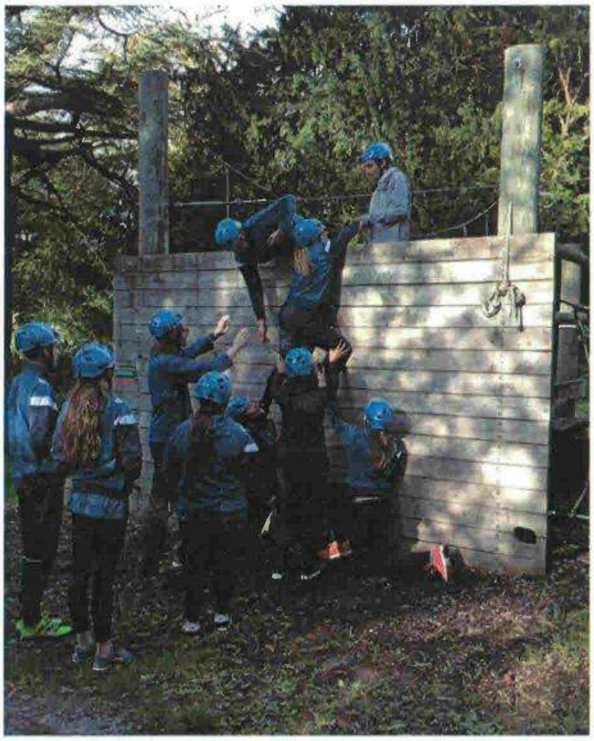
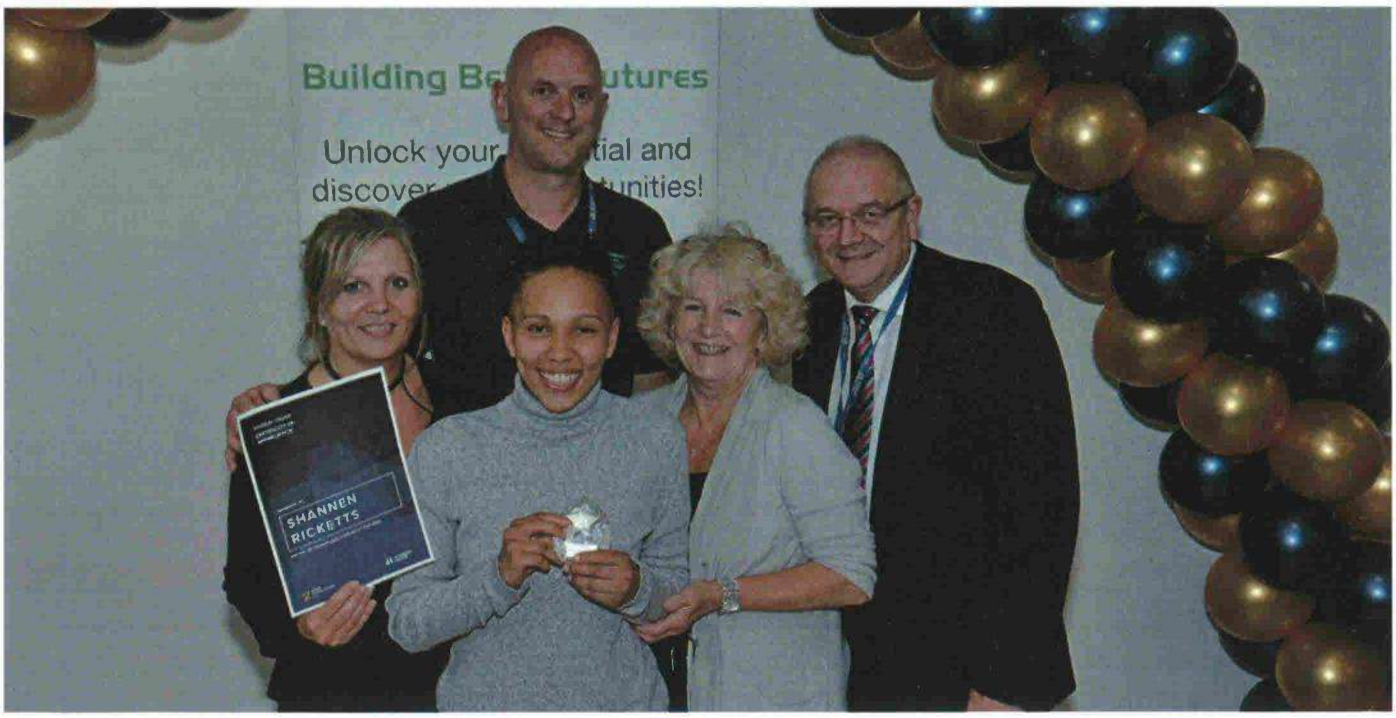
AYLESBURY COLLEGE




# ANNUAL REPORT & FINANCIAL STATEMENTS F0R YEAR ENDED 31ST JULY 2017

# Key Management Personnel, Board of Governors and Professional Advisers

## KEY MANAGEMENT PERSONNEL

Key Management Personnel are defined as members of the College Executive and were represented by the following in 2016/17:

**Karen Mitchell**, Principal and CEO; Accounting Officer

**Fiona Morey**, Deputy Principal Learning & Quality

**John McGrath**, Vice Principal Corporate Services

**Tim Keighley**, Executive Director of Engagement and Business Development

## BOARD OF GOVERNORS

A full list of governors is given on pages 13 and 14 of these financial statements.

Mr K Scribbins acted as the Clerk to the Corporation throughout the period.

## PROFESSIONAL ADVISERS

**Financial statements auditors and reporting accountants:**
RSM UK Audit LLP
The Pinnacle
170 Midsummer Boulevard
Milton Keynes
Buckinghamshire
MK9 1BP

**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
Walker House
George St
Aylesbury
HP20 2HU

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

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# Operating and Financial Review 2016/17

## NATURE, OBJECTIVES AND STRATEGIES

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

### Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting 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 following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Education as Principal Regulator for all Further Education (FE) Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 13 & 14.

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, commerce and Local Enterprise Partnerships (LEPs).

## Implementation of Strategic Plan

The College continues to make good progress with strategic objectives of the 'Big Ambition' Strategic 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);
- Continued growth in apprenticeships for young people aged 16-18;
- The establishment of the HealthTec in partnership with NHS England;
- 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;
- Leading the Type B merger with Amersham and Wycombe to merge at the beginning of October 2017;
- Providing Leadership and Management Services, including Senior Post Holders to Amersham and Wycombe from May 2017.

## 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 Education and Skills Funding Agency (ESFA) and other bodies;
- ensure compliance with the College's payment policy;
- regular provider review dialogue with the ESFA.

**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.

## Performance Indicators

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. During the year the College used 24 such indicators to monitor performance – of these 24, 11 related to curriculum excellence, 6 related to growth and development and 7 related to 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 24 KPIs ultimately combine to output the two key measures of financial performance and student achievement. These are described in further detail below.

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 ESFA. 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 £395k (2015/16: £352k). Please refer to the summary analysis below.

| | 2016/17 £'000 | 2015/16 £'000 |
|---|---|---|
| **College Underlying Operating Deficit *** | (395) | (352) |
| Share of Deficit in Joint Venture | (828) | (780) |
| Restructuring Costs | (45) | (23) |
| FRS 102 (28) charge | (800) | (567) |
| Enhanced pension adjustment | (7) | (7) |
| **Deficit per statutory accounts** | (2,075) | (1,729) |
| Accumulated Reserves | 6,861 | 7,692 |
| Cash Balances | 445 | 825 |
| Reliance on Funding | 79% | 83% |

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

The College makes effective use of the funds provided by Government. In 2016/17, 96% of all income allocated from funding bodies was utilised for student teaching.

Fixed asset additions during the year amounted to £338k. This was split between land and buildings acquired of £111k, equipment purchased of £190k and intangible asset additions of £37k. Intangible asset additions comprised entirely of computer software.

In conjunction with Buckinghamshire New University, the College continued to operate the University Campus Aylesbury Vale (UCAV) facility through its partnership in Buckinghamshire Education Skills and Training (BEST). In excess of 300 students were taught from this facility in its first full year. The University and the College continue to provide the start-up funding that BEST needs in its early years of operation – as at July 2017 the College has made a cash loan of £627k to BEST. The College has cautiously reduced the carrying value of this loan in the financial statements reflecting concerns over the recoverability of the loan and therefore the net loan shown as repayable in the financial statements is £138k.

The Underlying Operating Deficit shown above also includes £184k of net expenses in the year that were related to the merger between the College and Amersham & Wycombe College. These costs were mainly expended on professional advisors and project support to the College.

### Treasury policies and objectives

Treasury management is the management of the College's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. The College does not have a separate Treasury Policy in place but rather includes such objectives within it Financial Regulations.

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 ESFA. All borrowing complies with the requirements of the Financial Memorandum of the ESFA.

### Cash flows

Operating cash flow was a £1.1m *inflow* for the year (2015/16: £0.3m *inflow*). This inflow was used to invest in asset purchases, to service debt and to invest into the BEST joint venture. The net cash flow after these adjustments amounted to a £0.4m *outflow* (2015/16: £1.7m *outflow*).

## CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

### Student numbers

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

In 2016/17, the College achieved 2,200 funded students against 2,189 in 2015/16.

### Student achievements

Overall achievement rates are 87%, a 4% increase from the previous year and places Aylesbury College in the top 10% nationally, benchmarked against published national achievement rates for general further education colleges. Overall Study Programme Achievement Rates are 88%, an increase of 8% on 2015/16 and again places the College in the top 10% nationally. Adult Achievement has improved by 2% to 86%. Students with high needs continue to do well at 99% achievement. Work is continuing to improve further apprenticeship success and GCSE English and maths.

### Curriculum Developments 2016/17

The curriculum is reviewed and revised as part of the College's annual business planning cycle, and in partnership with Bucks Thames Valley LEP. This ensures that the College's offer remains highly responsive to the needs and demands of students, employers, and the local community and local, regional and national skills objectives are being met.

The Curriculum review takes into account:

- 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.

The College discontinued new starts on A Level provision in 2015/16 and 2016/17 saw the end of students completing A Levels. The College made this decision as part of the Area Review process, taking into account the other availability of local provision. This has enabled the College to focus on planning for skills at all levels including degree apprenticeships in partnership with Bucks New University at UCAV.

The College has continued to grow its traineeship programme with achievement rates of 100%. In partnership with Bucks County Council and Adviza, the College has introduced a bespoke, flexible work skills 'Bridges' programme for young people who are not in education, employment or training (NEET). This supports young people to progress to College provision, traineeships or apprenticeships.

Apprenticeships continue to grow and Aylesbury College was successful in its tender to deliver apprenticeships to Levy paying employers. The College re-organised the Apprenticeship model to respond to the reforms and to support employers with the changes. In partnership with Bucks New University a number of degree apprenticeships have been developed for delivery in 2017/18.

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 continues to provide 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 2016/17, we had 50 students undertaking individual bespoke timetables of learning.

A new HealthTec facility which launches in autumn 2017 has been developed in partnership with NHS England. This facility provides an immersive learning experience not only for Health and Social Care students, but also for school pupils to understand and experience the range of career opportunities in the NHS.

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

**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. During the year the College paid 52% of invoices within 30 days and suffered no interest charges as a result of late payments.

**Proposed Merger with Amersham and Wycombe College**

Following participation in the 2016 Area Review process undertaken throughout the FE sector, the College carried out due diligence with aim of merging with Amersham & Wycombe College. The College is pleased to report that this process proved successful and that the two Colleges merged on 3 October 2017. As of this date, Amersham & Wycombe College ceased to exist and its assets and liabilities were transferred to Aylesbury College. Reflecting the size and shape of the merged organisation, the College has taken the decision from October 2017 to trade under the name of the Buckinghamshire College Group (although the College's legal entity remains Aylesbury College).

**Capital Developments 2016/17**

The most significant capital project in 2016/17 were modifications to the College building to allow for a lease of the top floor to the University of Bedfordshire. This lease commenced in August 2016 and has increased the usage of the College facilities and brought in a new stream of commercial revenue.

As mentioned earlier in the report, the College has also provided £0.4m of additional funding to the UCAV facility in the year, making a total of £0.6m since commencement.

**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 £6.9m net assets (2016: £7.7m) including £10.8m pension liability (2016: £11.2m) and long term debt of £4.5m (2015: £4.8m).

*People*

Expressed as full time equivalents, the College employs 226 people (2016: 228), of whom 115 are teaching or teaching-related staff (2016: 113).

*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.

## PRINCIPAL RISKS AND UNCERTAINTIES

Through the College Executive and senior management team, 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 Executive and senior management team 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 management groups 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 Executive 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 ESFA. In 2016/17, 79% of the College's revenue was government funded (83% in 15/16).

Government funding levels per student are currently stable and it is the recruitment of student numbers that currently determines the level of income. 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.

The government has made significant changes in 2017 to the funding of Apprentices. At a macro level the actual changes to the College are not that significant; it is however the changing landscape and uncertainty created that is making for a more challenging environment in Apprenticeships. The College has already carried out actions to mitigate this risk by reshaping the delivery team and communicating with the employer community about the changes.

The underlying risks in government funding are mitigated by the College 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 ESFA contacts.

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's most recent Ofsted rating was 'Good' and the College 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.

6. Merger with Amersham & Wycombe College

The College has now merged with Amersham & Wycombe College on 3 October 2017. The College recognises that mergers represent a risk to the organisations involved. The College believes that the merger of the two organisations gives them both the best chance of achieving long term financial sustainability, which was the key objective of the Government's area review of further education in 2016.

The College has sought to mitigate this risk of merger in the following ways:

- A thorough and extensive due diligence process, which involved considerable bank scrutiny;
- The swift completion of a process to align leadership and management across the merged college. Much of this was finalised as the merger completed.

## STAKEHOLDER RELATIONSHIPS

### Partnerships

The College is actively engaged with Buckinghamshire New University through BEST.

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

- Students;
- Funding bodies;
- 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. It has done this by the adopting the following.

- As part of its accommodation strategy the College updated its access audit. The new buildings of the College have been designed to be DDA compliant.
- The College has a designated lead who provides information, advice and arranges support where necessary for students with disabilities.
- The College makes available a range of specialist equipment for use by students with disabilities.
- The College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are also a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.

- Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.
- Counselling and welfare services are described in the College Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

**Investors in Diversity**

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

**Disclosure of information to auditors**

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

**Approved by order of the members of the Corporation on 7th December 2017 and signed on its behalf by:**

**I Barham**
**Chair**

## Statement of Corporate Governance and Internal Control

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

The College endeavours to conduct its business:

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

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

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

The College is committed to exhibiting best practice in all aspects of corporate governance 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 2017. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The 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 |
|---|---|---|---|---|---|---|
| Chair: Mr I Barham | Re-appointed 28/09/2015 | 4 years | | General | Chair of Remuneration, Search & Development | 6 of 6 |
| Vice-Chair: Mr M Hailey | Appointed 20/03/2014 | 4 years | | General | Chair of Audit | 4 of 6 |
| Mrs K Mitchell | 01/09/2013 | | | Principal | Search & Development | 6 of 6 |
| Mr N Hussain | Re-appointed 20/03/2014 | 4 years | | General | Chair of Search & Development | 6 of 6 |
| Mr S Terry | Re-elected 20/03/2015 | 4 years | | Staff | Audit | 6 of 6 |
| Mrs T Aldworth | Re-appointed 25/05/2015 | 4 years | 08/12/2016 | General | Remuneration | 0 of 2 |
| Ms K McIntosh | Re-appointed 28/09/2015 | 4 years | 13/10/2016 | General | Search & Development | 1 of 1 |

| Name | Date of appointment | Term of Office | Date of resignation | Status of appointment | Committees Served | Corporation meeting attendance |
|---|---|---|---|---|---|---|
| Miss R Bhatti | Re-appointed 10/12/2015 | 4 years | | General | Audit | 3 of 6 |
| Ms L Ghosh | Re-appointed 10/12/2015 | 4 years | | General | Remuneration | 3 of 6 |
| Mrs A M McNeill | Elected 12/12/2013 | 4 years | | Staff | Search & Development | 6 of 6 |
| Mr I Harper | Appointed 12/11/2014 | 4 years | | General | Search & Development | 5 of 6 |
| Mr A Bargery | Appointed 21/05/2015 | 4 years | | General | Remuneration | 4 of 6 |
| Mr S Griffin | Appointed 10/12/15 | 4 years | | General | Audit | 5 of 6 |
| Mrs J Campbell | Appointed 16/03/2017 | 4 years | | General | | 3 of 3 |
| Ms Osaji | Elected for part of the academic year | 1 year | | Student | Audit | 4 of 6 |
| Mr A Barbanta | Elected for part of the academic year | 1 year | | Student | | 5 of 6 |
| Mr Keith Scribbins acts as Clerk to the Corporation | | | | | | 6 of 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.

**Corporation performance**

The Corporation carried out a self-assessment of its own performance during the year ended 31st July 2017 and graded itself as "Good" on the Ofsted scale. The governing body undertook and self-assessment led by an Association of Colleges National Governance Lead in March 2017 to establish a performance baseline and actions for continuous improvement.

The overall conclusion was very positive, with governors confident about all aspects of governance. Areas for development focused on supporting new governors to develop in their role and understanding the complexities and challenges of further education.

**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 recommendations to the Board on the appointments of new members and arrange training.

**Audit Committee**

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

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

The College's internal auditors 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, reporting accountants and financial statements auditors and their remuneration for both audit and non-audit work.

**Remuneration Committee**

Throughout the year ending 31 July 2017 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 2017 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 ESFA 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 2017 and up to the date of approval of the annual report and accounts.

### Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls 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 2017 up to the date of approval of the annual report and accounts. The adequacy of this process is regularly reviewed by the Corporation and at its meeting on 13 July 2017 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 ESFA's Post 16 Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. 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 2017 and the Corporation meeting on 13 July 2017, the Audit Committee and Corporation members reviewed all remaining reports from the Senior Management Team and internal audit for the 2016/17 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*".

**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. Further information regarding this assessment can be found in note 1 to the financial statements on page 26.

**Approved by order of the members of the Corporation on 7th December 2017 and signed on its behalf by:**

| | |
|---|---|
| **I Barham** | **K Mitchell** |
| **Chair** | **Accounting Officer** |

**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 Education and Skills Funding Agency of material irregularity, impropriety and non-compliance with the terms and conditions of funding, under the financial memorandum. 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 after due enquiry and 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 terms and conditions of funding under the College's financial memorandum.

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

**I Barham**
**Chair**

**Date:** 7/12/17

**K Mitchell**
**Accounting Officer**

**Date:** 7/12/17

## 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.

The law applicable to charities in England and the terms and conditions of the Financial Memorandum between the Education and Skills Funding Agency and the Corporation of the College, requires the corporation of the college to prepare financial statements and the Operating and Financial Review for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions the annual Accounts Direction issued by the Education and Skills Funding Agency, and in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and which give a true and fair view of the state of affairs of the College and of the College's surplus/deficit of income over expenditure for that period.

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

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

Members of the Corporation are responsible for ensuring that funds from the Education and Skills Funding Agency are used only in accordance with the authorities that govern them as defined by and in accordance with Further & Higher Education Act 1992, subsequent legislation and related regulations and the Financial Memorandum with the Education and Skills Funding Agency and any other conditions that may be prescribed from time to time.

Approved by order of the members of the Corporation on 7th December 2017 and signed on its behalf by:

**I Barham**
**Chair**

# INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF AYLESBURY COLLEGE

## Opinion

We have audited the financial statements of Aylesbury College (the "College") for the year ended 31 July 2017 which comprise the college statement of comprehensive income, the college balance sheet, the college statement of changes in reserves, the college statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. 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" as set out in our engagement letter dated 12 July 2017.

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2017 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.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the college in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the governors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the governors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the college's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## Other information

The governors are responsible for the other information. The other information comprises the information included in the Report and Financial Statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Matters on which we are required to report by exception**
We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice 2016 to 2017 issued by the Department for Education 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.

**Responsibilities of the Corporation of Aylesbury College**
As explained more fully in the Statement of the Corporation's Responsibilities set out on page 20, the Corporation is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporation is responsible for assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporation either intend to liquidate the College or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at http://www.frc.org.uk/auditorsresponsibilities this description forms part of our auditor's report.

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 12 July 2017. 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 12 July 2017 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.

RSM UK Audit LLP

**RSM UK AUDIT LLP**
Chartered Accountants
The Pinnacle
170 Midsummer Boulevard
Milton Keynes
Buckinghamshire
MK9 1BP

Dated: 14 December 2017

## Aylesbury College - Statement of Comprehensive Income for the Year to 31 July 2017

| | Notes | 2017 £000 | 2016 £000 |
|---|---|---|---|
| **Income** | | | |
| Funding body grants | 2 | 11,065 | 9,979 |
| Tuition fees and education contracts | 3 | 1,398 | 943 |
| Other grants and contracts | 4 | 198 | 38 |
| Other income | | 1,345 | 1,086 |
| Investment income | 5 | 9 | 7 |
| **Total Income** | | **14,015** | **12,053** |
| **Expenditure** | | | |
| Staff costs | 6 | 7,955 | 7,190 |
| Other operating expenses | 8 | 5,861 | 4,342 |
| Depreciation and amortisation | 11, 12 | 931 | 945 |
| Interest payable and other finance costs | 9 | 515 | 525 |
| **Total Expenditure** | | **15,262** | **13,002** |
| **Deficit before other gains and losses** | | **(1,247)** | **(949)** |
| Share of operating deficit in joint venture | 17 | (828) | (780) |
| **Deficit before tax** | | **(2,075)** | **(1,729)** |
| Taxation | 10 | - | - |
| **Deficit for the year** | | **(2,075)** | **(1,729)** |
| Remeasurement of net defined benefit pension liability | 17/20 | 1,244 | (2,879) |
| **Total Comprehensive Income for the year** | | **(831)** | **(4,608)** |

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 2017**

| | Income and expenditure account | Revaluation reserve | Total |
|---|---|---|---|
| **Balance at 1st August 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** |
| Deficit from the income and expenditure account | (2,075) | - | (2,075) |
| Other comprehensive income | 1,244 | - | 1,244 |
| **Total comprehensive income for the year** | **(831)** | **-** | **(831)** |
| **Balance at 31st July 2017** | **5,079** | **1,782** | **6,861** |

**Aylesbury College - Balance Sheet as at 31 July 2017**

| | Notes | 2017 £000 | 2016 £000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible Fixed assets | 11 | 29,592 | 30,183 |
| Intangible Fixed assets | 12 | 159 | 161 |
| | | **29,751** | **30,344** |
| **Current assets** | | | |
| Stock | | 21 | 21 |
| Debtors | 13 | 655 | 636 |
| Cash at bank and in hand | | 445 | 825 |
| | | **1,121** | **1,482** |
| Less: Creditors - amounts falling due within one year | 14 | (2,185) | (2,383) |
| **Net current liabilities** | | **(1,064)** | **(901)** |
| **Total assets less current liabilities** | | **28,687** | **29,443** |
| Less: Creditors - amounts falling due after more than one year | 15 | (9,262) | (9,651) |
| **Provisions** | | | |
| Defined benefit obligations | 17 | (10,809) | (11,230) |
| Other provisions | 17 | (1,755) | (870) |
| **Total net assets** | | **6,861** | **7,692** |
| **Reserves** | | | |
| Unrestricted income and expenditure account | | 5,079 | 5,910 |
| Revaluation reserve | | 1,782 | 1,782 |
| **Total reserves** | | **6,861** | **7,692** |

**The financial statements on pages 22 to 43 were approved by the governing body on 7th December 2017 and were signed on its behalf by:-**

**I Barham**
**Chair**

**K Mitchell**
**Accounting Officer**

## Aylesbury College - Cash Flow Statement for the year ended 31 July 2017

| | Notes | 2017 £000 | 2016 £000 |
|---|---|---|---|
| **Cash generated from operations** | | | |
| Deficit for the year | | (2,075) | (1,729) |
| **Adjustment for non-cash items** | | | |
| Depreciation and amortisation | | 931 | 945 |
| Decrease in stocks | | - | 2 |
| Increase in debtors | | (19) | (135) |
| Decrease in creditors | | (107) | (399) |
| Increase / (Decrease) in provisions | | 503 | (20) |
| Pension costs less contributions payable | | 514 | 280 |
| Share of operating deficit in joint venture | | 828 | 780 |
| **Adjustment for investing or financing activities** | | | |
| Investment income | | (9) | (7) |
| Interest payable | | 515 | 525 |
| Loss on sale of fixed assets | | - | 18 |
| **Cash generated from operations** | | 1,081 | 260 |
| | | | |
| **Investing activities** | | | |
| Investment income | | 9 | 7 |
| Purchase of tangible and intangible fixed assets | | (338) | (900) |
| | | (329) | (893) |
| | | | |
| **Financing activities** | | | |
| Interest paid | | (222) | (231) |
| Repayment of amounts borrowed | | (203) | (209) |
| Deferred VAT under Lennartz Principal | | (277) | (392) |
| Loan to joint venture | | (430) | (211) |
| | | (1,132) | (1,043) |
| | | | |
| **Decrease in cash in the period** | | **(380)** | **(1,676)** |
| | | | |
| Cash at bank and in hand at beginning of the year | 18 | 825 | 2,501 |
| Cash at bank and in hand at end of the year | 18 | 445 | 825 |

## Notes to the Financial Statements for year ended 31 July 2017

### 1 Accounting policies

**General Information**
Aylesbury College is a corporation established under the Further and Higher Education Act 1992 and an English general college of further education. The address of the College's principal place of business is given on page 14. The nature of the College's operations is set out in the Operating and Financial Review on pages 3 to 12.

**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 2016/17 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.

**Basis of consolidation**
The consolidated financial statements include the College and the relevant share of its jointly controlled operation, Buckinghamshire Education Skills and Training (whose registered office address is Queen Alexandra Road, High Wycombe, Buckinghamshire, HP11 2JZ).

The College is incorporated in the United Kingdom and all financial statements are made up to 31 July 2017.

**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 financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £1,000. The principal accounting policies adopted are set out below.

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 cash flow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

The College currently has £4.7m of loans outstanding with its bankers. The terms of repayment of these loans extend up to 15 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.

As referenced in Note 25, the College has merged with Amersham & Wycombe College with effect from 3rd October 2017. A financial plan has been constructed for the merged college and due diligence was performed by external advisers on behalf of the Colleges' banks before the merger took place. The due diligence confirmed that it was reasonable to expect the merged College to operate on a going concern basis.

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

## Notes to the Financial Statements for year ended 31 July 2017 (continued)

### 1 Accounting policies (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 ESFA 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 projected unit 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. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

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 Statement of Comprehensive Income 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.

**Short Term Employment Benefits**

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 staff meaning that, at the reporting date, there was an average of 9 days unused leave for staff. The cost of any unused entitlement is recognised in the period in which the employee's services are received.

**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 ESFA.

## Notes to the Financial Statements for year ended 31 July 2017 (continued)

### 1 Accounting policies (continued)

**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.

*Land and buildings*
Land and buildings are stated at cost less accumulated depreciation and accumulated impairment losses. 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.

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.

*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.

## Notes to the Financial Statements for year ended 31 July 2017 (continued)

### 1 Accounting policies (continued)

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

**Investments in jointly controlled entities**
The College accounts for its share of jointly controlled entities using the equity method within the consolidated financial statements. Should the share of losses in a jointly controlled entity exceed the carrying value of the investment, a provision will be made in the consolidated accounts to reflect such loss.

**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.

**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 assets and liabilities**
Financial assets and liabilities are recognised when the College becomes a party to the contractual provisions of the instrument. Financial assets and liabilities 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.

**Notes to the Financial Statements for year ended 31 July 2017 (continued)**

**1 Accounting policies (continued)**

**Agency arrangements**

The College acts as an agent in the collection and payment of Bursary Support Funds. Related payments received from the ESFA 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 Bursary 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, including to loan to BEST. Factors taken into consideration in reaching such a decision include the future financial performance of the asset and its viability.

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 20, will impact the carrying amount of the pension liability.

## Notes to the Financial Statements for year ended 31 July 2017 (continued)

### 2 Funding Body Grants

| | 2017 | 2016 |
|---|---|---|
| | £000 | £000 |
| **Recurrent grants** | | |
| Education and Skills Funding Agency - adult | 880 | 983 |
| Education and Skills Funding Agency - 16-18 | 7,132 | 6,252 |
| Education and Skills Funding Agency - apprenticeships | 1,913 | 1,716 |
| Other Funding Body | 1,042 | 934 |
| **Specific grants** | | |
| Releases of government capital grants | 98 | 94 |
| | **11,065** | **9,979** |

### 3 Tuition Fees and Education Contracts

| | 2017 | 2016 |
|---|---|---|
| | £000 | £000 |
| Tuition Fees | 1,367 | 905 |
| Education contracts | 31 | 38 |
| | **1,398** | **943** |

### 4 Other grants and contracts

| | 2017 | 2016 |
|---|---|---|
| | £000 | £000 |
| Other grant income | 174 | 25 |
| Release of other deferred capital grants | 24 | 13 |
| | **198** | **38** |

### 5 Investment Income

| | 2017 | 2016 |
|---|---|---|
| | £000 | £000 |
| Other investment income | 9 | 7 |
| | **9** | **7** |

**Notes to the Financial Statements for year ended 31 July 2017 (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:

| | 2017 Number | 2016 Number |
|---|---|---|
| Teaching staff | 115 | 113 |
| Non teaching staff | 111 | 115 |
| | 226 | 228 |

| **Staff costs for the above persons** | 2017 £000 | 2016 £000 |
|---|---|---|
| Wages and salaries | 5,616 | 5,492 |
| Social security costs | 468 | 370 |
| Other pension costs | 1,320 | 1,038 |
| **Payroll subtotal** | **7,404** | **6,900** |
| Contracted out staffing services | 506 | 267 |
| Exceptional restructuring costs | | |
| Contractual payments | 24 | 17 |
| Non-contractual payments | 21 | 6 |
| **Total Staff Costs** | 7,955 | 7,190 |

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:

| | Key Management Personnel | |
|---|---|---|
| | 2017 Number | 2016 Number |
| £ 60,001 to £ 70,000 | 1 | 2 |
| £ 70,001 to £ 80,000 | 1 | - |
| £ 80,001 to £ 90,000 | 1 | 1 |
| £ 110,001 to £ 120,000 | - | 1 |
| £ 120,001 to £ 130,000 | 1 | - |
| | 4 | 4 |

## Notes to the Financial Statements for year ended 31 July 2017 (continued)

### 7 Key Management Personnel Compensation

Key Management are 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.

| | 2017<br>Number | 2016<br>Number |
|---|---|---|
| The number of Key Management Personnel including the principal was: | 4 | 4 |

| Their remuneration are made up as follows: | 2017<br>£'000 | 2016<br>£'000 |
|---|---|---|
| Salaries | 342 | 321 |
| National insurance | 43 | 37 |
| Pension contributions | 51 | 47 |
| **Total remuneration** | **436** | **405** |

The above remuneration include amounts payable to the Principal (who is also the highest paid of key management personnel) of:

| | 2017<br>£'000 | 2016<br>£'000 |
|---|---|---|
| Salaries | 122 | 116 |
| National insurance | 16 | 14 |
| | 138 | 130 |
| Pension contributions | 19 | 18 |
| **Total remuneration** | **157** | **148** |

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 Nil governors expenses were paid (2016 - Nil) 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 2017 (continued)**

## 8 Other Operating Expenses

| | 2017 £000 | 2016 £000 |
|---|---|---|
| Teaching costs | 3,388 | 2,715 |
| Non teaching costs | 1,741 | 928 |
| Premises costs | 732 | 699 |
| **Total** | **5,861** | **4,342** |

| **Other operating expenses include:** | **2017 £000** | **2016 £000** |
|---|---|---|
| Auditors' remuneration: | | |
| Financial statements audit | 24 | 27 |
| Other services provided by RSM UK | 2 | 2 |
| Internal audit | 14 | 15 |
| Losses on disposal of non-current assets | - | 18 |
| Inventory recognised as expense | 134 | 114 |
| Operating leases recognised as expense | 59 | 78 |
| Impairment against loan to joint venture | 496 | - |

## 9 Interest Payable and other finance costs

| | 2017 £000 | 2016 £000 |
|---|---|---|
| On bank loans, overdrafts and other loans: | | |
| Repayable wholly or partly in more than 5 years | 222 | 231 |
| | 222 | 231 |
| Pension finance costs: | | |
| Local Government Pension Scheme (note 20) | 286 | 287 |
| Enhanced pensions (note 17) | 7 | 7 |
| **Total** | **515** | **525** |

## 10 Taxation

| | 2017 £000 | 2016 £000 |
|---|---|---|
| **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 2017 (continued)

### 11 Tangible Fixed Assets

| | Freehold Land and Building £000 | Equipment £000 | Furniture £000 | Total £000 |
|---|---|---|---|---|
| **Cost or Valuation** | | | | |
| At 1 August 2016 | 36,272 | 2,468 | 587 | 39,327 |
| Additions | 111 | 190 | - | 301 |
| **At 31 July 2016** | **36,383** | **2,658** | **587** | **39,628** |
| **Depreciation** | | | | |
| At 1 August 2016 | 6,597 | 2,102 | 445 | 9,144 |
| Charge for year | 703 | 168 | 21 | 892 |
| **At 31 July 2017** | **7,300** | **2,270** | **466** | **10,036** |
| **Net book value at 31 July 2017** | **29,083** | **388** | **121** | **29,592** |
| Net book value at 31 July 2016 | 29,675 | 366 | 142 | 30,183 |

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

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.

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 ESFA, to surrender proceeds.

If fixed assets had not been revalued before being deemed as cost on transition, they would have been included at the historical cost amounts of cost and depreciation of £nil.

### 12 Intangible Fixed Assets

| | IT Software £000 |
|---|---|
| **Cost or Valuation** | |
| At 1 August 2016 | 307 |
| Additions | 37 |
| **At 31 July 2017** | **344** |
| **Amortisation** | |
| At 1 August 2016 | 146 |
| Charge for year | 39 |
| **At 31 July 2017** | **185** |
| **Net book value at 31 July 2017** | **159** |
| Net book value at 31 July 2016 | 161 |

**Notes to the Financial Statements for year ended 31 July 2017 (continued)**

| **13 Debtors** | **2017** | **2016** |
|---|---|---|
| | **£000** | **£000** |
| Amounts falling due within one year: | | |
| Trade debtors | 188 | 148 |
| Prepayments and accrued income | 326 | 316 |
| Amounts owed by the ESFA | 141 | 172 |
| **Total** | **655** | **636** |

| **14 Creditors: Amounts Falling Due Within One Year** | **2017** | **2016** |
|---|---|---|
| | **£000** | **£000** |
| Bank loans and overdrafts | 240 | 217 |
| Deferred VAT under Lennartz principle | 41 | 278 |
| Payments received in advance | - | 22 |
| Trade creditors | 356 | 432 |
| Other taxation and social security | 171 | 213 |
| Accruals and deferred income | 1,057 | 875 |
| Amounts owed to the ESFA | 198 | 225 |
| Deferred Capital Grants | 122 | 121 |
| **Total** | **2,185** | **2,383** |

| **15 Creditors: Amounts Falling Due After More Than One Year** | **2017** | **2016** |
|---|---|---|
| | **£000** | **£000** |
| Bank loans | 4,508 | 4,734 |
| Deferred VAT under Lennartz principle | - | 40 |
| Deferred Capital Grants | 4,754 | 4,877 |
| **Total** | **9,262** | **9,651** |

## Notes to the Financial Statements for year ended 31 July 2017 (continued)

### 16 Borrowings

| **a) Bank loans and overdrafts** | **2017** | **2016** |
|---|---|---|
| Bank loans and overdrafts are repayable as follows: | **£000** | **£000** |
| In one year or less | 240 | 217 |
| Between one and two years | 1,328 | 224 |
| Between two and five years | 1,482 | 1,708 |
| In five years or more | 1,698 | 2,802 |
| **Total** | **4,748** | **4,951** |

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** | **2017** | **2016** |
|---|---|---|
| Deferred VAT is repayable as follows: | **£000** | **£000** |
| In one year or less or on demand | 41 | 278 |
| Between one and two years | - | 40 |
| **Total** | **41** | **318** |

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 2017 (continued)**

**17 Provision for Liabilities**

| | Pension Liability | Enhanced Pension | Joint Venture | Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| At 1 August 2016 | (11,230) | (301) | (569) | (12,100) |
| Payments made from provision | - | - | 22 | 22 |
| Cost transferred to Statement of Comprehensive Income: | | | | |
| Interest cost | (286) | (7) | - | (293) |
| Share of operating deficit for period | - | - | (828) | (828) |
| FRS 102 (28) Employer Service Charge less Employer Contribution | (514) | - | - | (514) |
| Actuarial gain | 1,221 | 23 | - | 1,244 |
| Loan to joint venture | - | - | 401 | 401 |
| Impairment against loan to joint venture | - | - | (496) | (496) |
| At 31 July 2017 | **(10,809)** | **(285)** | **(1,470)** | **(12,564)** |

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 at bank and in hand**

| | At 1 August 2016 | Cash flows | At 31 July 2017 |
|---|---|---|---|
| | £000 | £000 | £000 |
| Cash at bank and in hand | 825 | (380) | 445 |
| **Total** | **825** | **(380)** | **445** |

**19 Financial Instruments**

| | 2017 | 2016 |
|---|---|---|
| | £000 | £000 |
| The College has the following financial instruments: | | |
| **Financial assets** | | |
| Debt instruments measured at amortised cost | 354 | 369 |
| | **354** | **369** |
| **Financial liabilities** | | |
| Financial liabilities measured at amortised cost | 6,127 | 6,486 |
| | **6,127** | **6,486** |

**Notes to the Financial Statements for year ended 31 July 2017 (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 multi-employer defined benefit schemes.

| | | 2017 £000 | | 2016 £000 |
|---|---|---|---|---|
| Teachers Pension Scheme: contributions paid | | 353 | | 309 |
| Local Government Pension Scheme: | | | | |
| Contributions paid | 453 | | 449 | |
| FRS 102 (28) Charge | 514 | | 280 | |
| Charge to the Statement of Comprehensive Income (staff costs) | | 967 | | 729 |
| Enhanced pension charge to the Statement of Comprehensive Income (staff costs) | | - | | - |
| **Total Pension Cost for Year** | | **1,320** | | **1,038** |

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 2016.

**Teachers' Pension Scheme**

The Teachers' Pension Scheme is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer.

**Valuation of the Teachers' Pension Scheme**

Not less than every four years the Government Actuary ("GA"), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors.

- 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:
- Total scheme liabilities for service (pensions currently payable and the estimated cost of future benefits) of £191.5 billion
- Value of notional assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) of £176.6 billion
- Notional past service deficit of £14.9 billion
- Assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings
- Rate of real earnings growth is assumed to be 2.75%
- Assumed nominal rate of return is 5.06%

The TPS valuation for 2012 determined an employer rate of 16.48% (including a 0.08% administration fee), which was payable from September 2015. The next valuation of the TPS is currently underway based on March 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The pension costs paid to TPS in the year amounted to £353,000 (2016: £309,000).

The TPS is a multi-employer pension plan and there is insufficient information to account for the scheme on as a defined benefit plan so it is accounted for as a defined contribution plan.

**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 2017 were £618,000, of which employer's contributions totalled £453,000 and employees' contributions totalled £165,000. The agreed contribution rates for future years are 19.0% for employers and range from 5.5% to 9.9% for employees, depending on salary.

## Notes to the Financial Statements for year ended 31 July 2017 (continued)

### 20 Pension and similar obligations (continued)

### Principal Actuarial Assumptions

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

| | At 31 July 2017 | At 31 July 2016 |
|---|---|---|
| Rate of increase in salaries | 4.2% | 4.0% |
| Future pensions increases | 2.7% | 2.2% |
| Discount rate for scheme liabilities | 2.7% | 2.6% |
| Commutation of pensions to lump sums | 50% | 50% |

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

| *Retiring today* | At 31 July 2017 | At 31 July 2016 |
|---|---|---|
| Males | 23.9 | 23.8 |
| Females | 26.0 | 26.2 |
| *Retiring in 20 years* | | |
| Males | 26.1 | 26.1 |
| Females | 28.3 | 28.5 |

The assets in the scheme were:

| | Value at 31 July 2017 £000 | Value at 31 July 2016 £000 |
|---|---|---|
| Equities | 6,878 | 6,001 |
| Gilts | 1,197 | 1,431 |
| Bonds | 1,604 | 1,334 |
| Property | 909 | 898 |
| Cash | 421 | 362 |
| Other | 1,306 | 949 |
| **Total market value of assets** | **12,315** | **10,975** |
| Present value of scheme liabilities | (23,124) | (22,205) |
| **Deficit in the scheme** | **(10,809)** | **(11,230)** |
| **Actual return on plan assets** | **1,499** | **1,068** |

From July 2015, the expected return and the interest cost have been replaced with a single net interest cost, which effectively sets the expected return equal to the discount rate.

## Notes to the Financial Statements for year ended 31 July 2017 (continued)

### 20 Pension and similar obligations (continued)

| **Amounts recognised in the Statement of Comprehensive Income** | **2017 £000** | **2016 £000** |
|---|---|---|
| Employer service cost (net of employee contributions) | 967 | 729 |
| **Total operating charge** | 967 | 729 |

| **Analysis of pension finance costs** | **2017 £000** | **2016 £000** |
|---|---|---|
| Expected return on pension scheme assets | (284) | (373) |
| Interest on pension liabilities | 570 | 660 |
| **Pension finance costs** | 286 | 287 |

| **Amount recognised in Other Comprehensive Income** | **2017 £000** | **2016 £000** |
|---|---|---|
| Actual return less expected return on pension scheme assets | 1,197 | 688 |
| Experience gains and losses arising on the scheme liabilities | 1,605 | - |
| Change in financial and demographic assumptions underlying the scheme liabilities | (1,581) | (3,576) |
| **Amount recognised in Other Comprehensive Income** | **1,221** | **(2,888)** |

| **Asset and Liability Reconciliation** | **2017 £000** | **2016 £000** |
|---|---|---|
| **Reconciliation of Liabilities** | | |
| **Liabilities at start of period** | 22,205 | 17,476 |
| Service cost | 967 | 729 |
| Interest cost | 570 | 660 |
| Employee contributions | 165 | 167 |
| Experience gains and losses on scheme liabilities | (1,605) | - |
| Actuarial loss | 1,581 | 3,576 |
| Benefits paid | (759) | (403) |
| **Liabilities at end of period** | 23,124 | 22,205 |
| **Reconciliation of Assets** | | |
| **Assets at start of period** | 10,975 | 9,701 |
| Interest on assets | 284 | 373 |
| Administration expenses | (9) | (7) |
| Actuarial gain | 1,206 | 695 |
| Employer contributions | 453 | 449 |
| Employee contributions | 165 | 167 |
| Benefits paid | (759) | (403) |
| **Assets at end of period** | **12,315** | **10,975** |

**Notes to the Financial Statements for year ended 31 July 2017 (continued)**

## 21 Financial Commitments

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

| As a Leasee | 2017<br>£000 | 2016<br>£000 |
|---|---|---|
| Other:- | | |
| Expiring within one year | 29 | 55 |
| Expiring within two and five years inclusive | 3 | 12 |
| | 32 | 67 |

| As a Lessor | 2017<br>£000 | 2016<br>£000 |
|---|---|---|
| Other:- | | |
| Expiring within one year | 160 | - |
| Expiring within two and five years inclusive | 640 | - |
| Expiring in over five years | 480 | - |
| | 1,280 | - |

Acting as a lessor, the above commitment represents a lease of space within the College to the University of Bedfordshire which began in August 2016. This is a nine-year lease with both leasor and leasee having the right to terminate the lease at the end of the third and sixth years.

## 22 Related Party Transactions

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

| | 2017<br>£000 | 2016<br>£000 |
|---|---|---|
| Expenses recognised as part of Other Operating Expenses | 53 | 22 |
| Expense recognised as impairment of loan to the company | 496 | - |
| Loans to support ongoing operation of the company | 634 | 233 |
| | | |
| Amounts owed to BEST | - | 22 |
| Amounts owed by BEST | 634 | 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 an organisation in which a member of the board of governors may have an interest are conducted in accordance with the College's financial regulations and normal procurement procedures.

## Notes to the Financial Statements for year ended 31 July 2017 (continued)

### 23 Amounts Disbursed as Agent

| | 2017 £000 | 2016 £000 |
|---|---|---|
| **Access Funds** | | |
| Funding Body Grants - Hardship funds | 214 | 117 |
| Funding Body Grants - Bursary funds | 181 | 243 |
| | 395 | 360 |
| Disbursed to students | ( 305) | ( 252) |
| Administration costs | ( 17) | ( 17) |
| Balance unspent as at 31 July, included in creditors | 74 | 91 |

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 Events After the Reporting Period

On 3 October 2017 the College merged with Amersham & Wycombe College. The merger was carried out as a 'type B' transaction under which the assets and liabilities of Amersham & Wycombe College were transferred to Aylesbury College. Amersham & Wycombe College was then dissolved. The College will include the assets and liabilities of the former Amersham & Wycombe College in its financial statements for the first time in the financial statements to 31 July 2018.

## INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON REGULARITY TO THE CORPORATION OF AYLESBURY COLLEGE AND THE SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE DEPARTMENT FOR EDUCATION

### Conclusion

We have carried out an engagement, in accordance with the terms of our engagement letter dated 12 July 2017 and further to the requirements of the financial memorandum with Skills Funding Agency, to obtain limited assurance about whether the expenditure disbursed and income received by Aylesbury College during the period 01 August 2016 to 31 July 2017 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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 01 August 2016 to 31 July 2017 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

### Basis for conclusion

The framework that has been applied is set out in the Post-16 Audit Code of Practice 2016 to 2017 issued by the Department for Education. 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 Education and Skills Funding Agency has other assurance arrangements in place.

We are independent of the Aylesbury College in accordance with the ethical requirements that are applicable to this engagement and we have fulfilled our ethical requirements in accordance with these requirements. We believe the assurance evidence we have obtained is sufficient to provide a basis for our conclusion

### Responsibilities of Corporation of Aylesbury College for regularity

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. The corporation of Aylesbury College is also responsible for preparing the Governing body's Statement of Regularity, Propriety and Compliance.

### Reporting accountant's responsibilities for reporting on regularity

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 Post-16 Audit Code of Practice 2016 to 2017.

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 the procedures performed vary in nature and timing from, and are less in extent than for a reasonable assurance engagement; consequently a limited assurance engagement 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.

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 01 August 2016 to 31 July 2017 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

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 the specific requirements of the financial memorandum with Skills Funding Agency and high level financial control areas where we identified a material irregularity is likely to arise. We undertook detailed testing, on a sample basis, on the identified 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 of the financial statements and evidence was also derived from the conduct of that audit to the extent it supports the regularity conclusion.

This report is made solely to the corporation of Aylesbury College and the Secretary of State for Education acting through the Department for Education 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 Department for Education 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 Department for Education for our work, for this report, or for the conclusion we have formed.

RSM UK Audit LLP

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Dated: 14 December 2017.