WEYMOUTH
COLLEGE

Report and Financial Statements

For the year ended 31 July 2016

Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

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

Nigel Evans, Principal and CEO; Accounting officer
Ben Lane, Vice Principal Finance & Business Planning
Phil Templeton, Assistant Principal Funding & Operations
Kelly Bush, Assistant Principal Curriculum
Julia Rogerson Assistant Principal Performance & Delivery
Sarah Drew, Assistant Principal Higher Education

Board of Governors

A full list of Governors is given on pages 15 and 16 of these financial statements.

Mrs S Ratcliffe acted as Clerk to the Corporation, along with support from Mr D Williams during a period of sick leave.

Professional advisers

Financial statements auditors and reporting accountants:

Moore Stephens
30 Gay Street
Bath
BA1 2PA

Internal auditors:

TIAA
53-55 Gosport Business Centre
Aerodrome Road
Gosport
Hampshire
PO13 0FQ

Bankers:

Allied Irish Bank (GB)
20/22 Marlborough Place
Brighton
BN1 1UB

Solicitors:

Nantes
69 The Esplanade
Weymouth College
Dorset
DT4 7AA

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

Mission

The Weymouth College Corporation regularly reviews the College's mission and educational character, and the extent to which it is aligned with the wider strategic priorities of national, regional and local government, the skills needs of the local and regional business community and the individual education and training needs of the local people.

The College's mission is:

"Weymouth College will transform lives and contribute to economic and social regeneration – bringing skills and knowledge to life"

Public Benefit

Weymouth College is an exempt charity under Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the Charity, are disclosed on pages 15 and 16.

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 there are aims are for the public benefit.

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

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

Implementation of strategic plan

In July 2015 the College adopted a strategic plan for the period 1 August 2015 to 31 July 2017. This strategic plan includes property and financial plans. The Corporation monitors the performance of the College against these plans. The plans are reviewed and updated each year.

Strategic Objectives

The College's continuing strategic objectives are to:

- To drive up performance and the standard of provision through a 'high expectation, high achievement' culture.
- To achieve year-on-year growth through the development and delivery of relevant, responsive and innovative education and training.
- To drive skills development and be a vital educational, social, cultural and economic asset for the region.

- To return the College to 'Good' financial health.

Financial objectives

The 2015/16 budget was compiled in accordance with the financial objectives set out in the College's financial strategy and Finance Plan (approved October 2014). The five core priorities and progress against them is summarised below:

Priority 1: Achievement of Annual Operating Surpluses >£400,000

The College made a small deficit on operating activities of £41,000 in 2015/16, compared with a £3.3m deficit in 2013/14 and £1.76m in 2014/15. Achievement of the £400,000 target level of surpluses is planned for 2017/18 and will be attributable, in part, to a significant decrease in depreciation charges.

Priority 2: Strengthening of Cash Balances / Target 30 Cash Days in Hand

2015/16 has generated a positive cash inflow from operations of over £1m. Although £350,000 of this has been used for the first instalment of repayments to the SFA and £146,000 for capital expenditure, this has also been a small net improvement in cash balances, albeit less than the target 30 cash days in hand. At the balance sheet date, cash balances are equivalent to 15 cash days in hand.

Priority 3: Reducing Pay Costs to less than 63% of Turnover

Significant progress has been made to reduce pay costs through the curriculum efficiency review and management restructure. This objective has been met in 2015/16 – pay costs were 61% of turnover. Pay inflation is assumed to be zero until 2017/18 (when a 1% pay uplift has been included in the Finance Plan). This is followed by a planned further pay uplift in 2019/20 of 1%.

Priority 4: Reduced Reliance on EFA/SFA Funding / Target <60% of Turnover

The 2015/16 budget anticipates a modest reduction in EFA/SFA funding as a percentage of turnover. Progress towards the 60% target is slower than ideal because of the decline in a number of other income streams notably National Citizenship Service / Outdoor Academy; Hix Academy; and Step-up. EFA/SFA funding represented 68% of turnover in 2015/16, falling steadily over the duration of the Finance Plan to 63% by 2019/20.

Priority 5: Achievement of Good Financial Health

The College's automated financial health score is calculated as 'Satisfactory' in 2015/16. This is moderated to 'Inadequate' because of the BIS loan on the College's balance sheet. By 2019/20, when the BIS loan is fully repaid, the self-assessed financial health grade will be 'Good'.

Performance indicators

The College is committed to observing the importance of sector measures and indicators and uses the FE Choices data available on the GOV.UK website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the Skills Funding Agency. The College is assessed by the Skills Funding Agency as having "inadequate" financial health grading reflecting the outstanding balance on the BIS loan which will not be fully repaid until 2020. The College has also self-assessed its financial health for 2015/16 as "inadequate" notwithstanding significant improvements in its financial performance.

FINANCIAL POSITION

Financial results

The Group generated a loss before other gains and losses in the year of £41,000 (2014/15 – deficit of £1,766,000), with total comprehensive expense of £4,848,000, (2014/15 - total comprehensive expense of £1,896,000).

The Group has negative accumulated reserves of £10,063,000 and cash balances of £527,000. The Group wishes to accumulate reserves and cash balances in order to create a contingency fund.

Tangible fixed asset additions during the year amounted to £146,000. This was split between buildings improvements of £9,000 and equipment purchased of £137,000. The College has kept capital expenditure to a minimum reflecting the need to strengthen cash balances.

The Group has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2015/16 the FE funding bodies provided 68% of the Group's total income.

The College has two subsidiary companies, Weyco Services Limited and Redlands Community Sports Hub Limited. The principal activity of Weyco Services Limited is the supply of catering, cleaning and grounds maintenance services, whilst Redlands Community Sports Hub Limited operates leisure centre facilities at Cranfield Avenue (College owned) and at Redlands (leased from Weymouth & Portland Borough Council). Any surpluses generated by the subsidiaries are transferred to the College under deed of covenant. Where deficits arise the College has given undertakings to continue to provide financial support the subsidiaries as wholly-owned subsidiaries of the College. In the current year, the surpluses/deficits (before actuarial loss) generated were £41,000 (surplus) and £46,000 (deficit) for Weyco Services Limited and Redlands Community Sports Hub Limited respectively.

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 Principal. Such arrangements are restricted by limits in the College's Financial Memorandum previously agreed with the LSC and subsequently transferred to the Skills Funding Agency/Education Funding Agency. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum and College Financial Regulations.

Cash flows and liquidity

At £1,402,000 net cash inflow from operating activities was positive (2014/15: £702,000 net cash outflow).

During the year the College made the first repayment of £350,000 of the BIS loan. The College also made repayments of its AIB loans. Subsequent to year end, it was discovered that, in the 2013 financial year, underpayments were made against one of the loans and were not corrected. Discussions are on-going post year end to reschedule the loans in agreement with the bank.

The College's total borrowing relative to its turnover remains high. The College's financial strategy is governed by the need to repay in full the BIS loan by 2020. Based on the 2015/16 financial performance this objective remains on track.

Reserves

The College does not have a 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 restricted reserves. As at the balance sheet date, the Income and Expenditure account reserve, excluding the pension deficit, stands at £2,034,000 (2015: £1,440,000 - restated). It is the Corporation's intention to increase reserves over the life of the Strategic Plan, by the generation of annual operating surpluses.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2015/16 the College has delivered activity that has produced £8,695,000 in funding body main allocation funding (2014/15 – £8,676,000). The College had approximately 2551 funded and 827 non-funded students.

Student achievements

Students continue to prosper at the College. Success rates rose again in 2015/16 from 2014/15 from 86 per cent to 88 per cent.

Whilst the College's financial position has continued to be a strong focus for the Corporation during the year the College has sought to minimise the impact of cost reduction measures on the student experience and outcomes. As a result, and since September 2014, strong curriculum performance has continued to be effectively delivered and monitored with performance at very high levels.

The student retention rate on all long programmes closed the academic year 2015/16 at the very high level of 94%. Teaching, learning and assessment lesson observation grades continue to be very high, with 90% good or better, commensurate with the high retention rate. Student satisfaction continues to be very high at 87% reaching the College target. Punctuality is very high at 98%, and attendance is good at 90%, again reaching the College target.

In terms of success rates the College has performed at or higher than the national average, at all levels where there are significant numbers of students across the College, with many areas judged 'Outstanding'. This significantly high level of performance is only tempered by the success of GCSE Maths and English A-C grades which are at or around national averages.

2015/16 UCAS applications were high at 264, with 246 being offered a place, some 93% of the cohort. Of those 224 (91%) were subsequently placed. Application to Russell Group Universities were high at 66 applications, with 52% accepting a place.

The College continues to build a strong reputation regionally and nationally. It has won a number of awards and kite marks, including being awarded three AoC national Beacon Awards, Investors in Diversity (Stage 1), Sports Leaders Academy status, Investors in People, re-accreditation of matrix, as well as Investors In Careers. The most recent College AoC Beacon Award was announced in November 2016.

Curriculum developments

In order to achieve the breadth of provision that our community requires we will continue to work with partners (both regional and national) to improve the experience for our learners.

Significant provision in 14 of the 15 subject sector areas is offered at the College. We offer a range of higher education courses as well as apprenticeships and workplace learning with 94% of the College's provision aligned to either Local Enterprise Partnership (L.E.P.) or Local Authority (L.A.) priorities.

The College expanded the curriculum in 2015/16 to offer programmes to disadvantaged young people and adults. The introduction of re-engagement programmes and 'Routes Into' programmes has helped the retention of students who frequently have limited success in secondary education and/ or chaotic home lives.

The 106 St Mary's Centre based in the town centre offers careers advice, job-seeking skills and basic training for hard-to-reach adults.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2015 to 31 July 2016, the College paid 85% per cent of its invoices within 30 days (2015: 55%). The College incurred no interest charges in respect of late payment for this period.

Future prospects

The future prospects for the College are very encouraging as we close down 2015/16. Whilst the College was judged 'Good' by Ofsted for the first time in November 2015, College staff are driving the College towards 'Outstanding'. Early indications of the 2015/16 self-assessment report illustrate many substantive areas of the College already posting 'Outstanding' success rates.

The College was successful in an ESiF bid that has been won by Serco acting as the Prime contractor. There is potential for £1 million of available funds (worth over £800,000 to the College). Early work by the College has resulted in provision already being delivered and the College on track to deliver significant volumes of deliverables.

Apprenticeship growth last year was significant and has resulted in greater allocations in 2016/17 for both 16-18 and Adults. Higher Education is also on target for three year planned and significant growth.

As a result of much work to reach the College's financial recovery and persistent and continually improving quality, the College has been well prepared for Area Review. As a consequence, the College is well placed to retain its independent status and look to the future with much optimism.

Some optimism also surrounds a bid for c. £6m to the Dorset Local Enterprise Partnership for an Advanced Engineering and Technology Centre. However, the result of this bid will not be known until the outcomes of the Area review process are known in January 2017.

The College's budget for 2016/17 and forward financial plans show a consistently strong level of operating surpluses in the next two years which will enable the College to service its debt and maintain sufficient working capital to continue as a going concern. The College continues to hold constructive monthly case review meetings with the Skills Funding Agency as part of the Notice of Concern for Financial Health which pre-dates the development of the College's Financial Recovery Plan in 2015. These monthly reviews provide assurances that the implementation of the Recovery Plan is on track.

The College also maintains a positive working relationship with its bankers (AIB Bank) who have issued a waiver letter covering the breach of loan covenants in 2015/16. The College's cashflow forecasts demonstrate that the College is confident it can meet is liabilities, notwithstanding the principal risks around debt servicing.

RESOURCES

The College has various resources that it can deploy in pursuit of its strategic objectives. Tangible resources include the main College site at Cranford Avenue, Redlands Community Sports Centre, The Dorset Centre for the Creative Arts, a town centre site at 106 St Mary Street and the enterprise centre at Poundbury.

Financial

The College has £10,063,000 of net liabilities (including £15,186,000 pension liability) and debt of £6,504,000, the profile of which is shown in note 15.

People

The College employs 276 people (expressed as full time equivalents) (2015: 332) and remains one of the largest employers in the local area. 119 are teaching staff (2015: 115)

Reputation

The College has continued to improve its reputation both locally and nationally. The achievement of a 'Good' Ofsted judgment in November 2015 and a QAA 'grade 2' for higher education programmes has been central to enhancing its local reputation. Maintaining a quality brand is essential for the College's success at attracting students and external relationships.

Apprenticeship have increased over the past 2 years and the success of the Weymouth College brand in terms of both enrolments and achievements has allowed the College to go from strength to strength in its employer engagement work.

PRINCIPAL RISKS AND UNCERTAINTIES

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

Based on the strategic plan, the Risk Management Group (R.M.G.) undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College.

Annually, the extended College Management Team work with R.M.G. members to assess the risks aligned to the College not achieving its objectives for the forthcoming year, existing systems and procedures are identified together with any additional actions required to further mitigate the risk in question. Risks are scored using an impact, likelihood and reputation matrix, scores subsequently being categorised as significant, contingent or low.

The College risk register is configured such that gross risk and net risk can be easily identified. The register is compiled annually and reviewed on a termly basis by both the R.M.G. and the Audit Committee to ensure that mitigating controls and planned further controls are being implemented as appropriate. The risk register forms the basis of the audit needs assessment compiled by the College Internal Auditor.

In addition to the annual review, the R.M.G. will also consider any risks which may arise as a result of a new area of work being undertaken by the College or risks which materialise as a consequence of the work of the college Internal Auditor.

The table below outlines the key risks that have faced the College in 2015/16 together with an analysis of how effective the implementation of mitigating controls has been in reducing risk.

Risk register 2015/16

Ref	Risk Description	Performance in 2015/16
1	Achievement of Excellence	Staff Development days held regularly during the year to develop staff group on key themes in achieving excellence. Mid-Term reviews held with curriculum areas to monitor and progress performance. Very high performance with retention rates (94%), Teaching, Learning and Assessment lesson observations high at 90% good or better. High student satisfaction rate at 87%. Punctuality and attendance good (98%, and 90% respectively). Success rates improvement from 86% to 88%. Performance validated through external agencies, E.F.A, S.F.A., Ofsted, QAA and F.E. Commissioner.
2	Maximisation of Student Enrolment	Detailed curriculum planning was undertaken to improve efficiencies in 2015/16. Shortfall against the College's E.F.A. allocation though applications for 2015/16 were positive was probably caused by the Oftsed Inadequate grade. Higher Education growth not delivered during the year. Attrition rates 'pre-census' higher than anticipated, 'post census' lower than anticipated due to re-engagement activity. Apprenticeship shortfall identified early in October 2015 was remedied in-year and resulted in extra growth for both 16-18 and Adults.
3	Promotion of the College's Reputation	Since January 2015 the College has been pro-actively working with the local media and in doing so has kept the local community informed of the progress made by the College as it moved out of the S.P.A. process and towards financial sustainability. Student satisfaction rates remain high and improving. Partnership working has been strengthened and has been evidenced through the support given to the College as the L.E.P. bid was compiled. Regular briefings with Staff and Students established.

4	Financial Sustainability	The College has produced comprehensive management accounts throughout 2015/16. The College has succeeded in hitting its budgetary and cash flow targets for the year and contained payroll costs below 63% of turnover. The College has exceeded its 2015/16 funding allocations for 16-18 and adult apprenticeships resulting in additional funding in-year. The College has been able to set a budget surplus for 2016-17 without the need for a major staff restructure.
5	Safety and Wellbeing of Students and Staff	Learner surveys have indicated that 98% feel safe. Regular monitoring reports on safeguarding issues. Accident and incident reports indicate positive trends. Endorsed by periodic reviews of internal audit service. Success rates for students receiving Additional Learning Support and from B.M.E. backgrounds are high.
6	Innovation and Responsiveness to Employers	94% of the College's provision aligned to either Local Enterprise Partnership (L.E.P.) or Local Authority (L.A.) priorities. Business model for the HIX Academy revisited to improve financial sustainability. Comprehensive programme in place for N.E.E.T.s contributing to a downward trend in N.E.E.T.s levels. Prince's Trust and 106 programmes helping difficult to reach groups find employment. A full review of the College's Employer Engagement and Enterprise activities undertaken. Employability suite opened. Resources dedicated to work more closely with Employers and strengthen apprenticeship provision

In addition to those shown above, the College is aware of certain sector-wide risks that may impact on the College in the future:

1 Government funding

The College has considerable reliance on continued government funding through the further education sector funding bodies and through HEFCE. In 2015/16, 69% of the College's revenue was ultimately publicly funded and this level of requirement is expected to continue. There are can be no absolute assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The College is aware of several issues which may impact on future funding:

- Apprenticeship reform and introduction of the employer levy from April 2017
- Changes to the funding methodology and/or funding rates (although the December 2016 Comprehensive Spending Review offered the welcome prospect of a degree of stability)
- Implementation of devolution deals and the potential transfer of responsibilities for adult skills funding to combined authorities (as yet still to be confirmed for Dorset)
- Enrolment performance and the impact of lagged funding

The College seeks to mitigate these risks by keeping tight control of all expenditures; by maintaining and increasing income streams from other sources (e.g. provision of school meals by Weyco; National Citizenship Service provision by the Sailing Academy; Skills Support for the Workforce); and by a proactive marketing and recruitment strategy aimed at securing growth in student enrolments.

2 Tuition fee policy

Ministers have confirmed that the fee assumption remains at 50%. In line with the majority of other colleges, Weymouth College has set its classroom based tuition fees in accordance with the fee assumptions. For students aged over 24, most higher-level courses are now eligible for a student loan. The risk for the College is that demand is impacted by resistance to fee rates or the prospect of a loan.

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students
- Close monitoring of the demand for courses and effective use of bursary funds where these are available.

3 Maintain adequate funding of pension liabilities

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

The Local Government Pension Scheme (L.G.P.S.) for staff on support contracts is administered by Dorset County Council. The actuarial assumptions relating to the fund resulted in a loss of £4,807,000 (2015: £112,000 restated loss).

The Teacher Pension Scheme (T.P.S.) is an unfunded defined benefit scheme. A notional value is ascribed to the scheme for the purposes of determining contribution rates.

STAKEHOLDER RELATIONSHIPS

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

- Students;
- Education sector funding bodies;
- F.E. Commissioner (re Dorset Area Based Review)
- Staff;
- Local employers;
- Local authorities;
- Local Enterprise Partnerships (L.E.P.s);
- The local community;
- Community groups;
- Other FE institutions;
- Local schools;
- Trade unions;
- Professional bodies.

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

Equal opportunities

The College is committed to ensuring equality of opportunity for all who learn and work here. We:

- hold as a guiding principle the belief that all people are of equal worth;
- practise Equality and Diversity in everything we do;
- aim to foster an environment where everyone is treated with dignity, fairness and respect according to their needs;
- celebrate diversity and the individuality of each and every member of the College;

- commit to eliminating bullying and harassment, prejudice and stereotyping.

Weymouth College is committed to complying with its duties under the Equality Act 2010; we are working to remove all barriers to people accessing the College. This includes any staff, students, visitors and external partners of the College.

This Single Equality Scheme (S.E.S.) is a statement of our strong commitment and continuing approach to delivering equality of opportunity for all staff, students and visitors to the College. It is closely aligned to the College's strategic priorities. The principles set down in the S.E.S. are fundamental to building a more inclusive learning organisation which sees Equality, Diversity and Inclusivity as a dynamic driver for change and which takes the Equality Act 2010 to its heart.

We aim to be open to all sections of the community and to be a truly inclusive organisation where individual differences are respected, where staff and students are treated solely on their merits, and where everyone has a fair opportunity to fulfil their potential. We welcome the new statutory duties under the Equality Act 2010 which asks public authorities to take a proactive approach to the promotion of equality, diversity and inclusivity. Including the three due regards:

- eliminate unlawful discrimination, harassment and victimisation and any other conduct prohibited under the Act;
- advance equality of opportunity between people who share a protected characteristic and people who do not share it; and
- foster good relations between people who share a protected characteristic and people who do not share it.

Weymouth College has used positive initiatives to make our services, policies, practices and buildings as accessible as possible. The S.E.S. highlights our progress to date, where there are gaps, where we can make improvements in policy and practice, and our new responsibility to promote equality in all aspects of our work.

We have involved students, staff, managers and external organisations through a range of activities and initiatives in developing the S.E.S. The feedback from staff, students and external partners has enabled us to prioritise key actions, which will enable us to develop and enhance the extensive services and support we already offer. We will also take a fresh look at those areas which require new initiatives.

Our Single Equality Scheme provides the essential framework for promoting and embedding equality across all areas of our work. It will enable us to provide a positive and lasting difference to the experiences of current and potential students, staff and external partners and those who would like to join us as students and employees. This will also provide the opportunity for Weymouth College to attract and retain talented staff and students and enhance our diversity and competitiveness in the changing and dynamic further and higher education environment.

Our work to date on this has been recognised and the College has achieved Investors in Diversity stage 1 accreditation.

The aim of the S.E.S. reflects the College's commitment to the general duties of eliminating direct or indirect discrimination, promoting equality of opportunity for all.

Disability statement

The College is committed to promoting the practice of fairness and to eliminating inequality based on the grounds of age, disability, learning needs, family responsibility, marital status, culture, ethnicity, nationality, religious beliefs, gender, sexual orientation, trade union activity, unrelated criminal convictions or other irrelevant criteria. We aim to recognise and value the contribution made by each individual to our learning environment.

The College strives to ensure that all staff and learners, whether existing of potential, receive fair treatment when making application; and in terms of their retention, achievements and employability, not least in relation to under-represented groups within the community.

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 13 December 2016 and signed on its behalf by:

....

Mr David Fallows

Chair

Statement of Corporate Governance and Internal Control

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

The College endeavours to conduct its business:

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 Foundation Code"); and

iii) having due regard to the UK Corporate Governance Code ("the Code") insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in the UK Corporate Governance code issued by the Financial Reporting Council in June 2010. Its purpose is to help the reader of the accounts understand how the principles have been applied.

In the opinion of the governors, the College complies with all the provisions of the Combined Code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31 July 2016.

The Corporation recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The English Colleges' Foundation Code of Governance and the Audit Summary, issued by the Association of Colleges which it formally adopted in December 2011 and July 2012 respectfully.

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 below:

Public Benefit Statement

"Weymouth College exists so that students, employers and local communities are equipped for the futures to which they aspire at a cost that represents excellent value for money"*

for our Students.....
Students have the skills, confidence and knowledge to make a successful transition into work or the next stage of their career or education.

for Employers....
Employers have the skilled people they need to create and develop a prosperous and sustainable economy.

for Communities ......
The College contributes to the economic and social regeneration of the communities it serves.

**The overall primary beneficiaries of the work of Weymouth College is intended to be all those who live and work in Weymouth and Portland and the surrounding South and West Dorset area. However, The College welcomes and seeks to provide excellent education for all students who choose to access its services.*

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	Term of office	Date of resignation	Status of appointment	Committees served	Attendance
David Fallows	9/07/2013 To 8/07/2017	4 years		Independent Member	Chair: Corporation (from 1/2/15)	Corporation: 7/7
Jenny Stiling	12/07/2015 (I year)	1 year extended	31/07/2016	Independent Member	Vice-Chair: Corporation (from 1/2/15)	Corporation: 7/7
Richard Dimbleby	25/3/2014 24/03/2018	4 years		Independent Member	Finance	Corporation: 4/7 Finance: 5/6
Jane Nicklen	25/3/2014 24/03/2018	4 years		Independent Member	Audit	Corporation: 7/7 Audit: 3/3
Nigel Evans	26/11/2014			Principal	Search & Governance Finance	Corporation: 7/7 Finance: 6/6
Stephen Webb	2/10/2012 1/10/2016	4 years		Independent Member	Audit Chair: Finance (from March 2015)	Corporation: 7/7 Audit: 4/6
Stephen Prewett	9/07/2013 8/07/2017	4 years		Independent Member	Finance Search & Governance	Corporation: 6/7
Ian Hollows	8/7/2014 07/08/2018	4 years		Independent Member	Chair: Audit Finance	Corporation: 6/7 Finance: 6/6 Audit: 3/3
Peter Vowles	19/05/2014 18/05/2018	4 years		Staff Member	Search & Governance	Corporation: 6/7
Richard Noah	10/2/2015 9/2/2019	4 years		Independent Member	Vice-Chair Corporation (from 1/8/2016)	Corporation: 7/7
Jonathan Ford-Langdon	24/5/2015 23/5/2017	2 years		Student		Corporation: 4/7
Stefan Gomm	24/5/2015 23/5/2017	2 years	30/5/2016	Student		Corporation: 2/3
Robyn Parkin	12/07/16	2 years		Student		Corporation: 1/1
Michaela Siemen-Howat	1/11/2015 31/10/2019	4 years		Independent Member	Finance	Corporation: 4/7 Finance 3/6

	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance
Michael Byatt	1/11/2015 31/10/2019	4 years		Independent Member		Corporation: 4/7
Rosie Darkin-Miller	1/11/2015 31/10/2019	4 years		Independent Member	Audit	Corporation: 4/7 Audit: 4/6
Andrew Matthews	1/11/2015 31/10/2019	4 years		Independent Member	Audit	Corporation: 4/7 Finance: 5/6
Sue Ratcliffe, Clerk to the Corporation appointed 01/01/2012						

It was not necessary to hold a Search & Governance Committee meeting during the year.

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 and academic performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and staff and student matters such as health and safety, safeguarding and environmental issues.

The Corporation operates the Policy Governance model, and uses Audit, Finance and Search & Governance Committees, to help it conduct its business. The Corporation met on 7 occasions during 2015/16 with an average attendance of 81%. The Committees each have their own terms of reference approved by the Corporation. Average attendance across all committee meeting is 82%.

All Corporation and Committee minutes, except those deemed confidential by the Corporation, are published on the College website after they have been signed, or from the Clerk to the Corporation at:

Weymouth College
Cranford Avenue
Weymouth
Dorset
DT4 7LQ

The Clerk to the Corporation maintains a register of financial and personal interests of the governors and senior members of staff. 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 and Board members received regular internal and external policy briefings.

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

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

Appointments to the Corporation

Appointment of Principal

Following the successful completion of the Structure and Prospects Appraisal and removal of Administered Status, the Corporation were able to advertise and recruit its permanent Principal in February 2016. Due process as defined within its Instrument and Articles was followed and, after consideration of the recommendation made by the Recruitment Panel, the Board appointed Nigel Evans to the position of Principal/Chief Executive.

With the exception of the permanent appointment of the Principal, there have been no new appointments to the Corporation during the year. New appointments are a matter for the consideration of the Corporation as a whole. The Corporation's Search & governance committee is responsible for the selection and nomination of any new member for the Corporation's consideration, with the exception of student and staff members. Appropriate induction and training opportunities are provided for Corporation members.

Members of the Corporation are appointed for a term of office not exceeding four years.

Audit committee

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

The Audit Committee meets three times a year 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 monitor 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.

The Search & Governance Committee

The Search & Governance Committee comprises 4 members who operate in accordance with written terms of reference approved by the Corporation. The Committee meet once or twice a year as required and oversees governance arrangements in addition to recruiting, interviewing and recommending to the Corporation new members for appointment.

The Finance Committee

The Finance Committee comprises 5 members who operate within specific terms of reference relating to the financial recovery of the College. The Committee met 6 times during the year.

Internal control

Scope of responsibility

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

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which they are personally responsible, in accordance with the responsibilities assigned to them in the Financial Memorandum between Weymouth College and the funding bodies. The Principal is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Weymouth College for the year ended 31 July 2016 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

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

The risk and control framework

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

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

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

Review of effectiveness

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. This 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 auditors, appointed funding auditors, the regularity auditors in their management letters and other reports.
- recommendations from the FE Commissioner and Funding agencies.

The Principal has been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditor and the college internal Risk Management Group, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The senior leadership team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior leadership team and the Audit Committee also receive regular reports from internal audit, 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 it receives reports thereon from the senior leadership team and the Audit Committee, including the Committee's Annual Report. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

Improvements to the College's systems and processes of budgeting and financial control have improved the operating position and put the College into a more secure financial position The implementation of a cost reduction plan over the last two years, together with other actions to contain and reduce staff costs have worked to halt the decline in the College's financial health.

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

In order to continue as a going concern, the College remains reliant on the support of the Skills Funding Agency, through its Facilities Agreement with BIS.

However, the College remains committed to continue to work closely with the Skills Funding Agency, following the removal of "Administered Status" by the Minister; successful conclusion to the structure and prospects appraisal; and ongoing active participation in the Area Review process, to secure the long term sustainability of the College's provision. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

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

....	....
Signed	**Signed**
David Fallows	**Nigel Evans**
Chair	**Principal**

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 our consideration we have had due regard to the requirements of the financial memorandum.

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

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

Signed ....

Nigel Evans

Principal

Date

Signed ....

David Fallows

Chair of Governors

Date

Statement of Responsibilities of the Members of the Corporation

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

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

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

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

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

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

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

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

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

....

David Fallows

Chair

Independent Auditors' Report to the Corporation of Weymouth College

We have audited the Group and College financial statements of Weymouth College for the year ended 31 July 2016 set out on pages 25 to 50. The financial reporting framework that has been applied in their preparation is applicable law and UK accounting standards (UK Generally Accepted Accounting Practice).

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

Respective Responsibilities of the Corporation of Weymouth College and Auditors

As explained in the Statement of Responsibilities set out on page 21, the Corporation is responsible for the preparation of financial statements which give a true and fair view.

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

Scope of the Audit of the Financial Statements

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

Opinion on Financial Statements

In our opinion the financial statements;

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the Group and College as at 31 July 2016 and of the Group's and College's deficit of income over expenditure for the year then ended;

Opinion on other matters prescribed by the revised Joint Code of Practice (Part 1) issued jointly by the SFA and the EFA and the Audit Code of Practice issued by the Learning and Skills Council

In our opinion

- proper accounting records have been kept;
- the financial statements are in agreement with the accounting records; and
- all information and explanations required for the audit have been received.

Mark Burnett (Senior Statutory Auditor)
For and on behalf of Moore Stephens
Chartered accountants and statutory auditors
30 Gay Street
Bath
BA1 2PS

.... Date: 14/12/2016

Reporting accountant's assurance report on regularity

To: The Corporation of Weymouth College and Secretary of State for Business, Innovation and Skills acting through Skills Funding Agency / Secretary of State for Education acting through Education Funding Agency

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

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

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

Respective responsibilities of the Members of the Corporation of Weymouth College and Reporting Accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Joint Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1st 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 the Skills Funding Agency and Education Funding Agency. We performed a limited assurance engagement as defined in that framework.

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

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

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

Reporting accountant's assurance report on regularity (continued)

The work undertaken to draw to our conclusion includes but not limited to:

- Reviewing minutes of meetings, management accounts and making enquiries of management;
- Performing sample testing of expenditure ensuring items are for the College's purposes and are appropriately authorised;
- Sample testing on purchase card expenditure, review for any indication of purchase for personal use by Staff or Members;
- Reviewing the procedures for identifying and declaring related parties and other business interests;
- Obtaining formal representation from the Governing Body and Accounting Officer acknowledging their responsibilities;
- Scrutinising journals, and other adjustments posted during the year for evidence of unusual entries and making further enquiries into any such items where relevant;
- Performing an evaluation of the general control environment of the College;
- Reviewing nominal ledger accounts for any large or unusual entries, obtaining supporting documentation and making further enquiries into any such items where relevant.

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 1st 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.

Moore Stephens 14/12/2016
.... Date: ....

MOORE STEPHENS
Chartered Accountants, Registered Auditors

Consolidated Statements of Comprehensive Income

	Notes	Year ended 31 July 2016		Year ended 31 July 2015 Restated	
		Group	College	Group	College
		£'000	£'000	£'000	£'000
INCOME					
Funding body grants	2	8,695	8,676	8,879	8,817
Tuition fees and education contracts	3	1,104	1,104	1,198	1,198
Other grants and contracts	4	1,011	1,011	880	880
Other income	5	1,849	895	1,895	996
Investment income	6	2	2	1	1
Total income		**12,661**	**11,688**	**12,853**	**11,892**
EXPENDITURE					
Staff costs	7	7,728	7,095	8,440	7,788
Fundamental restructuring costs	7	-	-	324	324
Other operating expenses	8	3,301	2,962	3,974	3,542
Depreciation	10	1,159	1,159	1,311	1,311
Interest and other finance costs	9	514	507	570	560
Total expenditure		**12,702**	**11,723**	**14,619**	**13,525**
Deficit surplus before other gains and losses		**(41)**	**(35)**	**(1,766)**	**(1,633)**
Loss on disposal of assets		-	-	(24)	(24)
Deficit before tax		**(41)**	**(35)**	**(1,790)**	**(1,657)**
Taxation		-	-	-	-
Deficit for the year		**(41)**	**(35)**	**(1,790)**	**(1,657)**
Actuarial loss in respect of pensions schemes	19	(4,807)	(4,644)	(112)	(120)
Total Comprehensive Expense for the year		**(4,848)**	**(4,679)**	**(1,902)**	**(1,777)**

Consolidated and College Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Group			
Restated Balance at 1st August 2014	(6,636)	3,323	(3,313)
Deficit from the income and expenditure account	(1,790)	-	(1,790)
Other comprehensive income	(106)	-	(106)
Transfers between revaluation and income and expenditure reserves	117	(117)	-
	(1,785)	(117)	(1,902)
Balance at 31st July 2015	**(8,421)**	**3,206**	**(5,215)**
Deficit from the income and expenditure account	(41)	-	(41)
Other comprehensive income	(4,807)	-	(4,807)
Transfers between revaluation and income and expenditure reserves	117	(117)	-
Total comprehensive income for the year	(4,731)	(117)	(4,848)
Balance at 31 July 2016	**(13,152)**	**3,089**	**(10,063)**
College			
Restated Balance at 1st August 2014	(6,469)	3,323	(3,146)
Deficit from the income and expenditure account	(1,657)	-	(1,657)
Other comprehensive income	(114)	-	(114)
Transfers between revaluation and income and expenditure reserves	117	(117)	-
	(1,660)	(117)	(1,777)
Balance at 31st July 2015	**(8,129)**	**3,206**	**(4,923)**
Deficit from the income and expenditure account	(35)	-	(35)
Other comprehensive income	(4,644)	-	(4,644)
Transfers between revaluation and income and expenditure reserves	117	(117)	-
Total comprehensive income for the year	**(4,562)**	**(117)**	**(4,679)**
Balance at 31 July 2016	**(12,691)**	**3,089**	**(9,602)**

Balance sheets as at 31 July

	Notes	Group	College	Group Restated	College
		2016	2016	2015	2015
		£'000	£'000	£'000	£'000
Non current assets					
Investments	11	-	-	-	-
Tangible Fixed assets	10	17,217	17,217	18,230	18,230
		17,217	17,217	18,230	18,230
Current assets					
Stocks		28	11	22	8
Trade and other receivables	12	689	727	527	582
Cash and cash equivalents		527	443	197	132
		1,244	**1,181**	**746**	**722**
Less: Creditors – amounts falling due within one	13	(2,955)	(2,904)	(2,282)	(2,217)
Net current liabilities		**(1,711)**	**(1,723)**	**(1,536)**	**(1,495)**
Total assets less current liabilities		**15,506**	**15,494**	**16,694**	**16,735**
Creditors – amounts falling due after more than	14	(10,165)	(10,165)	(11,866)	(11,866)
Provisions					
Defined benefit obligations	19	(15,186)	(14,788)	(9,861)	(9,648)
Other provisions	16	(218)	(143)	(182)	(144)
Total net liabilities		**(10,063)**	**(9,602)**	**(5,215)**	**(4,923)**
Unrestricted Reserves					
Income and expenditure account		(13,152)	(12,691)	(8,421)	(8,129)
Revaluation reserve		3,089	3,089	3,206	3,206
Total unrestricted reserves		**(10,063)**	**(9,602)**	**(5,215)**	**(4,923)**

The financial statements on pages 25 to 50 were approved and authorised for issue by the Corporation on 13 December 2016 and were signed on its behalf on that date by:

David Fallows
Chair

Nigel Evans
Accounting Officer

Consolidated Statement of Cash Flows

	Notes	2016 £'000	Restated 2015 £'000
Cash flow from operating activities			
Deficit for the year		(41)	(1,790)
Adjustment for non-cash items			
Depreciation		1,159	1,311
(Increase)/decrease in stocks		(6)	2
(Increase)/decrease in debtors	12	(162)	3
Decrease in creditors due within one year	13	(10)	(876)
Decrease in creditors due after one year	14	(239)	(119)
Increase in provisions	16	36	35
Pensions costs less contributions payable	19	518	540
Adjustment for investing or financing activities			
Investment income	6	(2)	(1)
Interest payable	9	149	169
Loss on sale of fixed assets		-	24
Net cash flow from operating activities		**1,402**	**(702)**
Cash flows from investing activities			
Investment income	6	2	1
Payments made to acquire fixed assets	10	(146)	(403)
		(144)	(402)
Cash flows from financing activities			
Interest paid	9	(122)	(132)
Interest element of finance lease rental payments	9	(27)	(37)
New unsecured loans	15	49	1,884
Repayments of amounts borrowed	15	(617)	(256)
Capital element of finance lease rental payments	15	(211)	(248)
		(928)	1,211
Increase in cash and cash equivalents in the year		**330**	**107**
Cash and cash equivalents at beginning of the year	17	197	90
Cash and cash equivalents at end of the year	17	527	197
Change in cash and cash equivalents in the year		**330**	**107**

Notes to the Accounts

1. Statement of accounting policies and estimation techniques

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

Basis of preparation

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

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

Transition to the 2015 FE HE SORP

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

An explanation of how the transition to the 2015 FE HE SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the College is provided in note 22.

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

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

- Revaluation as deemed cost – at 1st August 2014, the College has retained the carrying values of freehold properties as being deemed cost and measured at fair value
- The College has taken advantage of the exemptions provided in FRS 102 1.12 and the 2015 FE HE SORP 3.3, and has not included a separate statement of its own cash flows. These cash flows are included within the Consolidated Statement of Cash Flows, and the College balance sheet discloses cash at both the current and preceding reporting dates.

Basis of accounting

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

Basis of consolidation

The consolidated financial statements include the College and its subsidiaries, Weyco Services Limited and Redlands Community Sports Hub Limited, controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2016.

Going concern

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

The College currently has £2.95m of loans outstanding with bankers on terms negotiated in 2010, repayable under terms outlined in Note 15. The College also has an interest free loan from the Department for Business, Innovation and Skills (BIS) repayable by 2020. The College's forecasts and financial projections indicate that it will be able to operate within this existing facilities. Whilst the College has breached existing covenants on the bank loans, a waiver letter has been issued for the financial year and a reservation of rights letter has been issued in respect of future forecasted breaches.

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

Recognition of income

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

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

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

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

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

Income from catering activities is recognised in the period for which it is received.

The comparative income figures in notes 2 – 5 have been restated to align with the 2015/16 disclosure requirements.

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

Accounting for post-employment benefits

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

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

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

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

Short term Employment benefits

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

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.

Non-current Assets - Tangible fixed assets

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

Land and buildings

Freehold buildings are depreciated over their expected useful economic life to the College of 75 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 10 and 75 years.

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

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

Freehold land is not depreciated.

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and 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, based on the value of architects' certificates and other direct costs, incurred to 31 July. They are not depreciated until they are brought into use.

Subsequent expenditure on existing fixed assets

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

Equipment

Equipment costing less than £2,000 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost.

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

- technical equipment 6 years
- motor vehicles 4 years
- computer equipment 4 years
- furniture, fixtures and fittings 6 years

Borrowing costs

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

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives relating to leases signed after 1st August 2014 are spread over the minimum lease term.

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

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

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

Investments

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

Other investments

Listed investments held as non-current assets and current asset investments, which may include listed investments, are stated at fair value, with movements recognised in Comprehensive Income. Investments comprising unquoted equity instruments are measured at fair value, estimated using a valuation technique.

Stock

Stocks are stated at the lower of their cost and net realisable value, being selling price less costs to sell. Where necessary, provision is made for obsolete, slow-moving and defective items.

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

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

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

Foreign currency translation

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

Taxation

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

The College is partially exempt in respect of Value Added Tax, so that it can only recover around 5% 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.
The College's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

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.

The College has a provision for the replacement of the sports pitch at the Redlands centre, in respect of an estimated future liability of £225,000. Further details are given in note 16.

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 of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether 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.

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 19, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 July 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 Funding body grants

	Year ended 31 July		Year ended 31 July	
	2016	2016	2015	2015
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
Skills Funding Agency	2,043	2,043	2,019	2,019
Education Funding Agency	6,315	6,296	6,388	6,373
Higher Education Funding Council	87	87	62	62
Specific grants				
Skills Funding Agency	40	40	202	155
Releases of government capital grants	210	210	208	208
Total	8,695	8,676	8,879	8,817

3 Tuition fees and education contracts

	Year ended 31 July		Year ended 31 July	
	2016	2016	2015	2015
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	261	261	300	300
Fees for FE loan supported courses	246	246	222	222
Fees for HE loan supported courses	529	529	540	540
International students fees	68	68	57	57
Total tuition fees	1,104	1,104	1,119	1,119
Education contracts	-	-	79	79
Total	**1,104**	**1,104**	**1,198**	**1,198**

4 Other grants and contracts

	Year ended 31 July		Year ended 31 July	
	2016	2016	2015	2015
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other grants and contracts	1,011	1,011	880	880
Total	**1,011**	**1,011**	**880**	**880**

5 Other income

	Year ended 31 July		Year ended 31 July	
	2016	2016	2015	2015
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering and residences	768	44	775	42
Other income generating activities	622	229	598	208
Non-government capital grants	37	37	63	63
Miscellaneous income	422	585	459	683
Total	1,849	895	1,895	996

6 Investment income

	Year ended 31 July		Year ended 31 July	
	2016	2016	2015	2015
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Interest receivable	2	2	1	1

7 Staff costs

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

	2016	2016	2015	2015
	Group	College	Group	College
	No.	No.	No.	No.
Teaching staff	119	119	115	115
Non-teaching staff	157	121	217	177
	276	**240**	**332**	**292**

Staff costs for the above persons

	2016	2016	2015	2015
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Wages and salaries	6,292	5,720	6,967	6,369
Social security costs	410	387	436	413
Other pension costs	1,026	988	1,037	1,006
Payroll sub total	**7,728**	**7,095**	**8,440**	**7,788**
Fundamental restructuring costs – Contractual	-	-	324	324
Total Staff costs	**7,728**	**7,095**	**8,764**	**8,112**

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Senior Leadership Team which comprises the Principal and Assistant Principals. 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	2015
	No.	No.
The number of key management personnel including the Accounting Officer was:	7	5

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 p.a.	1	0	-	-
£70,001 to £80,000 p.a.	0	2	-	-
£80,001 to £90,000 p.a.	0	1	-	2
£90,001 to £100,000 p.a.	1	0	-	-
£140,001 to £150,000 p.a.	0	1	-	-
	2	**4**	**-**	**2**

Key management personnel compensation is made up as follows:

	2016	2015
	£'000	£'000
Salaries	385	226
Employers' National Insurance	40	23
Benefits in kind	2	1
	427	250
Pension contributions	51	28
Total key management personnel compensation	**478**	**278**

There were no amounts due to key management personnel that were waived in the year, nor any salary sacrifice arrangements in place.
The above compensation includes amounts payable to the Accounting Officer (who is also the highest paid officer) of:

	2016	2015
	£'000	£'000
Salaries	90	161
Benefits in kind	1	1
	91	162
Pension contributions	11	20

Compensation for loss of office paid to former key management personnel

	2016	2015
	£	£
Compensation paid to the former post-holder - contractual	-	-
Estimated value of other benefits, including provisions for pension benefits	-	20,000

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

8 Other operating expenses

	2016 Group	2016 College	2015 Group	2015 College
Teaching costs	621	615	1,330	743
Non-teaching costs	1,680	1,393	1,576	1,793
Premises costs	1,000	954	1,068	1,006
Total	**3,301**	**2,962**	**3,974**	**3,542**

Other operating expenses include:	**2016**	**2015**
	£'000	**£'000**
Auditors' remuneration:		
Financial statements audit	28	54
Internal audit	16	11
Other services provided by the financial statements auditor taxation compliance	1	-
Hire of assets under operating leases	278	274

Historically the College recorded expenses in respect of financial statements audit charges in the financial year in which the expense was incurred. Following discussion with its auditors, the College has decided to accrue for the 2014/15 audit expenses against the 2014/15 year and in doing so has recorded two years' worth of audit fees in 2014/15 due to this change in accounting practice.

9 Interest and other finance costs

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
On bank loans, overdrafts and other loans:	122	122	132	132
On finance leases	27	27	37	37
Pension finance costs (note 19)	365	358	401	391
Total	**514**	**507**	**570**	**560**

10 Tangible fixed assets Group and College

	Land and buildings Freehold £'000	Equipment £'000	Total £'000
Cost or valuation			
At 1 August 2015	24,321	9,138	33,459
Additions	9	137	146
Transfers	(10)	10	-
At 31 July 2016	**24,320**	**9,285**	**33,605**
Depreciation			
At 1 August 2015	8,141	7,088	15,229
Charge for the year	548	611	1,159
At 31 July 2016	**8,689**	**7,699**	**16,388**
Net book value at 31 July 2016	**15,631**	**1,586**	**17,217**
Net book value at 31 July 2015	16,180	2,050	18,230

Land and buildings with a net book value of £4,484,000 have been partly financed by exchequer funds through, for example, the receipt of capital grants. Should these assets be sold, the College may be liable, under the terms of its Financial Memorandum, to surrender the proceeds.

The net book value of equipment includes an amount of £496,000 (2014/15: £651,000) in respect of assets under finance leases. The depreciation charge on these assets for the year was £155,000 (2014/15:£155,000).

11 Non-current investments

	College 2016 £	College 2015 £
Investments in subsidiary companies	110	110
Total	**110**	**110**

The College owns 100 per cent of the issued ordinary £1 shares of Weyco Services Limited, a company incorporated in England and Wales, and 100 per cent of the issued ordinary £1 shares of Redlands Community Sports Hub Limited, a company incorporated in England and Wales. The principal business activity of Weyco Services Limited is providing cleaning, catering and grounds maintenance services to the College. The principal activity of Redlands Community Sports Hub Limited is the operation of sports facilities.

12 Trade and other receivables

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Amounts falling due within one year:				
Trade receivables	263	181	181	118
Amounts owed by group undertakings:				
Subsidiary undertakings	-	124	-	142
Prepayments and accrued income	426	422	346	322
Total	**689**	**727**	**527**	**582**

13 Creditors: amounts falling due within one year

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Bank and other loans	476	476	232	232
BIS Loan	800	800	350	350
Obligations under finance leases	187	187	197	197
Trade payables	112	107	129	117
Other taxation and social security	274	265	246	238
Accruals and deferred income	458	445	313	293
Accruals – holiday pay	338	314	407	382
Deferred income - government capital grants	239	239	247	247
Amounts owed to the Skills Funding Agency	71	71	161	161
Total	**2,955**	**2,904**	**2,282**	**2,217**

14 Creditors: amounts falling due after one year

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Bank and other loans	2,539	2,539	3,000	3,000
BIS Loan	2,689	2,689	3,489	3,489
Obligations under finance leases	274	274	475	475
Deferred income - government capital grants	4,663	4,663	4,902	4,902
Total	**10,165**	**10,165**	**11,866**	**11,866**

15 Maturity of debt

(a) Bank loans and other loans

Bank loans and other loans are repayable as follows:

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
In one year or less	1,276	1,276	582	582
Between one and two years	1,287	1,287	1,039	1,039
Between two and five years	2,583	2,583	3,456	3,456
In five years or more	1,358	1,358	1,994	1,994
Total	**6,504**	**6,504**	**7,071**	**7,071**

Bank loans are with the Allied Irish Bank at rates ranging between 1.43% and 6.14% per cent repayable by instalments falling due between 1 August 2016 and 31 July 2026 of £2,951,414. They are secured on the freehold land and buildings of the College.

Subsequent to the year end, the College is in discussion with the bank regarding the rescheduling of one of the loans. This is due to an error in the repayments requested by the bank and not by request of the College. During the period August 2013 to December 2016, an amount of £193,577 was underpaid by the College to the Bank.

The loan from the Department of Innovation, Business and Skills is repayable in agreed instalments totalling £3,489,000 over 5 years.

(b) Finance leases

The net finance lease obligations to which the institution is committed are:

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
In one year or less	187	187	197	197
Between two and five years	272	272	475	475
In five years or more	-	-	-	-
Total	**459**	**459**	**672**	**672**

Finance lease obligations are secured on the assets to which they relate.

16 Provisions - Group

	Defined benefit obligations £'000	Sinking fund £'000	Enhanced pensions £'000	Total £'000
At 1 August 2015	9,861	38	144	**10,043**
Expenditure in the period	(506)	-	(12)	**(518)**
Additions in period	5,831	37	11	**5,879**
At 31 July 2016	**15,186**	**75**	**143**	**15,404**

Provisions - College

	Defined benefit obligations £'000	Enhanced pensions £'000	Total £'000
At 1 August 2015	9,648	144	**9,792**
Expenditure in the period	(484)	(12)	**(496)**
Additions in period	5,624	11	**5,635**
At 31 July 2016	**14,788**	**143**	**14,931**

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in note 19.

The enhanced pension provision relates to the cost of staff who have already left the College's employ and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date. 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	3.1%	3.1%
Discount rate	2.6%	3.8%

Sinking Fund

The College has a contractual obligation to replace the 3G astro pitch located at the Redlands Sports Centre as part of an agreement associated with a grant awarded by the Football Foundation. Replacement is estimated at £225,000 resulting in a £22,500 annual provision per year across the estimated 10 year life of the asset. However no provision was set aside in the first four years, resulting in a recalculation of £37,500 per year for the remaining 6 years.

17 Cash and cash equivalents

	At 1 August 2015	Cash flows	Other changes	At 31 July 2016
	£'000	£'000	£'000	£'000
Cash and cash equivalents	197	330	-	527
Total	**197**	**330**	**-**	**527**

18 Lease obligations

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

	Group and College	
	2016	2015
	£'000	£'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	193	201
Later than one year and not later than five years	149	342
	342	543
Other		
Not later than one year	59	67
Later than one year and not later than five years	112	171
	171	238

19 Defined benefit obligations

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

Total pension cost for the year		**2016**		**2015**
		£000		**£000**
Teachers' Pension Scheme: contributions paid		379		365
Local Government Pension Scheme:				
Contributions paid	506		595	
FRS 102 (28) charge	153	659	126	721
Charge to the Statement of Comprehensive Income				
Enhanced pension charge to Statement of Comprehensive Income		11		6
Total Pension Cost for Year		**1,049**		**1,092**

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.

There were no outstanding or prepaid contributions at either the beginning or the end of the financial year.

Teachers' Pension Scheme

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

The Teachers' Pension Budgeting and Valuation Account

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

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

Valuation of the Teachers' Pension Scheme

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

- New employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay.

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

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

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

Scheme Changes

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

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

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

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

The pension costs paid to TPS in the year amounted to £379,000 (2015: £365,000)

FRS 102 (28)

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

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

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

	2016	2015
	£'000	£'000
Fair value of plan assets	18,738	17,957
Present value of plan liabilities	(33,924)	(27,818)
Net pensions liability	**(15,186)**	**(9,861)**

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Dorset County Council. The total contributions made for the year ended 31 July 2016 were £668,407, of which employer's contributions totalled £492,256 and employees' contributions totalled £176,151. The agreed contribution rates for future years are 12% for employers and range from 5.5% to 12.5% for employees, depending on salary.

Principal Actuarial Assumptions

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

	At 31 July 2016	At 31 July 2015
Rate of increase in salaries- College	3.7%	4.1%
Rate of increase in salaries- Weyco Services Ltd	3.1%	3.6%
Future pensions increases - College	2.2%	2.6%
Future pensions increases - Weyco Services Ltd	2.2%	2.7%
Discount rate for scheme liabilities - College	2.6%	3.8%
Discount rate for scheme liabilities – Weyco	2.6%	3.9%
Inflation assumption (CPI)	2.2%	2.6%
Commutation of pensions to lump sums	50%	50%

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

	At 31 July 2016	At 31 July 2015
	years	years
Retiring today		
Males	22.9	22.8
Females	25.3	25.2
Retiring in 20 years		
Males	25.2	25.1
Females	27.7	27.6

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

	2016	2015
	£'000	£'000
Amounts included in staff costs		
Current service cost	645	721
Administrative expenses	14	13
Total	**659**	**734**

Amounts included in interest and other finance costs (note 9)

Net interest cost	365	401
	365	**401**

Amount recognised in Other Comprehensive Income

Return on pension plan assets	56	1,129
Experience losses arising on defined benefit obligations	(1)	(9)
Changes in assumptions underlying the present value of plan liabilities	(4,862)	(1,232)
Amount recognised in Other Comprehensive Income	**(4,807)**	**(112)**

Movement in net defined benefit liability during year

	2016 £'000	2015 £'000
Net defined benefit liability in scheme at 1 August	(9,861)	(9,209)
Movement in year:		
Current service cost	(645)	(653)
Employer contributions (including unfunded)	506	595
Past service cost	-	(68)
Net interest on the defined liability	(365)	(401)
Actuarial gain or loss	(4,807)	(112)
Administration expenses	(14)	(13)
Net defined benefit liability at 31 July	**(15,186)**	**(9,861)**

Asset and Liability Reconciliation

	2016 £'000	2015 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	**27,818**	**25,010**
Current service cost	645	653
Interest cost	1,049	1,088
Contributions by Scheme participants	176	205
Experience gains and losses on defined benefit obligations	1	9
Changes in financial assumptions	4,862	1,232
Estimated benefits paid	(614)	(434)
Past Service cost	-	68
Unfunded pension payments	(13)	(13)
Defined benefit obligations at end of period	**33,924**	**27,818**

Changes in fair value of plan assets

Fair value of plan assets at start of period	17,957	15,801
Interest on plan assets	684	687
Return on plan assets	56	1,129
Administration expenses	(14)	(13)
Employer contributions	506	595
Contributions by Scheme participants	176	205
Estimated benefits paid	(627)	(447)
Fair value of plan assets at end of period	**18,738**	**17,957**

20 Related party transactions

Owing to the nature of the College's operations and the composition of the board of governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

The total expenses paid to or on behalf of the Governors during the year was £1,644; 5 governors (2015: £1,125; 3 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2015: None).

21 Amounts disbursed as agent

Learner support funds	**2016**	**2015**
	£'000	**£'000**
Funding body grants – bursary support	274	289
Funding body grants – discretionary learner support	117	151
Other Funding body grants	34	51
	425	491
Disbursed to students	(326)	(368)
Administration costs	(15)	(22)
Balance unspent as at 31 July, included in creditors	(84)	(101)

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.

22 Transition to FRS 102 and the 2015 FE HE SORP

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

	Note	1st August 2014		31st July 2015	
		Group	College	Group	College
		£'000	£'000	£'000	£'000
Financial Position					
Total reserves under previous SORP		(2,883)	(2,549)	(4,808)	(4,541)
Employee leave accrual	(a)	(422)	(397)	(407)	(382)
Changes to measurement of net finance cost on defined benefit plans	(b)	-	-	-	-
Total effect of transition to FRS 102 and FE HE SORP		(422)	(397)	(407)	(382)
Total reserves under FE HE SORP		(3,305)	(2,946)	(5,215)	(4,923)

	Note	Year ended 31st July 2015	
		Group	College
		£'000	£'000
Financial performance			
Surplus for the year after tax under previous		(1,925)	(1,991)
Employee leave accrual	(a)	15	14
Pensions provision – actuarial loss		(267)	(262)
Changes to measurement of net finance cost on defined benefit plans	(b)	267	262
Total effect of transition to FRS 102 and 2015 FE HE SORP		15	14
Total comprehensive income for the year under 2015 FE HE SORP		(1,910)	(1,977)

a) Recognition of short term employment benefits

No provision for short term employment benefits such as holiday pay was made under the previous UK GAAP. Under FRS 102 the costs of short-term employee benefits are recognised as a liability and an expense. The annual leave year runs to 31st August each year for both teaching and non-teaching staff meaning that, at the reporting date, there was a total of 628 days unused or carried forward leave for teaching staff and a total of 558 days of unused or carried forward leave for non-teaching staff. The cost of any unused entitlement is recognised in the period in which the employee's services are received. An accrual of £422,000 was recognised at 1 August 2014, and £402,000 at 31 August 2015. Following a re-measurement exercise in 2015/16, the movement on this provision of £71,000 has been charged to Comprehensive Income in the year ended 31 July 2016.

b) Change in recognition of defined benefit plan finance costs

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

c) 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.