HERTFORD REGIONAL COLLEGE

REPORT AND FINANCIAL STATEMENTS
for the year ended 31 July 2015

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Operating and Financial Review

NATURE, OBJECTIVES AND STRATEGIES:

The members present their report and the audited financial statements for the year ended 31 July 2015.

Legal Status

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

The Corporation was incorporated as Hertford Regional College.

Mission

The College's mission as approved by its members is: "Enriching our communities through learning and skills for all".

Public Benefit

Hertford Regional College is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on page 11.

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.

Implementation of strategic plan

In July 2014, the College adopted a strategic plan for the period 1 August 2014 to 31 July 2016. This strategic plan includes a property and financial plans. The Corporation monitors the performance of the College against these plans. The plans are reviewed and updated on each year. The college's objectives are to:

DIVERSIFY
To continue to invest in new buildings, new initiatives, new services and new courses and withdraw from those no longer meeting needs.

IMPROVE
To forge a reputation across our catchment area and beyond for achieving excellence in all we do. Our key goal is to be publically recognised as "Outstanding".

GROW
To provide educational services which are increasingly flexible and responsive to the needs of individuals, communities and employers. The goal is to grow our business, in order to generate an annual surplus to provide money for future investment.

Operating and Financial Review *(continued)*

The College's progress towards these objectives is detailed below:

- Diversify
  - During 13/14 the college successfully gained planning permission for the redevelopment of the Ware Campus. Contractors started work in May 2014 and the project was completed at the start of 2015. The state of the art facilities now means we are the envy of many other colleges in our surrounding area and beyond.
  - All staff at HRC complete training to contribute towards their continuing professional development and focus on the learner experience.
  - The Governing Body made a decision to write off the investment in Saudi during 2014/15 and to look at a possible exit strategy going forward. The appropriate stakeholders have been kept informed of these intentions
  - During 2014/15 a relationship was formed with Tottenham Hotspur Football Academy which has resulted in a new offering for HRC in 2015/16

- Improve
  - Continued success in running ESF funded projects has strengthened our reputation within and beyond our County creating further opportunities in 2015/16
  - From our end of year learner survey 96% of students now believe teaching is good or better and destination data shows our learners are able to progress to jobs, Higher Education and apprenticeships.
  - Our apprenticeship delivery continues to improve with success rates above the national benchmark

- Grow
  - The financial position strengthened again this year as it contributed over £900k in surpluses before allowing for the exceptional write off for the Saudi operation.
  - CK Assessment and Training Ltd increased its surplus to £184,000 and continues to expand through apprenticeships

Financial objectives

The College's financial objectives are:

- to achieve an annual operating surplus
- to pursue alternative sources of funding, on a selective basis, consistent with the College's core competencies, and the need for a financial contribution to the College's overall finances
- to generate sufficient levels of income to support the asset base of the College
- to further improve the College's shorter term liquidity
- to fund continued capital investment.

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

Performance indicators

The College is committed to observing the importance of sector measures and indicators and use the FE Choices which looks at measures such as success rates. The College is required to complete the annual Finance Record for the Skills Funding Agency/Education Funding Agency ("EFA"). The Finance Record produces a financial health grading. The current rating of Good is considered an acceptable outcome.

Operating and Financial Review *(continued)*

FINANCIAL POSITION

Financial results

The College generated a group operating surplus in the year of £50,000 (2013/14 -deficit of £1,613,000). The restructure that took place in 2013/14 allowed the college to generate a healthy surplus but the group results were impacted by a loss of £1,446,000 relating to the 48% share in Hertvec, a joint venture running three colleges in Saudi Arabia.

The College has accumulated reserves of £32,195,000 and cash balances of £8,356,000. The College 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 £7,637,000. The majority of this expenditure related to the new Creative Arts building which opened in September 2015, in addition to some IT related projects.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2014/15 the funding bodies provided 78% of the College's total income.

The College has a subsidiary company, CK Assessment and Training Limited, a plumbing and gas training company and purchased by the College in October 2013. Any surpluses generated by the subsidiary are transferred to the College under deed of covenant. In the current year, surpluses generated were £184,000 for CK Assessment and Training Limited.

The college also had 100% of the share capital of HRC Cube ltd which was in the process of being liquidated at year end. There were no transactions during 2014/15.

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 treasury management policy in place with the finance regulations.

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

Cash flows & Liquidity

At £2,410,000 inflow from operating activities *(2013/14:* £1,040,000 *inflow)*.

The College had borrowings at 31 July 2015 of £8,377,000.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2014/15 the College has delivered activity that has produced £16,647,000 in funding body main allocation funding *(2013/14:* £17,240,000*)*.

The College had 5,501 funded students and 1,246 other students.

Operating and Financial Review *(continued)*

Student achievements

Students continue to achieve their potential at Hertford Regional College. For 16-18 year olds, the overall success rate was 70.3% in 2014/15 (67.1% in 2013/14) and for students aged 19+, the overall success rate was 79.5% in 2014/15 (78.6% in 2013/14).
For 16-18 year olds, the overall success rate on diploma sized qualifications was 84.2% in 2014/15 (84.3% in 2013/14) and for students aged 19+, the overall success rate on diploma sized qualifications was 84.2% in 2014/15 (83.5% in 2013/14).

Curriculum developments

The college has a proactive approach to supporting local people in the context of the current difficult economic climate and rising unemployment. It continues to provide a broad range of learning opportunities in all subject sector areas identifying clear pathways of progression for students from pre-entry to higher education). The college has also developed a range of tailored programmes for the unemployed, bringing together community services to collaborate effectively and support individuals in a more accessible way. The college has also continued to provide delivery of training in the work place and in community venues.

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 2014 to 31 July 2015, the College paid 99% per cent of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

Post-balance sheet events

HRC Cube Ltd was liquidated on 29th July 2015. There is no further impact on the group Income and Expenditure.

Future developments

The College is subject to Plan Led Funding and EFA FE income for 16 to 19 and SFA adult learner responsive provision in 2015/16 has been confirmed as £ 15,528,000

The College will seek to increase 16-19 student numbers over the next 3 years. Changes in adult funding will mean that some courses will change to Non Funded Courses or where not viable, cease to run. The College will be focusing on improving efficiency as well as improving quality.

RESOURCES:

Financial

The college has £61,724,000 of net assets (including £8,124,000 pension liability) and £8,377,000 loans.

People

By the end of the year the College employed 382 people (expressed as full time equivalents), of whom 177 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.

Operating and Financial Review *(continued)*

PRINCIPAL RISKS AND UNCERTAINTIES:

The College has a documented Risk Management Policy and Procedures that detail the arrangements, roles and responsibilities for risk management within the College. The College's strategic and operational risks are captured and recorded on a web based software application that is overseen by the Deputy Principal Finance and Resources who is the college's risk champion.

Risks are assessed against their impact of likelihood of materialising and all strategic risks are formally reviewed each term by the Senior Leadership Team with outcomes being advised to the Audit Committee via a risk management update report produced by the Deputy Principal Finance and Resources. Operational risks are maintained by various managers in the college and reviewed at the Corporate Management Group and Academic Management Groups meetings.

Outlined below is a description of the keys factors that may impact on the college.

Government funding
The College has considerable reliance on continued government funding through the further education sector funding bodies and through HEFCE. In 2014/15, 78% 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
- The potential to reduce the 16-18 funding.
- The continued reduction in adult funding.
- The change of funding methodology to Employer Funding.

This risk is mitigated in a number of ways:
- Ensuring the college is rigorous in delivering high quality education and training
- Seeking ways of more efficient delivery of teaching and learning and all support services
- Ensuring that the college is focused on those priority sectors which will continue to benefit from public funding
- Ensuring relevant staff have an understanding of the funding arrangements and impacts
- Maintaining regular dialogue with the EFA and the SFA at all levels
- Maintaining regular dialogue with local authorities in respect of high needs students

Ofsted Requirements
The college was graded as "Good" in 2013 and understands that an inspection will be due in 2015/16. The college is aware of the new Common Inspection Framework and continues to promote working at the highest standards. The results of an Ofsted inspection can impact on reputation and therefore on student recruitment.
The risk is mitigated in a number of ways:
- Continuous review, training and development of staff on all aspects of roles to ensure the learner is at the heart of the college. This will include, but not restricted to,
    - Teaching & learning observations
    - Appraisals objectives that are learner focussed
    - Continuous monitoring of KPI's including attendance, achievement etc
    - Continuous Safeguarding training
- Provision of relevant work experience
- Continuous monitoring of student progress
- Keeping up to date with relevant Ofsted material and attending external training

48% Share in Joint Venture
The management and Governing body recognise this is a high risk venture and the financial statements show a significant loss in the first year. The contract is for five years. The risk is mitigated in the following ways:
- Continuous scrutiny by the Governing Body and decision to pursue exit options
- Dedicated financial resource to advise the Board on options

Operating and Financial Review *(continued)*

STAKEHOLDER RELATIONSHIPS

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

- Students
- Education sector funding bodies
- Staff
- Local employers (with specific links)
- Local Authorities
- Government Offices /LEP's
- The Local Community
- Other FE/HE 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 and Diversity

Hertford Regional College is committed to achieving equality of opportunity, social inclusion and parity of esteem for all who study, work, visit and engage with the College. The College aims to ensure that in celebrating diversity it operates fairly irrespective of a person's sex, disability, age, pregnancy and maternity, race, marriage and civil partnership, religion or belief, sexual orientation, gender reassignment, social background, trade union membership or activity and unrelated criminal convictions, or any other unlawful discrimination.

The College is committed to the elimination of discrimination, harassment and victimisation on any of the above grounds.

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

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 17th December 2015 and signed on its behalf by:

M G CARVER
Chair

Operating and Financial Review *(continued)*

Professional advisers

Financial statements and regularity auditors:
MHA MacIntyre Hudson
New Bridge Street House
30-34 New Bridge Street
London
EC4V 6BJ

Internal auditors:
RSM Risk Assurance Services LLP (formerly Baker Tilly)
The Pinnacle,
170 Midsummer Boulevard
Milton Keynes,
Bucks, MK9 1BP

Bankers:
Lloyds TSB plc
1 Bircherley Street
Hertford
Herts
SG14 1BU

Solicitors:
Mills & Reeve
Francis House
112 Hills Road
Cambridge
CB2 1PH

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

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

The College endeavours to conduct its business:

- in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- in full accordance with the guidance to colleges from the Association of Colleges in The English Colleges' Foundation Code of Governance ("the Foundation Code"); and

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

In the opinion of the Governors, the College complies with/exceeds all the provisions of the Foundation Code, and it has complied throughout the year ended 31 July 2015.

The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times.

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

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL *(continued)*

The Corporation

The members, who served the Corporation during the year and up to the date of signature of this report, were as follows:

Committees

1 RESOURCES
2 QUALITY & STANDARDS
3 SEARCH
4 REMUNERATION
5 EMPLOYMENT ENGAGEMENT
6 AUDIT
7 DEVELOPMENT

Name of Member	Date of Appointment	Term of Office	Date of Resignation	Status of Appointment	Committees Served in 2014/15	Attendance
Mr M Carver	31.12.12	4 Years		Independent Governor	1,3,4 Chair from 01.08.15	100%
Mr K Ayling	06.12.14	4 Years		Independent Governor	4,5,6	83.3%
Ms J Wing	02.07.13	4 Years		Independent Governor	3,4,5,6,7	85.7%
Mr A Forbes	Principal	N/A	April 2015	N/A	1,2,3,5,7	100%
Ms D Kingdon	Interim Principal from April 2015	N/A		N/A	1,2,3,5,7	100%
Ms P Spears	06.12.14	4 Years		Independent Governor	5	62.5%
Mr D Tweedie	05.07.12	4 Years		Independent Governor	1,7	75%
Mr W Gordon	12.12.13	4 Years		Independent Governor	1 (to Dec 2014),5,7 6 (from Jan 2015)	92.9%
Mr I Cowin	02.07.13	4 Years		Independent Governor	1,3,4,7	69.2%
Ms D Morrison	01.03.14	4 Years		Staff	2,6	100%
Mr R Irons	10.07.15	4 Years		Staff		100%
Mr B Hassell	31.03.11	4 Years	Dec 2014	Independent Governor	3,4,6,7	100%
Mr A Francis	13.02.14	4 Years		Independent Governor	5	37.5%
Ms F Sillett	30.03.11	4 Years	March 15	Staff	2,6	37.5%
Ms V Cooper	12.12.13	4 Years		Independent Governor	2	77.8%
Mr H Young	10.07.15	4 years		Independent Governor		100%
Mr A Wing	Sept 2014	1 year		Student Governor	2	33.3%
Mr J Williams	Sept 2014	1 year		Student Governor	2	22.2%
Mr B Connelly	05.07.12	4 Years		Independent Governor	5	25%
Ms S Benbow	12-12-13	4years	Dec 2014	Independent Governor	2	0%
Mr J Fowl acts as Clerk to the Corporation						
Overall Attendance 2014-15 =74%						
Vacancies: 3 vacancies as at 31st July 2015						

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL *(continued)*

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

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Corporation 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 Resources, Quality and Standards, Search, Remuneration, Employer & Community Engagement, Audit and Development. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the clerk to the Corporation at: Hertford Regional College, London Road, Ware, Hertfordshire, SG12 9JF.

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

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

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

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

There is a clear division of responsibility in that the roles of the Chairman and Principal 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 four 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 4 years.

Remuneration Committee

By the 31 July 2015, the College's Remuneration Committee comprised of four members of the Corporation. The committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal and other senior post holders.

Details of remuneration for the year ended 31 July 2015 are set out in note 7 to the financial statements.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL *(continued)*

Audit Committee

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

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

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

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

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

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 is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum between Hertford Regional College and the funding bodies. He 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 Hertford Regional College for the year ended 31 July 2015 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the year ending 31 July 2015 and up to date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL *(continued)*

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.

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

Review of effectiveness

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

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

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

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit, 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 November 2015 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2015 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2015.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL *(continued)*

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

Going Concern

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

Approved by order of the members of the Corporation on 17th December 2015 and signed on behalf by:

M G CARVER
Chair

T MEDHURST
Principal

GOVERNING BODY'S STATEMENT ON THE COLLEGE'S REGULARITY, PROPRIETY AND COMPLIANCE WITH FUNDING BODY TERMS AND CONDITIONS OF FUNDING

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

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

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

M G CARVER
Chair
17th December 2015

T MEDHURST
Principal
17th December 2015

STATEMENT OF THE RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

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

Within the terms and conditions of the Financial Memorandum agreed between the Skills Funding Agency and EFA and the Corporation of the College ('the Corporation'), through its Principal, is required to prepare financial statements for each financial year in accordance with the 2007 Statement of Recommended Practice - Accounting for Further and Higher Education Institutions and with the Accounts Direction issued jointly by the Skills Funding Agency and the Education Funding Agency, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

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

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

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

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the Skills Funding Agency and EFA are used only in accordance with the Financial Memorandum/Financial Agreement with the Skills Funding Agency EFA and any other conditions that maybe prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and 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 by the Skills Funding Agency and EFA are not put at risk.

Approved by order of the members of the Corporation on 17th December 2015 and signed on its behalf by:

M G CARVER
Chair

INDEPENDENT AUDITOR'S REPORT TO THE GOVERNING BODY OF HERTFORD REGIONAL COLLEGE

We have audited the Group and College financial statements ("the financial statements") of Hertford Regional College for the year ended 31 July 2015 set out on pages 19 to 45. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Governing Body, as a body, in accordance with Article 22 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Governing Body, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Governing Body, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Governing Body of Hertford Regional College and Auditor

As explained more fully in the Statement of the Governing Body's Responsibilities set out on page 15, the Governing Body is responsible for the preparation of financial statements which give a true and fair view.

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

Scope of the audit of the financial statements

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

Opinion on financial statements
In our opinion the financial statements:
- give a true and fair view of the state of the Group's and College's affairs as at 31 July 2015 and of the Group's and College's surplus of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Matters which we are required to report by exception
We have nothing to report in respect of the following matters where the revised Joint Audit Code of Practice (Part I) issued jointly by the Skills Funding Agency and the Education Funding Agency and the Audit Code of Practice issued by the Learning and Skills Council requires us to report to you if, in our opinion:
- proper accounting records have not been kept; and
- the financial statements are not in agreement with the accounting records.

MHA MacIntyre Hudson

MHA MACINTYRE HUDSON
New Bridge Street House
30-34 New Bridge Street
London
EC4V 6BJ

30th March 2016
Date

REPORTING ACCOUNTANTS' ASSURANCE REPORT ON REGULARITY TO HERTFORD REGIONAL COLLEGE AND THE SECRETARY OF STATE FOR BUSINESS INNOVATION AND SKILLS ACTING THROUGH THE SKILLS FUNDING AGENCY

In accordance with the terms of our engagement letter and further to the requirements of the financial memorandum with Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Hertford Regional College during the period 1 August 2014 to 31 July 2015 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

Respective responsibilities of Hertford Regional College and the reporting accountant

The corporation of Hertford Regional College is responsible, under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Joint Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2014 to 31 July 2015 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

- Reviewing the Minutes of the meetings of the Governing Body and other evidence made available to us
- Review of the objectives and activities of the College, with reference to the income streams and other information available to us as auditors of the College
- Testing of a sample of payroll payments to staff
- Testing of a sample of payments to suppliers and other third parties
- Testing of a sample of grants received and other income streams

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2014 to 31 July 2015 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Signed:

MHA MacIntyre Hudson

31 DEC 15

Date

MHA MACINTYRE HUDSON
New Bridge Street House
30-34 New Bridge Street
London
EC4V 6BJ

Consolidated Income and Expenditure Account

	Notes	£'000	2015 £'000	£'000	2014 £'000
INCOME					
Funding body grants	2		18,051		18,536
Tuition fees and education contracts	3		3,484		3,726
Research grants and contracts	4		1,111		1,019
Other income			311		668
Endowment and investment income	5		224		76
Total income			**23,181**		**24,025**
EXPENDITURE					
Staff costs	6	13,370		15,110	
Exceptional restructuring costs	6	(122)		1,229	
Other operating expenses	8	5,763		6,401	
Depreciation	12	2,141		2,391	
Amortisation		72		60	
Interest and other finance costs	9	461		447	
Total expenditure			**21,685**		**25,638**
(Deficit)/surplus on continuing operations after depreciation of tangible fixed assets at valuation and before exceptional items and tax			**1,496**		**(1,613)**
Share of associate loss	13		(1,446)		-
(Deficit)/surplus on continuing operations after depreciation of tangible fixed assets at valuation, exceptional items and disposal of assets but before tax			**50**		**(1,613)**
Taxation	10		-		-
(Deficit)/surplus on continuing operations after depreciation of assets at valuation and tax	**11**		**50**		**(1,613)**
Revaluation Reserve			7		7
(Deficit)/surplus for the year retained within general reserves			**57**		**(1,606)**

The income and expenditure account is in respect of continuing activities

Consolidated Note of Historical Cost Surpluses and Deficits

	Notes	2015 £'000	2014 £'000
(Deficit)/surplus on continuing operations before taxation		**50**	(1,613)
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	22	7	7
Realisation of property revaluation gains of previous years	22	-	-
Historical cost surplus for the year before taxation		**57**	(1,606)
Historical cost surplus for the year after taxation		**57**	(1,606)

Consolidated Statement of Total Recognised Gains and Losses

	Notes	2015 £'000	2014 £'000
(Deficit)/surplus on continuing operations after depreciation of assets at valuation and tax		50	(1,613)
Actuarial gain/(loss) in respect of pension scheme	32	(1,248)	(388)
New endowments	21	-	-
Total recognised losses since last report		**(1,198)**	**(2,001)**
Reconciliation			
Opening reserves and endowments		33,393	35,394
Total recognised losses for the year		(1,198)	(2,001)
Closing reserves and endowments		**32,195**	**33,393**

Balance sheets as at 31 July 2015

	Notes	Group	College	Group	College
		2,015	2015	2014	2014
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	12	73,242	73,231	67,746	67,733
Investments	13	-	542	-	477
Total fixed assets		**73,242**	**73,773**	**67,746**	**68,210**
Goodwill	14	**371**		**443**	
Current assets					
Stocks					
Debtors	15	1,917	2,035	1,054	1,010
Cash at bank and in hand		8,356	8,150	12,247	12,195
Total current assets		10,273	10,185	13,301	13,205
Less: Creditors – amounts falling due within one year	16	(4,705)	(4,644)	(4,404)	(4,337)
Net current assets		**5,568**	**5,541**	**8,897**	**8,868**
Total assets less current liabilities		**79,181**	**79,314**	**77,086**	**77,078**
Less: Creditors – amounts falling due after more than one year	17	7,926	7,926	8,377	8,377
Less: Provisions for liabilities	19	1,407	-	-	-
Net assets excluding pension (liability)/asset		**69,848**	**71,388**	**68,709**	**68,701**
Net pension (liability)/asset	32	(8,124)	(8,124)	(6,965)	(6,965)
NET ASSETS INCLUDING PENSION ASSET/(LIABILITY)		**61,724**	**63,264**	**61,744**	**61,736**
Deferred capital grants	20	29,529	29,529	28,351	28,351
Reserves					
Income and expenditure account excluding pension reserve	23	33,798	35,338	33,830	33,822
Pension reserve	32	(8,124)	(8,124)	(6,965)	(6,965)
Income and expenditure account including pension reserve	23	25,674	27,214	26,865	26,857
Revaluation reserve	22	6,521	6,521	6,528	6,528
Total reserves		**32,195**	**33,735**	**33,393**	**33,385**
TOTAL FUNDS		**61,724**	**63,264**	**61,744**	**61,736**

The financial statements on pages 19 to 45 were approved by the Corporation on 17th December 2015 and were signed on its behalf on that date by:

Mike Carver
Chair

Tony Medhurst
Accounting Officer

Consolidated Cash Flow Statement

	Notes	2015 £'000	2014 £'000
Cash inflow from operating activities	24	**2,410**	**1,040**
Returns on investments and servicing of finance	25	(400)	(371)
Taxation	10		-
Capital expenditure and financial investment	26	(5,450)	(842)
Management of liquid resources	27	-	(502)
Financing	18	(451)	(436)
Increase / (decrease) in cash in the year	**29**	**(3,891)**	**(1,111)**

Reconciliation of net cash flow to movement in net funds/(debt)

	2015 £'000	2014 £'000
Increase/(decrease) in cash in the period	(3,891)	(1,111)
Cash outflow from decrease in debt	436	436
Movement in net funds in the period	(3,455)	(675)
Net funds at 1 August	3,434	4,109
Net funds at 31 July	**(21)**	**3,434**

NOTES TO THE ACCOUNTS

1 Accounting policies

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

Basis of preparation
These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2007 (the SORP) and in accordance with applicable Accounting Standards. They conform to guidance published jointly by the Skills Funding Agency and the EFA in the 2014/15 Accounts Direction Handbook.

Basis of accounting
The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets and in accordance with applicable United Kingdom Accounting Standards.

Going Concern
The activities of the College, together with the factors likely to affect its future development and performance are set out in the Operating and Financial Review. The financial position of the College, its cashflow, liquidity and borrowings are described in the Financial Statements and accompanying Notes. The College currently has £8,377,000 of loans outstanding with bankers on terms negotiated in 2009.Additionally there are no uncommitted facilities available for drawdown. 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.

Basis of consolidation
At the yearend Hertford Regional College had two subsidiaries, HRC Cube Limited and CK Assessment & Training Ltd. The results of the subsidiaries have been included within the group accounts, with any inter entity trading and balances between the college and the subsidiary having been eliminated on consolidation.

Recognition of income
The recurrent grant from HEFCE represents the funding allocations attributable to the current financial year and is credited direct to the income and expenditure account.

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

Non-recurrent grants from the funding bodies or other bodies received in respect of the acquisition of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

Income from tuition fees is recognised in the period for which it is received and includes all fees payable by students or their sponsors.

Income from grants, contracts and other services rendered is included to the extent the conditions of the funding have been met or the extent of the completion of the contract or service concerned.

NOTES TO THE ACCOUNTS *(continued)*

1 Accounting policies *(continued)*

Income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

Post retirement benefits

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes, which are externally funded and contracted out of the State Earnings-Related Pension Scheme (SERPS).

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 quinquennial valuations using a prospective benefit method. As stated in Note 32, the TPS is a multiemployer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contribution recognised as they are paid each year.

The assets of the LGPS are measured using closing market values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

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 and expenditure account in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the funding bodies.

Tangible fixed assets

Land and buildings

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost, as the open market value for existing use is not readily obtainable. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account reserve on an annual basis. Building improvements made since incorporation are included in the balance sheet at cost. Land and buildings acquired since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of 40-50 years. Leasehold land and buildings are amortised over 10 years or, if shorter, the period of the lease.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Finance costs, which are directly attributable to the construction of land and buildings, are not capitalised as part of the cost of those assets.

NOTES TO THE ACCOUNTS *(continued)*

1 Accounting policies *(continued)*

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(s) may not be recoverable.

On adoption of FRS 15, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1996, but not to adopt a policy of revaluations of these properties in the future. These values are retained subject to the requirement to test assets for impairment in accordance with FRS 11.

Assets under construction

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

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- Market value of the fixed asset has subsequently improved
- Asset capacity increases
- Substantial improvement in the quality of output or reduction in operating costs
- Significant extension of the asset's life beyond that conferred by repairs and maintenance

Equipment

Equipment costing less than £5,000 per individual item (Except items within current New Build Project) is written off to the income and expenditure account in the period of acquisition unless it forms part of a project costing £5,000 or more, in total. All other equipment is capitalised at cost. Equipment inherited from the Local Education Authority is included in the balance sheet at valuation.

Inherited equipment has been fully depreciated on a straight-line basis. All other equipment is depreciated over its useful economic life as follows:

Motor vehicles	-	4 years	General equipment	-	5 years
Computer equipment	-	4 years	Furniture and fittings	-	10 years

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

Maintenance of premises

The cost of routine corrective maintenance is charged to the income and expenditure account in the period it is incurred.

Leases

Operating lease rentals are charged to the income and expenditure account on a straight-line basis over the period of the lease

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchase outright and are capitalised at their fair value at the inception of the lease and depreciated over the shorter of the lease term or the useful economic lives of equivalently owned assets. The capital element outstanding is shown as obligations

NOTES TO THE ACCOUNTS *(continued)*

1 Accounting policies *(continued)*

under finance leases. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding. Where finance lease payments are funded in full from funding council capital equipment grants, the associated assets are designated as grant-funded assets.

Investments and endowment assets

Listed investments held as fixed assets or endowment assets are stated at market value. Current asset investments, which may include listed investments, are stated at the lower of their cost and net realisable value.

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore meets the definition of a charitable company for UK corporation tax purposes). Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of 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.

Liquid resources

Liquid resources include sums on short-term deposits with recognised banks and building societies.

Provisions

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

Agency arrangements

The College acts as an agent in the collection and payment of Discretionary Support Funds. Related payments received from the SFA and EFA and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in Note 38, except for the 5% of the grant received which is available to the College to cover administration costs relating to the grant. The College employs two part time members of staff for the administration of Learner Support Fund applications and payments.

NOTES TO THE ACCOUNTS *(continued)*

2 Funding council grants	Group 2015 £'000	College 2015 £'000	Group 2014 £'000	College 2014 £'000
EFA / SFA recurrent grant	16,647	16,647	17,240	17,240
EFA / SFA non recurrent grants	750	750	550	550
Releases of deferred capital grants (note 20)	654	654	746	746
Total	**18,051**	**18,051**	**18,536**	**18,536**

3 Tuition fees and education contracts	Group 2015 £'000	College 2015 £'000	Group 2014 £'000	College 2014 £'000
Tuition fees	1,491	1,491	1,366	1,366
Education contracts	1,993	1,993	2,360	2,360
Total	**3,484**	**3,484**	**3,726**	**3,726**

Tuition fees funded by bursaries

Included within the above amounts are tuition fees funded by bursaries of £58,250 (2013/14 £56,444).

4 Research grants and contracts	Group 2015 £'000	College 2015 £'000	Group 2014 £'000	College 2014 £'000
Other Income generating activities	193	193	245	245
Releases from deferred capital grants	355	355	352	352
Other Income	563	814	422	422
Total	**1111**	**1362**	**1019**	**1,019**

5 Endowment and investment income	Group 2015 £'000	College 2015 £'000	Group 2014 £'000	College 2014 £'000
Other interest receivable	61	61	76	76
	61	**61**	**76**	**76**
Pension finance income (note 32)	163	163	-	-
Total	**224**	**224**	**76**	**76**

NOTES TO THE ACCOUNTS *(continued)*

6 Staff costs

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

	Group 2015 No.	College 2015 No.	Group 2014 No.	College 2014 No.
Teaching staff	177	173	228	224
Non teaching staff	205	202	211	208
	382	**375**	**439**	**432**

Staff costs for the above persons	**2015 £'000**	**2015 £'000**	**2014 £'000**	**2014 £'000**
Wages and salaries	10,532	10,386	11,936	11,963
Social security costs	698	676	901	886
Other pension costs (including FRS 17 adjustments of £74,000 – 2014 £82,000)	1,609	1,609	1,781	1,781
Payroll sub total	**12,839**	**12,670**	**14,618**	**14,630**
Contracted out staffing services	531	375	492	302
	13,370	**13,045**	**15,110**	**14,932**
Exceptional restructuring costs	(122)	(122)	1,229	1229
Total Staff Costs	**13,248**	**12,923**	**16,339**	**16,161**

The number of senior post-holders and other staff who received emoluments, excluding pension contributions but including benefits in kind, in the following ranges was:

	Senior post-holders		**Other staff**	
	2015 No.	**2014 No.**	**2015 No.**	**2014 No.**
£60,001 to £70,000				1
£70,001 to £80,000			2	2
£80,001 to £90,000		1		
£90,001 to £100,000	2			
£100,001 to £110,000				
£110,001 to £120,000				
£120,001 to £130,000		1		
	2	**2**	**2**	**3**

NOTES TO THE ACCOUNTS *(continued)*

7 Senior post-holders' emoluments

Senior post-holders are defined as the Principal and holders of the other senior posts whom the Governing Body has selected for the purposes of the articles of government of the College relating to the appointment and promotion of staff who are appointed by the Governing Body.

	2015 No.	2014 No.
The number of senior post-holders including the Accounting Office	2	2

Senior post-holders' emoluments are made up as follows:

	2015 £'000	2014 £'000
Salaries	189	211
Benefits in kind	2	1
	191	**212**
Pension contributions	35	37
Total emoluments	**226**	**249**

The above emoluments include amounts payable to the Principal (who is also the highest paid senior post-holder) of:

	2015 £'000	2014 £'000
Salaries	98	126
Benefits in kind	1	1
	99	127
Pension contributions	22	18

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

Compensation for loss of office paid to a former senior post-holder

	2015 £	2014 £
Compensation paid to the former post-holder	-	-
Estimated value of other benefits, including provisions for pension benefits	-	-

The estimated value of other benefits has been calculated in accordance with Financial Reporting Standard 17. The severance payment was approved by the College's remuneration committee.

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.

NOTES TO THE ACCOUNTS *(continued)*

8 Other operating expenses	Group	College	Group	College
	2015	2015	2014	2014
	£'000	£'000	£'000	£'000
Teaching costs	1,814	2,192	2,456	2,158
Non teaching costs	2,523	2,457	2,524	2,420
Premises costs	1,426	1,316	1,421	1,336
Total	**5,763**	**5,965**	**6,401**	**5,914**
Other operating expenses include:	**2015**	**2015**	**2014**	**2014**
	£'000	**£'000**	**£'000**	**£'000**
Auditors' remuneration:				
Financial statements audit*	33	28	28	28
Internal audit**	29	29	26	26
Other services provided by the financial statements auditors***	17	17	-	-
Hire of other assets – operating leases	243	176	199	143

* includes £23,250 in respect of the College (2013/14 £24,000)
** includes £29,240 in respect of the College (2013/14 £25,321)

9 Interest payable	Group	College	Group	College
	2015	2015	2015	2014
	£'000	£'000	£'000	£'000
On bank loans, overdrafts and other loans:				
Repayable within five years, not by instalments	9	9	10	10
Repayable within five years, by instalments	452	452	437	437
Repayable wholly or partly in more than five years	-	-	-	-
Total	**461**	**461**	**447**	**447**

10 Taxation	Group	College	Group	College
	2015	2015	2015	2014
	£'000	£'000	£'000	£'000
United Kingdom corporation tax at 20 per cent	-	-	-	-
Provision for deferred corporation tax in the accounts of the subsidiary company	-	-	-	-
Total	**-**	**-**	**-**	**-**

11 (Deficit)/surplus on continuing operations for the period	Group	College	Group	College
The (deficit)/surplus on continuing operations for the year is made up as follows:				
	2015	2015	2015	2014
	£'000	£'000	£'000	£'000
College's (deficit)/surplus for the period	54	1,598	(1,616)	(1,621)
Surplus generated by subsidiary undertakings and transferred to the College under gift aid/deed of covenant	(4)	-	3	-
Total	**50**	**1,598**	**(1,613)**	**(1,621)**

NOTES TO THE ACCOUNTS *(continued)*

12 Tangible fixed assets (Group)

	Land and buildings Freehold	Equipment	Total
	£'000	£'000	£'000
Cost or valuation			
At 1 August 2014	83,272	4,315	87,587
Additions	7,419	218	7,637
At 31 July 2015	**90,691**	**4,533**	**95,224**
Depreciation			
At 1 August 2014	18,828	1,013	19,841
Charge for the year	1,713	428	2,141
At 31 July 2015	**20,541**	**1,441**	**21,982**
Net book value at 31 July 2015	**70,150**	**3,092**	**73,242**
Net book value at 31 July 2014	64,444	3,302	67,746

12 Tangible fixed assets (College only)

	Land and buildings Freehold	Equipment	Total
	£'000	£'000	£'000
Cost or valuation			
At 1 August 2014	83,272	4,301	87,573
Additions	7,419	215	7,634
At 31 July 2015	**90,691**	**4,516**	**95,207**
Depreciation			
At 1 August 2014	18,828	1,012	19,840
Charge for the year	1,713	423	2,136
At 31 July 2015	**20,541**	**1,435**	**21,976**
Net book value at 31 July 2015	**70,150**	**3,081**	**73,231**
Net book value at 31 July 2014	64,444	3,289	67,733

Land and buildings were valued in 1996 at depreciated replacement cost by a firm of independent chartered surveyors. Other tangible fixed assets inherited from the LEA at incorporation have been valued by the College on a depreciated replacement cost basis with the assistance of independent professional advice.

NOTES TO THE ACCOUNTS *(continued)*

13 Investments	Group 2015 £'000	College 2015 £'000	Group 2015 £'000	College 2014 £'000
Investments in subsidiary companies	-	542	-	542
Amortisation	-	(65)	-	(65)
Reversal	-	65	-	-
	-	**542**	-	**477**
Investment in associates	39	39		
Share of associates loss	(1,446)	(39)		
	(1,407)	-	-	-
Transfer to provision for losses in associate	1,407	-	-	-
Total	-	**542**	-	**477**

The College owns 100 per cent of the issued ordinary £1 shares of CK Assessment & Training Ltd, a company incorporated in England and Wales, and 100 per cent of the issued ordinary £1 shares of HRC Cube Limited, a company incorporated in England and Wales. The principal business activity of CKAT Limited is training of plumbing and gas students. The principal activity of HRC Cube Limited is IT solutions. The College also owns 48 per cent of the issued ordinary capital shares of Hertvec Llc, the initial cost of which was *£39k*

14 Goodwill	Group 2015 £'000	Group 2014 £'000
Cost		
Cost as at 1st August 2014	503	-
Additions	-	503
Balance at 31 July 2015	503	503
Amortisation		
Cost as at 1st August 2014	60	-
Charge for the year	72	60
Balance at 31 July 2015	132	60
Net Book Value		
As at 31 July 2015	371	443

NOTES TO THE ACCOUNTS *(continued)*

15 Debtors	Group 2015 £'000	College 2015 £'000	Group 2014 £'000	College 2014 £'000
Amounts falling due within one year:				
Trade debtors	911	872	322	226
Prepayments and accrued income	924	1,163	684	784
Other Debtors	82	-	48	-
Total	**1,917**	**2,035**	**1,054**	**1,010**

16 Creditors: amounts falling due within one year	Group 2015 £'000	College 2015 £'000	Group 2014 £'000	College 2014 £'000
Bank loans and overdrafts	451	451	436	436
Obligations under finance leases				
Payments received in advance	1,274	1,273	860	860
Trade creditors	350	328	583	536
Other taxation and social security	211	203	457	445
Other Creditors	306	233	279	271
Accruals	2,097	2,151	1,775	1,775
VAT	16	5	14	14
Total	**4,705**	**4,644**	**4,404**	**4,337**

17 Creditors: amounts falling due after one year	Group 2015 £'000	College 2015 £'000	Group 2014 £'000	College 2014 £'000
Bank loans	7,926	7,926	8,377	8,377
Total	**7,926**	**7,926**	**8,377**	**8,377**

NOTES TO THE ACCOUNTS *(continued)*

18 Borrowings

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group 2015 £'000	College 2015 £'000	Group 2014 £'000	College 2014 £'000
In one year or less	451	451	436	436
Between one and two years	466	466	451	451
Between two and five years	1,523	1,523	1,464	1,464
In five years or more	5,937	5,937	6,462	6,462
Total	**8,377**	**8,377**	**8,813**	**8,813**

Bank loans at 5.465 per cent repayable by instalments falling due between 1 August 2009 and 1 July 2031.

19 Provisions for liabilities and charges

	Group			
	Restructuring £'000	Enhanced pensions £'000	Other £'000	Total £'000
At 1 August 2014	-	-	-	-
Expenditure in the period	-	-	-	-
Transferred from investment in associate	-	-	1,407	1,407
At 31 July 2015	-	-	1,407	1,407

	College			
	Restructuring £'000	Enhanced pensions £'000	Other £'000	Total £'000
At 1 August 2014	-	-	-	-
Expenditure in the period	-	-	-	-
Transferred from income and expenditure	-	-	-	-
At 31 July 2015	-	-	-	-

The enhanced pension provision relates to the cost of staff who have already left the College's employ

NOTES TO THE ACCOUNTS *(continued)*

20 Deferred capital grants

	Group and College		
	Funding body grants	Other grants	Total
	£'000	£'000	£'000
At 1 August 2014	24,951	3,400	28,351
Cash received	2,187	-	2,187
Released to income and expenditure account	(654)	(355)	(1,009)
At 31 July 2015	**26,484**	**3,045**	**29,529**

21 Endowments

	Year ended 31 July 2015				
	£'000	£'000	£'000	£'000	£'000
	Unrestricted Permanent	Restricted Permanent	Total Permanent	Restricted Expendable	Total
At 1 August 2014			-		-
Net additions/disposals			-		-
Appreciation of endowment asset investments			-		-
Income for year			-		-
Expenditure for year			-		-
At 31 July 2015	-	-	-	-	-

	Year ended 31 July 2014				
	£'000	£'000	£'000	£'000	£'000
	Unrestricted Permanent	Restricted Permanent	Total Permanent	Restricted Expendable	Total
At 1 August 2013			-		-
Net additions/disposals			-		-
Appreciation of endowment asset investments			-		-
Income for year			-		-
Expenditure for year			-		-
At 31 July 2014	-	-	-	-	-

NOTES TO THE ACCOUNTS *(continued)*

22 Revaluation reserve

	Group 2015 £'000	College 2015 £'000	Group 2014 £'000	College 2014 £'000
At 1 August	6,528	6,528	6,535	6,535
Revaluations in the period (as per note 12)				
Transfer from revaluation reserve to general reserve in respect of:				
Disposals				
Depreciation on revalued assets	(7)	(7)	(7)	(7)
At 31 July	**6,521**	**6,521**	**6,528**	**6,528**

23 Movement on general reserves

	Group 2015 £'000	College 2015 £'000	Group 2014 £'000	College 2014 £'000
Income and expenditure account reserve including pension reserve				
At 1 August	26,865	26,857	28,859	28,859
(Deficit)/surplus retained for the year	50	1,598	(1,613)	(1,621)
Transfer from revaluation reserve	7	7	7	7
Actuarial loss in respect of pension scheme	(1,248)	(1,248)	(388)	(388)
At 31 July	**25,674**	**27,214**	**26,865**	**26,857**
Balance represented by:				
Pension reserve	**(8,124)**	**(8,124)**	**(6,965)**	**(6,965)**
Income and expenditure account reserve excluding pension reserve	**33,798**	**35,338**	**33,830**	**33,822**
At 31 July	**25,674**	**27,214**	**26,865**	**26,857**

NOTES TO THE ACCOUNTS *(continued)*

24 Reconciliation of consolidated operating (deficit)/surplus to net cash inflow from operating activities

	2015 £'000	2014 £'000
(Deficit)/surplus on continuing operations after depreciation of assets at valuation	50	(1,613)
Depreciation (notes 1 and 12)	2,141	2,391
Amortisation	72	60
Deferred capital grants released to income (note 20)	(1,009)	(1,090)
Share of assoiate losses	1,407	-
Interest payable (note 9)	461	447
Interest receivable (note 5)	(61)	(76)
FRS 17 pension cost less contributions payable (notes 6 and 32)	(89)	108
(Increase)/decrease in debtors	(863)	(378)
Increase/(decrease) in creditors	301	1,191
Net cash inflow from operating activities	**2,410**	**1,040**

25 Returns on investments and servicing of finance

	2015 £'000	2014 £'000
Interest received	61	76
Interest paid	(461)	(447)
Interest element of finance lease rental payment		
Net cash inflow from returns on investment and servicing of finance	**(400)**	**(371)**

26 Capital expenditure and financial investment

	2015 £'000	2014 £'000
Purchase of tangible fixed assets	(7,637)	(2,314)
Sales of tangible fixed assets (see note 30)	-	117
Deferred capital grants received	2,187	1,355
Net cash outflow from capital expenditure and financial investment	**(5,450)**	**(842)**

NOTES TO THE ACCOUNTS *(continued)*

27 Management of liquid resources

	2015 £'000	2014 £'000
Sale of investments		
Withdrawals from deposits		
Purchase of investments	-	(502)
Placing of deposits		
Movement in endowment assets		
Net cash inflow from management of liquid resources	**-**	**(502)**

28 Financing

	2015 £'000	2014 £'000
Debt due beyond a year:		
Repayment of amounts borrowed	451	436
Net cash inflow/(outflow) from financing	**451**	**436**

29 Analysis of changes in net funds

	At 1 August 2014 £'000	Cash flows £'000	Other changes £'000	At 31 July 2015 £'000
Cash in hand, and at bank	12,248	(3,892)		8,356
	12,248	(3,892)	-	8,356
Debt due within 1 year	(436)	(15)		(451)
Debt due after 1 year	(8,377)	451		(7,926)
Total	**3,435**	**(3,456)**	**-**	**(21)**

30 Cash flow relating to exceptional items

	2015 £'000	2014 £'000
Provision as at 1 August		
Income and expenditure account charge		
Operating cash outflow		
Provision as at 31 July	**-**	**-**

31 Major non-cash transactions

None

NOTES TO THE ACCOUNTS *(continued)*

32 Pension and similar obligations

The College's employees belong to two principle pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by [name]. Both are defined-benefit schemes.

Total pension cost for the year		**2015 £'000**		**2014 £'000**
Teachers Pension Scheme: contributions paid		786		786
Local Government Pension Scheme:				
Contributions paid	955		933	
FRS 17 charge	74		82	
Charge to the Income and Expenditure Account (staff costs)		1,029		1,015
Enhanced pension charge to Income and Expenditure Account (staff costs)		-		-
Total Pension Cost for Year		**1,815**		**1,801**

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

Contributions amounting to £180,670 (2014: £208,552) were payable to the scheme and are included in creditors.

Teachers' Pension Scheme

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

The Teachers' Pension Budgeting and Valuation

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

The Teachers' Pensions Regulations require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001, the Account has been credited with a real rate of return (in excess of price increases and currently set at 3.5%), which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

NOTES TO THE ACCOUNTS *(continued)*

32 Pension and similar obligations (continued)
Valuation of the Teachers' Pension Scheme

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

- employer contribution rates were set at 16.4% of pensionable pay;
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay.

The new employer contribution rate for the TPS will be implemented in September 2015.
A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:
https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx

The contribution rate paid into the TPS is assessed in two parts. First, a standard contribution rate ("SCR") is determined. This is the contribution, expressed as a percentage of the salaries of teachers and lecturers in service or entering service during the period over which the contribution rate applies, which if it were paid over the entire active service of these teachers and lecturers would broadly defray the cost of benefits payable in respect of that service. Secondly, a supplementary contribution is payable if, as a result of the actuarial investigation, it is found that accumulated liabilities of the Account for benefits to past and present teachers, are not fully covered by standard contributions to be paid in future and by the notional fund built up from past contributions. The total contribution rate payable is the sum of the SCR and the supplementary contribution rate.

32 Pension and similar obligations (continued)
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 will commence on 1 April 2015.

The pension costs paid to TPS in the year amounted to £615,000 (2014: £786,000)

NOTES TO THE ACCOUNTS *(continued)*

32 Pension and similar obligations (continued)

FRS 17

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme.

Accordingly, the College has taken advantage of the exemption in FRS17 and has accounted for its contributions to the scheme as if it were a defined-contribution scheme. The College has set out above the information available on the scheme and the implications for the College in terms of the anticipated contribution rates.

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate funds adminstered by HCC Local Authority . The total contribution made for the year ended 31 July 2015 was £1,214,000, of which employer's contributions totalled £955,000 and employees' contributions totalled £259,000. The agreed contribution rates for future years are 22.9 per cent for employers and **range from 5.5% to 12.5% cent** for employees.

FRS 17

Principle Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2013 updated to 31 July 2015 by a qualified independent actuary

	At 31 July 2015	At 31 July 2014
Rate of increase in salaries	4.00%	4.00%
Rate of increase for pensions in payment / inflation	2.60%	2.70%
Discount rate for scheme liabilities	3.60%	4.00%
Inflation assumption (CPI)		
Commutation of pensions to lump sums	50%	50%

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

	At 31 July 2015	At 31 July 2014
Retiring today		
Males	22.30	22.30
Females	24.50	24.50
Retiring in 20 years		
Males	24.30	24.30
Females	26.70	26.70

NOTES TO THE ACCOUNTS *(continued)*

32 Pension and similar obligations (continued)

Local Government Pension Scheme (Continued)

The college's estimated share of the assets and liabilities in the scheme and the expected rates of return were:

	Long-term rate of return expected at 31 July 2015	Value at 31 July 2015 £'000	Long-term rate of return expected at 31 July 2014	Value at 31 July 2014 £'000
Equities	60.00%	16,212	68.00%	16,954
Bonds	27.00%	7,296	22.00%	5,485
Property	8.00%	2,162	7.00%	1,745
Cash	5.00%	1351	3.00%	748
Total market value of assets		**27,021**		**24,932**
Present value of scheme liabilities				
- Funded				
- Unfunded		(35,145)		(31,897)
Related deferred tax liability				
Surplus/(deficit) in the scheme		**(8,124)**		**(6,965)**

Analysis of the amount charged to income and expenditure account

	2015 £'000	2014 £'000
Employer service cost (net of employee contributions)	1,048	1,015
Past service cost		
Total operating charge	**1,048**	**1,015**

Analysis of pension finance income / (costs)

	2015 £'000	2014 £'000
Expected return on pension scheme assets	1,441	1,314
Interest on pension liabilities	(1,278)	(1,341)
Pension finance income / (costs)	**163**	**(27)**

Amount recognised in the statement of total recognised gains and losses (STRGL)

	2015 £'000	2014 £'000
Actuarial gains/(losses) on pension scheme assets	(1,975)	(1,084)
Actuarial gains/(losses) on scheme liabilities	727	696
Actuarial loss recognised in STRGL	**(1,248)**	**(388)**

NOTES TO THE ACCOUNTS *(continued)*

32 Pension and similar obligations (continued)

Local Government Pension Scheme (Continued)

Movement in surplus/(deficit) during year

	2015	2014
	£'000	£'000
Surplus/(deficit) in scheme at 1 August	(6,965)	(6,468)
Movement in year:		
Employer service cost (net of employee contributions)	(1,048)	(1,015)
Employer contributions	955	933
Past service cost	(8)	-
Effect of Settlements	27	-
Net interest/return on assets	163	(27)
Actuarial gain or loss	(1,248)	(388)
(Deficit)/Surplus in scheme at 31 July	**(8,124)**	**(6,965)**

Asset and Liability Reconciliation

	2015	2014
	£'000	£'000
Reconciliation of Liabilities		
Liabilities at start of period	31,897	28,882
Service cost	1,048	1,015
Interest cost	1,278	1,341
Employee contributions	259	256
Liabilities Extinguished on settlements	(446)	-
Actuarial (gain)/loss	1,975	1,084
Benefits paid	(874)	(681)
Curtailments and settlements	8	-
Liabilities at end of period*	**35,145**	**31,897**
	-	
Reconciliation of Assets		
Assets at start of period	24,932	22,414
Expected return on assets	1,441	1,314
Actuarial gain/(loss)	727	696
Employer contributions	955	933
Employee contributions	259	256
Benefits paid	(874)	(681)
Assets distributed on settlements	(419)	-
Assets acquired in a business combination		
Assets at end of period	**27,021**	**24,932**

The estimated value of employer contributions for the year ended 31st July 2016 is £945,000.

NOTES TO THE ACCOUNTS *(continued)*

32 Pension and similar obligations (continued)

Local Government Pension Scheme (Continued)
History of experience gains and losses

	2015	2014	2013	2012	2011
Difference between the expected and actual return on assets:					
Amount £'000*	727	696	2,569	(498)	117
Experience gains and losses on scheme liabilities:					
Amount £'000*	241	(168)	(292)	(292)	(642)
Total amount recognised in STRGL:					
Amount £'000*	(1,248)	(388)	1,679	(3,153)	1,957

33 Post-balance sheet events
There are no post balance sheet events

34 Capital commitments

	Group and College 2015 £'000	2014 £'000
Commitments contracted for at 31 July	1,373	8,900
Authorised but not contracted at 31 July	NIL	NIL

35 Financial commitments

At 31 July the College had annual commitments under non-cancellable operating leases as

Group	2015 £'000	2014 £'000
Land and buildings		
Expiring within one year	-	-
Expiring within two and five years inclusive	343	519
Expiring in over five years	-	-
	343	519
Other		
Expiring within one year		7
Expiring within two and five years inclusive	153	
Expiring in over five years		
	153	7

College	2015 £'000	2014 £'000
Land and buildings		
Expiring within one year	-	-
Expiring within two and five years inclusive	254	373
Expiring in over five years	-	-
	254	373
Other		
Expiring within one year		7
Expiring within two and five years inclusive	153	
Expiring in over five years		
	153	7

36 Contingent liability

None

37 Related party transactions

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

The total expenses paid to or on behalf of the Governors during the year was £829; 20 governors (2014: £1,537; 20 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 (2014: None).

Transactions with the funding bodies and HEFCE are detailed in notes 2, 15, 16 and 20.

38 Amounts disbursed as agent

Learner support funds

	2015 £'000	2014 £'000
Funding body grants – hardship support	423	375
Funding body grants – Bursary Fund	466	353
	889	728
Disbursed to students	(609)	(596)
Staffing	(27)	(36)
Balance unspent as at 31 July, included in creditors	253	96

Funding body grants are available solely for students. In the majority of instances, the College only acts as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the income and expenditure account. The income and expenditure consolidated in the College's financial statements relates to the purchase of some equipment from the access fund and the payment of accommodation by the College on the student's behalf.