AYLESBURY COLLEGE

ANNUAL REPORT & FINANCIAL STATEMENTS F0R YEAR ENDED 31ST JULY 2016

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Operating and Financial Review 2015/16

NATURE, OBJECTIVES AND STRATEGIES

The members of the Governing Body present their report and the audited financial statements for the year ended 31 July 2016.

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting 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 12 & 13.

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

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

- High-quality teaching 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 second 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;
- Satisfactory financial health (under the revised scoring system introduced in 2016);
- Increased growth in apprenticeships for young people aged 16-18 by 13%;
- Successful federated partnership with Buckinghamshire New University through Bucks Education, Skills and training (BEST) and the opening of the University Campus Aylesbury Vale (UCAV) in Aylesbury at the beginning of 2016;
- Through the BEST partnership and with Bucks County Council the development and launch of the Bucks Social Work Academy in June 2016;
- Completion of expansion to the nursery to accommodate a further 48 children from September 2016;
- Sponsorship of the Bucks UTC in its third year of operation, specialising in Construction and Computing;
- Continued strong relationships with employers and the Local Enterprise Partnerships in supporting local economic growth and productivity;
- Maintained high recruitment for students with high complex needs through the purpose built and bespoke curriculum of the Life Skills Centre;
- Actively pursuing strategic opportunities to secure income growth to £20m+ in 2020 by leading plans for a Type B merger of Amersham and Wycombe College.

Financial Objectives and targets

Maintain a sound financial operating position:

- a sustainable medium term underlying operating surplus of 1-2% of turnover, with a long term objective of reaching 3-5%;
- 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 (KPIs) have been further developed to monitor the successful implementation of the objectives. These are aligned to the 'Big Ambition' Strategic Plan. In particular, they cover the areas of curriculum excellence, links with local employers, growth and development and investment and financial sustainability. The KPIs are monitored and reported on as part of the College's monthly reporting cycle and reviewed with the governing body at Corporation meetings.

The College is committed to observing the importance of the sector measures and indicators through robust self-assessment against nationally published measures. 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 Satisfactory is considered an acceptable outcome under the stricter regime introduced in 2016.

FINANCIAL POSITION

Financial results

The College's underlying deficit in the year was £352k (2014/15: Operating Surplus of £5k). Please refer to the summary analysis below.

	2015/16 £'000	**2014/15 £'000**
College Underling Operating Surplus / (Deficit) *	(352)	5
Share of Deficit in Joint Venture	(780)	-
Restructuring Costs	(23)	(169)
FRS 102 (28) charge	(567)	(351)
Enhanced pension adjustment	(7)	(12)
Deficit per statutory accounts	(1,729)	(527)
Accumulated Reserves	7,692	12,300
Cash Balances	825	2,501
Reliance on Funding	83%	83%

*** before Joint Venture, Restructuring costs and FRS 102 (28) charges**

The College makes effective use of the funds provided by Government. In 2015/16, 100% of all income received from funding bodies was utilised for student teaching. In 2015/16 the College repaid £1.1m of funding received from the Government in 2014/15 that it was unable to utilise for Higher Level Apprenticeships.

Tangible fixed asset additions during the year amounted to £775k. This was split between land and buildings acquired of £576k, equipment purchased of £194k and furniture acquired of £5k. Of the total fixed asset additions, £510k was granted to the College by Bucks County Council for the nursery extension project.

In 2015/16, in conjunction with Buckinghamshire New University, the College began operating the UCAV facility through its partnership in BEST. The results from this operation are shown for the first time in the College's accounts as a share in that Joint Venture. BEST has a strategy and financial plan in place to ensure it has a successful future, both educationally and financially. During the early stages of its existence, BEST will require start-up funding – the requirement for this is split between the University and the College on an 80/20 basis respectively. The stated Deficit of £780k does not reflect the College's underlying liability to BEST – this is actually the loan of £211k disclosed in Note 17 to the accounts.

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 was a £0.2m *outflow* for the year (2014/15: £2.3m *inflow*). This outflow reflected the repayment of unused funding to the SFA as described above, hence the underlying cash figure was an *inflow* of £0.9m.

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 2015/16, the College achieved 2,189 funded students against 2,239 in 2014/15.

Student achievements

Students continue to do well at the College. Success rates for 2015/16 are 83%, in line with 2014/15 data. The Government requirements for English & maths teaching for all 16-18 year olds continues to be challenging though there has been a 4% improvement on 14/15 GCSE A*-C English and maths grades for 16-18 year olds; work continues to improve student success in these core subjects.

Curriculum Developments 2015/16

In 2015/16 the College once again 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 professional and technical education and training at all levels. 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. A successful partnership with Bucks County Council and Bucks New University saw the launch of the Bucks Social Work Academy, a unique partnership designed to support a pipeline from entry level through to masters into social work. The launch was featured on BBC news and local media. The college has launched provision in Games Design in line with the skills demand across the south east for highly skilled creative and digital workforce.

The College has successfully launched a traineeship programme and a bespoke study programme for young people that struggle to find their way in more traditional programmes. This new provision continues to support young people to secure paid employment and/or an apprenticeship.

Apprenticeships continue to grow and for 2015/16 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 of 47 were met.

A new Careers Hub was opened in the college supporting students in securing work experience and successful progression into employment and/or apprenticeships.

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.

Proposed Merger with Amersham and Wycombe College

Following participation earlier in 2016 in the Area Review process being undertaken throughout the FE sector, the College is currently engaged in exploring a proposed merger with Amersham & Wycombe College. Pending the successful outcome of due diligence and other preparatory discussions, the Corporations of both Colleges have resolved to a merger to take effect on a date to be determined in 2017.

Capital Developments 2015/16

A number of Capital projects have been completed during the year, the most significant being the extension of our nursery facility (to accommodate 48 new children from September 2016) and the replacement of our core student record software.

In addition, the College has also provided £0.2m of funding to help support the setup of the new UCAV facility in the centre of Aylesbury.

Future Capital Developments

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:

- Continued investment in the UCAV partnership;
- Refresh of existing College buildings and facilities for new courses;
- Continued investment in IT infrastructure to enhance both the staff and student experience at the College.

RESOURCES

The College has various resources that it can deploy in pursuit of its strategic objectives. Tangible resources include the main college site, a £33m building which opened in 2007/08.

Financial

The College has £8m net assets (2015: £12m) including £11m pension liability (2015: £8m) and long term debt of £4.8m (2015: £5.3m) including deferred VAT under the Lennartz Principle.

People

Expressed as full time equivalents, the College employs 228 people (2015: 250), of whom 113 are teaching or teaching-related staff (2015: 127).

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 2016.

PRINCIPAL RISKS AND UNCERTAINTIES

Through the management of the College Executive, Operational team and Risk Management Group, the College ensures it recognises, assesses and mitigates the risk of changes as they emerge in order to plan effectively for the future.

This includes continual work to develop and embed the system of internal control, including financial, operational and risk management which 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. It is updated by the College and reviewed by the Audit Committee on a termly basis. 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. 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 (and subsequently the maintenance of financial viability)

The College has considerable reliance on continued government funding through the SFA, EFA and HEFCE. In 2015/16, 83% of the College's revenue was government funded (unchanged from 14/15). There was a significant reduction in government funding in 2015/16, partially because of national policy change and partially as a result of reduced student numbers in the College.

Funding levels have stabilised for 2016/17. However, 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, particularly in light of the Brexit vote and the economic uncertainty this has created.

Outside of the macroeconomic position, the most significant funding reform approaching in 2017 is the introduction of the Apprenticeship levy and the changes to Apprenticeship standards. The College has begun planning for these changes and to mitigate the risk caused by the change.

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;
- 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 102 (28). Accounting for defined benefit pension schemes under FRS 102 (28) 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. Achievement of quality targets

The College recognises that an attraction for students and prospective students is the reputation for quality that a College has. The College is currently rated 'Good' by Ofsted and places significant emphasis on maintaining this reputation and rating for quality, with an aspiration in the 'Big Ambition' to become an Ofsted rated 'Outstanding' College.

The College monitors performance against a range of quality targets on a periodic basis ranging from weekly to annual. Courses and staff are assessed from a quality perspective and a senior member of curriculum staff has responsibility for monitoring College-wide quality performance.

5. Safeguarding

The College recognises that it is responsible for, and has a role to play in safeguarding the children and young people that it interacts with. Whilst the majority of this interaction will be on the College premises, the College also has a role in ensuring, to the best of its ability, the safety and security of young people in other locations, such as the workplace or their home environment.

The College invests significant time, resource and money in ensuring this safeguarding objective is met. The most significant ways in which the College achieve this are:

- Ensuring all staff and volunteers are recruited as suitable for working with children and young people;
- The training of staff to be able to spot the signs and symptoms of abuse and know the procedure for raising concerns;

- Establishing a safe environment in which the views of every person are valued and respected;
- Working closely in partnership with parents, other organisations and agencies to share relevant information.

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;
- Local Enterprise Partnerships;
- 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 areas 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. In 2016 the College was awarded 17th in the Top 100 Employers for Diversity by the National Centre for Diversity.

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 8th December 2016 and signed on its behalf by:

Ian Barham
Chair **Date**

Professional Advisers:

Financial statement, funding and regularity auditors:
RSM UK AUDIT LLP
Highfield Court
Tollgate
Chandlers Ford
Hampshire
SO53 3TY

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 1 NA

Solicitors:

Kidd Rapinet	Mills and Reeve
Walker House	78 – 84 Colmore Row
George St	Birmingham
Aylesbury	B3 2AB
HP20 2HU	

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 2016. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The 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 10/12/2015	To end July 2016		General	Chair of Remuneration Search & Development	6/6
Vice Chair Mr I Barham	Re-appointed 28/09/2015	4 years		General	Audit	6/6
Mrs K Mitchell	01/09/2013			Principal	Search & Development	6/6
Mr P Belcher	Re-appointed 10/12/2015	To end July 2016		General	Remuneration	4/6
Mr N Hussain	Re-appointed 20/03/2014	4 years		General	Chair of Search & Development	5/6

Name	Date of appointment	Term of office	Date of resignation	Status of appointment	Committees Served	Corporation meeting attendance
Mr S Terry	Re-elected 20/03/2015	4 years		Staff	Audit	6/6
Mr A Westray	Re-appointed 17/07/2014	4 years	10/12/2015	General	Chair of Audit	2/2
Mrs T Aldworth	Re-appointed 25/05/2015	4 years		General	Remuneration	3/6
Ms K McIntosh	Re-appointed 28/09/2015	4 years		General	Search & Development	6/6
Miss R Bhatti	Re-appointed 10/12/15	4 years		General	Audit	2/6
Ms L Ghosh	Re-appointed 10/12/15	4 years		General	Remuneration	3/6
Mrs A M McNeill	Elected 12/12/2013	4 years		Staff	Search & Development	5/6
Mr M Hailey	Appointed 20/03/14	4 years		General	Audit	3/6
Mr I Harper	Appointed 12/11/14	4 years		General	Search & Development	5/6
Mr A Bargery	Appointed 21/05/15	4 years		General	Remuneration	3/6
Mr S Griffin	Appointed 10/12/15	4 years		General	Audit	4/6
Mr H Ahmed	Elected for part of the academic year	1 year		Student	Audit	2/4
Mr D Hannay	Elected for part of the academic year	1 year		Student	Audit	5/6
Mr A Johnson	Elected for part of the academic year	1 year		Student President		1/1
Mr A Barbanta	Elected for part of the academic year	1 year		Student		1/1
Mr Keith Scribbins acts as Clerk to the Corporation						6/6
Mrs Lucy Fitzgerald acts as Assistant Clerk to the Corporation						3/6

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 six 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 four 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 2016 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 2016 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 2016 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls 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 2016 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 14 July 2016 it noted that the Internal 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 SFA'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 14 June 2016 and the Corporation meeting on 14 July 2016, the Audit Committee and Corporation members reviewed all remaining reports from the Senior Management Team and internal audit for the 2015/16 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 8th December 2016

I Barham	**K Mitchell**
Chair	**Accounting Officer**
Date:	**Date:**

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the 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 2015 Statement of Recommended Practice – Accounting for Further and Higher Education and with the College Accounts Direction 2015/16 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 8th December 2016 and signed on its behalf by:

I Barham
Chair

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF AYLESBURY COLLEGE

We have audited the College financial statements (the "financial statements") which comprise the College Statement of Comprehensive Income, the College Balance Sheet, the Cash Flow Statement, and the College Statement of Changes in Reserves and the related notes. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 23 November 2015. 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 23 November 2015 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 18, 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 23 November 2015, Joint Audit Code of Practice issued by the Skills Funding Agency and Education Funding Agency and International Standards on Auditing (UK and Ireland). The International Standards on Auditing (UK and Ireland) require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2016 and of the College's 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
Highfield Court
Tollgate
Chandlers Ford
Hampshire
SO53 3TY

Dated:

Aylesbury College - Statement of Comprehensive Income as at 31 July 2016

	Notes	2016 £000	2015 £000
Income			
Funding body grants	2	9,979	11,387
Tuition fees and education contracts	3	943	1,033
Other grants and contracts	4	38	211
Other income		1,086	1,014
Investment income	5	7	11
Total Income		**12,053**	**13,656**
Expenditure			
Staff costs	6	7,190	7,876
Other operating expenses	8	4,342	4,918
Depreciation and Amortisation	11, 12	945	1,020
Interest payable and other finance costs	9	525	369
Total Expenditure		**13,002**	**14,183**
Deficit before other gains and losses		**(949)**	**(527)**
Share of operating deficit in joint venture	17	(780)	-
Deficit before tax		**(1,729)**	**(527)**
Taxation	10	-	-
Deficit for the year		**(1,729)**	**(527)**
Actuarial loss in respect of pension schemes	20	(2,879)	(1,128)
Total Comprehensive Income for the year		**(4,608)**	**(1,655)**

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
These accounts do not reflect any restricted funds and only reflects relevant disclosure in the primary statements

Aylesbury College - Statement of Changes in Reserves as at 31 July 2016

	Income and expenditure account	Revaluation reserve	Total
Restated balance at 1st August 2014	**12,173**	**1,782**	13,955
Deficit from the income and expenditure account	(527)	-	(527)
Other comprehensive income	(1,128)	-	(1,128)
Total comprehensive income for the year	**(1,655)**	**-**	**(1,655)**
Balance at 31st July 2015	**10,518**	**1,782**	**12,300**
Deficit from the income and expenditure account	(1,729)	-	(1,729)
Other comprehensive income	(2,879)	-	(2,879)
Total comprehensive income for the year	**(4,608)**	**-**	**(4,608)**
Balance at 31st July 2016	**5,910**	**1,782**	**7,692**

Aylesbury College - Balance Sheet as at 31 July 2016

	Notes	2016 £000	2015 £000
Non current assets			
Tangible Fixed assets	11	30,183	30,334
Intangible Fixed assets	12	161	73
		30,344	**30,407**
Current assets			
Stock		21	23
Debtors	13	636	501
Cash at bank and in hand		825	2,501
		1,482	**3,025**
Less: Creditors - amounts falling due within one year	14	(2,383)	(3,234)
Net current liabilities		**(901)**	**(209)**
Total assets less current liabilities		**29,443**	**30,198**
Less: Creditors - amounts falling due after more than one year	15	(9,651)	(9,802)
Provisions			
Defined benefit obligations	17	(11,230)	(7,775)
Other provisions	17	(870)	(321)
Total net assets		**7,691**	**12,300**
Reserves			
Unrestricted income and expenditure account		5,910	10,518
Revaluation reserve		1,782	1,782
Total reserves		**7,692**	**12,300**

The financial statements on pages 20 to 42 were approved by the governing body on 8th December 2016 and were signed on its behalf by:-

Chair **Accounting Officer**

Aylesbury College - Cash Flow Statement for the year ended 31 July 2016

	Notes	2016 £000	2015 £000
Cash flow from operating activities			
Deficit for the year		(1,729)	(532)
Adjustment for non-cash items			
Depreciation and amortisation		945	1,020
Decrease / (Increase) in stocks		2	(4)
(Increase) / Decrease in debtors		(135)	70
(Decrease) / Increase in creditors		(399)	1,228
(Decrease) / Increase in provisions		(20)	18
Pension costs less contributions payable		280	228
Share of operating deficit in joint venture		780	-
Adjustment for investing or financing activities			
Investment income		(7)	(11)
Interest payable		525	369
Loss on sale of fixed assets		18	-
Net cash inflow from operating activities		260	2,386
Cash flow from investing activities			
Investment income		7	11
Payments made to acquire fixed assets		(900)	(218)
		(893)	(207)
Cash flow from financing activities			
Interest paid		(231)	(234)
Repayment of amounts borrowed		(209)	(202)
Deferred VAT under Lennartz Principal		(392)	(367)
Loan to joint venture		(211)	-
		(1,043)	(803)
(Decrease) / Increase in cash in the period		**(1,676)**	**1,376**
Cash and cash equivalents at beginning of the year	18	2,501	1,125
Cash and cash equivalents at end of the year	18	825	2,501

Notes to the Financial Statements for year ended 31 July 2016

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 2015 (the SORP), the Accounts Direction for 2015/16 financial statements and in accordance with Financial Reporting Standard 102. The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

Transition to the 2015 FE HE SORP

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

An explanation of how the transition to the 2015 FE HE SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the College is provided in note 25.

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

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

- Revaluation as deemed cost – at 1st August 2014, the College has retained the carrying values of freehold properties as being deemed cost and measured at fair value;
- Lease incentives – the College has continued to recognise the residual benefits associated with lease incentives on the same basis as that applied at the date of transition.

Basis of consolidation

The consolidated financial statements include the College and the relevant share of its jointly controlled operation, Buckinghamshire Education Skills and Training.

The College is incorporated in the United Kingdom and all financial statements are made up to 31 July 2016.

Basis of accounting

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

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

Going concern

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

The College currently has £5.0m of loans outstanding with its bankers. The terms of repayment of these loans extend up to 16 years. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

Accordingly, the College has a reasonable explanation 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.

Notes to the Financial Statements for year ended 31 July 2016 (continued)

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 Second Pension.

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method. As stated in Note 20, 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 LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to the income statement are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the net assets, calculated by multiplying the fair value on the scheme assets at the beginning of the period by the rate use to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses. Actuarial gains and losses are recognised immediately in other gains and losses.

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.

Termination Benefits
The best estimate of the expenditure required to settle an obligation for termination benefits is recognised immediately as an expense when the College is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

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

Notes to the Financial Statements for year ended 31 July 2016 (continued)

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 and more minor refurbishments or enhancements over a useful economic life of between 8 and 10 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 102, the college followed the transitional provision to retain the book value of land and building, which were reduced in 1998 but not to adopt the policy of revaluation of these properties in the future.

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 – 4-8 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.

Intangible assets

Intangible assets comprise entirely of computer software and is capitalised at cost for items (or groups of items comprising one package) costing more than £1,000. Items below £1,000 are charged to the income and expenditure account in the period of acquisition.

All assets are amortised over their useful economic life of between 4-8 years.

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 2016 (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.

Cash and cash equivalents
Cash includes cash in hand. Cash equivalents include sums on short-term deposits with recognised banks and building societies.

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

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

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.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the statement of comprehensive income in the period it arises.

A contingent liability arises from a past event that gives the College a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the balance sheet but are disclosed in the notes to the financial statements.

Agency arrangements
The College acts as an agent in the collection and payment of 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 23, 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.

Judgements in applying accounting policies and key sources of estimation uncertainty
In preparing these financial statements, management have made the following judgements:

- To determine whether there are any indicators of impairment of the College's tangible and current assets, including debtors and loans. Factors taken into consideration in reaching such a decision include the future financial performance of the asset and its viability.

Notes to the Financial Statements for year ended 31 July 2016 (continued)

Other key sources of estimation uncertainty include:

- Tangible fixed assets are depreciated over their useful lives. The actual lives of the assets are assessed annually and may vary depending upon a number of factors;
- The present value of the Local Government Pension Scheme defined benefit liability depends upon a number of factors that are determined on an actuarial basis using a variety of assumptions. Any changes in these assumptions, which are disclosed in note 19, will impact the carrying amount of the pension liability.

2 Funding Body Grants	**2016**	**2015**
	£000	**£000**
Recurrent grants		
Skills Funding Agency	2,727	2,981
Education Funding Agency	7,158	8,307
Specific grants		
Releases of government capital grants	94	99
	9,979	**11,387**

3 Tuition Fees and Education Contracts	**2016**	**2015**
	£000	**£000**
Tuition Fees	905	961
Education contracts	38	72
	943	**1,033**

4 Other grants and contracts	**2016**	**2015**
	£000	**£000**
Other grant income	25	198
Release of other deferred capital grants	13	13
	38	**211**

5 Investment Income	**2016**	**2015**
	£000	**£000**
Other investment income	7	11
	7	**11**

Notes to the Financial Statements for year ended 31 July 2016 (continued)

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, was:

	2016 Number	2015 Number
Teaching departments - teaching staff	113	127
Non teaching staff	115	123
	228	**250**

Staff costs for the above persons	**2016 £000**	**2015 £000**
Wages and salaries	5,492	5,999
Social security costs	370	372
Other pension costs	1,038	989
Payroll subtotal	**6,900**	**7,360**
Contracted out staffing services	267	347
Exceptional restructuring costs		
Contractual payments	17	161
Non-contractual payments	6	8
Total Staff Costs	**7,190**	**7,876**

In respect of wages and salaries, the College operates salary sacrifice schemes for Childcare vouchers and the Cycle to Work scheme.
All staff costs, including restructuring costs, have been approved in line with the College's financial regulations with approval at the Corporation level as required.

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

	Senior Post-holders		Other staff	
	2016 Number	2015 Number	2016 Number	2015 Number
£ 60,001 to £ 70,000	-	-	1	-
£ 70,001 to £ 80,000	-	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	-	-	-	-
	2	**3**	**1**	**-**

Notes to the Financial Statements for year ended 31 July 2016 (continued)

7 Key Management Personnel Remuneration

Key Management is defined as the Principal and holders of the other senior posts whom the Governing Body or Principal has selected for the purposes of executive management of the College on a day to day basis.

	2016 Number	2015 Number
The number of Key Management Personnel including the principal was:	4	4

Their remuneration are made up as follows:	2016 £'000	2015 £'000
Salaries	321	329
National insurance	37	36
Pension contributions	47	42
Total remuneration	**405**	**407**

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

	2016 £'000	2015 £'000
Salaries	116	115
National insurance	14	14
Pension contributions	18	15
Total remuneration	**148**	**144**

The pension contributions in respect of the Principal and key management personnel are in respect of employer's contributions to the respective pension schemes and are paid at the same rate as for other employees.

Governors' remuneration

The members of the corporation other than the Principal and the staff members did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties. During the year no (2015 - 1) governors total expenses of Nil (2015 - £153) were paid in respect of travel and subsistence and other out of pocket expenses in the course of their duties.

Notes to the Financial Statements for year ended 31 July 2016 (continued)

8 Other Operating Expenses

	2016 £000	2015 £000
Teaching costs	2,715	2,906
Administration and central services - non teaching costs	928	1,160
Premises costs	699	852
Total	**4,342**	**4,918**

Other operating expenses include:	**2016 £000**	**2015 £000**
Auditors' remuneration:		
Financial statements audit	27	23
Other audit advisory service provided by RSM UK	2	2
Internal audit	15	19
Losses on disposal of non-current assets	18	-
Inventory recognised as expense	114	148
Operating leases recognised as expense	78	82

9 Interest Payable and other finance costs

	2016 £000	2015 £000
On bank loans, overdrafts and other loans:		
Repayable wholly or partly in more than 5 years	231	234
	231	234
Pension finance costs:		
Local Government Pension Scheme (note 20)	287	123
Enhanced pensions (note 17)	7	12
Total	**525**	**369**

10 Taxation

	2016 £000	2015 £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

Notes to the Financial Statements for year ended 31 July 2016 (continued)

11 Tangible Fixed Assets	Freehold Land and Building £000	Equipment £000	Furniture £000	Total £000
Cost or Valuation				
At 1 August 2015	36,220	6,719	587	43,526
Additions	576	193	5	774
Disposals	(524)	(4,444)	(5)	(4,973)
At 31 July 2016	**36,272**	**2,468**	**587**	**39,327**
Depreciation				
At 1 August 2015	6,427	6,373	392	13,192
Charge for year	679	170	58	907
Elimination in respect of disposals	(509)	(4,441)	(5)	(4,955)
At 31 July 2016	**6,597**	**2,102**	**445**	**9,144**
Net book value at 31 July 2016	**29,675**	**366**	**142**	**30,183**
Net book value at 31 July 2015	29,793	346	195	30,334

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.

If fixed assets had not been revalued they would have been included at the historical cost amounts of cost and depreciation of £nil.

12 Intangible Fixed Assets	Total £000
Cost or Valuation	
At 1 August 2015	181
Additions	126
At 31 July 2016	**307**
Amortisation	
At 1 August 2015	108
Charge for year	38
At 31 July 2016	**146**
Net book value at 31 July 2016	**161**
Net book value at 31 July 2015	73

The Intangible Fixed Assets comprises of IT Software.

Notes to the Financial Statements for year ended 31 July 2016 (continued)

13 Debtors

	2016 £000	2015 £000
Amounts falling due within one year:		
Trade debtors	148	68
Prepayments and accrued income	316	272
Amounts owed by the Skills Funding Agency	172	161
Total	**636**	**501**

14 Creditors: Amounts Falling Due Within One Year

	2016 £000	2015 £000
Bank loans and overdrafts	217	210
Deferred VAT under Lennartz principle	278	399
Payments received in advance	22	27
Trade creditors	432	378
Other taxation and social security	213	242
Accruals and deferred income	875	787
Amounts owed to the Skills Funding Agency	225	1,078
Deferred Capital Grants	121	113
Total	**2,383**	**3,234**

15 Creditors: Amounts Falling Due After More Than One Year

	2016 £000	2015 £000
Bank loans	4,734	4,950
Deferred VAT under Lennartz principle	40	311
Deferred Capital Grants	4,877	4,541
Total	**9,651**	**9,802**

Notes to the Financial Statements for year ended 31 July 2016 (continued)

16 Borrowings

a) Bank loans and overdrafts	**2016**	**2015**
Bank loans and overdrafts are repayable as follows:	**£000**	**£000**
In one year or less or on demand	217	210
Between one and two years	224	215
Between two and five years	1,708	701
In five years or more	2,802	4,034
Total	**4,951**	**5,160**

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	**2016**	**2015**
Deferred VAT is repayable as follows:	**£000**	**£000**
In one year or less or on demand	278	399
Between one and two years	40	280
Between two and five years	-	31
In five years or more	-	-
Total	**318**	**710**

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 2016 (continued)

17 Provision for Liabilities and Charges	**Pension Liability**	**Enhanced Pension**	**Joint Venture**	**Total**
	£000	**£000**	**£000**	**£000**
At 1 August 2015	(7,775)	(321)	-	(8,096)
Payments made from provision	-	18	-	18
Cost transferred to Statement of Comprehensive Income:				
Interest cost	(287)	(7)	-	(294)
Share of operating deficit for period	-	-	(780)	(780)
FRS 102 (28) Employer Service Charge less Employer Contribution	(280)	-	-	(280)
Actuarial (loss)/gain	(2,888)	9	-	(2,879)
Loan to joint venture	-	-	211	211
At 31 July 2016	**(11,230)**	**(301)**	**(569)**	**(12,100)**

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.

The joint venture relates to the College's activities in Buckinghamshire Education Skills & Training (BEST), a company equally owned and operated in conjunction with Buckinghamshire New University. The investment in joint venture represents the College's 50% share of the activities in this company for the year. The loan to joint venture represents the amount of money provided by the College to support the start up activities of this joint venture. The aims of BEST are described in the Operating and Financial Review section of this report.

18 Cash and cash equivalents

	At 1 August 2015	**Cash flows**	**At 31 July 2016**
	£000	**£000**	**£000**
Cash and cash equivalent	2,501	(1,676)	825
Total	**2,501**	**(1,676)**	**825**

19 Financial Instruments	**2016**	**2015**
	£000	**£000**
The College has the following financial instruments:		
Financial assets		
Financial assets measured at amortised cost	369	277
	369	**277**
Financial liabilities		
Financial liabilities measured at amortised cost	6,486	7,369
	6,486	**7,369**

Notes to the Financial Statements for year ended 31 July 2016 (continued)

20 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.

		2016 £000		2015 £000
Teachers Pension Scheme: contributions paid		309		322
Local Government Pension Scheme:				
Contribution paid	449		439	
FRS 102 (28) Charge	280		228	
Charge to the Statement of Comprehensive Income (staff costs)		729		667
Enhanced pension charge to the Statement of Comprehensive Income (staff costs)		-		-
Total Pension Cost for Year		**1,038**		**989**

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.

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 16.48% 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

Notes to the Financial Statements for year ended 31 July 2016 (continued)

20 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 contribution paid to TPS in the year amounted to £309k (2015: £322k).

Under the definitions set out in Financial Reporting Standard 102 (28.11) 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 FRS102 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 plan, with the assets held in separate funds administered by Buckinghamshire County Council. The total contributions made for the year ended 31 July 2016 were £616,000, of which employer's contributions totalled £449,000 and employees' contributions totalled £167,000. The agreed contribution rates for future years are 16.4% for employers and range from 5.5% to 9.9% for employees, depending on salary.

Principal Actuarial Assumptions

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

	At 31 July 2016	At 31 July 2015
Rate of increase in salaries	4.0%	4.4%
Future pensions increases	2.2%	2.6%
Discount rate for scheme liabilities	2.6%	3.8%
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:

Notes to the Financial Statements for year ended 31 July 2016 (continued)

20 Pension and similar obligations (continued)

Retiring today	**At 31 July 2016**	**At 31 July 2015**
Males	23.8	23.7
Females	26.2	26.1
Retiring in 20 years		
Males	26.1	26.0
Females	28.5	28.4

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

	Long-term rate of return	**Value at 31 July 2016 £000**	**Long-term rate of return**	**Value at 31 July 2015 £000**
Equities	5.9%	6,001	5.9%	5,343
Gilts	5.9%	1,431	5.9%	1,182
Bonds	5.9%	1,334	5.9%	1,208
Property	5.9%	898	5.9%	768
Cash	5.9%	362	5.9%	325
Other	5.9%	949	5.9%	875
Total market value of assets		**10,975**		**9,701**
Present value of scheme liabilities		(22,205)		(17,476)
Deficit in the scheme		**(11,230)**		**(7,775)**

Amounts recognised in the Statement of Comprehensive Income	**2016 £000**	**2015 £000**
Employer service cost (net of employee contributions)	729	667
Total operating charge	729	667

Analysis of pension finance costs	**2016 £000**	**2015 £000**
Expected return on pension scheme assets	(373)	(514)
Interest on pension liabilities	660	637
Pension finance costs	287	123

Amount recognised in Other Comprehensive Income	**2016 £000**	**2015 £000**
Actual return less expected return on pension scheme assets	688	294
Experience gains and losses arising on the scheme liabilities	-	-
Change in financial and demographic assumptions underlying the scheme liabilities	(3,576)	(1,434)
Amount recognised in Other Comprehensive Income	**(2,888)**	**(1,140)**

Notes to the Financial Statements for year ended 31 July 2016 (continued)

20 Pension and similar obligations (continued)

Movement in surplus during year	**2016 £000**	**2015 £000**
Deficit in scheme at 1 August	(7,775)	(6,284)
Movement in year:		
Current employer service charge	(729)	(667)
Employer Contributions	449	439
Settlements Curtailments	-	-
Net interest	(287)	(123)
Actuarial loss	(2,888)	(1,140)
Deficit in scheme at 31 July	**(11,230)**	**(7,775)**

Asset and Liability Reconciliation	**2016 £000**	**2015 £000**
Reconciliation of Liabilities		
Liabilities at start of period	17,476	14,903
Service cost	729	667
Interest cost	660	637
Employee contributions	167	175
Experience gains and losses on scheme liabilities	-	-
Actuarial loss	3,576	1,434
Benefits paid	(403)	(340)
Curtailments and settlements	-	-
Liabilities at end of period	**22,205**	**17,476**
Reconciliation of Assets		
Assets at start of period	9,701	8,619
Interest on assets	373	514
Administration expenses	(7)	-
Actuarial gain/(loss)	695	294
Employer contributions	449	439
Employee contributions	167	175
Benefits paid	(403)	(340)
Change in asset valuation	-	-
Assets at end of period	**10,975**	**9,701**

21 Financial Commitments

At 31 July, total commitments under non-cancellable operating leases were as follows:

	2016 £000	**2015 £000**
Other:-		
Expiring within one year	55	69
Expiring within two and five years inclusive	12	46
	67	115

Notes to the Financial Statements for year ended 31 July 2016 (continued)

22 Related Party Transactions

In respect of the joint venture in BEST, the transactions during the year were as follows:

	2016 £000	2015 £000
Expenses recognised as part of Other Operating Expenses	22	-
Loans to support ongoing operation of the company	233	-
Amounts owed to BEST	22	-
Amounts owed by BEST	233	-

In respect of all other 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.

23 Amounts Disbursed as Agent	2016 £000	2015 £000
Access Funds		
Funding Body Grants - Hardship funds/Childcare	117	153
Funding Body Grants - Bursary funds	243	361
Interest earned	-	-
	360	514
Disbursed to students	(252)	(437)
Administration costs	(17)	(23)
Balance unspent as at 31 July, included in creditors	91	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 Statement of Comprehensive Income. The College expects to reimbursement any unspent balance to the funding authority on an annual basis.

24 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.

25 Transition to FRS102 and the 2015 FE HE SORP

The year ended 31st July 2016 is the first year that the College has presented its financial statements under FRS102 and the 2015 FE HE SORP. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended 31st July 2015 and the date of transition to FRS102 and the 2015 FE HE SORP was therefore 1st August 2014. As a consequence of adopting FRS102 and the 2015 FE HE SORP, a number of accounting policies have changed to comply with these standards.

An explanation of how the transition to FRS102 and the 2015 FE HE SORP has affected the College’s financial position, financial performance and cash flows is set out below.

Notes to the Financial Statements for year ended 31 July 2016 (continued)

25 Transition to FRS102 and the 2015 FE HE SORP (continued)

Financial Position	**Note**	**1st August 2014 £000**	**31st July 2015 £000**
Total reserves under previous SORP		**18,945**	**17,192**
Employee leave accrual	(a)	(243)	(238)
Treatment of deferred capital grants	(b)	(4,747)	(4,654)
Total effect of transition to FRS102 and 2015 FE HE SORP		(4,990)	(4,892)
Total reserves under 2015 FE HE SORP		**13,955**	**12,300**

Financial Performance	**Note**	**Year ended 31st July 2015 £000**
Deficit for the year after tax under previous SORP		**(532)**
Change in value of employee leave accrual	(a)	5
Pensions provision - actuarial loss	(c)	(1,128)
Total effect of transition to FRS102 and 2015 FE HE SORP		(1,123)
Total comprehensive income for the year under 2015 FE HE SORP		**(1,655)**

(a) Recognition of short term employment benefits

No provision for short term employment benefits such as holiday pay was made under the previous UK GAAP. Under FRS102 the costs of short term employment benefits are recognised as a liability and an expense. The annual leave year runs to 31st August each year for both teaching and non-teaching staff meaning that, at the reporting date, there was an average of 9 days unused leave for both teaching and non-teaching staff. The cost of any unused entitlement is recognised in the period in which the employee's services are received. An accrual of £243,000 was recognised at 1st August 2014 and £238,000 at 31st July 2015. Following a re-measurement exercise in 2015/16, the movement on this accrual of £19,000 has been released to Comprehensive Income in the year ended 31st July 2016.

(b) Government grants accounted for under the accruals model

The College is in the receipt of certain capital grants from government sources. Under FRS102, the College has a choice of accounting for these grants under one of two models:

- The accruals model, where grants are reflected as deferred income and recognised over the useful life of the related asset;
- The performance model, where grants are recognised 'when the performance conditions are met', such as when a building comes into use.

The College has elected to accounted for its government grants under the accruals model and has adjusted the recording of its grants accordingly.

Notes to the Financial Statements for year ended 31 July 2016 (continued)

25 Transition to FRS102 and the 2015 FE HE SORP (continued)

(c) Presentation of actuarial gains and losses within Total Comprehensive Income

Actuarial gains and losses on the College's defined benefit plans were previously presented in the Statement of Total Recognised Gains and Losses (STRGL), a separate statement to the Income and Expenditure account. All such gains and losses are now required under FRS102 to be presented within the Statement of Comprehensive Income, as movements in Other Comprehensive Income.

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON REGULARITY TO THE CORPORATION OF AYLESBURY COLLEGE AND THE SECRETARY OF FOR EDUCATION ACTING THROUGH THE SKILLS FUNDING AGENCY

In accordance with the terms of our engagement letter dated 23 November 2015 and supplementary letter dated 28 November 2016 ('engagement letter') and further to the requirements of the financial memorandum with Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Aylesbury College during the period 1 August 2015 to 31 July 2016 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

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

Respective responsibilities of 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 2015 to 31 July 2016 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

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

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

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

Conclusion

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

RSM UK AUDIT LLP
Chartered Accountants
Highfield Court
Tollgate
Chandlers Ford
Hampshire
SO53 3TY

Dated: