Accounts Direction Handbook 2016 to 2017

Casterbridge College Example Financial Statements

These example financial statements are illustrative of the disclosures required by the 2015 FE HE SORP but will not cover all possible eventualities. Colleges should refer to the 2015 FE HE SORP and in particular Appendix 1 for the full range of disclosures and presentation needs set out therein. These financial statements have also been drawn up using certain assumptions and key accounting policy choices and therefore do not include for example the disclosures relating to government capital grant accounting under the performance model, intangible fixed assets, investment properties or joint venture arrangements.

Where a college or its subsidiary is constituted as a company, the financial statements must also be properly prepared in accordance with the relevant provisions of the Companies Act, including the presentation of a Strategic Report.

CASTERBRIDGE COLLEGE

Report and Financial Statements

for the year ended 31 July 2017

The conventions used in these example accounts are to state in normal monochrome text, those transactions and associated narrative that are specific to the fictional college of Casterbridge. Where thought useful, additional BLUE text has been added to expand on areas that many colleges may wish to consider for their own purposes as well as to illustrate the presentation of accounts headings that are not specific to Casterbridge College. However, as noted above, not all possible eventualities can be included here and reference should be made to FRS 102 (September 2015) and the FE HE SORP 2015 for additional guidance as appropriate.

Yellow highlighter has been applied to show the significant changes since the last version (including various changes to the regularity assurance report) as well as to draw attention to areas that have been reported as having had difficulties in presentation in 2015/16

Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

Key management personnel are defined as members of the College Leadership Team and were represented by the following in 2016/17:

[Name] Principal and CEO; Accounting officer

[Name] Deputy Principal

[Name] Vice Principal Resources

[Name] Vice Principal Student Services

[etc]

Board of Governors

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

Mr M Gazebee acted as Clerk to the Corporation throughout the period.

Professional advisers

Financial statements auditors and reporting accountants:

Yates Umbleby LLP, Cathedral Close Greshambury

Internal auditors:

Gradgrind & Gradgrind, Stone Lodge, Facts Street Coketown

Bankers:

Nickleby's Bank, 1 Golden Square London

Solicitors:

Tulkinghorn & Co, Cook's Court, Cursitor Street London

CONTENTS

[The following text is ILLUSTRATIVE only and the HEADINGS USED ARE NOT EXHAUSTIVE. The College should prepare a statement that describes its own position whilst complying with the requirements of the 2015 HE and FE SORP]

[Members' Report/Report of the Governing Body/Strategic Report – see FE HE SORP 2015 3.19 to 3.22 for further guidance]

NATURE, OBJECTIVES AND STRATEGIES:

The members present their report and the audited financial statements for the year ended 31 July 2017.

Legal status

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

The Corporation was incorporated as Casterbridge College of Arts and Technology. On dd/mm/yyyy, the Secretary of State granted consent to the Corporation to change the College's name to Casterbridge College.

Mission

Governors reviewed the College's mission during xxxx/yy and in mm/yyyy adopted a revised mission statement as follows:

[College to include own mission statement here]

Public Benefit

Casterbridge College is an exempt charity under the Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on page xx.

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

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

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

[Colleges may wish to expand this further but in order to reduce the risk of duplicating disclosures, Colleges should consider expanding the existing Members' Report to draw out the public benefit aspects of particular activities rather than developing a completely new section of the narrative to report separately on public benefit. A simple statement here to state that the delivery of public benefit is covered throughout the Members Report may therefore be sufficient.]

Implementation of strategic plan

In mm/yyyy the College adopted a strategic plan for the period mm/yyyy to mm/yyyy. 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. The College's continuing strategic objectives are to:

- [insert college strategic objectives]

The College is on target for achieving these objectives.

The College's specific objectives for 2016/17 and achievement of those objectives is addressed below.

- [insert college specific objectives and achievement against those]

Financial objectives

The College's financial objectives are:

- [insert college financial objectives]

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

Performance indicators

[Include here the KPIs, and the assessment against them, that the College uses internally as well as the measure assessed externally such as Financial Health, sector specific EBITDA, Minimum Standards, delivery against funding targets, Success rates etc. Tabulation would be the simplest form of presentation – for example:

Key performance Indicator	**Measure/Target**	**Actual for 2016/17**
Operating surplus/sector EBITDA as % of income		
Staff costs as % of income		
Operating cash flow		
Cash days in hand/liquidity (adjusted current ratio)		
Borrowing as % of income		
Reliance on ESFA income		
Financial Health Score		

etc]

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 Education and Skills Funding Agency ("ESFA"). The College is assessed by the ESFA as having a "Good" financial health grading. The current rating of Good is considered an acceptable outcome.

FINANCIAL POSITION

Financial results

The Group generated a deficit before other gains and losses in the year of £351,000 (2015/16 – surplus of £820,000), with total comprehensive income of (£12,589,000), (2015/16 - (£1,608,000)). The total comprehensive income in 2016/17 is stated after accounting for the disposal of the Church Street annexe. *[Ensure that the College explains unusual movements in the financial results]*

The Group has accumulated reserves of £14,080,000 and cash and short term investment balances of £8,512,000. The Group wishes to continue to accumulate reserves and cash balances in order to create a contingency fund.

Tangible fixed asset additions during the year amounted to £16,653,000. This was split between land and buildings acquired of £12,981,000 and equipment purchased of £3,672,000. In the main, this related to the new building on main site. The building cost £12.1 million and replaces a number of poor-quality temporary classrooms. The building includes a learning resource centre, which has enabled the College to change its teaching methods, to make a greater use of information technology, and to become more efficient. The building was formally opened on mm/yyyy by the Secretary of State for Education.

The Group has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2016/17 the FE funding bodies provided xx% of the Group's total income.

The College has two subsidiary companies, ABC Limited and XYZ Limited. The principal activity of ABC Limited is the rental of property, whilst XYZ Limited carries out training of employees on behalf of employers. Any surpluses generated by the subsidiaries are transferred to the College under deed of covenant. In the current year, the surpluses generated were £18,000 and £12,000 for ABC Limited and XYZ 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 Accounting Officer. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the [Financial Memorandum/Funding Agreement].

Cash flows and liquidity

At £4.009 million (2015/16 £528,000), net cash flow from operating activities was reasonably strong. The net cashflow resulted from the receipt of a new loan of £4.5 million and the management of other resources.

During the year the College took out a secured loan of £4.5 million in order to help finance a new building on its main site. The balance of the £12.1 million capital cost was met by use of the disposal proceeds from the sale of the College's Church Street annexe for £7.5 million.

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

Reserves Policy

[Paragraph ii of Annex D of the College Accounts Direction 2016 to 2017 "encourage[s] Colleges to review their reserves policy and the level of reserves held [and to set] out, where appropriate, how these align with strategic plans." In accordance with that, Colleges should consider setting out a Reserves policy, stating the reasons for holding reserves, how they will be built up and maintained and the level identified by the Board as being appropriate for the College. The policy should also then compare the actual level of reserves to this target and set out any relevant plans to bring them in line with each other. In reviewing the level of reserves, Colleges should explicitly consider the levels that are freely available for general purposes as well as those subject to restrictions. Example wording might include:

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

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE [Tailor to College needs]

Financial health

[Discussion of financial health grading, banking facilities in support of that, other significant events including notices of concern, recovery plans etc]

Student numbers

In 2016/17 the College has delivered activity that has produced £20,783,000 in funding body main allocation funding (2015/16 – £27,716,000). The College had approximately xxx funded and xxx non-funded students.

Student achievements

Students continue to prosper at the College. Success rates rose again in 2015/16 from 2014/15 from xx per cent to xx per cent and, while it is too early to make predictions about success rates for 2016/17 there is no reason to expect the upwards trend of the last few years to be reversed.

[additional commentary could include recent Ofsted inspection results and any actions forthcoming from them]

Curriculum developments

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

Many of our students have low levels of prior educational achievement. The College is growing the range of courses aimed at students who are returning to education. These include [*give specific details of major programmes*; *apprenticeship delivery will be a key area of interest to users*]

Courses have been designed to ensure students are able to move securely into the labour market. The major curriculum initiative this year is a partnership with Get-it Right Consultants Limited to develop a range of Skills for Industry courses in IT, Retail, Hospitality and Public Administration. The first two have already been piloted, while the courses in Hospitality and Public Administration will be run for the first time next year.

Other courses prepare students for university. These include:

- Access courses for adults
- Close liaison with a range of universities including Red Brick University and the Wessex School of Economics
- Development of Level 4 courses including HNCs and degrees where they clearly fit the needs of our students.

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 96.4 per cent of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

Events after the end of the reporting period

[set out any significant post balance sheet events].

Future prospects

[Must be tailored to specific College circumstances and reflect the requirements of the FEHE SORP para 3.20]

With regard to the improved capacity provided by the new building on main site, the College seeks to significantly increase student numbers over the next three years.

The College aims to significantly increase contribution by introducing a number of efficiency schemes across the college site. The College would like to reduce dependency on the funding bodies and is seeking opportunities particularly in the areas where the College currently performs well such as HEFCE and European Commission grants.

[Colleges should include specific paragraphs on the appropriateness of the “going concern” assumption having due regard to best practice developments in the UK Corporate Governance Code 2016 in respect of going concern and risk management reporting including stating whether the College believes it will be able to continue in operation and meet its liabilities taking account of the current position and principal risks, and to specify the period covered by this statement and why the College consider it appropriate. It is expected that the period assessed will be significantly longer than 12 months.

Implicit in such considerations will be the ongoing impacts of the Area Based Reviews, the work of the FE and Sixth Form College Commissioners, the issuance of Financial Notices of Concern and so on, all of which are in the public domain and where relevant, ought to summarised and any mitigating actions explained]

RESOURCES:

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

Tangible resources include the main college site, a new £12.1 million building following the sale of Church Street annexe and £1.5 million held in current assets following the sale of the Westwick site, which is to be reinvested

Financial

The College has £55.03 million of net assets (including £1.5 million pension liability) and long term debt of £4.275 million.

People

The College employs 1,227 people (expressed as full time equivalents), of whom 787 are teaching staff.

Reputation

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

PRINCIPAL RISKS AND UNCERTAINTIES:

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

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

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

This is supported by a risk management training programme to raise awareness of risk throughout the College.

Outlined below is a description of the principal risk factors that may affect the College. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College. [Draw from the College's risk register].

1 Government funding

The College has considerable reliance on continued government funding through the further education sector funding bodies and through HEFCE. In 2016/17, xx% of the College's revenue was ultimately publicly funded and this level of requirement is expected to continue. There can be no 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:

[define issues such as Apprenticeships funding, devolution of the adult education budget etc eg:

The College is aware of several issues which may impact on future funding, including apprenticeship reforms and the devolution of the adult education budget. The College, in conjunction with its key stakeholders, is developing a strategy for growth in response to the devolution agenda and to the apprenticeships reform. It is recognised that the introduction of the apprenticeship levy will significantly affect that marketplace though the full implications are not yet known as government policy continues to develop.]

Consider referring to each strand of income in turn

This risk is mitigated in a number of ways: [examples below – tailor to suit own circumstances; own risk register entries etc]

- [Funding is derived through a number of direct and indirect contractual arrangements
- By ensuring the College is rigorous in delivering high quality education and training
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding.
- Regular dialogue with funding bodies]

2 Tuition fee policy

Ministers have confirmed that the fee assumption remains at 50%. In line with the majority of other colleges, Casterbridge College will seek to increase tuition fees in accordance with the fee assumptions. The risk for the College is that demand falls off as fees increase. This will impact on the growth strategy of the College.

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 as prices change

3 Maintain adequate funding of pension liabilities

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

This risk is mitigated by an agreed deficit recovery plan with the [name of LGPS].

4 Failure to maintain the financial viability of the College

The College's current financial health grade is classified as "xxxx" as described above. This is largely the consequence of [detail out any reasons including deficits, recent renegotiation of lending facilities and associated covenants etc]. Notwithstanding that, the continuing challenge to the College's financial position remains the constraint on further education funding arising from the ongoing cuts in public sector spending whilst maintaining the student experience. This risk is mitigated in a number of ways:

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

STAKEHOLDER RELATIONSHIPS

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

- Students;
- Education sector funding bodies;
- [Sixth Form /FE Commissioner;]
- Staff;
- Local employers (with specific links);
- Local authorities;
- Local Enterprise Partnerships (LEPs);
- The local community;
- Other FE institutions;
- Trade unions;
- Professional bodies.

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

Equality [example statement – tailor to own circumstances]

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

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

The College is a 'Positive about Disabled' employer and has committed to the principles and objectives of the Positive about Disabled standard. The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non-disabled employees.

The College has committed to the 'Mindful Employer' initiative to assist the mental health wellbeing of staff. The College has achieved accreditation to the Committed to Equality (C2E) standard at the gold (highest) level. The College has also implemented an updated Equality & Diversity training programme which all staff have attended. Refresher training and training for new starters is carried out on an ongoing basis.

Disability statement

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

a) As part of its accommodation strategy the College updated its access audit. Experts in this field conducted a full access audit during 2008/09, and the results of this formed the basis of funding capital projects aimed at improving access.

b) The College has appointed an Access Co-ordinator, who provides information, advice and arranges support where necessary for students with disabilities.

c) There is a list of specialist equipment, such as radio aids, which the College can make available for use by students and a range of assistive technology is available in the learning centre.

d) The admissions policy for all students is described in the College charter. Appeals against a decision not to offer a place are dealt with under the complaints policy.

e) The College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.

f) Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.

g) Counselling and welfare services are described in the College Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

Disclosure of information to auditors

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

Approved by order of the members of the Corporation on …………………. and signed on its behalf by:

[Name to be typed in]

[Chair]

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1st August 2016 to 31st July 2017 and up to the date of approval of the annual report and financial statements. [To be tailored according to which Code the College follows – points below are alternatives and may not all apply to every College].

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 Code of Good Governance for English Colleges ("the Code");] and
iii. having due regard to the UK Corporate Governance Code 2016 insofar as it is applicable to the further education sector.

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

In the opinion of the Governors, the College complies with/exceeds all the provisions of the Code, and it has complied throughout the year ended 31 July 2017. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted on [date]. [Not mandatory - Colleges should only include this statement if they have adopted the Code and if they wish to include their compliance with it as an important element of their Corporate Governance and Internal Controls]

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

The Corporation

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

	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance in 2016/17
Ms C Linton	30 Sept 2011; reappointed 29 Sept 2015	3 years		Independent member	Chair: Corporation; Chair: Remuneration; finance and general	x/y
Mr M	–			Principal		x/y
Ms M Bold	2 Sept 2014	4 years		Independent member	Chair: finance and general	x/y
Mr D Farfrae	2 Sept 2014	4 years		Independent member	Chair: audit	x/y
Ms U Meah	2 Sept 2014	4 years		Independent member	Finance and general	x/y
Ms B Sharp	30 Sept 2015	3 years		Community representative	Finance and general purposes;	x/y
Mr A Child	30 Sept	4 years		Co-opted	Audit	x/y
Mr T Tulliver	1 Oct 2016	1 year	1 July	Student		x/y
Capt. F Wentworth	4 Sept 2015	4 years		Independent member	Remuneration	x/y
Mr S Marner	4 Sept 2015	4 years		Independent member	Audit	x/y
Ms A Sedley	1 Oct 2017	1 year		Student		x/y
Mr M Choakumchil	30 Sept 2015	3 years		Staff member		x/y
Ms A Elliott	2 Dec 2015	3 years		Co-opted member	Remuneration Chair: search committee	x/y
Mr P Finn	2 Dec 2015	3 years		Independent member	Finance and general	x/y
Mr C Lal	1 Oct 2015	3 years		Independent member	Finance and general	x/y

	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance in 2016/17
Mr F Karamazov	1 Oct 2015	3 years		Independent member	Finance and general	x/y
Mr M Gazebee, a retired solicitor, acts as Clerk to the Corporation.						

*Annex A to the Accounts Direction 2016 to 2017 requires explicit disclosure of attendance data for the meetings in the year under review. Colleges may wish to expand this by including additional information on key committee attendance as well. Mitigating circumstances such as leaves of absence may be added as additional narrative.

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

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

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are *[finance and general purposes, remuneration, search and audit - amend as appropriate to the College]*. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website [at xxxx.ac.uk] or from the Clerk to the Corporation at:

Casterbridge College
Corn Street
Casterbridge
Wessex CS1 1AB

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

All governors are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Clerk to the Corporation, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Corporation as a whole.

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

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

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

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a search committee, consisting of three members of the Corporation, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding four years. [Colleges may wish to include statements regarding the recommendation in the AoC Code of Good Governance for English Colleges that no more than two terms of office should be served by members (or eight years)]

Corporation performance

The Corporation carried out a self assessment of its own performance for the year ended 31st July 2017 and graded itself as "xxxx" on the Ofsted scale [Include here the annual self-assessment of the Corporation's performance which should be available in the relevant meeting papers at that time].

Remuneration Committee

Throughout the year ending 31 July 2017 the College's Remuneration Committee comprised three members of the Corporation. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other key management personnel.

Details of remuneration for the year ended 31 July 2017 are set out in note 8 to the financial statements.

Audit Committee

The Audit Committee comprises three members of the Corporation (excluding the Accounting Officer and Chair**)** [and a co-opted finance/audit specialist]**.** The

Committee operates in accordance with written terms of reference approved by the Corporation.

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

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

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

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

[Describe any other relevant committees]

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 [he / she] is personally responsible, in accordance with the responsibilities assigned to [him / her] in the Financial Memorandum/Financial Agreement between Casterbridge College and the funding bodies. [He / She] is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Casterbridge College for the year ended 31 July 2017 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2017 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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

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

[The following section in particular may need to be tailored by Colleges who no longer use an Internal Audit service]

The College has an internal audit service, which operates in accordance with the requirements of the ESFA's *Post 16 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.

Example alternative text:

Casterbridge College has not appointed an internal audit service for the year ended 31st July 2017. For that year, the College management and Governors have assessed the internal controls and developed a Board Assurance Framework, clearly showing the mapping of assurance sources against the risks identified.

The College analysed the risks to which it was exposed and a programme of assurance was agreed with the Audit Committee. The Committee was provided with regular reports on this assurance activity in the College which included:

- [set out key independent assessments, management reviews, risk areas covered etc]

Review of effectiveness

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. [His / Her] review of the effectiveness of the system of internal control is informed by:

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

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

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its October 2017 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2017 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2017.

Based on the advice of the Audit Committee and the Accounting Officer, the Corporation is of the opinion that the College [has / does not have] an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for "*the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets*".

Going concern

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

[Colleges must expand this statement to include the supporting assumptions, mitigating actions where appropriate, and to specify the period after the reporting date that is being considered.]

Approved by order of the members of the Corporation on………………and signed on its behalf by:

[Signed]	[Signed]
[Name to be typed]	[Name to be typed]
[Chair]	[Accounting Officer]

Statement of Regularity, Propriety and Compliance

The Corporation has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the college's [financial memorandum/funding agreement]. As part of our consideration we have had due regard to the requirements of the [financial memorandum/funding agreement].

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

[Either:

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

Or:

We confirm that the following instances of material irregularity, impropriety or funding non-compliance discovered to date have been notified to the ESFA. If any instances are identified after the date of this statement, these will be notified to the ESFA:

- [x]
- [x]

[Signed] [Signed]

[Name to be typed] [Name to be typed]

Accounting Officer Chair of Governors

[Date] [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 College's [Financial Memorandum/Funding Agreement] with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the *2015 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *College Accounts Direction 2016 to 2017* issued by the ESFA, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

The Corporation is also required to prepare a Members Report *[or Strategic Report etc – use appropriate terminology]* which describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the College.

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

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

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

Approved by order of the members of the Corporation on………………. and signed on its behalf by:

[Name to be typed]

[Chair]

Independent auditor's report to the [Corporation/Governing Body] of Casterbridge College

The form of the audit report on the financial statements, which should appear here, is governed by International Standards on Auditing (UK and Ireland) (ISA's). The particular standard is '*ISA (UK) 700 (Revised June 2016): Forming and Opinion and Reporting on Financial Statements)*' and the examples in the supporting guidance published by the FRC in October 2016 (see Link to FRC guidance) .

The auditor's opinion (which is now at the commencement of the report) must address whether the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of [the Groups' and of] the College's affairs as at 31 July 2017 and of the [Group's/College's] surplus of income over expenditure for the year then ended;

The auditor must also give their opinion on other matters prescribed by the Post 16 Audit Code of Practice issued by the Education and Skills Funding Agency, reporting by exception specifically if:

- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns;
- all the information and explanations required for the audit were not received.;
- conclusions relating to appropriateness of the use of the going concern basis of accounting and disclosures of material uncertainties, subject to the requirements of ISA 570 Going Concern, and whether the auditor has concluded that there is a material misstatement in other information, subject to the requirements of ISA 720 The Auditor's Responsibilities Relating to Other Information.

Colleges will note the longer form of the report this year with additional narrative around the auditor's responsibilities for the audit of the financial statements.

The Addressee will depend on the naming conventions used in the Instrument and Articles of Government and will differ between General FE Colleges, Sixth Form Colleges, Specialist Designated Colleges and those colleges that are companies limited by guarantee.

[An indication of the form and content of the independent auditor's report on regularity is set out in Annex D of the Post 16 Audit Code of Practice issued in March 2017 and is repeated below. Audit firms will take account of that form and content though may wish to apply their own house style and will in any event separately define the work undertaken to draw their conclusions.]

Reporting accountant's assurance report on regularity

To: The Corporation of Casterbridge College and Secretary of State for Education acting through the Department for Education ("the Department")

In accordance with the terms of our engagement letter dated [x] and further to the requirements of the [financial memorandum / funding agreement] with the Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Casterbridge College during the period 1st August 2016 to 31 July 2017 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post 16 Audit Code of Practice ("the Code") issued by the Department. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record returns, for which the Department has other assurance arrangements in place.

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

Respective responsibilities of Casterbridge College and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1st August 2016 to 31 July 2017 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Reporting accountant's assurance report on regularity (continued)

Approach

We conducted our engagement in accordance with the Code issued jointly by the Department. We performed a limited assurance engagement as defined in that framework.

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

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

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

The work undertaken to draw to our conclusion includes:

[X]

[X]

Conclusion

In the course of our work, [except for the matters listed below] nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1st August 2016 to 31 July 2017 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

[Matter 1]

[Matter 2]

Signed:

[Firm of accountants]

[Date]

Consolidated Statements of Comprehensive Income and Expenditure

	Notes	Year ended 31		Year ended 31	
		Group	College	Group	College
		£'000	£'000	£'000	£'000
INCOME					
Funding body grants	2	32,944	32,944	36,921	36,921
Tuition fees and education contracts	3	4,661	4,661	4,944	4,944
Other grants and contracts	4	228	228	303	303
Other income	5	2,631	2,170	1,797	1,380
Investment income	6	1,456	1,456	1,399	1,399
Donations and Endowments	7	-	30	-	30
Total income		**41,920**	**41,489**	**45,364**	**44,977**
EXPENDITURE					
Staff costs	8	27,557	27,557	28,875	28,875
Other operating expenses	9	10,568	10,137	12,867	12,480
Depreciation	12	4,038	4,038	2,802	2,802
Interest and other finance costs	10	108	108	-	-
Total expenditure		**42,271**	**41,840**	**44,544**	**44,157**
(Deficit)/surplus before other gains		**(351)**	**(351)**	**820**	**820**
Loss on disposal of assets	12	(9,420)	(9,420)	-	-
Gain/(loss) on investments		-	-	-	-
Share of operating surplus/(deficit) in [joint venture/associate]		-	-	-	-
(Deficit)/Surplus before tax		**(9,771)**	**(9,771)**	**820**	**820**
Taxation	11	(12)	-	(12)	-
(Deficit)/surplus for the year		**(9,783)**	**(9,771)**	**808**	**820**
Unrealised surplus on revaluation of		-	-	-	-
Actuarial loss in respect of pensions	25	(2,806)	(2,806)	(2,416)	(2,416)
Total Comprehensive Income for the		**(12,589**	**(12,577**	**(1,608)**	**(1,596)**
Represented by:					
Restricted comprehensive income		-	-	-	-
Unrestricted comprehensive income		**xxx**	**xxx**	**xxx**	**xxx**
		xxx	**xxx**	**xxx**	**xxx**
Surplus for the year attributable to:					
Non-controlling interest		**xx**	**xx**	**xx**	**xx**
Group		**xx**	**xx**	**xx**	**xx**
Total Comprehensive Income for the					
Non-controlling interest		**xx**	**xx**	**xx**	**xx**
Group		**xx**	**xx**	**xx**	**xx**

The statement of comprehensive income is in respect of continuing activities.

Consolidated and College Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Restricted reserves	Total excluding Non-controlling interest	Non-controlling interest	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Group						
Balance at 1st August	8,510	60,717	-	**69,227**	-	69,227
Surplus/(deficit) from the income and expenditure	808	-	-	**808**	-	808
Other comprehensive	(2,416)	-	-	**(2,416)**	-	(2,416)
Transfers between revaluation and income	1,431	(1,431)	-	**-**	-	
	(177)	(1,431)	-	**(1,608)**	-	(1,608)
Balance at 31st July 2016	8,333	59,286	-	**67,619**	-	67,619
Surplus/(deficit) from the income and expenditure	(9,783)	-	-	**(9,783)**	-	(9,783)
Other comprehensive	(2,806)	-	-	**(2,806)**	-	(2,806)
Transfers between revaluation and income	18,336	(18,336)	-	**-**	-	-
Total comprehensive	5,747	(18,336)	-	**(12,589)**	-	(12,589)
Balance at 31 July 2017	14,080	40,950	-	**55,030**	-	55,030
College						
Balance at 1st August	8,381	60,717	-	**69,098**	-	69,098
Surplus/(deficit) from the income and expenditure	820	-	-	**820**	-	820
Other comprehensive	(2,416)	-	-	**(2,416)**	-	(2,416)
Transfers between revaluation and income	1,431	(1,431)	-	**-**	-	-
	(165)	(1,431)	-	**(1,596)**	-	(1,596)
Balance at 31st July 2016	8,216	59,286	-	**67,502**	-	67,502
Surplus/(deficit) from the income and expenditure	(9,771)	-	-	**(9,771)**	-	(9,771)
Other comprehensive	(2,806)	-	-	**(2,806)**	-	(2,806)
Transfers between revaluation and income	18,336	(18,336)	-	**-**	-	-
Total comprehensive	5,759	(18,336)	-	**(12,577)**	-	(12,577)
Balance at 31 July 2017	13,975	40,950	-	**54,925**	-	54,925

Balance sheets as at 31 July

	Notes	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Non current assets					
Tangible Fixed assets	12	69,651	69,237	73,974	73,584
Heritage assets		-	-	-	-
Investments	13	-	6	-	6
Investments in joint venture		-	-	-	-
Pensions asset	25	-	-	1,440	1,440
		69,651	**69,243**	**75,414**	**75,030**
Current assets					
Stocks		129	114	129	108
Trade and other receivables	14	1,170	1,116	1,290	1,317
Investments	15	6,000	6,000	7,500	7,500
Cash and cash equivalents	20	2,512	2,512	585	585
		9,811	**9,742**	**9,504**	**9,510**
Creditors – amounts falling due within one year	16	(8,294)	(7,922)	(7,882)	(7,579)
Net current assets		**1,517**	**1,820**	**1,622**	**1,931**
Total assets less current liabilities		**71,168**	**71,063**	**77,036**	**76,961**
Creditors – amounts falling due after more than one year	17	(11,180)	(11,180)	(7,293)	(7,293)
Provisions					
Defined benefit obligations	19	(1,460)	(1,460)	-	-
Other provisions	19	(3,498)	(3,498)	(2,124)	(2,124)
Total net assets		**55,030**	**54,925**	**67,619**	**67,544**
Restricted reserves [list out as		-	-	-	-
Unrestricted Reserves					
Income and expenditure account		14,080	13,975	8,333	8,258
Revaluation reserve		40,950	40,950	59,286	59,286
Total unrestricted reserves		**55,030**	**54,925**	**67,619**	**67,544**
Total reserves		**55,030**	**54,925**	**67,619**	**67,544**

The financial statements on pages [xx to xx] were approved and authorised for issue by the Corporation on [insert date] and were signed on its behalf on that date by:

[Name to be typed in]

Chair

[Name to be typed in]

[Accounting Officer]

Consolidated Statement of Cash Flows

	Notes	2017 £'000	2016 £'000
Cash flow from operating activities			
Surplus/(Deficit) for the year		(9,783)	808
Adjustment for non-cash items			
Depreciation		4,038	2,082
(Increase)/decrease in stocks		-	-
(Increase)/decrease in debtors		120	93
Increase/(decrease) in creditors due within one year		187	323
Increase/(decrease in creditors due after one year		(352)	(1,385)
Increase/(decrease) in provisions		1,374	363
Pensions costs less contributions payable		94	(319)
Share of operating surplus/(deficit) in [joint		-	-
Taxation		12	12
Adjustment for investing or financing activities			
Investment income		(1,203)	(1,437)
Interest payable		108	-
Taxation paid		(12)	(12)
Loss on sale of fixed assets		9,426	-
Net cash flow from operating activities		4,009	528
Cash flows from investing activities			
Proceeds from sale of fixed assets		7,512	-
Disposal of non-current asset investments		-	-
Investment income		1,203	1,437
Withdrawal of deposits		1,500	-
New deposits		-	-
Payments made to acquire fixed assets		(16,653)	(7,476)
		(6,438)	(6,039)
Cash flows from financing activities			
Interest paid		(78)	-
Interest element of finance lease rental payments		(30)	-
New unsecured loans		4,500	-
Repayments of amounts borrowed		-	-
Capital element of finance lease rental payments		(36)	(36)
		4,356	(36)
Increase / (decrease) in cash and cash equivalents		**1,927**	**(3,599)**
Cash and cash equivalents at beginning of the year	20	585	4,184
Cash and cash equivalents at end of the year	20	2,512	585

Notes to the Accounts

1. Statement of accounting policies and estimation techniques

[Colleges should only disclose those accounting policies that are material and relevant to their specific situation, including the particular income recognition model adopted. The following accounting policies should therefore be tailored accordingly.]

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

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2016 to 2017* and in accordance with Financial Reporting Standard 102 – *"The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland"* (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention [(modified by the revaluation of certain fixed assets)].

Basis of consolidation

The consolidated financial statements include the College and its subsidiaries, ABC Limited and XYZ 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. Under the puchase method of accounting, the results of subsidiary and associated undertakings acquired or disposed of during the year are included in the consolidated income and expenditure account from or up to the date on which control of the undertaking passes. 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. *[Each institution will need to clarify its relationship with the students' union. In particular, whether it has the power to exercise, or actually exercises, a dominant influence or control over the students' union, or whether it and the students' union are managed on a unified basis]* All financial statements are made up to 31 July 2017.

Going concern

[The inherent uncertainties in future FE College funding coupled with the effects of changes in the attitudes of the major banks towards lending and known cost increases, mean that the disclosures around the basis for adopting the going concern basis for the preparation of the financial statements, are extremely important. Stakeholders will be looking for more than a simple "boiler plate" discussion of the risks. The example text below represents the minimum disclosures expected for a College with uncomplicated circumstances, some exposure to the current economic uncertainties and either a current material bank overdraft or loan and/or a need to renew this facility in the foreseeable future albeit not imminently. Material uncertainties that are present as at the date of signing the financial statements will need to be described as such together with an explanation (including any remedial actions being taken by the Corporation.]

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 £4.5m of loans outstanding with bankers on terms negotiated in 2010. Additionally there is £1m of uncommitted facility available for unconditional drawdown with all being secured by a fixed and floating charge on College assets. The terms of the existing agreement are for 25 years. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

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

Recognition of income [all material revenue streams should be included here which may need tailoring to individual College circumstances]

Revenue grant funding

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under achievement for the Adult Education Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learnerresponsive 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.

Where part of a government grant is deferred, the deferred element is recognised as deferred income within creditors and allocated between creditors due within one year and creditors due after more than one year as appropriate.

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.

Capital grant funding

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual model as permitted by FRS 102. Other, non-governmental, capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the Balance Sheet and released to income as conditions are met. [Where the performance model has been selected then the first sentence can be merged with the second]

Fee income

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.

Investment income

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.

Agency arrangements

The College acts as an agent in the collection and payment of certain discretionary support funds and *[insert details of any other arrangements]*. 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.

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.

Teachers' Pension Scheme (TPS)

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method.

The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

Wessex Local Government Pension Scheme (LGPS)

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred.

Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in interest and other finance costs.

Actuarial gains and losses are recognised immediately in actuarial 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 / deemed cost] less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

[Revaluation basis if appropriate]

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Land and buildings

Freehold buildings are depreciated on a straight line basis over their expected useful lives as follows:

- xxxx – 60 years
- xxxx – 50 years
- Refurbishments – 15 years

Freehold land is not depreciated as it is considered to have an infinite useful life.

Freehold buildings are depreciated over their expected useful economic life to the College of between 20 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 20 and 50 years.

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

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in [1996], as deemed cost but not to adopt a policy of revaluations of these properties in the future.

Assets under construction [if appropriate]

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 £1,000 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

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

[Heritage Assets

If appropriate include a description of heritage assets and their capitalisation policy along with the approach to depreciation e.g.

Heritage Assets are works of art and other valuable artefacts, held principally for their contribution to knowledge and culture rather than for the College's operational use. Heritage assets acquired or donated since [date] and valued over £xxx have been capitalised and recognised at the cost or value of the acquisition, where such a cost or valuation is reasonably obtainable.

Heritage assets are not depreciated as their long economic life and high residual value mean that any depreciation would not be material.]

[**Intangible assets and goodwill**

Include relevant policies for intangible assets such as software development costs that meet the recognition criteria of section 18 of FRS 102]

Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred. [Amend where a College elects to capitalise such costs e.g." Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised."]

Leased assets

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

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

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

[*Investments in associates*

Investments in associates are recognised initially in the consolidated Balance Sheet at the transaction price and subsequently adjusted to reflect the group's share of total comprehensive income and equity of the associate, less any impairment.

Any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition, although treated as goodwill, is presented as part of the investment in the associate. Amortisation is charged so as to allocate the cost of goodwill over its estimated useful life, using the straight-line method. Losses in excess of the carrying amount of an investment in an associate are recorded as a provision only when the College has incurred legal or constructive obligations or has made payments on behalf of the associate.

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

[*Investments in joint ventures*

The College accounts for its share of joint ventures using the equity method within the Group financial statements. Under the equity method in group accounts, if an investor's share of losses in a joint venture equals or exceeds the carrying amount of its investment, the investor shall discontinue recognising its share of further losses, unless it has incurred legal or constructive obligations or has made payments on behalf of the joint venture, in which case provision is required.]

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.

Inventories

Inventories are stated at the lower of their cost (using the [name] method) and net realisable value, being selling price less costs to complete and 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 College has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

Foreign currency translation

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

Taxation

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

The College is partially exempt in respect of Value Added Tax, so that it can only recover around 3% 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.

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.

[Add in specific statements to explain nature of identified provisions such as dilapidations, restructuring etc].

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, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

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

Add other areas as appropriate

2 Funding body grants

	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
Education and Skills Funding Agency - adult	3,883	3,883	9,116	9,116
Education and Skills Funding Agency – 16 -18	16,900	16,900	18,600	18,600
Education and Skills Funding Agency - apprenticeships	1,343	1,343	794	794
Higher Education Funding Council	8,800	8,800	7,950	7,950
Specific grants				
Releases of government capital grants	1,881	1,881	461	461
HE grant	137	137	-	-
Total	**32,944**	**32,944**	**36,921**	**36,921**

3 Tuition fees and education contracts

	Year ended 31		Year ended 31	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	457	457	537	537
Apprenticeship fees and contracts	700	700	750	750
Fees for FE loan supported courses	200	200	180	180
Fees for HE loan supported courses	830	830	750	750
International students' fees	228	228	219	219
Total tuition fees	2,415	2,415	2,436	2,436
Education contracts	2,246	2,246	2,508	2,508
Total	**4,661**	**4,661**	**4,944**	**4,944**

4 Other grants and contracts

	Year ended 31		Year ended 31	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Erasmus	15	15	12	12
UK-based charities	-	-	-	-
European Commission	156	156	240	240

Other grants and contracts	57	57	51	51
Total	**228**	**228**	**303**	**303**

5 Other income

	Year ended 31 July		Year ended 31 July	
	2017 Group £'000	**2017 College £'000**	**2016 Group £'000**	**2016 College £'000**
Catering and residences	1,217	1,217	854	854
Other income generating activities	171	171	96	96
Other grant income	100	100	90	90
Non-government capital grants	162	162	150	150
Miscellaneous income	981	520	607	190
Total	**2,631**	**2,170**	**1,797**	**1,380**

6 Investment income

	Year ended 31		Year ended 31	
	2017 Group £'000	**2017 College £'000**	**2016 Group £'000**	**2016 College £'000**
Other investment income	120	120	105	105
Other interest receivable	1,083	1,083	642	642
	1,203	**1,203**	**747**	**747**
Net return on pension scheme (note 25)	253	253	652	652
Total	**1,456**	**1,456**	**1,399**	**1,399**

7 Donations – College only

	2017 £'000	**2016 £'000**
Unrestricted donations	30	30
Total	**30**	**30**

8 Staff costs – Group and College

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

	2017 **No.**	**2016** **No.**
Teaching staff	787	957
Non-teaching staff	440	396
	1,227	**1,353**

Staff costs for the above persons

	2017 **£'000**	**2016** **£'000**
Wages and salaries	21,729	25,116
Social security costs	1,431	1,773
Other pension costs	1,514	1,986
Payroll sub total	**24,674**	**28,875**
Contracted out staffing services	1,332	-
	26,006	**28,875**
Restructuring costs – Contractual	1,301	-
- Non contractual	250	-
Total Staff costs	**27,557**	**28,875**

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 [College Leadership Team] which comprises the Principal, [Colleges should define the remainder of this area – may include deputy and vice principals and significant budget holders for example]. 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

	2017 No.	2016 No.
The number of key management personnel including the Accounting Officer was:	**4**	**4**

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

	Key management personnel		Other staff	
	2017 No.	**2016 No.**	**2017 No.**	**2016 No.**
£60,001 to £70,000 p.a.	-	1	1	1
£70,001 to £80,000 p.a.	2	1	0	0
£80,001 to £90,000 p.a.	2	2	0	0
	4	**4**	**1**	**1**

Key management personnel compensation is made up as follows:

	2017 £'000	2016 £'000
Salaries- gross of salary sacrifice and waived emoluments	387	378
Employers National Insurance **[or Social Security**	45	43
Benefits in kind	9	8
	441	**429**
Pension contributions	61	59
Total key management personnel compensation	502	488

[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:

	2017 £'000	2016 £'000
Salaries	174	171
Benefits in kind	5	4
	179	175
Pension contributions	25	25

Compensation for loss of office paid to former key management personnel

	2017 £	2016 £
Compensation paid to the former post-holder – [contractual]	8,572	-
Estimated value of other benefits, including provisions for pension benefits	2,829	-

The severance payment was approved by the College's Remuneration Committee.

[Expand disclosures if more than one member of the Key Management Personnel and /or higher paid staff were involved in receiving such compensation and include the number of staff so disclosed]

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.

9 Other operating expenses

	2017 Group £'000	2017 College £'000	2016 Group £'000	2016 College £'000
Teaching costs	3,369	3,369	3,504	3,504
Non-teaching costs	5,312	4,881	5,391	5,004
Premises costs	1,887	1,887	3,972	3,972
Total	**10,568**	**10,137**	**12,867**	**12,480**

Other operating expenses include:	**2017 £'000**	**2016 £'000**
Auditors' remuneration:		
Financial statements audit*	39	36
Internal audit**	30	30
Other services provided by the financial statements auditor [provide details e.g. taxation compliance]	12	12
Other services provided by the internal	5	3
Losses on disposal of non-current assets	6	-
Hire of assets under operating leases	18	18

* includes £32,250 in respect of the College (2015/16 £30,000)

** includes £24,000 in respect of the College (2015/16 £24,000)

[Colleges should consider expanding the analysis above to mirror the Finance Record and Plan – for example showing payments to subcontractors as a separate line]

10 Interest and other finance costs – Group and College

	2017 £'000	2016 £'000
On bank loans, overdrafts and other loans:	78	-
	78	-
On finance leases	30	-
[Unwinding of discounts in relation to…] *		
Net interest on defined pension liability (note 25)	-	-
Total	**108**	**-**

***[Include additional lines for items such as the unwinding of discounts of provisions where these are significant to the college]**

11 Taxation – Group only

	2017 £'000	2016 £'000
United Kingdom corporation tax at [xx] per cent	12	12
Provision for deferred corporation tax in the accounts of the subsidiary company	-	-
Total	**12**	**12**

The members do not believe that the College was liable for any corporation tax arising out of its activities during either year. The tax charge above relates to its trading subsidiary companies.

[The taxation note here has been drafted on the assumption that taxation is not material or complex. Section 29 of FRS 102 and the 2015 FE HE SORP require a reconciliation of the tax charge to the operating surplus

multiplied by the applicable rate of tax. In addition there may be circumstances where deferred tax is to be provided for – particularly around the unrealised gains on property revaluations – and appropriate professional advice should be sought.]

12 Tangible fixed assets (Group)

	Land and buildings		Equipment	Assets in the course of	Total
	Freehold	Long leasehold			
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2016	75,117	150	10,587	-	85,854
Additions	981	-	3,672	12,000	16,653
Disposals	(18,000)	-	(81)	-	(18,081)
At 31 July 2017	**58,098**	**150**	**14,178**	**12,000**	**84,426**
Depreciation					
At 1 August 2016	4,311	6	7,563	-	11,880
Charge for the year	1,287	3	2,748	-	4,038
Elimination in respect of disposals	(1,080)	-	(63)	-	(1,143)
At 31 July 2017	**4,518**	**9**	**10,248**	**-**	**14,775**
Net book value at 31	**53,580**	**141**	**3,930**	**12,000**	**69,651**
Net book value at 31 July 2016	70,806	144	3,024	-	73,974

Tangible fixed assets (College only)

	Land and Freeho ld	Long leaseh	Equipm	Assets in the course of	Total
	£'000	£'000	£'000		£'000
Cost or valuation					
At 1 August 2016	75,117	-	10,251	-	85,368
Additions	981	-	3,603	12,000	16,584
Disposals	(18,000	-	(81)	-	(18,081)
At 31 July 2017	**58,098**	**-**	**13,773**	**12,000**	**83,871**

Depreciation

At 1 August 2016	4,311	-	7,473	-	11,784
Charge for the year	1,287	-	2,706	-	3,993
Elimination in respect of disposals	(1,080)	-	(63)	-	(1,143)
At 31 July 2017	**4,518**	**-**	**10,116**	**-**	**14,634**
Net book value at 31 July	**53,580**	**-**	**3,657**	**12,000**	**69,237**
Net book value at 31 July 2016	70,806	-	-	-	73,584

Land and buildings were valued in 1996 at depreciated replacement cost by **[Name]** a firm of independent chartered surveyors.

The net book value of equipment includes an amount of £204,000 (2015/16 – £216,000) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £12,000 (2015/16 – £13,500).

If fixed assets had not been revalued before being deemed as cost on transition they would have been included at the following historical cost amounts:

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

13 Non-current investments

	Colleg 2017 £'000	**College 2016 £'000**
Investments in subsidiary companies	6	6
Investments in associate companies	-	-
Other non-current asset investments	-	-
Total	**6**	**6**

The College owns 100 per cent of the issued ordinary £1 shares of ABC Limited, a company incorporated in England and Wales, and 100 per cent of the issued ordinary £1 shares of XYZ Limited, a company incorporated in England and Wales. The principal business activity of XYZ Limited is carrying out training of employees on behalf of employers. The principal activity of ABC Limited is the rental of property.

14 Trade and other receivables

	Grou 2017 £'000	**Colle 2017 £'000**	**Grou 2016 £'000**	**Colle 2016 £'000**

Amounts falling due within one year:				
Trade receivables	1,089	486	1,197	567
Amounts owed by group undertakings:				
Subsidiary undertakings	-	510	-	637
Associate undertakings	-	63	-	50
Prepayments and accrued income	81	57	93	63
Amounts owed by the ESFA	-	-	-	-
Total	**1,170**	**1,116**	**1,290**	**1,317**

15 Current investments

	Grou 2017 £'000	**Colle 2017 £'000**	**Grou 2016 £'000**	**Colle 2016 £'000**
Short term deposits	6,000	6,000	7,500	7,500
Total	**6,000**	**6,000**	**7,500**	**7,500**

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

1 Creditors: amounts falling due within one year

	Grou 2017 £'000	**Colle 2017 £'000**	**Grou 2016 £'000**	**Colle 2016 £'000**
Bank loans and overdrafts	225	225	-	-
Obligations under finance leases	36	36	36	36
Trade payables	1,578	1,164	1,425	1,080
Amounts owed to group undertakings:				
Subsidiary undertakings	-	87	-	102
Associate undertakings	-	-	-	-
Corporation tax	12	-	12	-
Other taxation and social security	753	753	687	687
Accruals and deferred income	2,737	2,704	3,121	3,073
Deferred income - government capital	1,900	1,900	1,881	1,881
Deferred income - government revenue	447	447	414	414
Amounts owed to the ESFA	606	606	306	306
Total	**8,294**	**7,922**	**7,882**	**7,579**

[Colleges should further analyse accruals and deferred income to set out the increases due to holiday pay accruals, etc]

1 Creditors: amounts falling due after one year

	Grou	Colle	Grou	Colle
	2017	2017	2016	2016
	£'000	£'000	£'000	£'000
Bank loans	4,275	4,275	-	-
Obligations under finance leases	126	126	162	162
Deferred income - government capital	6,779	6,779	7,131	7,131
Total	**11,18**	**11,18**	**7,293**	**7,293**

18 Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Grou 2017 £'000	Colle 2017 £'000	Grou 2016 £'000	Colle 2016 £'000
In one year or less	225	225	-	-
Between one and two years	225	225	-	-
Between two and five years	900	900	-	-
In five years or more	3,150	3,150	-	-
Total	**4,500**	**4,500**	**-**	**-**

Bank loans and overdrafts at 7.25 per cent repayable by instalments falling due between 1 August 2016 and 31 July 2035 totalling £4,500,000, are secured on a portion of the freehold land and buildings of the College. **[Additional analysis will be required where there are multiple lenders and/or differing loan terms and conditions; analysis should be by each loan:]**

Lender 1 – term; interest rate; amount

(b) Finance leases

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

	Grou 2017 £'000	Colle 2017 £'000	Grou 2016 £'000	Colle 2016 £'000
In one year or less	36	36	36	36

Between two and five years	126	126	162	162
In five years or more	-	-	-	-
Total	**162**	**162**	**198**	**198**

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

[The above analysis assumes that all Financial Instruments are “basic” under the definitions in FRS 102. If this is not the case then Colleges should include a financial instruments table as per FRS 102 11.41 to show:

- Financial assets measured at fair value through profit or loss
- Financial assets that are debt instruments measured at amortised cost
- Financial liabilities measured at amortised cost

with definitions of each:

- Financial assets measured at fair value through profit or loss comprise fixed asset investments in unlisted company shares and current asset investments in a trading portfolio of listed company shares.
- Financial assets measured at amortised cost comprise trade debtors, other debtors, amounts owed by joint ventures and associated undertakings.
- Financial liabilities measured at amortised cost comprise bank loans and overdrafts, trade creditors, other creditors.

19 Provisions

	Group and College				
	Defined benefit obligatio	Restructuring	Enhanced pensions	Other	Total
	£'000	£'000	£'000	£'000	£'00
At 1 August 2016	(1,440)	894	699	531	684
Expenditure in the period	(178)	(90)	(47)	(531)	(846
Additions in period	3,078	2,022	20	-	5,12
At 31 July 2017	**1,460**	**2,826**	**672**	**-**	**4,95**

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Note 25.

The restructuring provision relates to the exceptional restructuring of costs arising from the closure of the Department of Media Studies which was announced in April 2017 and for which redundancy notices were served in June 2017. Other provisions relate to a legal obligation to carry out remedial pipework in the institution's leasehold building. This work will be completed during 2017/18.

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:

	2017	2016
Price inflation	3.74%	3.74%
Discount rate	2.5%	2.5%

20 Cash and cash equivalents

	At 1 August 2016	Cash flows	Other changes	At 31 July 2017
	£'000	£'000	£'000	£'000
Cash and cash equivalents	585	1,927	-	2,512
Overdrafts	-	-	-	-
Total	**585**	**1,927**	**-**	**2,512**

21 Capital and other commitments

	Group and College	
	2017	**2016**
	£'000	**£'000**
Commitments contracted for at 31 July	2,703	2,691

22 Lease obligations

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

	Group and College	
	2017	**2016**
	£'000	**£'000**
Future minimum lease payments due		
Land and buildings		
Not later than one year	-	-
Later than one year and not later than five years	-	-
Later than five years	-	-
	-	-
Other		
Not later than one year	6	6
Later than one year and not later than five years	15	15
Later than five years	3	3
	24	24
Total lease payments due	**24**	**24**

23 Contingencies

The College is currently being sued for damages by a foreign institution concerning programmes run by the College. However, the College has received Counsel's opinion that is should not be liable in view of the specific circumstances of the case. The case is proceeding and, in view of the uncertainty, no financial provision has been made in these accounts in relation to this matter. It is not considered practical to estimate the potential liability at this stage.

24 Events after the reporting period

[There are no events after the reporting period– *tailor to own circumstances]*

25 Defined benefit obligations

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

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 2016.

Total pension cost for the year		**2017** **£000**		**2016** **£000**
Teachers' Pension Scheme: contributions		989		1,490
Local Government Pension Scheme:				
Contributions paid	178		163	
FRS 102 (28) charge	347		333	
Charge to the Statement of Comprehensive Income		525		496
Enhanced pension charge to Statement of Comprehensive Income		-		-
Total Pension Cost for Year within staff costs		**1,514**		**1,986**

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

Teachers' Pension Scheme

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

The Teachers' Pension Budgeting and Valuation Account

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

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

Valuation of the Teachers' Pension Scheme

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

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

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

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

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

Scheme Changes

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

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

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

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 £989,000 (2016: £1,490,000)

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.

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by **[XYZ]** Local Authority. The total contributions made for the year ended 31 July 2017 were £285,000, of which employer's contributions totalled £178,000 and employees' contributions totalled £107,000. The agreed contribution rates for future years are 17.3% for employers and range from 5.5% to 7.5% for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2017 by a qualified independent actuary.

	At 31 July 2017	**At 31 July 2016**
Rate of increase in salaries	4.4%	4.1%
Future pensions increases	2.9%	2.6%
Discount rate for scheme liabilities	5.8%	5.5%
Inflation assumption (CPI)	2.9%	2.9%
Commutation of pensions to lump sums	50%	25%

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

	At 31 July 2017 years	**At 31 July 2016** years
Retiring today		
Males	21.2	18.9
Females	24.0	21.8
Retiring in 20 years		
Males	22.4	19.9
Females	25.1	22.8

[If available]:

Sensitivity analysis	**At 31 July 2017**	**At 31 July 2016**
	£'000	£'000
Discount rate +0.1%	**x**	x
Discount rate -0.1%	**x**	x
Mortality assumption – 1 year increase	**x**	x
Mortality assumption – 1 year decrease	**x**	x

CPI rate +0.1%	**x**	x
CPI rate -0.1%	**x**	x

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

	Long-term rate of return expected at 31 July 2017	**Fair Value at 31 July 2017 £'000**	**Long-term rate of return expected at 31 July 2016**	**Fair Value at 31 July 2016 £'000**
Equity instruments	8.0%	7,475	8.0%	8,123
Debt instruments	5.9%	2,304	6.0%	2,495
Property	7.2%	1,152	7.2%	1,248
Cash	4.5%	572	4.5%	637
Total fair value of plan assets		**11,503**		**12,503**
Weighted average expected long term rate of return	**5.8%**		**5.5%**	
Actual return on plan assets		**(1,186)**		**(642)**

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

	2017 £'000	**2016 £'000**
Fair value of plan assets	**11,503**	**12,503**
Present value of plan liabilities	**(12,963)**	**(11,063)**
[Present value of unfunded liabilities]	**-**	**-**
Net pensions (liability)/asset (Note 19)	**(1,460)**	**1,440**

Amounts recognised in the Statement of Comprehensive Income in respect of the plan are as follows:9

	2017 £'000	**2016 £'000**
Amounts included in staff costs		
Current service cost	388	369

Past service cost	137	127
Total	**525**	**496**
Amounts included in investment income		
Net interest income	253	652
	253	**652**
Amount recognised in Other Comprehensive Income		
Return on pension plan assets	(2,203)	(1,876)
Experience losses arising on defined benefit obligations	(293)	(250)
Changes in assumptions underlying the present value of plan liabilities	(310)	(290)
Amount recognised in Other Comprehensive Income	**(2,806)**	**(2,416)**

Movement in net defined benefit (liability)/asset during year

	2017 £'000	2016 £'000
Net defined benefit (liability)/asset in scheme at 1 August	1,440	3,537
Movement in year:		
Current service cost	(388)	(369)
Employer contributions	178	163
Past service cost	(137)	(127)
Net interest on the defined (liability)/asset	253	652
Actuarial gain or loss	(2,806)	(2,416)
Net defined benefit (liability)/asset at 31 July	**(1,460)**	**1,440**

Asset and Liability Reconciliation

	2017 £'000	2016 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	11,063	9,340
Current service cost	388	369
Interest cost	664	582
Contributions by Scheme participants	107	105
Experience gains and losses on defined benefit obligations	293	250
Changes in financial assumptions	310	290
Estimated benefits paid	1	-
Past Service cost	137	127
Curtailments and settlements	-	-
Defined benefit obligations at end of period	**12,963**	**11,063**
Changes in fair value of plan assets		
Fair value of plan assets at start of period	12,503	12,877
Interest on plan assets	917	1,234
Return on plan assets	(2,103)	(1,876)
Employer contributions	178	163
Contributions by Scheme participants	107	105
Estimated benefits paid	-	-
Fair value of plan assets at end of period	**11,503**	**12,503**

26 Related party transactions

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

The total expenses paid to or on behalf of the Governors during the year was £1,000; 5 governors (2016: £1,900; 7 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 (2016: None).

PQR Limited – an associate of Casterbridge College

Purchase transactions in the year amounted to £20,000 (2016 – £15,000). There were no balances outstanding at the year end (2016 – £nil)

DEF Limited – a company in which Mr Brown, the Dean of Engineering has a majority interest.

Transactions totalling £101,000 (2016 - £nil), relating to the purchase of specialist equipment took place. There were no amounts outstanding (2016 - £nil).

27 Amounts disbursed as agent

Learner support funds

	2017	2016
	£'000	£'000
Funding body grants **[identify grant – possibly very little to disclose in 2017]**	321	310
Other Funding body grants	2	0
Interest earned	5	6
	328	316
Disbursed to students	(290)	(300)
Administration costs	(17)	(16)
Balance unspent as at 31 July, included in creditors	21	–

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.