Prior Pursglove College; expanding opportunities, enhancing futures.

Annual Report and Financial Statements
for the year ended 31st July 2013

Contents

Operating and Financial Review
for the year ended 31st July 2013

Nature, Objectives and Strategies

The members present their report and the audited financial statements for the year ended 31st July 2013.

Legal status

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

Mission

Our Sixth Form College is a centre of educational excellence providing outstanding choice and high quality learning within a caring and inclusive environment. Innovative, outward looking and working in partnership, we will raise aspirations for young people and adults.

Implementation of strategic plan

In July 2013 the College adopted a strategic plan for the period 1 August 2013 to 31 July 2016, the previous three year plan having expired on 31 July 2013. This strategic plan includes property and financial plans. The Corporation monitors the performance of the College against these plans. These plans are reviewed and updated each year.

The College has 20 strategic aims within the following areas:

Area one:	Improve teaching, learning and support
Area two:	Curriculum
Area three:	Engagement, transition and progression
Area four:	Efficiency, effectiveness and sustainability

The College is on target for achieving the detailed targets set out in its strategic plan.

The College delivers an extensive range of provision, serving an area from Scarborough to Durham. Over 50 courses at level 2 and 3 are available to 16-18 students in almost any combination and the Community Leisure and Learning operation runs a sports centre for the community, and uses over 30 outreach centres to deliver mainstream, apprenticeship, and contracted learning.

Operating and Financial Review
continued

Financial Objectives

Governors have also approved a number of financial objectives:
- to maintain the ratio of current assets to current liabilities (less loans and finance leases) at 1.2 or above;
- to maintain cash days above 20;
- to keep pay costs below 75% of income;
- to achieve an operating surplus of between 1% and 3% of total income; and
- to maintain capital type expenditure at 2% or more of main recurrent funding.

Performance indicators

The EFA and SFA continue to measure FE performance in terms of contribution to national targets. Individual colleges have also been required to undertake a 'Financial Management Control Evaluation' each year which relates to FE Choices (formerly the "Framework for Excellence"). The FMCE has not been required for 2012 or 2013 and hence has not been prepared. Nevertheless the College does not consider that there have been any negative changes to affect the overall Financial and Corporate Management status of 'outstanding' which has been the assessed result in each of the previous three years.

FE Choices has two key performance indicators (for sixth form Colleges):
- Success rates
- Learner destinations

The College is committed to observing the importance of the measures and indicators and is monitoring these through the completion of the annual Finance Record for the Skills Funding Agency/Education Funding Agency. The current rating of Good is considered an acceptable outcome.

In February 2010 the College was subject to an inspection by Ofsted and an associated visit by the LSC Provider Financial Assurance (PFA) unit. Both Ofsted and PFA found all aspects of the College's provision, financial management, internal control and governance to be either outstanding or good. The PFA team rated overall financial health as outstanding. Value for money was rated as good under the Ofsted framework. This is closely linked into success rates which were rated as good.

Value added

The college has used three measures for analysing its value added in 2012/13 – ALPs, ALIS and the LAT. All three systems indicate that the majority of students are getting broadly the results expected, also indicating good value for money.

Operating and Financial Review
continued

Taxation status

The College's activities do not fall to be charged to Corporation tax.

Financial Position

Financial Results

The College generated an operating surplus in the year of £245,000 (2011/12 surplus of £701,000). The College has accumulated reserves of £4,920,000 (2012 £4,362,000) and cash balances of £2,663,000 (2012 £3,961,000). The College wishes to continue to accumulate reserves and cash balances in order to develop the estate and provide contingency funds. The financial objectives referred to above have not all been met in the year, but variances to them have been the subject of particular scrutiny by members.

The College has significant reliance on the education sector funding bodies for its principle funding source, largely from recurrent grants. In 2012/13, 95% (2011/12 96%) of the College's total income was ultimately public funded.

The College continues to make substantial investment in its estate and IT facilities. During 2012/13 a complete refurbishment of science laboratories, in addition to the construction of a new, purpose built block to accommodate Arts and Media were completed. A substantial refurbishment to the west wing of the Waterhouse Building was commenced and completed in the year, and a refurbishment and expansion of the 'student services' block, including administration and reception areas was commenced.

Treasury policies and objectives

Treasury management is the management of the College's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. The College has a separate treasury management policy in place.

All borrowing requires the authorisation of the Corporation and complies with the requirements of the Financial Memorandum.

Cash flows

At £202,000 (2011/12 £749,000), operating cash inflow was reasonably strong. The College continues to repay the loan drawn down to facilitate the recent joint building project with Askham Bryan College, but subject to planned capital investment, intends to achieve positive cash flow over the period of its three year planning cycle.

Operating and Financial Review
continued

Liquidity

During the year the College received capital funds from the EFA Building Condition Improvement Fund in respect of the building projects referred to above.

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

Current and future developments and performance

Student numbers and achievements

The College is funded according to the activity it generates each year. In 2012/13 the College enrolled 1,470 16-18 year old students (2011/12: 1,506).

Students continue to prosper at the College, albeit with a slight downturn in mainstream level 3 results. A level pass rate in 2013 is 96.6% compared to 97.3% in 2012 and to national average of 98%. Students taking the AS qualification achieved a pass rate of 79.8% compared to 82.4% in 2012 and to national average of 88.3%. GCSE (Level 2) students achieved at 50.0%, less than last year but still a satisfying result for GCSE English and Maths given that most such students failed to achieve at school.

As required by our Race Equality policy, we give below a percentage analysis of ethnic background for our student body and our staff, compared to the local area:

%	Students 12/13	Students 11/12	Staff 12/13	Staff 11/12	Redcar & Cleveland (2011 census)
White	93.6	94.4	97.0	96.8	98.6
Mixed	0.8	0.6	0.6	0.6	0.6
Asian	4.3	3.2	1.2	1.4	0.6
Chinese	0	0	0.6	0.6	0.1
Other	1.3	1.8	0.6	0.6	0.1

Operating and Financial Review
continued

Curriculum developments

During 2012/13, as in every year, the college conducted an extensive curriculum review of all its 16 – 19 programmes. In the light of increasing demand for science subjects at a vocational level, Applied Biology and Applied Physics, both two year programmes at level three, were introduced in September 2012.

Methods of teaching and learning are under continuous review and development to ensure that the curriculum meets the need of the local population. The college continues to encourage students to become independent learners. There has been continuing development of the college portal to give students access to materials from home, and to enable the development of interactive materials.

A wide range of additional adult courses, both on College premises and at outreach centres throughout the Borough of Redcar & Cleveland and further afield have been introduced in recent years. The College was identified in Ofsted report February 2010 as having a good provision which meets the needs of learners. Adult provision was described as ‘an agent for transforming lives’. The College maintains a flexible approach towards the provision of basic skills (“Skills for Life”) in order to address the Skills Funding Agency’s declared priorities. The College is expanding its range of provision aimed at students in danger of becoming NEET (not in education, employment or training), or previously NEET, and more generally the Raising Participation Age agenda. The ‘pathways’ programme, introduced in 2012 will be considerably expanded to cover six separate ‘pathways’ to employment and/or level three programmes. The successful and well regarded ‘Foundation’ programme has been developed for those for whom formal classroom learning has proved ineffective.

Future developments

Recurrent income for 2013/14 has been confirmed at £6,448,000 from the EFA and £536,000 from the SFA (2012/13 £6,812,000 and £328,000).

With regard to the improved capacity provided by the new and refurbished buildings, the College seeks to diversify its student intake, particularly in terms of addressing the Raising Participation Agenda, and develop collaborative working with Askham Bryan, other Colleges and partner schools over the next 3 years.

Facilitated by the EFA Building Condition Improvement Fund and Demographic Growth Fund, as well as College reserves, the College is in the process of extensively refurbishing the Reception, administration and ‘Learning Café’ areas of the College.

Operating and Financial Review
continued

Resources

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

Tangible resources include the main college site, and £1,550,000 (2012 £2,547,000) held in net current assets.

Financial
The College has £7.967 (2012 £7.488) million of net assets (including £1.071 (2012 £1.32) million pension liability) and long term debt of £0.778 (2012 £0.831) million.

People
The College employs 134 (2012 141) people (expressed as full time equivalents), of whom 85 (2012 92) are teaching staff.

Reputation
The College has an excellent reputation locally and regionally. Maintaining a high reputation is essential for the College's success at attracting students and building external relationships.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which an invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95%. For the year to 31 July 2013 the College's percentage, by value, is 94% (2012 94%). The College incurred no interest or other charges in respect of late payment in the year to 31 July 2013.

Principal risks and uncertainties

The College continues to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation.

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

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

Outlined below is a description of the two most significant of the principal risk factors identified 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.

Operating and Financial Review
continued

1. Possible gradual decline in value added
The College is experiencing a severe reduction in funding for its mainstream level three provision to 16-18 year old students. Steps have been taken to reduce costs so as to meet these funding reductions, and further savings have been outlined to achieve future savings as funding per student continues to fall. However, there is considered to be a significant risk to quality as a consequence of these cuts.

This risk is mitigated in a number of ways:
- Emphasis is being placed on staff training and dissemination of good practice so as to reduce staff workload
- The adoption of rigorous performance management will drive up cost effective good standards and readily identify those staff unable to meet those standards
- Retention and quality improved by attendance controls in place and successful, including the employment of dedicated support staff.
- Ensuring that Student Learning Programmes are designed with due attention so as to benefit from public funding.

2. Loss of local authority transport subsidies
The College is located on the edge of the Teesside conurbation. Consequently a large proportion of students have to make use of public transport over quite long distances to benefit from the College's provision. Redcar & Cleveland and Middlesbrough BCs run a half fare scheme for students and have done for many years. However, given universal budget pressures, and the vagueness of the government requirement to ensure provision to 16-18 students, it is considered that there is a high risk of local authorities ceasing this facility. Middlesbrough BC have indicated their intention to discontinue the half fare scheme for 2013/14.

This risk is mitigated in two ways:
- Considerable focus and investment is placed on maintaining and managing key relationships with the various local authorities
- Ensuring the College has sufficient reserves and aiming to generate sufficient operating surplus to allow the College to cover the additional cost.

Stakeholder relationships

In line with other colleges and with universities, Prior Pursglove College has many stakeholders. These include:
- Students;
- Parents;
- The local community;
- Schools;
- Other FE institutions;
- Universities;
- Education sector funding bodies;
- Staff;
- Local authorities;
- Local employers (with specific links);
- Government Offices/ Regional Development Agencies/LEPs;
- Trade unions;
- Professional bodies.

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

Operating and Financial Review
continued

Staff and student involvement

The College implements its commitment to staff and student involvement through a wide range of activities including weekly staff and daily student bulletins; half termly student forums; weekly meetings of College senior leadership team and a newly developed, comprehensive range of hierarchical meetings designed to facilitate the accurate and prompt transmission of information both to and from staff. Various questionnaires to both staff and students are frequently issued. More formal procedures also exist for personal progress discussions with both staff and students through an annual cycle of staff reviews and a regular cycle of student reviews with subject staff and personal tutors.

Planned maintenance programme

Following the very extensive programme of new build and refurbishment at the College within the last four years, the College is developing a new planned maintenance schedule for the next ten years. In the meantime, it is not considered that any substantial maintenance is required until 2017 at the earliest. Nevertheless maintenance expenditure consistent with that expended in recent years is included in the financial forecasts for each of the next three years.

Equality and diversity and employment of disabled persons

The College is committed to ensuring equality of opportunity for all who govern, learn and work here. We respect and value positively differences in race, gender, sexual orientation, religion, ability, class, offending background, age and responsibility for dependants. We strive to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy will be resourced, implemented and monitored on a planned basis. The College’s Single Equality Scheme, together with its supporting schemes is published on the College’s website.

The College considers all applications from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion, which are, as far as possible, identical to those for other employees.

Equal opportunities will be applied across all aspects of the College including admissions, student services, learning support, curriculum development, teaching and learning, and governance. As an employer, the College will ensure that equal opportunities will be applied to the principles of recruitment, staff development and promotion, to ensure that all individuals are encouraged to reach their full potential.

Operating and Financial Review
continued

Disability statement

The College seeks to achieve the objectives set down in the Disability Discrimination Act 1995 as amended by the Special Education Needs and Disability Acts 2001 and 2005, and in particular makes the following commitments:

a. All recently completed building works include full access for wheelchair users and incorporate alarm systems using lights as well as sirens.
b. Specialist equipment, such as large screen computer monitors, is available for use by students.
c. The admissions policy for all students is described in the College charter. Appeals against a decision not to offer a place are dealt with under the complaints procedure as set out in the College charter.
d. The College has appointed specialist staff to support students with special needs. 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.
e. Counselling and welfare services are described in the Student Handbook which is issued to students at induction.

The College was awarded the 'Positive About Disabled People' kitemark in August 2010 and this has been reawarded annually since.

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.

Professional advisers

Financial Statements and Regularity auditors	Anderson Barrowcliff LLP
Internal auditors	Wylie & Bisset
Property	DKS Architects
Bankers	Lloyds TSB Bank plc
	HSBC Bank plc
	Barclays Bank plc

Approved by order of the members of the Corporation on 16th December 2013 and signed on its behalf by:

P Gavens
Chair

Members of the Corporation

The current size of the Corporation is twenty (re-determined October 1999). Members of the Corporation normally hold office for a period of four years and may be eligible for reappointment at the end of this period. Membership categories were re-determined March and July 2008. Mrs E Grove acts as Clerk to the Corporation. The members who served on the Corporation during the year and up to the date of signature of this report were as follows:

Membership Category	Name	Date Appointed / Re-appointed	Committee Membership
Independent	Dr G Lofthouse (Vice Chair)	14th May 2005 Re-apptd 13th May 2013	Buildings and Estates, Finance, Search and Governance, Safeguarding
	Dr P Gavens (Chair from 18th October 2011)	4th December 2004 Re-apptd December 2012	Finance, Standards and Strategy
	Mr C Groves	20th October 2005 Re-appted 20th Oct 2013	Personnel &Remuneration Finance
	Mrs D Harrison	19th October 2010 Resigned 18th March 2013	Audit
	Mr M Loftus	18th October 2011	Audit
	Mr C E L Price	26th March 2007 – 26th March 2013	Buildings and Estates Search and Governance
	Ms Y Wheatley	19th October 2010 Resigned April 2013	Safeguarding
	Mr J Kay	20th March 2012	Audit, Buildings and Estates
	Mrs C Craster	4th July 2012	Personnel and Remuneration
	Mrs N Crombie	21st October 2013	Personnel and Remuneration
Foundation	Dr M Simpson	19th October 2010	Standards and Strategy
	Cllr P Spencer	15th December 2009	Standards and Strategy, Safeguarding
	Mr D Dodds	6th November 2013	
	Mr G Downs	6th November 2013	Finance
Parent	Mrs B H Ashton	9th December 2008 – 8th December 2012	Audit, Personnel & Remuneration
	Mr L Krstin	9th December 2008 – 8th December 2012	Standards and Strategy
	Mr M Harvey	9th December 2012 Resigned 14th November 2013	
	Ms M Sobande	9th December 2012 Resigned July 2013	Safeguarding
	Mrs L White	21st October 2013	
Principal	Mrs J A Burton	25th August 2009	Finance, Safeguarding, Search and Governance
Staff	Mr K Mitchell	24th October 2012	Buildings and Estates
	Mr M Bell	25th March 2013	Standards and Strategy
Student	Mr J Matthewman	1st May 2012 – 31st April 2013	Buildings and Estates
Student	Mr D Melroy	1st May 2012 – 31st April 2013	Safeguarding, Standards and Strategy
	Miss R Bramley	1st May 2013	Safeguarding, Standards and Strategy
	Mr J Parkins	1st May 2013	Buildings and Estates

Co-opted Committee Members (non-Governing members):

Name	Committee Membership
Mr B Pearce	Audit (from 8th July 2004, re-apptd 7th July 2008, re-apptd 24th Oct 2012)
Mr P D Readman	Buildings & Estates (from August 2001)
Mr C Vaux	Personnel and Remuneration (from 1st September 2009 re-appted 6th July 2010)

Statement of Corporate Governance and Internal Control

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in the UK Corporate Governance Code ("the code") issued by the FRC in June 2010. Its purpose is to help the reader of the accounts understand how the principles have been applied.

In the opinion of the governors, the College complies with all the provisions of the Code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31st July 2013. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times.

The Corporation

The members who served on the Corporation during the year and up to the date of signature of this report are listed are set out on page 11. 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 four 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; Buildings and Estates; Finance; Personnel and Remuneration; Safeguarding; Search and Governance; and Standards and Strategy. Full minutes and agendas of the Corporation and those supporting papers approved by the Corporation for publication are available for public inspection in the Resource Centre at:

Prior Pursglove College
Church Walk
Guisborough
TS14 6BU.

Full minutes are also published on the college website www.pursglove.ac.uk .

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 Corporation for ensuring compliance with all applicable procedures and regulations. 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 Corporation meetings. Briefings are also provided on an ad-hoc basis.

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

There is a clear division of responsibility in that the roles of the Chairman of the Corporation and Principal of the College are separate.

Statement of Corporate Governance and Internal Control
continued

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 Governance committee, comprised of three governors, 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 normally appointed for a term of office not exceeding 4 years.

Personnel and Remuneration Committee

Throughout the year ending 31 July 2013, the College's Personnel and Remuneration committee comprised a minimum of two governors and a co-opted member. The committee's responsibilities with regards to remuneration are to make recommendations to the Corporation on the remuneration and benefits of the Principal, other senior postholders and the Clerk to the Corporation.

Details of remuneration for the year ended 31 July 2013 are set out in note 9 to the financial statements.

Audit Committee

Throughout the year ending 31 July 2013 the audit committee comprised at least two governors (excluding the Principal and Chairman of the Corporation) and a co-opted committee member. 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, financial statement and regularity auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the main FE funding bodies as they affect the College's business.

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

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

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

Statement of Corporate Governance and Internal Control
continued

Internal control

Scope of responsibility

The Corporation is ultimately responsible for the College’s system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Corporation has delegated the day to day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College’s policies, aims and objectives, whilst safeguarding the public funds and assets for which she is responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between the College and the funding bodies. 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 risk to an acceptable level rather than eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place at Prior Pursglove College for the year ended 31 July 2013 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the year to 31 July 2013 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

Statement of Corporate Governance and Internal Control
continued

The risk and control framework

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

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

Prior Pursglove College has an internal audit service, which operates in accordance with principles derived from the requirements of the funding agencies' Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. At least annually the firm providing internal audit services provides the governing body with a report on internal audit activity in the College. The report includes the firm'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 the system of internal control is informed by:

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

The Principal has been advised on the implications of the result of her 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 ensure continuous improvement of the system is in place.

The senior leadership 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 faculties and departments. The senior leadership 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 leadership team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance, not merely reporting by exception. At its December 2013 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2013 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2013.

Statement of Corporate Governance and Internal Control
continued

Going concern

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

Approved by order of the members of the Corporation on 16th December 2013 and signed on its behalf by:

P Gavens	J A Burton
Chair	Principal

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the Financial Memorandum agreed between the Education Funding Agency (EFA), the Skills Funding Agency (SFA) and the Corporation of the College, the Corporation, through its Principal, is required to prepare financial statements for each financial year in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education and with the Accounts Direction for 2012/13 financial statements issued jointly by the SFA and EFA, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

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

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

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

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

Approved by order of the members of the Corporation on 16th December 2013 and signed on its behalf by:

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P Gavens, Chair

Independent Auditors' Report
to the Corporation of Prior Pursglove College

We have audited the financial statements of Prior Pursglove College for the year ended 31 July 2013 set out on pages 21 to 44. The financial reporting framework that has been applied in their preparation is applicable law and UK accounting standards (UK Generally Accepted Accounting Practice).

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

Respective Responsibilities of the Members of the Corporation of Prior Pursglove College and Auditor

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

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

Scope of the audit of the financial statements

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

Independent Auditors' Report
to the Corporation of Prior Pursglove College
continued

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the College's affairs as at 31 July 2013 and of the College's surplus of income over expenditure for the year then ended;

- have been properly prepared in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education.

Opinion on other matters prescribed by the revised Joint Audit Code of Practice (Part 1) issued jointly by the Skills Funding Agency and the EFA and the Audit Code of Practice issued by the Learning and Skills Council

In our opinion:

- proper accounting records have been kept, and

- the financial statements are in agreement with the accounting records.

David Robertson FCA (Senior Statutory Auditor) December 2013
for and on behalf of Anderson Barrowcliff LLP
Chartered Accountants and Statutory Auditor

Independent Auditors' Report on Regularity

to the Corporation of Prior Pursglove College and the Education Funding Agency

In accordance with the terms of our engagement letter and further to the requirements of the Education Funding Agency, we have carried out a review to obtain assurance about whether, in all material respects, the expenditure and income of Prior Pursglove College ('the College') for the year ended 31 July 2013 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to the Corporation and the Education Funding Agency. Our review work has been undertaken so that we might state to the Corporation and the Education Funding Agency, those matters we are required to state to it 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 and the Education Funding Agency, for our review work, for this report, or for the opinion we have formed.

Respective responsibilities of the Members of the Corporation of Prior Pursglove College and Auditors

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

Our responsibilities for this review are established in the United Kingdom by our profession's ethical guidance and the audit guidance set out in the Audit Code of Practice and the Regularity Audit Framework issued by the Learning and Skills Council. We report to you whether, in our opinion, in all material respects, the College's expenditure and income for the year ended 31 July 2013 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Basis of opinion

We conducted our review in accordance with the Audit Code of Practice and the Regularity Audit Framework issued by the Learning and Skills Council. Our review includes examination, on a test basis, of evidence relevant to the regularity and propriety of the College's income and expenditure.

Opinion

In our opinion, in all material respects the expenditure and income for the year ended 31 July 2013 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

David Robertson FCA (Senior Statutory Auditor)
for and on behalf of Anderson Barrowcliff LLP
Chartered Accountants and Statutory Auditor

December 2013

Consolidated Income and Expenditure Account

for the year ended 31st July 2013

	Notes	2013	2012
		£000s	£000s
Income			
Funding body grants	2	8,420	8,288
Education contracts	3	60	62
Tuition fees and charges	4	-	1
Other grants income	5	70	-
Other income	6	300	313
Investment income	7	23	13
Total income		8,873	8,677
Expenditure			
Staff costs	8	5,810	5,959
Exceptional restructuring costs	8	268	166
Other operating expenses	10	2,268	2,338
Depreciation		261	259
Interest and other finance costs	11	21	15
Total expenditure		8,628	8,737
Surplus/(Deficit) on continuing operations after depreciation of assets at valuation and before exceptional items and tax		245	(60)
Exceptional item - Profit on disposal of interest in South Park site		-	761
Surplus on continuing operations after depreciation of assets at valuation and exceptional items but before tax		245	701
Taxation	12	-	-
Surplus on continuing operations after depreciation of assets at valuation, exceptional items and tax		**245**	**701**

The income and expenditure account is in respect of continuing activities.

Consolidated Statement of Historical Cost Surpluses and Deficits

for the year ended 31st July 2013

	Notes	2013 £000s	2012 £000s
Surplus on continuing operations after taxation		245	701
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	21	3	4
Historical cost surplus for the year after taxation		**248**	**705**

Consolidated Statement of Total Recognised Gains and Losses

for the year ended 31st July 2013

	Notes	2013 £000s	2012 £000s
Surplus on continuing operations after depreciation of assets at valuation and disposals of assets and tax		248	705
Actuarial gain/(loss) in respect of pension scheme	19	353	(684)
Actuarial (loss)/gain in respect of enhanced pension provision	18	(43)	
Total recognised gains since last report		**558**	**21**
Reconciliation:			
Opening reserves		4,362	4,341
Total recognised gains for the year		558	21
Closing reserves		**4,920**	**4,362**

Balance Sheets
as at 31 July 2013

	Notes	2013 £000s	2012 £000s
Fixed assets			
Tangible assets	13	8,531	7,326
Investments		-	-
Total fixed assets		8,531	7,326
Current assets			
Debtors	14	61	110
Investments		-	-
Cash at bank and in hand		2,663	3,961
Total current assets		2,724	4,071
Less: Creditors – amounts falling due within one year	15	(1,174)	(1,524)
Net current assets		1,550	2,547
Total assets less current liabilities		**10,081**	**9,873**
Less: Creditors – amounts falling due after more than one year	16	(778)	(831)
Less: Provisions for liabilities		-	-
Net assets excluding pension liability		9,303	9,042
Pension liability relating to enhanced pensions provision	18	(265)	(234)
Pension liability relating to Teesside Pension Fund	19	(1,071)	(1,320)
Net pension liability		(1,336)	(1,554)
Net Assets including pension liability		**7,967**	**7,488**
Deferred capital grants	20	3,019	3,095
Reserves			
Income and expenditure account excluding pension reserve	22	6,256	5,916
Pension reserve		(1,336)	(1,554)
Income and expenditure account including pension reserve	22	4,920	4,362
Revaluation reserve	21	28	31
Total reserves		4,948	4,393
Total funds		**7,967**	**7,488**

The financial statements on pages 21 to 44 were approved by the Corporation on 16th December 2013 and were signed on its behalf on that date by:

P Gavens, Chair J A Burton, Principal

Consolidated Cash Flow Statement
for the year ended 31st July 2013

	Notes	2013 £000s	2012 £000s
Cash inflow from operating activities	24	202	749
Returns on investments and servicing of finance	25	19	(2)
Capital expenditure and financial investment	26	(1,466)	125
Management of liquid resources		-	-
Financing	27	(53)	(53)
(Decrease)/increase in cash in the year		**(1,298)**	**819**

Reconciliation of net cash flow to movement in net funds

	Notes	2013 £000s	2012 £000s
(Decrease)/increase in cash in the year		(1,298)	819
Cash outflow from decrease in financing	27	53	53
Movement in net funds in the year		**(1,245)**	**872**
Net funds at 1st August		3,077	2,205
Net funds at 31st July	**23**	**1,832**	**3,077**

Notes to the Financial Statements

1. Accounting policies

Statement of accounting policies

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

Basis of preparation

These financial statements were prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2007 (the SORP), the Accounts Direction for 2012-13 financial statements and in accordance with applicable Accounting Standards.

Basis of accounting

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

Going concern

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

The College currently has £0.831m of loans outstanding with bankers on terms negotiated in 2008. The terms of the existing agreement have no fixed termination date. The College's forecasts and financial projections indicate that it will be able to service this existing debt for the foreseeable future.

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

Basis of consolidation

In accordance with Financial Reporting Standard (FRS) 2, the activities of the student union, the drama society and the music society have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2013.

Notes to the Financial Statements
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 Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body at the end of November following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to a reconciliation and is therefore not subject to contract adjustments.

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

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

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

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

Pension schemes (Post-retirement benefits)

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

Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 19, the TPS is a multi employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

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

Notes to the Financial Statements
continued

Enhanced pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by the college annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the college's income and expenditure account in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spread sheet provided by the funding bodies.

Tangible fixed assets

Land and buildings
The College's buildings are specialised buildings and therefore it is not appropriate to value them on the basis of open market value. Land and buildings inherited from the local education authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost. Land and buildings acquired since incorporation are stated in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings inherited on incorporation are depreciated over their expected useful economic lives to the College of 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of 50 years.

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

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

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

On adoption of FRS 15, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1992, but not to adopt a policy of revaluations of its property in the future. These values are retained subject to the requirement to test assets for impairment in accordance with FRS 11.

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

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

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

Notes to the Financial Statements
continued

Buildings owned by third parties
Where the College enjoys the use of an asset, but the legal rights are held by a third party, for example a charitable trust, they are only capitalised if the College has rights or access to ongoing future economic benefit. These assets are then depreciated over their expected useful economic life.

Equipment
Equipment costing less than £2,000 per individual item is written off to the income and expenditure account in the period of acquisition. Equipment inherited from the local education authority is included in the balance sheet at depreciated replacement cost. All other equipment is capitalised at cost.

Inherited equipment has been depreciated on a straight-line basis over its remaining useful economic life to the College of between one and five years from incorporation and is now fully depreciated. All other equipment is depreciated on a straight line basis over its useful economic life as follows:

General equipment	10 - 33% per year
Computer & electronic equipment	20 - 33% per year

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 asset.

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

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 element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to the income and expenditure account on a straight line basis. Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets. The capital element outstanding is shown as obligations under finance leases.

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

Investments

Fixed asset investments are carried at historical cost less any provision for impairment in their value. Current asset investments are included in the balance sheet at the lower of their original cost and net realisable value.

Notes to the Financial Statements
continued

Maintenance of Premises

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

Foreign currency translation

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction.

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 receives no similar exemption in respect of value added tax. For this reason the College is generally unable to recover input VAT it suffers on goods and services purchased. Non-pay expenditure is therefore shown inclusive of VAT with any partial recovery netted off against these figures.

Liquid resources

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

Provisions

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

Agency arrangements

The college acts as an agent in the collection and payment of discretionary support funds (Bursaries). Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure account and are shown separately in Note 31, except for the 5 per cent of the grant received which is available to the college to cover administration costs relating to the grant. The college employs one member of staff dedicated to the administration of Learner Support Fund (Bursary) applications and payment.

Notes to the Financial Statements
continued

	2013 £000s	2012 £000s

2. Funding body grants

	2013 £000s	2012 £000s
Recurrent grants	7,517	8,008
Releases of deferred capital grants	56	45
Learndirect (University for Industry)	13	140
Other funding body non recurrent grants	834	95
	8,420	8,288

3. Education contracts

	2013 £000s	2012 £000s
Non funding body co-financing and similar projects	60	62
	60	62

4. Tuition fees and charges

	2013 £000s	2012 £000s
UK Further Education students	-	1
(None of these fees were funded by bursaries)	-	1

5. Other grants income

	2013 £000s	2012 £000s
Other funds	70	-
	70	-

6. Other income

	2013 £000s	2012 £000s
Releases of non funding body deferred capital grants	20	20
Other income	280	293
	300	313

7. Investment income

	2013 £000s	2012 £000s
Bank interest receivable	23	18
Pension finance income (note 19)	-	(5)
	23	13

Notes to the Financial Statements
continued

8. Staff costs

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

	2013 number	2012 number
Teaching staff	85	92
Non teaching staff	49	49
	134	141

Staff costs for the above persons:

	2013 £000s	2012 £000s
Wages and salaries	4,640	4,664
Social security costs	336	351
Other pension costs (including FRS 17 adjustments of £96,000 – 2012 £53,000)	664	642
Payroll sub total	5,640	5,657
Contracted out staffing services	170	302
	5,810	5,959
Exceptional restructuring costs	268	166
Total Staff costs	6,078	6,125

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

	Senior post-holders 2013 number	Senior post-holders 2012 number
£ 50,001 to £60,000	1	2
£ 60,001 to £70,000	1	1
£ 70,001 to £80,000	-	-
£ 80,001 to £90,000	-	-
£ 90,001 to £100,000	1	1
	3	4

Notes to the Financial Statements
Continued

9. Senior post-holders' emoluments

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

	2013 Number	2012 number
The number of senior post-holders including the Principal was:	3	4

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

	2013 £000s	2012 £000s
Salaries	238	267
Benefits in kind	-	-
Pension contributions	31	38
Total emoluments	269	305

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

	2013 £000s	2012 £000s
Salary	93	91
Benefits in kind	-	-
Pension contributions	13	13

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

The members of the Corporation other than the Principal and the staff members did not receive any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

No costs were incurred by the College in 2012/13 or 2011/12 in respect of overseas activities in respect of Governors or Senior Postholders.

A senior postholder was made redundant on 31st July 2012 on exactly the same terms as other staff belonging to that pension scheme in the year to 31st August 2012.

Notes to the Financial Statements
continued

10. Other operating expenses

	2013 £000s	2012 £000s
Teaching costs	348	365
Non teaching costs	1,032	968
Premises costs	888	1,005
Total	2,268	2,338

Other operating expenses include:		
Auditors' remuneration:		
- Financial statements audit, including regularity audit	10	10
- Internal audit	12	12
- Other services from the financial statements auditor and/or internal auditors	-	-
Hire of other assets – operating leases	121	121

11. Interest payable and other finance costs

On bank loans:		
Repayable within five years, by instalments	-	-
Repayable wholly or partly in more than five years	4	4
	4	4
Pension finance costs (notes 18 and 19)	17	11
Total	21	15

12. Taxation
The members do not believe the College is liable for any corporation tax arising out of its activities during the year.

Notes to the Financial Statements
continued

13. Tangible fixed assets

	Freehold land & buildings £000s	Equipment £000s	Assets in the course of construction £000s	Total £000s
Cost or valuation				
At 1st August 2012	7,549	908	1,111	9,568
Additions	796	73	597	1,466
Transfers	1,111	-	(1,111)	-
Disposals	-	(80)	-	(80)
At 31st July 2013	9,456	901	597	10,954
Depreciation				
At 1st August 2012	1,446	796	-	2,242
Charge for the year	191	70	-	261
Elimination in respect of disposals	-	(80)	-	(80)
At 31st July 2013	1,637	786	-	2,423
Net book value at 31st July 2013	**7,819**	**115**	**597**	**8,531**
Net book value at 31st July 2012	6,103	112	1,111	7,326

The transitional rules set out in FRS 15 Tangible Fixed Assets have been applied on implementing FRS 15. Accordingly the book values at implementation have been retained.

As stated in the policy note the College carries inherited assets at an inherited valuation of £99,000. The assets were valued at incorporation and not updated since. The historic cost of the assets is nil. Land and buildings at the Priory campus were previously valued for the purpose of the financial statements at estimates of depreciated replacement cost by a firm of independent chartered surveyors. Other tangible fixed assets inherited from the local education authority at incorporation have been valued by the College on a depreciated replacement cost basis.

Land and buildings with a net book value of £27,833 have been funded from local education authority sources. Should these assets be sold the College would have to use the sale proceeds in accordance with the financial memorandum with the EFA and its successor organisations.

Land and buildings with a net book value of £3,019,116 have been partly financed by exchequer funds, through for example the receipt of capital grants. Should these assets be sold, the College may be liable, under the terms of its Financial Memorandum, to surrender the proceeds.

Part of the College's premises are situated on land owned by an educational foundation. The educational foundation exists for the promotion of education in the local area and in respect of part of the land occupied by the College, there are a series of lease and underlease arrangements in place which confers a future right of occupation to the College. In this situation costs incurred in the development of the buildings are capitalised on the basis of actual cost expended.

Another part of the College's premises are situated on land also owned by the educational foundation, without any formal rights to occupy being conferred on the College. It is therefore considered that the College has no clear right and access to the future economic benefits associated with its current occupation of and expenditure on buildings on that land. No rent or other payment is made for this facility and the cost of ascertaining a notional value of this benefit is not considered to be a worthwhile expense.

Notes to the Financial Statements
continued

14. Debtors

	2013 £000s	2012 £000s
Amounts falling due within one year:		
Trade debtors	15	12
Amounts owed by funding bodies	-	7
Prepayments and accrued income	46	91
	61	110

15. Creditors: amounts falling due within one year

Bank loans	53	53
Trade creditors	393	686
Payments received in advance	328	365
Other taxation and social security	117	126
Other sundry creditors	50	47
Accruals and deferred income	233	247
	1,174	1,524

16. Creditors: amounts falling due after one year

Bank Loan	778	831
	778	831

17. Analysis of borrowings of the College

Bank loans are repayable as follows:		
In one year or less	53	53
Between one and two years	53	53
Between two and five years	158	158
In five years or more	567	620
Total	831	884

The bank loan is not secured.

Notes to the Financial Statements
Continued

18. Provisions for liabilities and charges
Provision for enhanced pensions resulting from early retirement

	2013 £000s	2012 £000s
At 1st August	234	243
Expenditure in the period	(21)	(20)
Transferred from income and expenditure (note 11)	9	11
Actuarial loss recognised in STRGL	43	-
At 31st July	265	234

The provision for enhanced pension rights includes £117,660 (2012 £111,359) in respect of former senior postholders of Prior Pursglove and South Park Sixth Form Colleges. This provision has been recalculated in accordance with guidance issued by the EFA.

The provision for enhanced pension rights is required as the result of the decision by Governors, both at Prior Pursglove College and at South Park Sixth Form College to grant two 'added years' rights to employees retiring on 31 July 1995 and 31 July 1996 and 2.75 'added years' rights to employees retiring on 31 March 1997. The provision is calculated and provided in accordance with Financial Reporting Standard 17 and is an assessment, based on actuarial information, of the total future costs of the enhancements granted.

19. Pension costs 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 the Teesside Pension Fund. Both are defined-benefit schemes.

Total pension cost for the year

		2013 £000s		2012 £000s
Teachers Pension Scheme: contributions paid		417		437
Local Government Pension Scheme:				
Contributions paid	151		152	
FRS17 charge	96		53	
Charge to income and expenditure account (staff costs)		247		205
Total Pension Cost for Year		664		642

Notes to the Financial Statements
continued

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuations of the TPS was 31st March 2004 and the LGPS 31st March 2010. Contributions amounting to £17,766 (2012 £75,419) were payable at 31st July 2013 and are included in creditors.

Teachers' Pension Scheme

The Teachers' Pension Scheme ("TPS") is a statutory, contributory, defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pension Regulations 2010. These regulations apply to teachers in schools and other educational establishments in England and Wales maintained by local authorities, to teachers in many independent and voluntary-aided schools, and to teachers and lecturers in establishments of further and higher education. Membership is automatic for full-time teachers and lecturers and from 1 January 2007 automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension Budgeting and Valuation Account

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

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

Valuation of the Teachers' Pension Scheme

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 specifiy the level of future contributions.

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

The last valuation of the TPS related to the period 1 April 2001 – 31 March 2004. The GA's report of October 2006 revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £166,500 millions. The value of the assets (estimated future contributions together with the proceeds from notional investments held at the valuation date) was £163,240 millions. The assumed real rate of return is 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 1.5%. The assumed gross rate of return is 6.5%

Notes to the Financial Statements
continued

Valuation of the Teachers' Pension Scheme continued

As from 1 January 2007, and as part of the cost-sharing agreement between employers' and teachers' representatives, the SCR was assessed at 19.75%, and the supplementary contribution rate was assessed to be 0.75% (to balance assets and liabilities as required by the regulations within 15 years). This resulted in a total contribution rate of 20.5%, which translated into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable. The cost-sharing agreement also introduced – effective for the first time for the 2008 valuation – a 14% cap on employer contributions payable.

Scheme Changes

From 1 April 2012 to 31 March 2013, the employee contribution rate will range between 6.4% and 8.8%, depending on a member's Full Time Equivalent salary. Further changes to the employee contribution rate will be applied in 2013-14 and 2014-15.

Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many factors. Many of these are being discussed in the context of the design for a reformed TPS, as set out in the Proposed Final Agreement, and scheme valuations are, therefore, currently suspended. The Government, however, has set out a future process for determining the employer contribution rate under the new scheme, and this process will involve a full actuarial valuation.

The Proposed Final Agreement can be found at:

http://media.education.gov.uk/assets/files/ppt/t/tps%20proposed%20final%20agreement.pdf

The pension costs paid to TPS in the year amounted to £417,000 (2012: £437,000)

FRS 17

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

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

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate funds administered by the Teesside Pension fund. The total contribution made for the year ended 31 July 2013 was £215,332 (2012 £218,663) of which employer's contributions totalled £151,282 (2012 £151,745) and employees' contributions totalled £64,050 (2012 £66,918). The agreed contribution rates for future years are 17.3% for employers and a variable rate ranging between 5.5% and 7.5%, depending on earnings, for employees.

Notes to the Financial Statements
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FRS 17

The following information is based on a full actuarial valuation of the fund at 31 March 2010 updated to 31 July 2013 by a qualified independent actuary.

Principal Actuarial Assumptions	At 31st July 2013	At 31st July 2012
Inflation assumption (CPI)	2.5%	1.8%
Rate of increase in salaries	4.4%	3.6%
Rate of increase for pensions in payment	2.5%	1.8%
Discount rate for scheme liabilities	4.5%	3.9%
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 at age 65 are:

		At 31st July 2013	At 31st July 2012
Retiring today:	Males	19.2	19.0
	Females	23.2	23.1
Retiring in 20 years:	Males	21.1	21.0
	Females	25.1	25.0

The assets and liabilities in the scheme which may be attributed to the College and the expected rates of return were:

	Long-term rate of return expected at 31st July 2013	Value at 31st July 2013	Long-term rate of return expected at 31st July 2012	Value at 31st July 2012
		£000s		£000s
Equities	7.8%	3,077	5.9%	1,984
Gilts	3.3%	234	2.8%	331
Other Bonds	4.0%	66	3.9%	695
Property	7.3%	199	5.4%	132
Cash	0.9%	206	0.5%	165
Other	7.8%	113	n/a	n/a
Total market value of assets	7.1%	3,895	4.9%	3,307
Present value of scheme liabilities:		4,966		4,627
Deficit in the scheme		(1,071)		(1,320)

Notes to the Financial Statements
continued

	2013 £000s	2012 £000s
Analysis of the amount charged to income and expenditure account		
Employer service cost (net of employee contributions)	249	216
Past service cost	-	-
Total operating charge	249	216
Analysis of pension finance income/(costs)		
Expected return on pension scheme assets	174	208
Interest on pension liabilities	(182)	(200)
Losses on curtailments and settlements	-	(13)
Pension finance income/(costs)	(8)	(5)
Amount recognised in the statement of total recognised gains and losses (STRGL)		
Actuarial gains/(losses) on pension scheme assets	455	(146)
Actuarial gains/(losses) on scheme liabilities	(102)	(538)
Actuarial gain/(loss) recognised in STRGL	353	(684)
Movement in deficit during year		
Deficit in scheme at 1st August	(1,320)	(578)
Movement in year:		
Employer service cost (net of employee contributions)	(249)	(216)
Employer contributions	153	163
Past service cost	-	-
Other finance (cost)/income	(8)	8
Settlements and curtailments	-	(13)
Actuarial gain/(loss)	353	(684)
Deficit in scheme at 31st July	(1,071)	(1,320)

Asset and liability reconciliation

Reconciliation of liabilities

	2013 £000s	2012 £000s
Liabilities at start of period	4,627	3,648
Service cost	249	216
Interest cost	182	200
Employee contributions	64	67
Actuarial loss	102	538
Losses on curtailments	-	13
Benefits paid	(258)	(55)
Past service cost	-	-
Liabilities at end of period	4,966	4,627

Notes to the Financial Statements
continued

Reconciliation of assets	2013 £000s	2012 £000s
Assets at start of period	3,307	3,070
Expected return on assets	174	208
Actuarial gain/(loss)	455	(146)
Employer contributions	153	163
Employee contributions	64	67
Benefits paid	(258)	(55)
Assets at end of period	3,895	3,307

The estimated value of employer contributions for the year ended 31 July 2014 is £153,000.

History of experience gains and losses

	2013 £000s	2012 £000s	2011 £000s	2010 £000s	2009 £000s
Difference between the expected and actual return on assets:	455	(146)	190	220	(219)
Experience gains and losses on scheme liabilities:	(102)	(538)	(538)	(312)	(55)
Total amount recognised in STRGL:	353	(684)	(348)	92	(274)

20. Deferred capital grants

	Other grants £000s	Funding body grants £000s	Total £000s
At 1st August 2012	649	2,446	3,095
Cash received	-	-	-
Released to income and expenditure account	(19)	(57)	(76)
At 31st July 2013	630	2,389	3,019

Notes to the Financial Statements
continued

21. Revaluation reserve

	2013 £000s	2012 £000s
At 1st August 2012	31	35
Transfer from revaluation reserve to general reserve in respect of:		
Depreciation on revalued assets	(3)	(4)
At 31st July 2013	28	31

22. Movement on general reserves

	2013 £000s	2012 £000s
Income and expenditure account reserve		
At 1st August 2012	4,362	4,341
Surplus retained for the year	245	701
Transfer from revaluation reserve	3	4
Actuarial gain/(loss) in respect of pension scheme	353	(684)
Actuarial (loss)/gain in respect of enhanced pension provision	(43)	-
At 31st July 2013	4,920	4,362
Balance represented by:		
Pension reserve	(1,336)	(1,554)
Income and expenditure account reserve excluding pension reserve	6,256	5,916
At 31st July 2013	4,920	4,362

23. Analysis of changes in net funds

	At 1st August 2012 £000s	Cash flows £000s	Other changes £000s	At 31st July 2013 £000s
Cash in hand and at bank	3,961	(1,298)	-	2,663
Debt due within 1 year	(53)	-	-	(53)
Debt due after 1 year	(831)	53	-	(778)
Total	3,077	(1,245)	-	1,832

Notes to the Financial Statements
continued

	2013 £000s	2012 £000s
24. Reconciliation of operating surplus to net cash inflow from operating activities		
Surplus on continuing operations after depreciation of assets at valuation	245	701
Depreciation (note 13)	261	259
Deferred capital grants released to income (notes 2, 6 and 20)	(76)	(65)
Profit on disposal of tangible fixed assets	-	(761)
Interest payable (note 11)	4	15
Interest receivable (note 7)	(23)	(13)
FRS17 pension cost less contributions payable (notes 8 and 19)	96	53
FRS17 pension finance cost (note 11)	8	5
(Increase)/Decrease in debtors (note 14)	(3)	13
Decrease in prepayments & accrued income (note 14)	52	16
(Decrease)/Increase in trade and sundry creditors (note 15)	(327)	462
(Decrease) in tax and social security creditors (note 15)	(9)	(13)
(Decrease)/Increase in accruals (note 15)	(14)	86
Decrease in provisions (note 18)	(12)	(9)
Net cash inflow from operating activities	202	749

25. Returns on investments and servicing of finance

	2013 £000s	2012 £000s
Interest received (note 7)	23	13
Interest paid (note 11)	(4)	(15)
Net cash inflow/(outflow) from returns on investment and servicing of finance	19	(2)

26. Capital expenditure and financial investment

	2013 £000s	2012 £000s
Purchase of tangible fixed assets (note 13)	(1,466)	(1,190)
Sales of tangible fixed assets	-	761
Deferred capital grants received	-	554
Net cash inflow from capital expenditure and financial investment	(1,466)	125

Notes to the Financial Statements
continued

27. Financing

	2013	2012
Debt due beyond a year:	£000s	£000s
Repayment of amounts borrowed	(53)	(53)
Net cash outflow from financing	(53)	(53)

28. Capital commitments

Commitments contracted for at 31st July	200	786
Authorised but not contracted for at 31st July	277	400
	477	1,186

29. Financial commitments

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

Other leases:		
Expiring within one year	50	-
Expiring within two and five years inclusive	-	121
	50	121

30. Related party transactions

Due to the nature of the College's operations and the composition of the board of governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures. No transactions were identified which should be disclosed under Financial Reporting Standard 8 'Related Party Disclosures'.

31. Amounts disbursed as agent

	2013	2012
Bursary (was Learner support) funds	£000s	£000s
Funding body grants – hardship support	171	121
Interest earned	-	-
	171	121
Disbursed to students	(164)	(119)
Administration costs	(7)	(2)
Balance unspent as at 31st July, included in creditors	-	-

Funding body grants are available solely for students. In the majority of instances, the College only acts as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the income and expenditure account.