Northampton College

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 JULY 2016

Key Management Personnel, Board of Governors and Professional Advisers

Key management personnel

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

Ms P M Brennan Barrett - Principal and CEO; Accounting officer
Mr P Leavey - Deputy Principal – Teaching, Learning and Success
Mr S A Rankine – Director of Finance and Corporate Affairs

Board of Governors

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

Mrs J Brasier acted as Clerk to the Corporation throughout the period.

Professional advisers

Financial statements auditors and reporting accountants:

RSM UK Audit LLP
Chartered Accountants
St Philips Point
Temple Row
Birmingham
B2 5AF

Internal Auditors:

ICCA Education Training and Skills
The McLaren Building
46 The Priory
Queensway
Birmingham
B4 7LR

Bankers:

Lloyds Bank plc
249 Silbury Boulevard
Secklow Gate West
Milton Keynes
MK9 1NA

Solicitors:

Tollers
Castilian Chambers
2 Castilian Street
Northampton
NN1 1JX

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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 Northampton College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

Mission

The College's mission as approved by its members during the period covered by these accounts was:

"To enhance the lives of our students and other customers, maximising their potential through learning."

Public Benefit
Northampton College is an exempt charity under Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education as Principal Regulator for all FE Corporations in England. 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 mission, the College provides the following identifiable public benefits through the advancement of education:

- High-quality teaching
- Widening participation and tackling social exclusion
- Progression to employment or further and higher education
- Provision of wide range of Apprenticeships
- Excellent employment record for students
- Strong student support systems
- Links with employers, industry and commerce.

Implementation of Strategic Plan

In September 2015, the College adopted a strategic plan for the period 1 August 2015 to 31 July 2018. This strategic plan sits alongside property and financial plans. The Corporation monitors the performance of the College against these plans. The plans are reviewed and updated each year. The College's continuing key strategic objectives are to:

- Quality teaching and learning – excellence for all
  Quality remains paramount. Our highest priority is to ensure that our students achieve well and grow during their time in college so that they are ready to move on with confidence into further study, employment or self-employment

- Be an effective and productive College
  Our aim is to use the resources available to us in the most efficient way possible so that we develop and grow through effective planning

- Be the college in the community – drive the economy

The College belongs to Northamptonshire and exists to serve the interests of local people. We will listen carefully to the communities we serve and develop our offer alongside other organisations to make sure we support wider economic recovery.

The College's specific objectives, linked to the strategic priorities, for 2015-18, which have been regularly reviewed by senior College managers and governors, are addressed below:

- Place students at the centre of all our activities
- Provide an outstanding experience of teaching, learning and assessment
- Stretch, challenge and inspire our students
- Build knowledge, skills, character and resilience
- Improve continuously through innovation – sharing ideas
- Provide an outstanding environment as a learning organisation
- Achieve the College's overall financial plan by ensuring that commercial reality drives decisions and actions
- Ensure sound business planning
- Use data, research and information effectively
- Develop an entrepreneurial culture and alternative income streams to reduce reliance on government funding
- Maximise operational efficiency
- Promote a culture of sustainability throughout the organisation
- Continue to invest in world class learning environments
- Respond to the changing landscape
- Give our students an outstanding opportunity to reach their goals
- Develop the curriculum map for our community and LEP priorities – Apprenticeships and Traineeships
- Develop a skilled workforce through upskilling technical and professional workers
- Identify and respond to the needs of our customers
- Develop the College reputation through outstanding outcomes for students and employers

Financial objectives

<u>The College's key financial objectives are to</u>:

- maintain outstanding financial health;
- continue to manage effectively its cash position within the terms and covenants agreed with the College's bankers;
- continue to meet the College's financial objectives – especially in relation to staffing expenditure – whilst seeking to ensure that high quality staff are attracted and retained by the salary rates offered;
- improve systems for the processing of financial and other data, so that greater linkage occurs between operating systems and transactions are processed in a more streamlined manner; and
- improve the quality of key financial reports in use across the College – resulting in more communication between finance staff and curriculum and business support managers, and greater financial awareness of how their areas operate.

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

Performance indicators

The college is committed to observing the importance of sector measures and indicators and uses the FE Choices website which has three key performance indicators:

- Success rates;

- Learner destinations;
- Satisfaction survey

The College is required to complete the annual Finance Record for the Skills Funding Agency (SFA). The Finance Record produces a financial health grading. The current rating of Outstanding is considered an acceptable outcome.

FINANCIAL POSITION

Financial results

The College generated a surplus for the year of £616,000 (2015: £854,000). A reconciliation of the surplus for the year with the underlying operating result is shown below:

	2016 £'000	**2015 £'000**
Surplus for the year	616	854
Adjustment for non-operating items:		
Depreciation and impairment	3,839	4,460
Capital grants released	(3,285)	(2,726)
Surplus on disposal of assets	(4)	(3)
Investment income	(60)	(38)
Interest payable	507	516
FRS 102 Pension costs less contributions payable	700	565
Underlying operating surplus	2,313	3,628

The depreciation charge includes £Nil (2015: £581,000) in respect of impairment of buildings at the Daventry campus.

Total comprehensive income of (£1,960,000) (2015: (£246,000)) is after charging actuarial adjustments in the respect of pension schemes and other provisions of £2,576,000 (2015: £1,100,000).

The College has accumulated reserves of £6,439,000 (2015: £8,399,000) and short term investments and bank and cash balances of £10,867,000 (2015: £8,958,000).

Fixed asset additions during the year amounted to £7,313,000 (2015: £582,000) of which £7,169,000 related to the new Daventry campus. Students moved into the new building in November 2016.

The College has significant reliance on education sector funding bodies, largely from recurrent grants. In 2015/16 the funding bodies provided approximately 82% (2015 86%) of the College's total income.

Treasury policies and objectives

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

The College has a separate treasury management policy in place.

Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. Such arrangements are restricted by limits in the College's Financial Memorandum previously agreed with the Skills

Funding Agency. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

Cash flows and liquidity

The operating cash inflow from operating activities was £3,214,000 in the year (2015: £3,676,000).

The net cash outflow of £106,000 resulted from expenditure on the new Daventry campus, the receipt of capital grants in respect of the new Daventry campus and the management of other resources.

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 cash flow. During the year this margin was comfortably exceeded.

Reserves Policy

The College has no formal Reserves Policy, but recognises the importance of reserves in the financial stability of an organisation, whilst ensuring that adequate resources are provided for the College's core business. The College currently holds no designated or restricted reserves. At the balance sheet date, the Income and Expenditure account reserve stands at a deficit of £2,408,000 (2015: deficit £742,000). This is after a pension deficit of £15,220,000 (2015: deficit £11,944,000). It is the Corporation's intention to generate annual operating surpluses over the life of the Strategic Plan to offset the deficit in respect of pension schemes.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2015/16 the College has delivered activity that has produced £21,003,000 (2015: £22,232,000) in funding body recurrent allocations.

The College had 7,836 funded and 1,381 non-funded students (2015: 8,156 funded and 1,503 non-funded students).

Student achievements

Students continue to prosper and to achieve at the College. Overall, pass rates have increased in each of the last six years.

Pass rates rose again in 2015/16 from 2014/15 from 86.6% to 88.5% (compared to the National Benchmark of 83.6%).

Curriculum developments

The College has a regional reputation for curriculum innovation and change. It has introduced new courses in many areas of the curriculum in order to meet student needs. A particular strength is in making students ready for the next stage in their lives.

The development of Foundation Learning exemplifies the College aim to engage with students who might otherwise have become NEET or whose educational need may not otherwise have been met.

Courses have been designed to ensure that students are able to move securely into the labour market.

The College retains a developing HE offer, largely through a number of HNDs and with initial teacher training programmes.

The College is helping students move into work through the development of its Apprenticeship programme. In 2015/16 the College had 1,024 Apprentices in learning (2014/15: 834).

The College has invested in the delivery of Maths and English to all its Full Time students. In 2015/16 1,035 students took GCSE Maths (2014/15: 513) and 1,070 students took GCSE English (2014/15: 574).

Other courses prepare students for university. These include:

- A level Study
- Vocational Diplomas at level 3
- Advanced Apprenticeships

The College has consolidated its new Curriculum structure and continues to improve student outcomes through rigorous target setting with students and regular monitoring of progress at individual, course, section and school levels.

Events after the end of the reporting period

In September 2016, the College completed the sale of the first phase of surplus land at Daventry, generating sales proceeds of £1.825 million.

Future developments

The College has been allocated EFA/SFA recurrent funding income totalling £22,000,000 for 2016/17, subject to meeting each of the targets across the funding streams:

- 16-18 students
- 16-18 Apprenticeships
- Adult Skills Budget
- 19+ Apprenticeships

In addition, the College has received a facility of £799,000 for 19+ Advanced Learning Loans.

Following a major staffing restructure in 2013/14 and further staffing reductions in 2014/15, the College has consolidated its robust financial position in 2015/16. Costs, particularly staff costs are closely controlled and action immediately taken to ensure the College cost base remains appropriate for its level of income. The College has developed its planning and monitoring processes to ensure that it continues to be efficient and capable of maintaining activity at optimum levels commensurate with levels of funding. Alongside this activity, the College is continuing to explore ways of diversifying funding and extending operations.

The College continues to play a full role in strategic partnerships across the County, with representation on Northamptonshire Enterprise Partnership and South East Midlands Local Enterprise Partnership committees. The College continues its close collaboration with Tresham College of Further & Higher Education and Moulton College in the Federation of Northamptonshire Colleges, which is:

> "…an unincorporated association of Colleges located in Northamptonshire incorporated under the F&HE Act 1992 or the Education Reform Act 1988 working together to develop and promote access to education, training and development opportunities. It exists to present a united front representing the interests of FE in Northamptonshire when working with other bodies."

The College has developed a Higher Education strategy and is a key partner of the University of Northampton in its Partnership Strategic Forum.

The College places great emphasis on improving the quality of its learning delivery and in improving leadership and management. Ofsted recorded a judgement of 'Good' for overall effectiveness as the outcome of its full inspection of the College in February 2013. The whole-college inspection judged that success rates were high in the majority of subjects, that teaching and learning was good, and that college resources were of a very high quality.

The College has judged itself Good in its latest Self Assessment Report and has re-asserted its aspiration to be judged "Good with outstanding features" at its next full Ofsted Inspection which it anticipates will take place during 2016.

RESOURCES:

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

Tangible resources include the main College site on 22 acres at Booth Lane Northampton (a new £86 million building), the town centre campus at Lower Mounts and a new £13 million building on the 22 acre site at Daventry. Part of the Daventry site will be sold in 2016/17.

Financial
The College has £6.4 million of net assets (including a £15.2 million pension liability) and long term debt of £8.3 million (2015: £8.4 million of net assets after a £11.9 million pension liability and £8.5 million of long term debt).

People
During 2015-16, the College employed 489 people (expressed as full time equivalents) of whom 193 (39%) were teaching staff.

Reputation
The College has a good reputation locally and nationally, substantially improved by the last full Ofsted Inspection judgement of "Good". The College's Self Assessment Report confirms that the College judges itself, against a range of criteria to remain at Level 2. Maintaining a quality brand is essential for the College's success at attracting students and external relationships.

PRINCIPAL RISKS AND UNCERTAINTIES:

The College has during the year developed and enhanced its Business Planning and Monitoring and Risk Management processes. These have greatly enhanced the level of internal control, which has increased the protection of the College's assets and reputation.

Based on the strategic plan, the Risk Management Group (which consists of senior managers from across the College) undertakes a comprehensive and regular review of the risks to which the College is exposed. They identify systems and procedures, including specific actions to mitigate any potential impact on the College. These internal controls are then implemented and their impact is assessed by review of Key Performance Indicators.

In addition to the annual review, the Risk Management Group will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

A Strategic and Corporate Risk Register is maintained which is reviewed by the Audit Committee at each of its meetings. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system. This is supported by a risk management training programme to raise awareness of risk throughout the College.

Outlined below is a description of the key Strategic Risks which the College faces and the actions which will be taken to mitigate these risks. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

1. The College fails to manage its finances failing to deliver its target operating surplus
    - Regular budgetary monitoring and close control of resources
2. Students not achieving their required learning outcomes
    - Rigorous target setting and regular monitoring to drive up results
3. Failure to recruit target student numbers
    - Excellent IAG, developing reputation and marketing activity
4. Failure to respond to changing demands of stakeholders – students, employers, community and funders
    - Close liaison with LEP and local employers
5. Structure fails to meet business needs
    - Responsive performance management system in place
6. Fail to achieve value for money due to inefficient procurement
    - Robust purchasing procedures, central procurement and use of contracts and consortia
7. Failure to deliver appropriate Study Programmes, particularly Maths & English, Work Experience and Tutorial
    - Robust business planning and regular monitoring of curriculum
8. Health & Safety Issues not properly identified and addressed
    - H&S reps across college, Annual H&S audit, regular reporting
9. Safeguarding and PREVENT Processes are not effective
    - Mandatory training and DBS checking of all staff, robust strategies and tutorial programme for students
10. College fails to promote Equality and Diversity effectively
    - Manadtory training for all staff and E&D embedded through curriculum
11. Area Reviews
    - Commissioning of Strategic Prospects Appraisal and close liaison with other Colleges and SEMLEP

STAKEHOLDER RELATIONSHIPS

In line with other Colleges and with Universities, Northampton College has many stakeholders. These include:

- Students;
- Education sector funding bodies;
- Staff;
- Local employers;
- Local Authorities;
- Local Enterprise Partnerships;
- The local community;
- Other FE institutions;
- Trade unions;
- Professional bodies;
- Sector Skills Councils;
- Governors; and
- Local schools

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

Equal opportunities and employment of disabled persons

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

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

The College is a 'Positive about Disabled' employer and has committed to the principles and objectives of the Positive about Disabled Standard. The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues.

The College's policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non-disabled employees. An Equalities Plan is published each year and monitored by managers and governors.

Disability statement

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

(a) As part of the redevelopment of the buildings, the College has installed lifts and ramps so that now most of the facilities allow access to people with a disability. In new buildings all areas are accessible.
(b) There is a list of specialist equipment, such as audio facilities, computer applications and assistive technologies, which the College can make available for use by students.
(c) 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.
(d) The College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of Additional Learning Support Assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
(e) Specialist programmes are described in programme information guides, and achievements and destinations are recorded and published in the standard College format.
(f) Counselling and welfare services are described on the College Website and in course directories/College Student Guides – these are issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

Disclosure of information to auditors

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

Approved by order of the members of the Corporation on 6th December 2016 and signed on its behalf by:

Dr G Schofield
Chair of Board of Governors

Statement of Corporate Governance and Internal Control

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

The College endeavours to conduct its business:

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

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

In the opinion of the Governors, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2016. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of the Code Of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted in November 2015.

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

Statement of Corporate Governance and Internal Control (continued)

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.

	Date of Appointment (Original Appointment)	Term of Office	Date of Resignation	Status of appointment (External unless otherwise stated)	Corporation meeting attendance in 2015/16	Committees Served up to 31 July 2016	Committees Served Since 1 August 2016
Mrs PM Brennan-Barrett	01/09/2013	N/A		Accounting Officer	7/7	1, 3, 4	1, 4, 5
Mr P Hilton	1/08/2016 (07/11/2012)	Until 31/07/2020			7/7	2, 3	1, 2, 3, 4
Ms A Mochan	01/09/2010	4 years	03/08/2015		0/0		
Mr R Morris	1/8/2013 (01/09/2000)	Until 31/7/2017			5/7	1*, 2*, 4	3, 4
Dr G Schofield	1/8/2015 (27/07/2011)	Until 31/07/2019		Chair	5/7	3	2*, 4
Ms T Branson	10/10/2013	Until 31/07/2017			4/7	1	1*
Ms E Buttler	25/09/2014	Until 31/07/2018			6/7	4	5*
Mr M Hall	25/09/2014	Until 31/07/2018			6/7		2, 3*, 4
Mr R Davey	25/09/2014	Until 31/07/2018			5/7	4	4
Mr D Smith	1/08/2016 (12/5/2015)	Until 31/07/2020			5/7		1,5
Mr M James	10/12/2014	Until 31/07/2018		Staff	6/7		
Ms J Harley	10/11/2015	Until 09/11/2019			3/5		5
Mr W Chalker	14/06/2016	Until 31/07/2017		Co-opted	2/2		3
Miss L Wright	01/08/2016	Until 31/07/2017		Student	1/2		
Miss E Boakye	01/08/2015	Until 31/07/2016		Student	3/7		
Miss E Cornhill	26/04/2016	Until 31/07/2017		Student	1/2		
Mrs J Brasier has acted as Clerk to the Corporation since 1 August 2015.							

Key to committee (* = Committee Chairman)

1 Governance
2 Remuneration
3 Audit
4 Task and Finish (Area Review)
5 Quality, Teaching, Learning and Assessment

Statement of Corporate Governance and Internal Control (continued)

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 operates an approved schedule of regular meetings.

In addition to the seven main Corporation meetings held during 2015/16, 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 Search and Governance, Remuneration, Audit, Task and Finish (Daventry) and Quality, Teaching, Learning and Assessment. Full minutes of all Corporation meetings, except those deemed to be confidential by the Corporation, are available on the College's website at www.northamptoncollege.ac.uk or from the Clerk to the Corporation at:

Northampton College
Booth Lane
Northampton
NN3 3RF

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 also provided on an ad hoc basis.

The Corporation has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Corporation considers that each of its non-executive members is independent of management and free from any business or other 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 Chairman 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 governance committee which is comprised of three independent members and the Accounting Officer, 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, and may seek re-appointment for further periods.

Statement of Corporate Governance and Internal Control (continued)

Remuneration Committee

Throughout the year ending 31 July 2016, the College's Remuneration Committee comprised three independent members of the Corporation. The Corporation has delegated to the Committee, which met once during the year, the responsibility to determine the remuneration and benefits of the Accounting Officer, and the Clerk to the Corporation.

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

Audit Committee

The Audit Committee comprises three members of the Corporation (excluding the Chairman of the Corporation and Accounting Officer) and one co-opted member. The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee met three times during 2015/16 and provides a forum for reporting by the College's internal, regularity and financial statements auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the main FE funding bodies as they affect the College's business.

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

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

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

Internal control

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

The Corporation has delegated the day-to-day responsibility to the 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 she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between Northampton College and the funding bodies. She is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

Statement of Corporate Governance and Internal Control (continued)

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 Northampton 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 year ended 31 July 2016 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

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

- comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the governing body
- regular reviews by the governing body of periodic and annual financial reports which indicate financial performance against forecasts
- setting targets to measure financial and other performance
- clearly defined capital investment control guidelines
- the adoption of formal project management disciplines, where appropriate.

Northampton 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 a 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. Their review of the effectiveness of the system of internal control is informed by:

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

Statement of Corporate Governance and Internal Control (continued)

The Accounting Officer has been advised on the implications of the result of 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 management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit 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 6th December 2016 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2016 by considering documentation from the senior management 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, 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.

The College's three year forecasts and financial projections indicate that it has adequate resources and can continue to operate within the existing borrowing facilities and covenants for the period to 31 July 2019.

Approved by order of the members of the Corporation on 6th December 2016 and signed on its behalf by:

Dr G Schofield
Chair of Board of Governors

P M Brennan-Barrett
Accounting Officer

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

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

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

We further 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.

Dr G Schofield
Chair of Board of Governors

P M Brennan-Barrett
Accounting Officer

Statement of Responsibilities of the Members of the Corporation

The members of the Corporation (who act as trustees for the charitable activities of the College) are required to present audited financial statements for each financial year.

The law applicable to charities in England and the terms and conditions of the Financial Memorandum between the Skills Funding Agency and the Corporation of the College, requires the corporation of the college to prepare financial statements and the Report of the Governing Body for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions the annual Accounts Direction issued jointly by the Skills Funding Agency and the Education Funding Agency, and applicable United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and which give a true and fair view of the state of affairs of the College and of the College's surplus/deficit of income over expenditure for that period.

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 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 Charities Act 2011 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 funds from the Skills Funding Agency are used only in accordance with the authorities that govern them as defined by and in accordance with Further & Higher Education Act 1992, subsequent legislation and related regulations and the Financial Memorandum with the Skills Funding Agency and any other conditions that may be prescribed from time to time.

Approved by order of the members of the Corporation on 6th December 2016 and signed on its behalf by:

Dr G Schofield
Chair of Board of Governors

Independent Auditors' Report to the Corporation of Northampton College

We have audited the College financial statements ("the Financial Statements") set out on pages 23 to 50. The financial reporting framework that has been applied in their preparation is United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" as set out in our engagement letter.

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

Respective Responsibilities of the Corporation of Northampton College and Auditor
As explained more fully in the Statement of the Corporation's Responsibilities set out on page 19, 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 the terms of our engagement letter, Joint Audit Code of Practice issued by the Skills Funding Agency and Education Funding Agency and International Standards on Auditing (UK and Ireland). The International Standards on Auditing (UK and Ireland) require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at http://www.frc.org.uk/auditscopeukprivate

Opinion on financial statements
In our opinion the Financial Statements:
- give a true and fair view of the state of the College's affairs as at 31 July 2016 and of the College's surplus of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Joint Audit Code of Practice issued jointly by the Skills Funding Agency and the Education Funding Agency requires us to report to you if, in our opinion:
- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations required for our audit.

RSM UK AUDIT LLP
Chartered Accountants
St Philips Point
Temple Row
Birmingham
B2 5AF

Date

Independent Reporting Accountant's Report on regularity to the Corporation of Northampton College and the Secretary of State for Education acting through the Skills Funding Agency

In accordance with the terms of our engagement letter and further to the requirements of the financial memorandum with Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Northampton College during the period 1 August 2015 to 31 July 2016 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

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

Respective responsibilities of Northampton College and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Joint Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2015 to 31 July 2016 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

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.

Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities including high level financial control areas where we identified areas where a material irregularity is likely to arise. We undertook detailed testing, based on our identification of the areas where a material irregularity is likely to arise where such areas are in respect of controls, policies and procedures that apply to classes of transactions. This work was integrated with our audit on the financial statements to the extent evidence from the conduct of that audit supports the regularity conclusion.

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2015 to 31 July 2016 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

RSM UK AUDIT LLP
Chartered Accountants
St Philips Point
Temple Row
Birmingham
B2 5AF

Date

Statement of Comprehensive Income

	Notes	2016 £'000	Restated 2015 £'000
INCOME			
Funding body grants	2	24,139	25,674
Tuition fees and education contracts	3	2,086	2,034
Other income	4	2,752	2,273
Investment income	5	60	38
Total income		**29,037**	**30,019**
EXPENDITURE			
Staff costs	6	17,010	16,878
Other operating expenses	7	6,633	6,897
Depreciation and impairment	10 and 11	3,839	4,460
Interest and other finance costs	8	943	933
Total expenditure		**28,425**	**29,168**
Surplus before other gains and losses		**612**	**851**
Surplus on disposal of assets		4	3
Surplus before tax		**616**	**854**
Taxation	9	-	-
Surplus for the year		**616**	**854**
Actuarial loss in respect of pension schemes	24	(2,576)	(1,095)
Actuarial loss in respect of other provisions		-	(5)
Total Comprehensive Income for the year		**(1,960)**	**(246)**
Represented by:			
Unrestricted comprehensive income for the year		**(1,960)**	**(246)**

Statement of Changes in Reserves

For the year ended 31 July 2016

	Income and expenditure account £'000	Revaluation reserve £'000	Total £'000
Restated Balance at 1st August 2014	(1,368)	10,013	8,645
Surplus for the year	854	-	854
Other comprehensive income	(1,100)	-	(1,100)
Transfers between revaluation and income and expenditure reserves	872	(872)	-
Total comprehensive income for the year	626	(872)	(246)
Balance at 31st July 2015	**(742)**	**9,141**	**8,399**
Surplus for the year	616	-	616
Other comprehensive income	(2,576)	-	(2,576)
Transfers between revaluation and income and expenditure reserves	294	(294)	-
Total comprehensive income for the year	(1,666)	(294)	(1,960)
Balance at 31st July 2016	**(2,408)**	**8,847**	**6,439**

Balance sheet as at 31 July

	Notes	2016 £'000	2015 £'000
Fixed assets			
Tangible Fixed assets	10	85,552	82,038
Intangible Fixed assets	11	231	102
		85,783	**82,140**
Current assets			
Debtors	12	1,309	1,181
Investments	13	2,017	2
Cash at bank and in hand	20	8,850	8,956
		12,176	10,139
Less: Creditors - amounts falling due within one year	14	(10,546)	(8,229)
Net current assets		**1,630**	**1,910**
Total assets less current liabilities		**87,413**	**84,050**
Creditors - amounts falling due after more than one year	15	(65,696)	(63,646)
Provisions			
Defined benefit obligations	17	(15,220)	(11,944)
Other provisions	17	(58)	(61)
Total net assets		**6,439**	**8,399**
Unrestricted Reserves			
Income and expenditure account (including pension deficit of £15,220k - 2015: £11,944k)		(2,408)	(742)
Revaluation reserve		8,847	9,141
Total reserves		**6,439**	**8,399**

The financial statements on pages 23 to 50 were approved and authorised for issue by the Corporation on 6th December 2016 and were signed on its behalf on that date by:

Dr G Schofield
Chair of Board of Governors

P M Brennan-Barrett
Accounting Officer

Statement of Cash Flows

	Notes	2016 £'000	2015 £'000
Operating activities			
Net cash from operating activities	19	3,214	3,676
Investing activities			
Proceeds from sale of fixed assets		4	3
Investment income		60	38
New deposits		(2,015)	-
Capital grants received		7,679	1,420
Payments made to acquire fixed assets		(7,482)	(582)
		(1,754)	879
Financing activities			
Interest paid		(507)	(516)
New unsecured loans		50	262
Repayments of amounts borrowed		(1,109)	(328)
		(1,566)	(582)
(Decrease)/increase in cash and cash equivalents in the year		**(106)**	**3,973**
Cash and cash equivalents at the beginning of the year		8,956	4,983
Cash and cash equivalents at the end of the year	20	**8,850**	**8,956**

Notes to the Accounts

1 Accounting Policies

General information

Northampton College is a corporation established under the Further and Higher Education Act 1992 as an English general college of further education. The address of the College's principal place of business is given on page 14. The nature of the College's operations are set out in the Members' Report.

Basis of accounting

Basis of accounting

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) under the historical cost convention modified to include the revaluation of freehold land. The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently applied to all the years presented, unless otherwise stated. Details of the transition to FRS 102 are disclosed in note 27.

These financial statements are the first financial statements of Northampton College prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102). The financial statements of Northampton College for the year ended 31 July 2015 were prepared in accordance with previous UK GAAP. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Comparative figures have been restated to reflect the adjustments made, except to the extent that the College has taken advantage of exemptions to retrospective application of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS'. Adjustments are recognised directly in reserves at the transition date.

The financial statements are presented in sterling which is also the functional currency of the College.

Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

Basis of Consolidation

The financial statements are in respect of the College.

In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. 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 Member's Report. The financial position of the College, its cash flow, liquidity and borrowings are described in the Financial Statements and accompanying notes.

The College had £8.6M (2015: £9.7M) of loans outstanding with bankers at July 2016 on terms negotiated in 2008. The borrowing facility at 31 July 2016 is £10.0M.

The terms of the existing agreement are for up to another 13 years to 2029, with a further extension of 5 years to 2034 available.

Notes to the accounts (continued)

1 Accounting Policies (continued)

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

Recognition of Income

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under 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 and is recognised when receivable.

Grants from non-government sources, including grants relating to assets, 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 for assets other than land 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. The deferred income is allocated between creditors due within one year and those due after more than one year. 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.

Income from the supply of services is recognised at fair value of the consideration received or receivable and represents the value of services to the extent there is a right to consideration.

Accounting for post-retirement benefits

Retirement benefits to employees of the College are provided by The Teachers' Pension Scheme (TPS) and Local Government Scheme (LGPS). These are multi-employer defined benefit plans.

The TPS is an unfunded scheme and contributions 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 the Government Actuary on the basis of valuations using a projected unit method.

The TPS is a multi-employer scheme but sufficient information is not available to use defined benefit accounting and therefore it is accounted for as a defined contribution scheme, with the amount charged to the statement of comprehensive income being the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

The LGPS is a funded scheme, and the assets of the scheme are held separately. Pension schemes are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

Notes to the accounts (continued)

1 Accounting Policies (continued)

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. The net interest cost on the net defined benefit liability/asset is charged to comprehensive income and included within finance costs.

Re-measurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts include in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

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.

Enhanced Pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by a college annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the College's income in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the funding bodies.

Tangible Fixed Assets

Freehold land is stated in the balance sheet at Fair Value Existing Use Value at 1 August 2014.

Other tangible fixed assets are are stated in the balance sheet at cost or deemed cost, less accumulated depreciation and accumulated impairment losses. Buildings inherited from the Local Education Authority have been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

On adoption of FRS 102, the College followed the transitional provision to retain the book value of buildings, which were revalued in 1993, as deemed cost 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, less any identified impairment loss, based on the value of architects' certificates and other direct costs, incurred to 31 July. They are not depreciated until they are brought into use.

Equipment

Expenditure costing less than £1,000 per individual item is written off to the income and expenditure account in the period of acquisition. Equipment inherited from the local education authority is included in the balance sheet at valuation, which is based on its original cost less depreciation on a basis consistent with assets purchased after incorporation. All other equipment is capitalised and recognised at cost less accumulated depreciation and accumulated impairment losses.

Depreciation and residual values

Freehold land is not depreciated. Depreciation on other assets is calculated, using the straight line basis, to write off the cost of each asset to its estimated residual value over its expected useful lives as follows:

Notes to the accounts (continued)

1 Accounting Policies (continued)

Freehold buildings	between 10 and 50 years
Major adaptations to buildings	between 10 and 50 years
Leasehold land and buildings	the shorter of the duration of the lease and 50 years
Computer equipment	3 years
Vehicles	4 years
Tools, equipment and furniture	between 5 and 10 years
Fixtures and fittings	10 years
Mechanical and electrical plant	15 years

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life. Subsequent costs, including replacement parts, are only capitalised when it is probable that such costs will generate future economic benefits. Any replaced parts are then derecognised. All other costs of repairs and maintenance are expenses as incurred.

Intangible assets

Intangible assets are initially recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised to profit or loss on a straight-line basis over their useful lives, and for purchased computer software this is 5 years.

Impairments of fixed assets

An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, an estimate is made of the recoverable amount of the asset.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use, are recognised as impairment losses. Impairment of revalued assets, are treated as a revaluation loss. All other impairment losses are recognised in comprehensive income.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in comprehensive income or, for revalued assets, as a revaluation gain. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

Borrowing costs

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

Leased Assets

Finance leased assets

Leasing agreements which transfer to the College substantially all the benefits and risks and rewards incidental to 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 as determined at inception of the lease. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Notes to the accounts (continued)

1 Accounting Policies (continued)

Assets are depreciated over the shorter of the lease term and the estimated useful economic life of the asset and assessed for impairment losses in the same way as owned assets.

Operating leases

All other leases are operating leases and annual rents are charged to comprehensive income on a straight line basis over the lease term.

Investments

Current asset investments are included in the balance sheet at cost less impairment.

Cash and cash equivalents

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

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

Financial liabilities and equity

The College has chosen to adopt Sections 11 and 12 of FRS 102 in full in respect of financial instruments.

Financial assets and liabilities

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

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 financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets measured at fair value through the profit or loss, which are initially measure at fair value (which is normally the transaction price excluding transaction costs), unless arrangement constitutes a financing transaction. A financial asset or financial liability that is payable or receivable in one year is measured at the undiscounted amount expected to be received or paid net of impairment, unless it is a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and financial liabilities are offset only when there is a current legally enforceable right to set off the recognised amounts and the intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

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.

Notes to the accounts (continued)

1 Accounting Policies (continued)

The College is partially exempt in respect of Value Added Tax, so that it can only recover around 2% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

Provisions 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. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in note 26, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant. The College employs one member of staff dedicated to the administration of Learner Support Fund applications and payments.

Critical accounting judgements and estimation uncertainty

Critical area of judgement

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

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

Critical accounting estimates and assumptions

- *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.

Notes to the accounts (continued)

1 Accounting Policies (continued)

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate.

Any changes in these assumptions, which are disclosed in note 24, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 July 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Notes to the accounts (continued)

2 Funding body grants

	2016 £'000	2015 £'000
Main funding bodies:		
– recurrent grant – EFA	15,741	16,181
– recurrent grants – SFA	5,262	6,051
Main funding bodies – Non-recurrent grants	471	757
Releases of deferred capital grants	2,665	2,685
Total	**24,139**	**25,674**

The College's main funding bodies are the Education Funding Agency and the Skills Funding Agency.

The recurrent grant from funding bodies in 2016 includes £184,000 (2015: £480,000) released from a provision for repayment of funding to the Skills Funding Agency not required following the 2014/15 Adult Skills Budget reconciliation and an additional allocation of £125,000 (2015: £82,000) for 16-18 Apprenticeships.

3 Tuition fees and education contracts

	2016 £'000	2015 £'000
Tuition fees	1,527	1,601
Education contracts	559	433
Total	**2,086**	**2,034**

4 Other income

	2016 £'000	2015 £'000
Catering	833	848
Other grant income	1,447	923
Non–government capital grants	31	41
Miscellaneous income	441	461
Total	**2,752**	**2,273**

5 Investment income

	2016 £'000	2015 £'000
Income from bank deposits	**60**	**38**

Notes to the accounts (continued)

6 Staff costs and key management personnel remuneration

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

	2016 Number	2015 Number
Teaching staff	193	220
Non-teaching staff	296	315
	489	**535**

Staff costs for the above persons:

	2016 £'000	2015 £'000
Wages and salaries	13,448	13,584
Social security costs	941	815
Other pension costs	2,354	1,977
Payroll sub-total	16,743	16,376
Contracted out staffing services	209	197
	16,952	16,573
Staff restructuring costs – non-contractual	58	305
Total staff costs	**17,010**	**16,878**

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College's Executive Management Team which comprises the Principal, Deputy Principal – Teaching, Learning and Success and the Director of Finance and Corporate Affairs. 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 Number	2015 Number
The number of key management personnel including the Accounting Officer was:	**3**	**4**

Notes to the accounts (continued)

6 Staff costs and key management personnel remuneration (continued)

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

	Key management personnel		Other staff	
	2016	**2015**	**2016**	**2015**
	No.	**No.**	**No.**	**No.**
£60,001 to £70,000	-	-	1	-
£80,001 to £90,000	2	3	-	-
£130,001 to £140,000	1	1	-	-
	3	**4**	**1**	**-**

Key management personnel (including the Accounting Officer) total compensation is made up as follows:

	2016	**2015**
	£'000	**£'000**
Salaries	305	280
National insurance	37	34
	342	314
Pension contributions	53	44
Total emoluments	**395**	**358**

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

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

	2016	**2015**
	£'000	**£'000**
Salaries	133	131
National insurance	16	18
	149	149
Pension contributions	22	18
Total emoluments	**171**	**167**

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

Governors' remuneration

The Accounting Officer and the staff member only receive remuneration in respect of services they provide undertaking their roles of Principal and staff members under contracts of employment and not in respect of their roles as governors. The other members of the Corporation did not receive any payments from the college in respect of their roles as governors.

Notes to the accounts (continued)

6 Staff costs and key management personnel remuneration (continued)

The total expenses paid to or on behalf of the Governors during the year was £2,963; 2 governors (2015: £2,276; 4 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and other events in their official capacity.

7 Other operating expenses

	2016 £'000	2015 £'000
Teaching costs	1,850	1,675
Non-teaching costs	2,926	2,767
Premises costs	1,857	2,455
Total	**6,633**	**6,897**

	2016 £'000	2015 £'000
The surplus before taxation is stated after charging / (crediting):		
Other operating expenses include:		
Auditor's remuneration:		
Financial statements audit	27	25
Internal audit	23	12
Hire of assets under operating leases	66	64
Surplus on disposal of tangible fixed assets	(4)	(3)

8 Interest and other finance costs

	2016 £'000	2015 £'000
On bank loans, overdrafts and other loans	507	516
Interest on provisions (note 16)	2	2
Net interest on defined pension liability (note 22)	434	415
Total	**943**	**933**

9 Taxation

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

Notes to the accounts (continued)

10 Tangible fixed assets

	Land and Buildings		Equipment	Assets in the course of construction	Total
	Freehold	Short leasehold			
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2015	80,330	51	27,705	-	108,086
Additions	-	-	144	7,169	7,313
Disposals	-	-	(202)	-	(202)
At 31 July 2016	80,330	51	27,647	7,169	115,197
Depreciation					
At 1 August 2015	14,771	11	11,266	-	26,048
Charge for the year	1,853	1	1,945	-	3,799
Elimination in respect of disposals	-	-	(202)	-	(202)
At 31 July 2016	16,624	12	13,009	-	29,645
Net book value at 31 July 2016	**63,706**	**39**	**14,638**	**7,169**	**85,552**
Net book value at 31 July 2015	65,559	40	16,439	-	82,038

11 Intangible fixed assets

	Software	Total
	£'000	£'000
Cost		
At 1 August 2015	110	110
Additions	169	169
At 31 July 2016	279	279
Amortisation		
At 1 August 2015	8	8
Charge for the year	40	40
At 31 July 2016	48	48
Net book value at 31 July 2016	**231**	**231**
Net book value at 31 July 2015	102	102

Notes to the accounts (continued)

12 Debtors

	2016 £'000	2015 £'000
Amounts falling due within one year:		
Trade debtors	343	270
Prepayments and accrued income	538	464
Amounts owed by the Skills Funding Agency	178	106
Amounts owed by other funding bodies	250	341
Total	**1,309**	**1,181**

Prepayments includes £74,000 (2015: £95,000) in respect of a five year hardware maintenance contract of which £52,000 (2015: 74,000) will be released after more than twelve months.

13 Current investments

	2016 £'000	2015 £'000
Short term deposits	**2,017**	**2**

Deposits are held with banks operating in the London market and licensed by the Financial Conduct Authority with more than three months maturity at the balance sheet date. The interest rates for these deposits are fixed for the duration of the deposit at time of placement.

14 Creditors: Amounts falling due within one year

	2016 £'000	2015 £'000
Bank loans	322	968
Other loans	18	167
Trade creditors	1,972	898
Retentions on building contracts	238	86
Other taxation and social security	338	312
Accruals and deferred income	1,187	1,060
Deferred Income	3,580	1,655
Deferred income – government grants (capital)	2,805	2,726
Amounts owed to the Skills Funding Agency	86	357
Total	**10,546**	**8,229**

Notes to the accounts (continued)

15 Creditors: Amounts falling due after more than one year

	2016 £'000	2015 £'000
Bank loans	8,242	8,526
Other loans	35	15
Deferred income – government grants (capital)	57,419	55,105
Total	**65,696**	**63,646**

16 Maturity of debt

	2016 £'000	2015 £'000
Loans are repayable as follows:		
Bank loans:		
In one year or less	322	968
Between one and two years	301	284
Between two and five years	7,941	8,242
	8,564	9,494
Other loans:		
In one year or less	18	167
Between one and two years	35	15
	53	182
	8,617	**9,676**

Summary of bank loans at 31 July 2016:

Lender	Final repayment date	Type	Interest rate	Due within one year £'000	Due in more than one year £'000
Lloyds Bank Plc	2019	Term loan	Fixed – 6.295%	189	4,575
Lloyds Bank Plc	2019	Term loan	Fixed – 5.285%	33	912
Lloyds Bank Plc	2019	Term loan	Fixed – 3.60%	130	2,806
Lloyds Bank Plc	2019	Arrangement fee		(30)	(51)
				322	**8,242**

Notes to the accounts (continued)

16 Maturity of debt (continued)

Summary of other loans

Lender	Final repayment date	Type	Interest rate	Due within one year £'000	Due in more than one year £'000
Salix Finance Ltd	2019	Energy efficiency loan	Nil	5	10
Salix Finance Ltd	2019	Energy efficiency loan	Nil	13	25
				18	**35**

Loans due within one year are included in creditors in note 14 and amounts due in more than one year are included in note 15.

At 31 July 2016, the College had a loan facility with Lloyds Bank plc of £10 million (2015: £10 million), secured by a negative pledge, of which £8,645,000 (2015: £9,605,000) had been utilised.

The term loans to 2019 are repayable by instalments, including interest, of £190,419 a quarter to January 2019, with a final capital payment in April 2019.

The College has the option to extend the loans initially for up to 10 years to April 2029, with a further extension of up to 5 years to April 2034 available.

17 Provisions for liabilities

	Deferred benefit obligations £'000	Enhanced Pensions £'000	Total £'000
At 1 August 2015	11,944	61	12,005
Amounts utilised	(1,148)	(5)	(1,153)
Additions in the period	4,424	2	4,426
At 31 July 2016	**15,220**	**58**	**15,278**

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

The enhanced pension provision relates to the cost of staff who have already left the College's employment. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:

	2016	2015
Price inflation	3.74%	3.74%
Discount rate	2.50%	2.50%

Notes to the accounts (continued)

18 Financial Instruments

The College has the following financial instruments:

	2016 £'000	2015 £'000
Financial assets		
Debt instruments measured at amortised cost	**799**	**717**
Financial liabilities		
Financial liabilities measured at amortised cost	**15,540**	**13,538**

19 Notes to the statement of cashflows

	2016 £'000	2015 £'000
Surplus after tax for the year	616	854
Adjustment for:		
Depreciation	3,839	4,460
Capital grants released	(3,285)	(2,726)
Investment income	(60)	(38)
Interest payable	507	516
Surplus on sale of fixed assets	(4)	(3)
(Decrease) in provisions	(3)	(4)
Pension costs less contributions payable	700	565
	2,310	3,624
(Increase) in debtors	(128)	(234)
Increase in creditors due within one year	1,032	286
Cash generated from operations	**3,214**	**3,676**

20 Cash and cash equivalents

	2016 £'000	2015 £'000
Cash at bank and in hand	**8,850**	**8,956**

Notes to the accounts (continued)

21 Capital commitments

	2016 £'000	2015 £'000
Contracts for future capital expenditure not provided	5,041	107

22 Lease obligations

The total future minimum lease payments under non-cancellable operating leases are as follows:

	Other assets	
	2016 £'000	**2015 £'000**
Payment due		
Not later than one year	58	61
Later than one year and not later than five years	4	65
	62	**126**

23 Events after the reporting period

A contract for the sale of 4.84 Ha of surplus land at the Daventry campus for net proceeds of £7.5 million was signed in March 2016. The College received £1.825M following completion and release of phase 1 land on 30 September 2016 . Completion and transfer of phase 2 land is expected to take place in April 2017.

Notes to the accounts (continued)

24 Retirement benefits

The College's employees belong to two principal post-employment befefit 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 Northamptonshire County Council. Both are multi-employer defined-benefit plans.

Total pension cost for the year

		2016		**2015**
		£'000		**£'000**
Teachers' Pension Scheme: contributions paid		948		833
Local Government Pension Scheme:				
Contributions paid				
- Normal contributions	1,148		994	
- FRS102 (28) charge	266		150	
Charge to Statement of Comprehensive Income		1,414		1,144
Total pension cost for the year within staff costs		**2,362**		**1,977**

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 £240,000 (2015: £224,000) were payable to the schemes at 31 July and are included within creditors.

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership.

Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer.

Valuation of the Teachers' Pension Scheme

Not less than every four years the Government Actuary ("GA"), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors.

Notes to the accounts (continued)

24 Retirement benefits (continued)

The latest actuarial valuation 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 in June 2014. The key results of the valuation and subsequent consultation are:

- Total scheme liabilities for service (pensions currently payable and the estimated cost of future benefits) of £191.5 billion
- Value of notional assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) of £176.6 billion
- Notional past service deficit of £14.9 billion
- Assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings
- Rate of real earnings growth is assumed to be 2.75%
- Assumed nominal rate of return is 5.06%

The new employer contribution rate was 14.1% until 1 September 2015, when it increased to 16.48% (including a 0.08% administration fees), with an employer cost cap of 10.9% of pensionable pay. The employer contribution rate will be payable until the next valuation as at March 2016, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The pension costs paid to TPS in the year amounted to £948,000 (2015: £833,000).

The TPS is a multi-employer pension plan and there is insufficient information to account for the scheme on as a defined benefit plan so it is accounted for as a defined contribution plan.

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Northamptonshire County Council. The total contribution made for the year ended 31 July 2016 was £1,460,000 of which employers' contributions totalled £1,148,000 and employees' contributions totalled £312,000.

The agreed contribution rates for future years are 20.5% for employers, plus an annual deficit recovery payment of £160,000 for the year ended 31 March 2017and between 5.5% and 12.5% for employees depending on salary.

Principal Actuarial Assumptions

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

	At 31 July 2016	**At 31 July 2015**
Rate of increase in salaries	3.9%	4.5%
Future pensions increases	1.9%	2.6%
Discount rate for scheme liabilities	2.4%	3.6%
Inflation assumption (CPI)	1.9%	2.9%
Commutation of pensions to lump sums		
- pre April 2008 service	50.0%	50.0%
- post April 2008 service	75.0%	75.0%

Notes to the accounts (continued)

24 Retirement benefits (continued)

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

	At 31 July 2016 Years	At 31 July 2015 years
Retiring today		
Males	22.3	22.3
Females	24.3	24.3
Retiring in 20 years		
Males	24.0	24.0
Females	26.6	26.6

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

	Fair value at 31 July 2016 £'000	Fair value at 31 July 2015 £'000
Equities	18,610	16,108
Bonds	4,652	4,027
Property	2,068	1,790
Cash	517	447
Total fair value of plan assets	**25,847**	**22,372**
Actual return on plan assets	**2,558**	**1,951**

	2016 £'000	2015 £'000
Fair value of plan assets	25,847	22,372
Present value of plan liabilities	(41,067)	(34,316)
Net pensions liability	**(15,220)**	**(11,944)**

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

	2016 £'000	2015 £'000
Amounts included in staff costs		
Current service cost	1,400	1,163
Past service cost	14	-
Total	**1,414**	**1,163**

Notes to the accounts (continued)

24 Retirement benefits (continued)

Amounts included in interest costs

	2016 £'000	2015 £'000
Interest on plan assets	822	801
Interest on pension liabilities	(1,256)	(1,216)
	(434)	**(415)**

Amount recognised in Other Comprehensive Income

	2016 £'000	2015 £'000
Return on pension plan assets	1,736	1,150
Experience losses arising on defined benefit obligations	355	195
Changes in assumptions underlying the present value of plan liabilities	(4,667)	(2,440)
Amount recognised in Other Comprehensive Income	**(2,576)**	**(1,095)**

Asset and Liability Reconciliation

	2016 £'000	2015 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	34,316	29,973
Current service cost	1,400	1,163
Interest cost	1,256	1,216
Contributions by Scheme participants	312	285
Experience losses on defined benefit obligations	(355)	(195)
Changes in financial assumptions	4,667	2,440
Estimated benefits paid	(543)	(566)
Past service cost	14	-
Defined benefit obligations at end of period	**41,067**	**34,316**
Changes in fair value of plan assets		
Fair value of plan assets at start of period	22,372	19,689
Interest on plan assets	822	801
Return on plan assets	1,736	1,150
Employer contributions	1,148	1,013
Contributions by Scheme participants	312	285
Estimated benefits paid	(543)	(566)
Fair value of plan assets at end of period	**25,847**	**22,372**

25 Related party transactions

Key management compensation disclosure is given in note 6.

Notes to the accounts (continued)

26 Amounts disbursed as agent

Discretionary support funds

	2016	**2015**
	£'000	**£'000**
Funding body grants – bursary support	685	568
Funding body grants – discretionary learner support	533	626
Funding body grants – unspent from previous years	82	51
	1,301	1,245
Disbursed to and on behalf of students	(1,144)	(1,119)
Administration costs	(40)	(44)
Balance unspent at 31 July, included in creditors	116	82

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.

27 First time adoption of 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.

Reconciliations and descriptions of the effect of the transition to FRS 102 and the 2015 FE HE SORP on:

(i) reserves at the date of transition to FRS 102 and the 2015 FE HE SORP;
(ii) reserves at the end of the comparative period;
(iii) the statement of comprehensive income for the comparative period reported under previous UK GAAP including 2007 SORP;

are given below.

Under FRS 102, the Statement of Cash Flows presents changes in cash and cash equivalents (which include cash in hand, deposits repayable on demand and overdrafts and short-term, highly liquid investments), showing changes arising from operating activities, investing activities and financing activities separately. Under previous UK GAAP, the Cash Flow Statement presented changes in cash (which includes cash in hand, deposits repayable on demand and overdrafts) under the headings of operating activities, returns on investments and servicing of finance, taxation, capital expenditure and financial investment, acquisitions and disposals, management of liquid resources, and financing.

Notes to the accounts (continued)

27 First time adoption of FRS 102 and the 2015 FE HE SORP

	Note	1st August 2014	31st July 2015
Reconciliation of College reserves		**£'000**	**£'000**
Total reserves under previous SORP		3,127	2,881
Revaluation of tangible fixed assets	(a)	5,886	5,886
Employee compensated absences accrual	(b)	(368)	(368)
Changes to measurement of net finance cost on defined benefit plans	(c)	-	-
Total effect of transition to FRS102 and 2015 FE HE SORP		5,518	5,518
Total reserves under 2015 FE HE SORP		**8,645**	**8,399**

		Year ended 31st July 2015 £'000
Reconciliation of comprehensive income		
Surplus for the year after tax under previous SORP		1,228
Changes to measurement of net finance cost on defined benefit plans	(c)	(374)
Pensions provisions – actuarial loss	(d)	(1,100)
Total effect of transition to FRS 102 and 2015 FE HE SORP		(1,474)
Total comprehensive income for the year under 2015 FE HE SORP		**(246)**

(a) Presentation of unrealised surplus on revaluation of tangible fixed assets within Total Comprehensive Income

Unrealised gains and losses on the revaluation of tangible fixed assets were previously presented in the Consolidated Statement of Total Recognised Gains and Losses, a separate statement to the Income and Expenditure account.

The College's land was revalued at 1 August 2014 at Fair Value Existing Use Value by Lambert Smith Hampton, a firm of independent chartered surveyors. On the implementation of FRS102, the opening fixed asset balances were adjusted to reflect the new land valuations. A surplus on revaluation of £5,886,000 was credited to the Revaluation Reserve. A deficit on revaluation of £106,000 charged to the Income and Expenditure account.

Notes to the accounts (continued)

27 First time adoption of FRS 102 and the 2015 FE HE SORP (continued)

(b) Recognition of short term employment benefits

No provision for short term employment benefits such as holiday pay was made under the previous UK GAAP and were instead recognised when paid. The College's annual 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 13 days unused leave for teaching staff and 12 days unused leave for non-teaching staff. Under FRS 102 the costs of short-term employee benefits are recognised as service is received.

The cost of any unused entitlement is recognised in the period in which the employee's services are received. An liability of £368,000 was recognised on transition on 1 August 2014, and at 31 August 2015. Following a re-measurement exercise in 2015/16, the movement on this provision of £52,000 has been charged to Comprehensive Income in the year ended 31 July 2016.

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

Under previous UK GAAP an expected return on defined benefit plan assets was recognised in comprehensive income. FRS 102 requires the recognition in the Statement of Comprehensive Income, of a net interest cost based on the net defined benefit liability using the discount rate applied to the defined benefit obligation. There has been no change in the defined benefit plan obligation at either 1 August 2014 or 31 July 2015. The effect of the change is to reduce the surplus for the year to 31 July 2015 by £374,000 and reduce the cost in other comprehensive income by an equivalent amount.

(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.

(e) Presentation of ageing of long term loans

As part of the re-alignments on the implementation of FRS102, the ageing of long term loans has been changed. There is no effect on the total loan balance outstanding.