AYLESBURY COLLEGE

ANNUAL REPORT & FINANCIAL STATEMENTS F0R YEAR ENDED 31ST JULY 2015

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Operating and Financial Review 2014/15

NATURE, OBJECTIVES AND STRATEGIES:

The members of the Governing Body 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 Aylesbury College. The College is an exempt charity for the purposes of the Charities Act 1993, as amended by the Charities Act 2011.

Mission and vision

The College has ambitious aspirations which are set out in the 'Big Ambition' Strategic Plan 2014-20. The mission of the College as set out in that Plan is as follows:

"Our overarching aim is to have a positive impact for our students, businesses and our communities, contributing to economic and social growth and well-being, through being highly responsive and delivering excellence in education and skills."

The Strategic Plan sets out four strategic priorities to achieve the overall mission and vision:

- **Excellence** – We are ambitious and impatient to be excellent in all we do;
- **Employability and Enterprise –** We have a culture of employability and enterprise enabling positive and sustainable futures for our students, employers and the wider community;
- **Growth and Development** – We are highly responsive and have a positive impact on economic and social growth for Bucks and beyond;
- **Investment and Sustainability –** We are a sustainable College investing in sustainable futures.

Public Benefit

The College is an exempt charity under Part 3 of the Charities Act 2011 and from 1 September 2013, is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 11 & 12.

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 and learning;
- Widening participation;
- Excellent employability development and progression outcomes;
- Highly effective student support systems;
- Strong positive working relationships with employers, industry and commerce.

Strategic Plan

The College has made good progress with the first year of the 'Big Ambition' Strategic Plan, building on the previous strengths of the previous plan:

- Continuing to demonstrate the characteristics of a 'good' College with increasing elements of 'outstanding' including teaching and learning, student outcomes and leadership and management;
- Good financial health;
- Increased growth in apprenticeships for young people aged 16-18 by 10%;
- Successful federated partnership with Buckinghamshire New University through Bucks Education, Skills and training (BEST) and the development of the new building of the University Campus Aylesbury Vale (UCAV) in Aylesbury due for opening Autumn 2015;
- Securing planning and funding to expand the existing nursery for Spring 2016;
- Sponsorship of the Bucks UTC in its second year of operation, specialising in Construction and Computing;
- Continued and growing strong relationships with employers and the Local Enterprise Partnerships in supporting local economic growth and productivity;
- Increased recruitment for students with high complex needs through the purpose built and bespoke curriculum of the Life Skills Centre.

Financial Objectives and targets

Maintain a sound financial operating position:

- a sustainable underlying operating surplus of 1-2% of turnover
- positive operating cash flow year on year in order to fund growth and capital investment
- maintain current ratio (current assets / current liabilities) above 1.0
- minimum of 25 cash days
- reduction in gearing / debt to income ratio

Operate an effective financial control framework:

- robust financial controls with periodic audit review
- monitor in year financial performance and take effective corrective action as required
- operate a robust annual business planning and target setting process

Meet requirements of funding / regularity body changes:

- provide accurate, unqualified timely returns to the SFA, EFA and other bodies
- ensure compliance with the College's payment policy
- regular provider review dialogue with the SFA and EFA

Have an effective Value for Money culture throughout the College:

- providing guidance to management and governors on funding, budgeting and the college's financial regulations and policies
- provide effective management information to allow for appropriate decision making
- training staff to make use of financial systems and understand how to make better financial decisions

Key performance indicators have been further developed to monitor the successful implementation of the objectives.

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

FINANCIAL POSITION

Financial results

Excluding restructuring costs and FRS 17 adjustments, the College has reported a Breakeven position in the year (2013/14: Operating Deficit of £93k). Please refer to the summary analysis below.

	2014/15 £'000	2013/14 £'000
Operating Surplus / (Deficit) before Restructuring costs and FRS 17 adjustments	0	(93)
Restructuring Costs	(169)	(59)
FRS 17 adjustment – staff costs	(228)	(230)
FRS 17 adjustment – interest	(123)	(76)
Enhanced pension adjustment	(12)	(15)
Deficit per statutory accounts	(532)	(473)
Accumulated Reserves	12,538	14,198
Cash Balances	2,501	1,125
Reliance on Funding	83%	83%

The College makes effective use of the funds provided by Government. In 2014/15, 99% of all income received from funding bodies was utilised for student teaching. The College did receive an additional £1.0m of funding from the SFA for Higher Level Apprenticeships at short notice which it was unable to utilise and will return to the SFA in 2015/16.

Tangible fixed asset additions during the year amounted to £218k. This was split between land and buildings acquired of £70k, equipment purchased of £124k and furniture acquired of £24k.

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. Short term borrowing for temporary revenue purposes is authorised by the Corporation. Such arrangements are restricted by limits in the Colleges Financial Memorandum previously agreed with the SFA. All borrowing complies with the requirements of the Financial Memorandum of the SFA.

Cash flows

Operating cash flow at £2.4m inflow for the year (2013/14: £0.8m) was strong, although the underlying figure was closer to £1.4m. This was the result of receiving the £1.0m described above from the SFA that will need to be returned in 2015/16.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

The College is funded by the SFA and the EFA according to the level of activity that it generates each year in terms of student numbers and achievements.

In 2014/15, the College achieved 2,239 funded students against 2,181 in 2013/14.

Student achievements

Students continue to do well at the College. Success rates for 2014/15 were 84% against 89% obtained for 2013/14. The decrease was due to the impact of the new Government requirements for continued English & Maths teaching, which depressed the overall success. Success was comparable to the previous year on a like for like basis.

Curriculum Developments 2014/15

In 2014/15 the College reviewed its curriculum in partnership with BTVLEP to ensure that it is highly responsive to changes and the needs and demands of students, employers and the local community. The College recognises the need to constantly review and refresh its curriculum to meet the key strategic objectives and to ensure the skills for the local workforce are being met.

- Growth – does the provision meet the needs and interest of a range of customers and what areas have the capacity for growth or change to meet local, regional, national and global need?
- Quality – does the provision provide a good quality experience for students and are outcomes for students good and/or improving?
- Viability – Are the programmes providing value for money, cost effective and being delivered efficiently?

The revised curriculum continues to focus on practical and technical education and training at all levels with a selective portfolio of traditional academic qualifications. The College strongly believes in equipping learners with the skills required for employment and progression, and continues to grow its commercial services to enable learners to experience real work with real customers.

Apprenticeships continue to grow and for 2014/15 the College has offered higher apprenticeships at levels 4 and 5. In addition, the College has developed and delivered bespoke, flexible work skills programmes for young people who are not in education, employment or training. This programme enables young people to explore their options, and responds to the needs of people who have been made redundant through bespoke volunteering programmes with Traineeships, enabling the employer to 'try before they buy'. This model is also being delivered in partnership with local large employers.

The College has worked closely with Buckinghamshire County Council to develop and deliver independent living training facilities for students with profound and multiple disabilities. The Life Skills Centre commenced in September 2012 which provides training and support opportunities for students who would otherwise require out of county residential placements with Independent Specialist Providers. Numbers and demand locally for this provision continues to grow. In 2014/15 we had 42 and expected numbers for 2015/16 are anticipated to be 47.

The College works in collaboration with a number of partners including schools, Higher Education Institutions, Local Enterprise Partnerships, the FSB and employers to provide a range of curriculum opportunities at all levels to meet the needs and interests of the wider community we serve.

Capital Developments 2014/15

A number of Capital projects have been completed during the year, including building improvements, a refresh of IT equipment and software, enhanced commercial facilities.

Future Capital Developments

Income for 2015/16 has been projected at £12.2m as per the College's most recent three year financial forecast submitted to the SFA in July 2015.

The College has continued to make, an inclusive, inspiring environment in partnership with the community providing excellent facilities for learning and development, business and leisure use.

Projects include:

- The development of the £16m University Campus Aylesbury Vale at the Waterside site in Aylesbury, through BEST, in partnership with Bucks New University and Aylesbury Vale District Council, due to open in the autumn 2015.
- Expansion of the existing College Nursery in conjunction with Bucks County Council.

RESOURCES

The College has various resources that it can deploy in pursuit of its strategic objectives. Tangible resources include the main college site, a £32.6m building which opened in 2007/08.

Financial

The College has £17m net assets (2014: £19m) including £8m pension liability (2014: £6m) and long term debt of £5.3m (2014: £5.8m) including deferred VAT under the Lennartz Principle.

People

The College employs 250 people (expressed as full time equivalents), of whom 127 are teaching or teaching-related staff.

Reputation

The College continues to have a very good reputation locally and nationally. Maintaining a quality brand is essential for the College's success in attracting students and external partners.

Payment Performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1st 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 College has made every effort to ensure that payments to suppliers fall within the LPCD Act 1998 for the year ended July 2015.

PRINCIPAL RISKS AND UNCERTAINTIES

The significant risk over the next year is for the College to achieve the ambitious targets for growth during a period where there is continued pressure on public sector funding linked to the Comprehensive Spending Review.

Through the Risk Management Group the College has put in place a number of mitigating actions to ensure the protection of its position which will take account of further implications of the changes as they emerge in order to plan effectively for the future.

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

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

A Risk Register is maintained at the operational level and is updated on a quarterly basis. It is reviewed each term by the Audit Committee as a minimum. The Risk Register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system. This is supported by a risk management training programme to raise awareness of risk throughout the College. Risk is a standing agenda item discussed at College meetings.

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

1. Government Funding

The College has considerable reliance on continued government funding through the SFA, EFA and HEFCE. In 2014/15, 83% of the College's revenue was public funded. There has been a reduction in SFA funding in 2015/16 and further funding reductions are expected in 2016/17. 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 going forward.

The College is aware of several issues impacting on future funding:

Funding Reforms were introduced in 2014/15, including;

- 16-18 Apprenticeship growth;
- Reductions in adult skills and higher education funding;
- Increasing the dependency on loans for post 24 education.

Changes to Adult funding in both 2015/16 and 2016/17 have been implemented in College plans, resulting in significant reductions to adult funding streams over the next two years.

Apprenticeship funding changes will mean that funding for these streams will be devolved to employers moving forward through the employer levy and the Trailblazer model.

Risks in the College in respect of funding are mitigated in a number of ways:

- Funding is derived through a combination of direct and indirect contractual arrangements;
- Ensuring the College is rigorous in the delivery of high quality education and training;
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies;
- The College focuses on those priority sectors which will continue to benefit from public funding;
- Regular dialogue with the local SFA and the EFA.

2. Tuition fee policy

In line with the majority of other colleges, Aylesbury College has increased tuition fees in accordance with the increasing fee assumptions. The price elasticity of adult learning is not measurable and there exists a risk that demand will contract as fees increase. This is likely to impact on the growth strategy of the College.

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students;
- Close monitoring of the demand for courses as fees change.

3. Maintain adequate funding of pension liabilities

The financial statements report the share of the pension scheme deficit on the College's balance sheet in line with the requirements of FRS 17. Accounting for defined benefit pension schemes under FRS17 is a risk as the pension scheme is not under the control of the College and is accounted for in accordance with advice from independent qualified actuaries. Judgements are required in relation to assumptions for future salary increases, inflation, investment returns and member lifespan that underpin the actuarial valuations

4. Maintaining of financial viability

5. Achievement of quality targets

6. Safeguarding

STAKEHOLDER RELATIONSHIPS

Partnerships

The College is actively engaged with Buckinghamshire New University (BNU) through BEST, (Buckinghamshire Educational Skills and Training).

In line with other colleges and with universities, the College has many stakeholders, including:

- Students;
- Funding Councils;
- Staff / Members of Corporation;
- Local employers (with specific links);
- Local Authorities;
- Government Offices/ Regional Development Agencies;
- The local community;
- Other FE institutions;
- Trade unions;
- Professional bodies;
- Delivery partners.

The College actively seeks ways to engage with our Stakeholders to gather valuable feedback to inform our business practices. The key body of the College Council has elected representation from all sectors of the organisation is chaired by the College Executive and is a very proactive mechanism for collegiate responsibility within the College.

Equal opportunities

Aylesbury College is committed to the promotion of equality of opportunity and places great value on the diversity of its community. The provision of equality of opportunity and respect for the needs and rights of the individual are fundamental to the stated mission and values of the College. The college promotes British Values and a culture of respect and values diversity.

Aylesbury College fulfils its general and specific duties in relation to equality of opportunity and actively demonstrates due regard to the need to eliminate discrimination, advance equality of opportunity, and foster good relations between different people when carrying out their activities, in all strands as identified in the Equality Act 2010, these being:

- Age
- Disability
- Gender reassignment
- Pregnancy and maternity
- Race – this includes ethnic or national origins, colour or nationality
- Religion or belief – this includes lack of belief
- Gender
- Sexual orientation
- Marital status/civil partnerships

Employment of Disabled Persons

The College has been awarded the ‘two ticks’ Positive about Disabled People accreditation by Job Centre Plus for the College’s employment practices.

The College considers all applications for employment from people with disabilities, whilst considering the aptitudes of the individuals concerned. Where an existing employee becomes disabled, every effort is made to ensure the continuation of employment in the College.

The College’s policy is to provide professional development and opportunities for progress that are, as far as possible, identical to those for other people.

Disability Statement

The College seeks to achieve the objectives set down in the Equality Act 2010. Aylesbury College is committed to:

- Eliminating unlawful discrimination against people with disabilities
- Eliminating harassment of people with disabilities
- Promoting equality of opportunity for people with disabilities
- Promoting positive attitudes towards people with disabilities

Aylesbury College values diversity and seeks to create an inclusive learning environment for all. The College is committed to providing effective support for learning for staff and students with disabilities to succeed in personal goals.

The College aims to provide a positive and safe community where all are treated with respect and dignity, free from discrimination and harassment.

The new buildings of the College have been designed to be DDA compliant.

Investors in Diversity

The College has full accreditation as an Investor in Diversity and has produced case study material to the Awarding Body requested as an example of good practice.

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 10th December 2015 and signed on its behalf by:

Janice Trebble
Chair **Date**

Professional Advisers:

Financial statement, funding and regularity auditors:
RSM UK AUDIT LLP
Davidson House
Forbury Square
Reading
RG1 3EU

Internal auditors:
ICCA
11th Floor,
McLaren House,
46 Priory Queensway,
Birmingham
B4 7LR

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

Solicitors:
Kidd Rapinet
Western House
14 Rickfords Hill
Aylesbury
Buckinghamshire
HP20 2RX

Mills and Reeve
78 – 84 Colmore Row
Birmingham
B3 2AB

Statement of Corporate Governance and Internal Control

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

The College endeavours to conduct its business:

i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);

ii. in full accordance with the guidance to colleges from the Association of Colleges in The English Colleges' Foundation Code of Governance ("the Foundation Code"); and

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

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the College/Board has adopted and complied with the Foundation Code. We do not comply with 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 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. In carrying out its responsibilities, it takes full account of The English Colleges' Foundation Code of Governance issued by the Association of Colleges in December 2011, which it formally adopted in May 2012.

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

The Corporation

The members who served on the Corporation during the year and up to the date of signature of this report are as listed in Table 1.

Table 1: Governors serving on the College Board:

Name	Date of appointment	Term of Office	Date of resignation	Status of appointment	Committees Served	Corporation meeting attendance
Chairperson Janice Trebble	Re-appointed 12/03/2012	4 years		General	Chair of Remuneration Search & Development	3/5
Vice Chair Mr I Barham	Appointed 29/09/11	4 years		General	Audit	5/5
Mrs K Mitchell	01/09/2013			Principal	Search & Development	5/5
Mr P Belcher	Re-appointed 12/03/2012	4 years		General	Remuneration	4/5
Mr N Hussain	Re-appointed 20/03/2014	4 years		General	Chair of Search & Development	3/5

Name	Date of appointment	Term of office	Date of resignation	Status of appointment	Committees Served	Corporation meeting attendance
Mr S Terry	Elected 18/10/10	4 years		Staff	Audit	
Mr A Westray	Re-appointed 17/07/2014	4 years		General	Chair of Audit	5/5
Mrs T Aldworth	Appointed	4 years		General	Remuneration	3/5
Ms K McIntosh	Appointed 29/09/2011	4 years		General	Search & Development	3/5
Mr S Laws	Appointed 29/09/2011	4 years		General	Search & Development	Suspended 0/5
Professor Ruth Farwell	Appointed 22/03/2012	4 years	11/12/2014	General	Search & Development	2/2
Miss R Bhatti	Appointed 22/03/12	4 years		General	Audit	2/5
Ms L Ghosh	Appointed 22/03/12	4 years		General	Remuneration	1/5
Mrs A M McNeill	Elected 12/12/2013	4 years		Staff	Search & Development	5/5
Mr M Hailey	Appointed 20/03/14	4 years		General	Audit	2/3
Mr I Harper	Appointed 12/11/14	4 years		General		4/4
Mr A Bargery	Appointed 21/05/15	4 years		General		2/2
Mr D Hannay	Elected for the academic year	1 year		Student		5/5
Mr A Johnson	Elected for the academic year.	1 year		Student		4/5
Mr Keith Scribbins acts as Clerk to the Corporation						5/5
Mrs Lucy Fitzgerald acts as Assistant Clerk to the Corporation						5/5

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 five times per year.

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 Audit, Search & Development and Remuneration. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Clerk to the Corporation at:

Aylesbury College
Oxford Road
Aylesbury
Buckinghamshire HP21 8PD

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 all of its non-executive members to be 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 and Development Committee, consisting of seven members of the Corporation, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

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

Search & Development Committee

The Search and Development Committee comprises; Chair of the Corporation, the Principal and three other members. The Committee's main responsibilities are to make recommendation to the Board on the appointments of new members and arrange training.

Audit Committee

The Audit Committee comprises six 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 statements auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the main FE funding bodies as they affect the College's business.

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

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

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

Remuneration Committee

Throughout the year ending 31 July 2015 the College's Remuneration Committee comprised 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.

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, 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 she is personally responsible, in accordance with the responsibilities assigned to her in the financial memorandum between the College and the SFA and other government organisations. She is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal financial control.

The purpose of the system of internal control

The system of internal control is designed to manage the risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process to identify, prioritise and manage the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of these risks being realised and the impact should they be realised. The system of internal control has been in place in Aylesbury 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 which have been implemented to mitigate those risks. The Corporation is of the view that there is a formal on-going process for identifying, evaluating and managing the College's significant risks that has been in place and operational for the period ending 31 July 2015 up to the date of approval of the annual report and accounts. The adequacy of this process is regularly reviewed by the Corporation and at its meeting on 13 July 2015 it noted that the Auditors had provided *reasonable* assurance and based on this and the recommendation provided by the Audit Committee endorsed the steps being taken to manage risk within the College.

The risk and control framework

The system of internal control is based on a framework of regular management information, administrative procedures including 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.

The College has an internal audit service, which operates in accordance with the requirements of the LSC's 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. Annually, the Head of the Internal Audit Service provides the Governing Body with a report on internal activity in the College. The report includes the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

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

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

The Principal has been advised on the implications of the result of this review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditor, and a plan to address weaknesses and to 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 the Audit Committee meeting on 13 July 2015 and the Corporation meeting on 16 July 2015, the Audit Committee and Corporation members reviewed all remaining reports from the Senior Management team and internal audit for the 2014/15 financial year.

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*".

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

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

We confirm, on behalf of the Corporation, that ***to the best of its knowledge***, the Corporation believes it is able to identify any material irregular or improper use of funds by the College, or material non-compliance with the Skills Funding Agency terms and conditions of funding under the College's financial memorandum. We further confirm that any instances of material irregularity, impropriety or funding non-compliance discovered to date have been notified to the Skills Funding Agency.

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 the Corporation continues to adopt the going concern basis in preparing the financial statements.

Signed on behalf of the Corporation and approved on 10th December 2015

J Trebble
Chair

Date:

K Mitchell
Accounting Officer

Date:

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the Financial Memorandum agreed between the Skills Funding Agency 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 2014/15 issued jointly by the Skills Funding Agency and Education Funding Agency which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

The Corporation is also required to prepare an Operating and Financial Review, which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

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

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 SFA and the EFA are used only in accordance with the Financial Memorandum with the SFA and any other conditions that the SFA and the EFA may prescribe from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds by the SFA and the EFA are not put at risk.

The maintenance and integrity of Aylesbury College website is the responsibility of the governing body 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.

Approved by order of the members of the Corporation on 10th December 2015 and signed on its behalf by:

J Trebble
Chair

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF AYLESBURY COLLEGE

We have audited the College financial statements ("the Financial Statements") set out on pages 21 to 40. The financial reporting framework that has been applied in their preparation is United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice) as set out in our engagement letter dated 1 April 2014.

This report is made solely to the Corporation, as a body, in accordance with the Financial Memorandum published by the Skills Funding Agency and our engagement letter dated 1 April 2014. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are required under our engagement letter dated 1 April 2014 to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Corporation of Aylesbury College and Auditor

As explained more fully in the Statement of the Corporation's Responsibilities set out on page 17, the Corporation is responsible for the preparation of financial statements which give a true and fair view.

Our responsibility is to audit, and express an opinion on, the Financial Statements in accordance with the terms of our engagement letter dated 1 April 2014, Joint Audit Code of Practice issued by the Skills Funding Agency and Education Funding Agency and International Standards on Auditing (UK and Ireland). The International Standards on Auditing (UK and Ireland) require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the Financial Statements:

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Joint Audit Code of Practice issued jointly by the Skills Funding Agency and the Education Funding Agency requires us to report to you if, in our opinion:

- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations required for our audit.

RSM UK AUDIT LLP
Chartered Accountants
Davidson House
Forbury Square
Reading
Berkshire
RG1 3EU

Date

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON REGULARITY TO THE CORPORATION OF AYLESBURY 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 dated 1 April 2014 and further to the requirements of the financial memorandum with Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Aylesbury College during the period 1 August 2014 to 31 July 2015 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

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

Respective responsibilities of Aylesbury College and the reporting accountant

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

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

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity. A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

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

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

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 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.

RSM UK AUDIT LLP
Chartered Accountants
Davidson House
Forbury Square
Reading
Berkshire
RG1 3EU

Date

Income and Expenditure Account for the year ended 31 July 2015

	Notes	2015 £000	2014 £000
Income			
Funding Body Grants	2	11,387	10,810
Tuition fees and education contracts	3	1,033	977
Other grants and contracts	4	211	94
Other income		1,014	1,127
Investment income	5	11	4
Total Income		**13,656**	**13,012**
Expenditure			
Staff costs	6	7,881	7,693
Other operating expenses	8	4,918	4,476
Depreciation	12	1,020	979
Interest payable and other finance costs	9	369	337
Total Expenditure		**14,188**	**13,485**
Deficit on continuing operations after depreciation of assets at valuation and disposal of assets but before tax		(532)	(473)
Taxation	10	-	-
Deficit on continuing operations after depreciation of assets at valuation, disposal of assets and tax	11	**(532)**	**(473)**
Transfer from accumulated income within specific endowments		-	-
Deficit for the year retained within general reserves		**(532)**	**(473)**

The income and expenditure account is in respect of continuing activities
There were no operations that were acquired or discontinued by the College during the year.

Statement of Historical Cost Surpluses and Deficits for the year ended 31 July 2015

	Notes	2015 £000	2014 £000
Historical cost deficit for the period before taxation		(532)	(473)
Historical cost deficit for the period after taxation		(532)	(473)

Statement of the Total Recognised Gains and Losses for the year ended 31 July 2015

	Notes	2015 £000	2014 £000
Deficit on continuing operations after depreciation of assets at valuation and disposal of assets and tax		(532)	(473)
Actuarial loss in respect of pension scheme	26	(1,140)	(2,220)
Actuarial gain in respect of enhanced pensions	17	12	9
Total recognised losses relating to the period		**(1,660)**	**(2,684)**

Reconciliation

Opening reserves		14,198	16,882
Total recognised losses for the year		(1,660)	(2,684)
Closing reserves		**12,538**	**14,198**

Balance Sheet as at 31 July 2015

	Notes	2015 £000	2014 £000
Fixed assets			
Tangible assets	12	30,407	31,209
Total fixed assets		**30,407**	**31,209**
Current assets			
Stock		23	19
Debtors	13	501	571
Liquid Investments		1,760	500
Cash at bank and in hand		741	625
		3,025	1,715
Less: Creditors - amounts falling due within one year	14	(2,883)	(1,551)
Net current assets		**142**	**164**
Total assets less current liabilities		**30,549**	**31,373**
Less: Creditors - amounts falling due after more than one year	15	(5,261)	(5,841)
Less: Provisions for liabilities	17	(321)	(303)
Net assets excluding pension liability		**24,967**	**25,229**
Net pension liability	26	(7,775)	(6,284)
NET ASSETS INCLUDING PENSION LIABILITY		**17,192**	**18,945**
Deferred capital grants	18	4,654	4,747
Income and expenditure account excluding pension reserve		18,531	18,700
Pension reserve	26	(7,775)	(6,284)
Income and expenditure account including pension reserve	20	10,756	12,416
Revaluation reserve	19	1,782	1,782
Total reserves		12,538	14,198
TOTAL		**17,192**	**18,945**

The financial statements on pages 21 to 40 were approved by the governing body on 10th December 2015 and were signed on its behalf by:-

Chair **Accounting Officer**

Cash Flow Statement for the year ended 31 July 2015

	Notes	2015 £000	2014 £000
Net cash inflow from operating activities	21	2,367	839
Returns on investments and servicing of finance	22	(223)	(244)
Capital expenditure and financial investment	23	(199)	(270)
Financing	24	(569)	(568)
Increase / (Decrease) in cash in the period		**1,376**	**(243)**

Reconciliation of net cash flow to movement in net debt

	Notes	2015 £000	2014 £000
Increase / (Decrease) in cash in the year		1,376	(243)
Cash outflow from decrease in debt	25	569	568
Movement in net debt in year		1,945	325
Net debt at 1 August		(5,314)	(5,639)
Net debt at 31 July		**(3,369)**	**(5,314)**

In this statement, figures in brackets refer to cash outflows and all other figures are cash inflows to the College.

Notes to the Financial Statements for year ended 31 July 2015

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), the Accounts Direction for 2014/15 financial statements and in accordance with applicable Accounting Standards.

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.

The College continues to adopt the going concern basis in preparing the financial statements.

Recognition of income

Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the adult learner responsive funding element 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. Employer responsive grant income is recognised based on a year-end reconciliation of income claimed and actual delivery. 16-18 learner-responsive funding is not normally subject to a reconciliation and is therefore not subject to contract adjustments.

Non-recurrent grants from the SFA 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 that the conditions of the funding have been met or the extent of the completion of the contract or service concerned.

All 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 26, the TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions 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.

Notes to the Financial Statements for year ended 31 July 2015 (continued)

Enhanced pensions
The actual cost of any enhanced on-going 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 on-going 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 spread sheet provided by the SFA.

Tangible fixed assets

Land and buildings
Land and buildings inherited from the Local Education Authority (LEA) and buildings acquired since incorporation 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. 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 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of 50 years.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred 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.

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

On adoption of FRS 15, the College followed the transitional provision to retain the book value of land and buildings, which were re-valued in 1998, 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.

Equipment
Equipment costing less than £1,000 per individual item is charged to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost.

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

Leased assets
Costs in respect of operating leases are charged on a straight-line basis over the lease term. 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 purchased outright. The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases.

The lease rentals are treated as consisting of capital and interest elements. The capital element is applied in order to reduce outstanding obligations and the interest element is charged to the income and expenditure account in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets.

Stocks
Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

Notes to the Financial Statements for year ended 31 July 2015 (continued)

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

Taxation
The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by 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.

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 Learner Support Funds. Related payments received from the EFA and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in Note 30, except for up to 5% of the grant received which is available to the College to cover administration costs relating to the grant. The College employs one member of staff dedicated to the administration of Learner Support Fund applications and payments.

2 Funding Body Grants	**2015 £000**	**2014 £000**
Funding body recurrent grant *	11,288	10,711
Funding body non recurrent grant *	-	-
Releases of deferred capital grants (note 18)	99	99
	11,387	**10,810**

*** Includes funding from EFA/SFA**

3 Tuition Fees and Education Contracts	**2015 £000**	**2014 £000**
Tuition Fees	961	885
Education contracts	72	92
	1,033	**977**

4 Other grants and contracts	**2015 £000**	**2014 £000**
Other grant income	198	82
Release of other deferred capital grants	13	12
	211	**94**

Notes to the Financial Statements for year ended 31 July 2015 (continued)

5 Investment Income	**2015 £000**	**2014 £000**
Other investment income	11	4
	11	**4**

6 Staff Costs

The average monthly number of persons (including senior post-holders) employed by the College during the year, expressed as full-time equivalents, is as follows:-	**2015 Number**	**2014 Number**
Teaching departments - teaching staff	127	121
Non teaching staff	123	121
	250	**242**

Staff costs for the above persons	**2015 £000**	**2014 £000**
Wages and salaries	6,004	5,919
Social security costs	372	382
Other pension costs (including FRS 17 adjustments of £228k (2014: £230k))	989	962
Payroll subtotal	**7,365**	**7,263**
Contracted out staffing services	347	371
Exceptional restructuring costs	169	59
Total Staff Costs	**7,881**	**7,693**

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

	Senior Post-holders		**Other staff**	
	2015 Number	**2014 Number**	**2015 Number**	**2014 Number**
£ 60,001 to £ 70,000	-	-	-	-
£ 70,001 to £ 80,000	1	1	-	-
£ 80,001 to £ 90,000	1	1	-	-
£ 90,001 to £ 100,000	-	-	-	-
£ 100,001 to £ 110,000	-	-	-	-
£ 110,001 to £ 120,000	1	1	-	-
£ 120,001 to £ 130,000	-	-	-	-
£ 130,001 to £ 140,000	-	-	-	-
	3	**3**	**-**	**-**

Notes to the Financial Statements for year ended 31 July 2015 (continued)

7 Senior Post-holders' Emoluments

Senior postholders 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 Number	2014 Number
The number of senior post-holders including the principal was:	3	3

Senior post-holders' emoluments are made up as follows:	2015 £'000	2014 £'000
Salaries	270	273
Pension contributions	34	38
Total emoluments	**304**	**311**

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

	2015 £'000	2014 £'000
Salaries	115	108
Pension contributions	15	15

The pension contributions in respect of the Principal and senior post-holders are in respect of employer's contributions to the respective pension schemes and are paid at the same rate as for other employees.

The members of the corporation other than the principal 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 Financial Statements for year ended 31 July 2015 (continued)

8 Other Operating Expenses

	2015 £000	2014 £000
Teaching costs	2,906	2,540
Administration and central services - non teaching costs	1,160	1,034
Premises costs	852	902
Total	**4,918**	**4,476**

Other operating expenses include:	**2015 £000**	**2014 £000**
Auditors' remuneration:		
Financial statements audit	23	23
Other audit advisory service provided by RSM UK	2	2
Internal audit	19	19
Hire of plant and machinery - operating leases	82	55

9 Interest Payable and other finance costs

	2015 £000	2014 £000
On bank loans, overdrafts and other loans:		
Repayable wholly or partly in more than 5 years	234	249
	234	249
Pension finance costs:		
Local Government Pension Scheme (note 26)	123	76
Enhanced pensions (note 17)	12	12
Total	**369**	**337**

10 Taxation

	2015 £000	2014 £000
United Kingdom Corporation Tax at 21%	-	-
Total	**-**	**-**

The College is not liable for any corporation tax arising out of its activities during both the current and prior year

11 Deficit on continuing operations for the Year

The deficit on continuing operations for the year is made up as follows:	2015 £000	2014 £000
College's deficit for the year	(532)	(473)
Total	**(532)**	**(473)**

Notes to the Financial Statements for year ended 31 July 2015 (continued)

12 Tangible Fixed Assets	Freehold Land and Building £000	Equipment £000	Furniture £000	Total £000
Cost or Valuation				
At 1 August 2014	36,150	6,776	563	43,489
Additions	70	124	24	218
At 31 July 2015	**36,220**	**6,900**	**587**	**43,707**
Depreciation				
At 1 August 2014	5,750	6,194	336	12,280
Charge for year	677	287	56	1,020
At 31 July 2015	**6,427**	**6,481**	**392**	**13,300**
Net book value at 31 July 2015	**29,793**	**419**	**195**	**30,407**
Net book value at 31 July 2014	30,400	582	227	31,209

The transitional rules set out in FRS15 Tangible Fixed Assets have been applied on implementing FRS15. Accordingly the book values at implementation have been retained.

Land and buildings were valued in 1998 by Sidleys, Chartered Surveyors
The basis of valuation were as follows:
Hampden Hall Site - Valued on an open market basis
Oxford Road Site - Valued on an open market basis

Land and buildings with a net book value of £4,074,000 have been financed by exchequer funds. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum with the Council, to surrender proceeds.

13 Debtors	2015 £000	2014 £000
Amounts falling due within one year:		
Trade debtors	68	253
Prepayments and accrued income	272	236
Amounts owed by the Skills Funding Agency	161	82
Total	**501**	**571**

14 Creditors: Amounts Falling Due Within One Year	2015 £000	2014 £000
Bank loans and overdrafts	210	200
Deferred VAT under Lennartz principle	399	398
Payments received in advance	27	102
Trade creditors	378	432
Other taxation and social security	242	118
Accruals and deferred income	549	212
Amounts owed to the Skills Funding Agency	1,078	89
Total	**2,883**	**1,551**

Notes to the Financial Statements for year ended 31 July 2015 (continued)

15 Creditors: Amounts Falling Due After More Than One Year

	2015 £000	2014 £000
Bank loans	4,950	5,162
Deferred VAT under Lennartz principle	311	679
Total	**5,261**	**5,841**

16 Borrowings

a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:	2015 £000	2014 £000
In one year or less or on demand	210	200
Between one and two years	215	209
Between two and five years	701	620
In five years or more	4,034	4,333
Total	**5,160**	**5,362**

Bank loans at fixed rates ranging between 5.605% and 5.98% repayable by instalments falling due between 1 August 2007 and 31 July 2022 totalling £6,250,000. Bank loans of £750,000 is at variable rates. These loans are unsecured, subject to a negative pledge for a period of 25 years.

b) Other financial arrangement

Deferred VAT is repayable as follows:	2015 £000	2014 £000
In one year or less or on demand	399	398
Between one and two years	280	398
Between two and five years	31	281
In five years or more	-	-
Total	**710**	**1,077**

The College has reclaimed input VAT related to the construction of the new building under the Lennartz principle. Under this principle the College recovers the input VAT relating to the non-business use of the building up front and account back to HM Revenue and Customs over a 10 year period.

Notes to the Financial Statements for year ended 31 July 2015 (continued)

17 Provision for Liabilities and Charges

Enhanced Pensions	**2015 £000**	**2014 £000**
At 1 August 2014	(303)	(300)
Cost transferred to income and expenditure account:		
Reorganisation provision	(18)	
Interest cost	(12)	(12)
Actuarial gain	12	9
At 31 July 2015	**(321)**	**(303)**

The enhanced pension provision relates to the cost of staff who have already left the College's employment and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date. This provision has been recalculated using the enhanced pension provision spread sheet provided by the Skills Funding Agency.

18 Deferred Capital Grants

	Funding Body grants £000	**Other grants £000**	**Total £000**
At 1 August 2014			
Land and buildings	4,189	551	4,740
Equipment & Furniture	-	7	7
Cash Received			
Land and buildings	-	19	19
Equipment & Furniture		-	-
Released to income and expenditure account			
Land and buildings	(99)	(11)	(110)
Equipment & Furniture		(2)	(2)
Total	**4,090**	**564**	**4,654**
At 31 July 2015			
Land and buildings	4,090	559	4,649
Equipment	-	5	5
Total	**4,090**	**564**	**4,654**

19 Revaluation Reserve

	2015 £000	**2014 £000**
At 1 August	1,782	1,782
Revaluations in the period	-	-
At 31 July	**1,782**	**1,782**

Notes to the Financial Statements for year ended 31 July 2015 (continued)

20 Movement on General Reserves	2015 £000	2014 £000
Income and Expenditure Account Reserve		
At 1 August	12,416	15,100
Deficit retained for the year	(532)	(473)
Past Service costs in respect of Pension Scheme	-	-
Actuarial loss in respect of pension scheme	(1,128)	(2,211)
At 31 July	**10,756**	**12,416**
Balance represented by:		
Pension reserve	(7,775)	(6,284)
Income and expenditure account reserve excluding pension reserve	18,531	18,700
At 31 July	**10,756**	**12,416**

21 Reconciliation of Operating Deficit to Net Cash Inflow from Operating Activities	2015 £000	2014 £000
Deficit on continuing operations after depreciation of assets at valuation	(532)	(473)
Depreciation (Notes 1 & 12)	1,020	979
Deferred capital grants released to income (Note 18)	(112)	(111)
Interest payable (Note 9)	369	337
Interest receivable (Note 5)	(11)	(4)
FRS 17 Pension cost less contributions payable (Notes 6 and 26)	228	230
(Increase) / Decrease in stocks	(4)	2
Decrease / (Increase) in debtors	70	(6)
Increase / (Decrease) in creditors	1,321	(115)
Increase / (Decrease) in provisions	18	-
Net cash inflow from operating activities	**2,367**	**839**

22 Returns on Investments and Servicing of Finance	2015 £000	2014 £000
Other interest received	11	4
Interest paid	(234)	(248)
Net cash outflow from returns on investment and servicing of finance	**(223)**	**(244)**

23 Capital Expenditure and Financial Investment	2015 £000	2014 £000
Purchase of tangible fixed assets	(218)	(278)
Deferred capital grants received	19	8
Net cash outflow from capital expenditure and financial investment	**(199)**	**(270)**

Notes to the Financial Statements for year ended 31 July 2015 (continued)

24 Financing	2015 £000	2014 £000
Deferred VAT under Lennartz principle	(367)	(390)
Repayment of amounts borrowed	(202)	(178)
Net cash outflow from financing	**(569)**	**(568)**

25 Analysis of Changes in Net Funds	At 1 August 2014 £000	Cashflows £000	Other changes £000	At 31 July 2015 £000
Cash in hand, and at bank	1,125	1,376	-	2,501
	1,125	1,376	-	2,501
Debt due within 1 year	(598)	569	(580)	(609)
Debt due after 1 year	(5,841)		580	(5,261)
Total	**(5,314)**	**1,945**	**-**	**(3,369)**

26 Pension and similar obligations

The College's employees belong to two principal 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 Buckinghamshire County Council. Both are defined benefit schemes.

		2015 £000		2014 £000
Teachers Pension Scheme: contributions paid		322		319
Local Government Pension Scheme:				
Contribution paid	439		413	
FRS17 charge	228		230	
Charge to the Income and Expenditure Account (staff costs)		667		643
Enhanced pension charge to Income and Expenditure Account (staff costs)		-		-
Total Pension Cost for Year		**989**		**962**

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

Teachers' Pension Scheme

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

Notes to the Financial Statements for year ended 31 July 2015 (continued)

26 Pension and similar obligations (continued)

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

The Teachers' Pensions Regulations require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001, the Account has been credited with a real rate of return (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.

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.

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.

Notes to the Financial Statements for year ended 31 July 2015 (continued)

26 Pension and similar obligations (continued)

FRS17
Under the definitions set out in Financial Reporting Standard 17 (FRS17) 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 deficit in 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 administered by local authorities. The agreed contribution rate for future years are 16.4% for employers and between 5.5% and 9.9% for employees.

Principal Actuarial Assumptions

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

FRS 17	**At 31 July 2015**	**At 31 July 2014**
Rate of increase in salaries	4.4%	4.5%
Rate of increase for pensions in payment/inflation	2.6%	2.7%
Discount rate for liabilities	3.8%	4.3%
Commutation of pensions to lump sums		

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

Retiring today	**At 31 July 2015**	**At 31 July 2014**
Males	23.7	23.6
Females	26.1	26.0
Retiring in 20 years		
Males	26.0	25.8
Females	28.4	28.3

Notes to the Financial Statements for year ended 31 July 2015 (continued)

26 Pension and similar obligations (continued)

The assets in the scheme and the expected rates of return were:

	Long-term rate of return	Value at 31 July 2015 £000	Long-term rate of return	Value at 31 July 2014 £000
Equities	5.9%	5,343	6.8%	4,934
Gilts	5.9%	1,182	3.4%	1,078
Bonds	5.9%	1,208	4.0%	1,062
Property	5.9%	768	5.7%	673
Cash	5.9%	325	3.2%	154
Other	5.9%	875	6.8%	718
Total market value of assets		**9,701**		**8,619**
Present value of scheme liabilities		(17,476)		(14,903)
Deficit in the scheme		**(7,775)**		**(6,284)**

Analysis of the amount charged to income and expenditure account	**2015 £000**	**2014 £000**
Employer service cost (net of employee contributions)	667	612
Total operating charge	667	612

Analysis of pension finance costs	**2015 £000**	**2014 £000**
Expected return on pension scheme assets	(514)	(490)
Interest on pension liabilities	637	566
Pension finance costs	123	76

Amount recognised in the statement of total recognised gains and losses (STRGL)	**2015 £000**	**2014 £000**
Actual return less expected return on pension scheme assets	294	(21)
Experience gains and losses arising on the scheme liabilities	-	(223)
Change in financial and demographic assumptions underlying the scheme liabilities	(1,434)	(1,976)
Actuarial loss recognised in STRGL	**(1,140)**	**(2,220)**

Notes to the Financial Statements for year ended 31 July 2015 (continued)

26 Pension and similar obligations (continued)

Movement in surplus during year	**2015 £000**	**2014 £000**
Deficit in scheme at 1 August	(6,284)	(3,758)
Movement in year:		
Current employer service charge	(667)	(612)
Employer Contributions	439	380
Settlements Curtailments	-	2
Net interest	(123)	(76)
Actuarial loss	(1,140)	(2,220)
Deficit in scheme at 31 July	**(7,775)**	**(6,284)**

Asset and Liability Reconciliation	**2015 £000**	**2014 £000**
Reconciliation of Liabilities		
Liabilities at start of period	14,903	11,867
Service cost	667	612
Interest cost	637	566
Employee contributions	175	159
Experience gains and losses on scheme liabilities	-	(9)
Actuarial loss	1,434	2,013
Benefits paid	(340)	(305)
Curtailments and settlements	-	-
Liabilities at end of period	**17,476**	**14,903**
Reconciliation of Assets		
Assets at start of period	8,619	8,109
Expected return on assets	514	490
Actuarial gain/(loss)	294	(207)
Employer contributions	439	380
Employee contributions	175	159
Benefits paid	(340)	(305)
Change in asset valuation	-	(7)
Assets at end of period	**9,701**	**8,619**

History of experience gains and losses

	2015	**2014**	**2013**	**2012**
Difference between the expected and actual return on assets:				
amount £'000	294	(207)	846	(373)
% of scheme assets	3.0%	(2.4%)	10.4%	(5.6%)
Experience gains and losses on scheme liabilities:				
Experience gains/(losses) £'000	-	(37)	-	-
% of scheme liabilities	0.0%	(0.2%)	0.0%	0.0%
Total amount recognised in STRGL				
Actuarial gains/(losses) in £'000	(1,140)	(2,220)	1,108	(1,495)
% of scheme liabilities	(6.5%)	(14.9%)	9.3%	(13.3%)

Notes to the Financial Statements for year ended 31 July 2015 (continued)

27 Capital Commitments	**2015 £000**	**2014 £000**
Commitments contracted for at 31 July	-	24

28 Financial Commitments

At 31 July, annual commitments under non-cancellable operating leases were as follows:	**2015 £000**	**2014 £000**
Other:-		
Expiring within one year	23	34
Expiring within two and five years inclusive	46	8
	69	42

29 Related Party Transactions

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

30 Learner Support Funds	**2015 £000**	**2014 £000**
Access Funds		
Funding Body Grants - Hardship funds	64	83
Funding Body Grants - Childcare	89	74
Funding Body Grants - Bursary funds	361	233
Interest earned	-	-
	514	390
Disbursed to students	(437)	(370)
Administration costs	(23)	(20)
Balance unspent as at 31 July, included in creditors	54	-

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.

31 Contingent Liabilities

The Buckinghamshire University Technical College (BUTC) new building was completed in September 2013 on the main College site. The BUTC building was transferred on 1 September 2013 as an asset under the ownership of the Buckinghamshire UTC Trust. Should the College receive proceeds before July 2022 from the sale of land that it owns, then the College would be liable to repay up to £4.0m of the build costs of BUTC to the Department for Education. As at the year end, the likelihood of this occurring is considered remote but due to the material nature of the potential liability disclosure has been made.