA at incorporation have been valued by the College on a depreciated replacement cost basis with the assistance of independent professional advice.

If fixed assets had not been revalued they would have been included at the following historical cost amounts:

	£'000
Cost	Nil
Aggregate depreciation based on cost	Nil
Net book value based on cost	Nil

#### 13 Non current Investments

The College does not hold any investments.

# 14 Debtors: amounts falling due within one year

	2016	2015
	£'000	£'000
Trade receivables	1	-
Prepayments and accrued income	56	84
Other debtors	2	2
Total	59	86

## 15 Current investments

The College does not hold any investments.

# 16 Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Bank loans and overdrafts	77	75
Trade payables	27	83
Other taxation and social security	84	90
Accruals	398	780
Deferred income - payments on account	61	-
Deferred income - government capital grants	189	192
Other deferred income	77	60
Other creditors	126	129
Total	1,039	1,409

# 17 Creditors: amounts falling due after one year

	2016 £'000	2015 £'000
Bank loans	1,258	1,335
Deferred income - government capital grants	4,165	4,354
Total	5,423	5,689

## 18 Maturity of debt

## (a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	2016 £'000	2015 £'000
In one year or less	77	75
Between one and two years	79	77
Between two and five years	240	239
In five years or more	939	1,019
Total	1,335	1,410

In 2009, the College converted £1,500,000 short-term revolving credit to long term credit, repayable in 2031, with a current interest rate of 2.4%, fixed until 2019. The loan is unsecured. In October 2012 the College agreed an additional unsecured loan of £250,000 at the rate of Libor plus 1.75%

## (b) Finance leases

The College does not hold any finance leases.

# 19 Provisions

The College does not have any provisions – see note 25 for details of amounts in respect of defined benefit obligations.

## 20 Cash and cash equivalents

	At 1 August 2015 £'000	Cash flows £'000	Other changes £'000	At 31 July 2016 £'000
Cash and cash equivalents	1,778	70	-	1,848
Total	1,778	70	-	1,848
				45

#### 21 Capital commitments

There were no material commitments contracted for at 31 July (prior year: nil).

## 22 Lease Obligations

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

Future minimum lease payments due	2016 £'000	Restated 2015 £'000
Land and buildings		
Not later than one year	10	16
Later than one year and not later than five years  Later than five years	-	<del>-</del> -
	10	16_
Other		
Not later than one year	10	19
Later than one year and not later than five years Later than five years	1	10
	11	29

## 23 Contingent liabilities

There were no contingent liabilities.

## 24 Events after the reporting period

Strode's College and East Berkshire College, which has campuses in Langley and Windsor, intend to merge in order to create a larger college group, which will provide greater opportunities for young people, adults and businesses in Surrey and Berkshire.

The partnership will mean both colleges will retain their existing campuses and unique ethos, while sharing their wealth of expertise, staff talent, state-of-the-art facilities and resources for the benefit of current and future students.

As part of the merger, the Corporation of Strode's College will dissolve and its assets and liabilities will be received by East Berkshire College. Assets and liabilities will be merged at the balance sheet amounts at the date of the merger and therefore no adjustments are considered to be required as at 31 July 2016.

The planned merger date is 6<sup>th</sup> February 2017, with the Boards of Strode's College and East Berkshire College agreeing the final merger proposal in December 2016.

#### 25 Defined benefit obligations

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

Total pension cost for the year		2016 £'000		2015 £'000
Teachers Pension Scheme: contributions paid Local Government Pension Scheme:		366		401
Contributions paid	225		255	
FRS 102 (28) charge	34		48	
Charge to the Statement of Comprehensive Income		259		303
Enhanced pension charge to Statement of Comprehensive Income		-		-
Total Pension Cost for Year		625		704

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

Contributions amounting to £72k (2015: £80k) were payable to the schemes and are included in 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 teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay-as-you-go' basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act.

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

#### Valuation of the Teachers' Pension Scheme

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

- employer contribution rates were set at 16.48% of pensionable pay;
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay.

The new employer contribution rate for the TPS has been implemented in September 2015.

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

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

## **Scheme Changes**

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

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

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

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

The pension costs paid to TPS in the year amounted to £366k (2015: £401k).

#### 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 to the scheme as if it were a defined-contribution plan. The College has set out above the information available on the plan and the implications for the College in terms of the anticipated contribution rates.

#### **Local Government Pension Scheme**

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Surrey Local Authority. The total contribution made for the year ended 31 July 2016 was £289,000, of which employer's contributions totalled £225,000 and employees' contributions totalled £64,000. The agreed contribution rates for future years are 19.8% for employers and range from 5.5% to 7.5% cent for employees, depending on salary.

#### **Principal Actuarial Assumptions**

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

	At 31 July	At 31 July	
	2016	2015	
Rate of increase in salaries	3.40%	4.00%	
Future pensions increases	1.90%	2.60%	
Discount rate for scheme liabilities	2.40%	3.60%	
Inflation assumption (CPI)	1.90%	2.60%	
Commutation of pensions to lump sums (pre 2008 service)	25%	25%	
Commutation of pensions to lump sums (post 2008 service)	63%	63%	

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

	At 31 July 2016	At 31 July 2015
De tining a teacher	years	years
Retiring today		
Males	22.50	22.50
Females	24.60	24.60
Retiring in 20 years		
Males	24.50	24.50
Females	26.90	26.90

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

	Long-term rate of return expected at 31 July 2016	Fair Value at 31 July 2016	Long-term rate of return expected at 31 July 2015	Fair Value at 31 July 2015
	_	£'000	•	£'000
Equities	2.40%	3,294	3.60%	2,864
Bonds	2.40%	709	3.60%	611
Property	2.40%	263	3.60%	267
Cash	2.40%	100	3.60%	76
Total market value of assets	;	4,366		3,818

Weighted average expected long term rate of return	2.40%	3.60%	
Actual return on plan assets	8.90%	5.20%	
The amount included in the balar follows:	ce sheet in respect of the de	fined benefit pension	plan is as
		2016 £'000	2015 £'000
Fair value of plan assets		4,366	3,818
Present value of plan liabilities		(5,906)	(4,919)
Net pensions liability		(1,540)	(1,101)
Amounts recognised in the State follows:	ement of Comprehensive Inc	come in respect of the	e plan are as
ionows.		2016	2015
		£'000	£'000
Amounts included in staff costs			
Current service cost		280	290
Past service cost		1	8
Total		281	298
Amounts included in interest cos	ts		
Net interest costs		(40)	(36)
		(40)	(36)
Amounts recognised in Other Co	mprehensive Income		
Return on pension plan assets		207	181
Experience losses arising on define	d benefit obligations	44	25
Changes in assumptions underlying liabilities	the present value of plan	(616)	(321)
Amount recognised in Other Compr	ehensive Income	(365)	(115)
Movement in net defined benefit	iability during the year		
		2016	2015
		£'000	£'000
Surplus/(deficit) in scheme at 1 Aug	ust	(1,101)	(894)
Movement in year:		(000)	(000)
Current service cost		(280)	(290)
Employer contributions  Past service cost		247 (1)	242 (8)
Net interest on the defined liab	litv	(40)	(36)
Actuarial gain or (loss)	···· <i>y</i>	(365)	(115)
Net defined benefit liability asset	at 31 July	(1,540)	(1,101)
Hot defined beliefft hability asset	at or oary	(1,070)	(1,101)

#### **Asset and Liability Reconciliation**

Accept and Elability recommends	2016	2015
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	4,919	4,182
Current Service cost	280	290
Interest cost	181	172
Contributions by Scheme participants	64	72
Experience gains and losses on defined benefit obligations	(44)	(25)
Changes in financial assumptions	616	321
Estimated benefits paid	(111)	(101)
Past Service cost	1	-
Curtailments and settlements	-	8
Defined benefit obligations at end of period	5,906	4,919
Reconciliation of Assets		
Fair value of plan assets at start of period	3,818	3,288
Interest on plan assets	141	136
Return on plan assets	207	181
Employer contributions	247	242
Contributions by Scheme participants	64	72
Estimated benefits paid	(111)	(101)
Assets at end of period	4,366	3,818

# 26 Related party transactions

Owing 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.

The total expenses paid to or on behalf of the Governors during the year was £nil. No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2015: None).

# 27 Amounts disbursed as agent Learner support funds

	2016	2015
	£'000	£'000
Funding body grants – bursary support	107	114
Funding body grants – discretionary learner support	24	20
Funding body grants – residential bursaries	0	0
Other Funding body grants	19	18
	150	152
Disbursed to students	(91)	(116)
Administration costs	(3)	(4)
Balance unspent as at 31 July, included in creditors	56	32

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 Statement of Comprehensive Income.

#### 28 Transition to FRS 102 and the 2015 FE HE SORP

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

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

	1st August 2014	31st July 2015
	£'000	£'000
Financial Position		
Total reserves under previous SORP  Employee leave accrual  Release of non-government capital grants  Changes to measurement of net finance cost on defined benefit plans	4,051 (247) 2,880	3,992 (237) 2,800
Total effect of transition to FRS 102 and 2015 FE HE SORP	2,633	2,563
Total reserves under 2015 FE HE SORP	6,684	6,555
Financial Performance	Year ended 31st July 2015 £'000	
Surplus for the year after tax under previous SORP	131	
Reversal of capital grants amortisation Changes to measurement of net finance cost on defined benefit plans Movement on employee leave accrual	(80) (75) 10	
Total effect of transition to FRS 102 and 2015 FE HE SORP	(145)	
Total deficit for the year under 2015 FE HE SORP	(14)	

#### 28 Transition to FRS 102 and the 2015 FE HE SORP

#### a) Recognition of short term employment benefits

No provision for short term employment benefits such as holiday pay was made under the previous UK GAAP. Under FRS 102 the costs of short-term employee benefits are recognised as a liability and an expense. The annual leave year runs to 31st August each year for both teaching and non-teaching staff meaning that, at the reporting date, there was an average of 2.92 weeks unused leave for teaching staff and 1.92 weeks unused leave for non-teaching staff. In addition, certain non-teaching employees are entitled to carry forward up to 5 days of any unused holiday entitlement at the end of the leave year. The cost of any unused entitlement is recognised in the period in which the employee's services are received. Under FRS102, an accrual of £247,000 was recognised at 1 August 2014, and £237,000 at 31 July 2015. Following a re-measurement exercise in 2015/16, the movement on this provision of £57,000 has been charged to the Statement of Comprehensive Income in the year ended 31 July 2016. The provision at 31 July 2016 is £180,000.

## b) Non-government grants accounted for under performance model

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

## c) Change in recognition of defined benefit plan finance costs

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

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

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