Annual Report and Financial Statements
for the period ended 30 April 2016

Contents

Operating and Financial Review

for the period ended 30 April 2016

Dissolution

Prior Pursglove College dissolved on 30 April 2016 and its activities, assets, liabilities and staff transferred to Prior Pursglove and Stockton Sixth Form College. The Governing Body of Prior Pursglove College ceased to exist on 30 April 2016 and responsibility for producing its financial statements transferred to the Governing Body of Prior Pursglove and Stockton Sixth Form College.

Nature, Objectives and Strategies

The members present their report and the audited financial statements for the period ended 30 April 2016.

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 Part 3 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.

Public Benefit

Prior Pursglove College is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the secretary of State for Education. The members of the Governing Body, who are trustees of the charity are disclosed on page 10.

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

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

- High quality teaching
- Widening participation and tackling social exclusion
- Excellent employment record for students
- Strong student support systems
- Links with employers, industry and commerce.

Operating and Financial Review
continued

Implementation of strategic plan

In July 2013 the College adopted a strategic plan for the period 1 August 2013 to 31 July 2016. 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.

Over 50 courses at level 2 and 3 are available to 16-18 students in almost any combination. In addition, the College uses a large number of outreach centres to deliver an extensive range of vocational courses, apprenticeship, and contracted learning serving all areas of the Tees Valley.

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

FE choices has two key performance indicators for sixth form colleges:
- Success rates
- Learner destinations

The College is committed to observing the importance of sector measures and indicators and use the Ofsted data dashboard and GOV.UK website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the Education Funding Agency. The Finance record produces a financial health grading. The current rating of Satisfactory is considered an acceptable outcome and the College plans to return to outstanding financial health grading in the year ended 31st July 2017.

The college graded itself ‘good’ across all areas in its Self-Assessment Review 2016, which corroborated the Ofsted inspection outcome in March 2015. In August 2016, the College received good examination results in all areas of its provision with success rates at AS and A2 at or above sixth form college national averages consecutively for three years.

Value added

The college has used ALPS as its main measure for analysing value added in 2015/16. A remarkable improvement has been realised over the last two years; AS and A2 now stands at 4 (above average for meeting or exceeding target grades). This outcome has been translated into the New Accountability Measures for 2016. The level value added at national base rate for students progress is 0.0 (every student achieving their target grade). This measure shows that the College has performed well in all qualification types; AS is 0.00, A2 -0.05 and Btecs +0.51.

Operating and Financial Review
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Financial Results

The College generated an operating deficit in the period of £390,000 (2014/15 deficit of £643,000). The College has accumulated reserves of £3,247,000 (2015 £3,827,000) and cash balances of £1,398,000 (2015 £1,779,000). 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 principal funding source, largely from recurrent grants. To April 2016, 96% (2014/15 94%) of the College's total income was ultimately public funded.

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 Funding Agreement.

Cash flows and liquidity

Operating cash outflow was £316,000 (2014/15 £585,000). The College continues to repay the loan drawn down to facilitate the joint building project with Askham Bryan College.

Current and future developments and performance

Student numbers and achievements

The College is funded according to the activity it generates each year. In 2015/16 the College enrolled 1,077 16-18 year old students (2014/15: 1,145).

Students continue to prosper at the College. Student outcomes for 2015/16 have been maintained from a very positive picture in the previous year. A level success rate in 2015/16 is 97%, which is above the national average by 1% point. The AS level success rate is 1% points above the national average of 83%. High grades continue to improve in A2 and maintained at national benchmark for AS programmes. Vocational studies at level three continue to deliver remarkably high outcomes for learners compared to the national averages. All level 1 and adult programme success outcomes are above the national average.

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 15/16	Students 14/15	Staff 15/16	Staff 14/15	Redcar & Cleveland (2011 census)
White	91.3	94.0	97.5	98.7	98.6
BME	8.7	6.0	2.5	1.3	1.4

Operating and Financial Review
continued

Curriculum developments

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.

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 has been 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 entry level and level 1 students with learning disabilities or difficulties under the SEND Act and this provision increased by 50% in 2015/16. The College runs apprenticeships and traineeships to engage NEET cohorts, working with public and voluntary sector employers.

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.

Future developments

Recurrent income for 2016/17 has been confirmed at £4,590,000 from the EFA and £373,000 from the SFA (2015/16 £4,654,000 and £399,000).

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.

Resources

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

Tangible resources include the main college site, and £883,000 (2015 £1,123,000) held in net current assets.

Financial
The College has £3.427 (2015 £3.827) million of net assets (including £1.550 (2015 £1.457) million pension liability) and long term debt of £4.063 (2015 £4.169) million.

People
The College employs 93 (2015 121) people (expressed as full time equivalents), of whom 56 (2015 74) 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.

Operating and Financial Review
continued

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 period to 30 April 2016 the College's percentage, by value, is 93% (2015 93%). The College incurred no interest or other charges in respect of late payment in the period to 30 April 2016.

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 preventable 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 College level which is overseen by the Audit Committee. 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.

<u>1. Possible decline in student numbers</u>

The College is at risk of a decline in student numbers due to increased competition and a demographic downturn giving a reduced number of 16 to 18 year olds in Redcar and Cleveland. Such a decline would in turn lead to a decrease in funding for the College. Competition in the area has increased from FE providers and sixth form centres attached to schools and academies.

This risk is mitigated in a number of ways:

- A clear, coherent and effective marketing strategy has been implemented, highlighting the many strengths of the College, as identified in its recent Grade 2 Ofsted report.
- Increased liaison activities with partner schools, focussing on the wide variety of courses on offer at the College for all abilities.
- Marketing and liaison activities extended beyond Redcar and Cleveland to counter act the local demographic dip.

Operating and Financial Review
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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 BC has run a half fare scheme for students 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 the local authority ceasing this facility. Middlesbrough BC discontinued the half fare scheme in 2013/14 and Redcar & Cleveland's scheme is under review.

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
- Sixth form/FE Commissioner, Secretary of State for Education for Sixth Form Colleges;
- 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.

Staff and student involvement

The College implements its commitment to staff and student involvement through a wide range of activities including weekly staff and student bulletins; half termly student forums; weekly meetings of College senior leadership team and a 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.

Operating and Financial Review
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Planned maintenance programme

There has been a recent period of new build and refurbishment on the campus and it was perceived that, in this period of austerity, that only regular maintenance of equipment and services to meet statutory regulations would take place. However it has been noticed that there are many areas which have not had any improvements in the last fifteen years are requiring some investment in the internal finishes. As a result there may have to be an increase in the spending on Estates related planned maintenance spending from August 2017 in order to continue keeping the appearance of the campus meeting the expectations of prospective and current students.

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 is 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, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. 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.

Disability statement

The College seeks to achieve the objectives set down in the Equality Act 2010:

a. at induction.

b. All recently completed building works include full access for wheelchair users and incorporate alarm systems using lights as well as sirens.

c. Specialist equipment, such as large screen computer monitors, is available for use by students.

d. 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.

e. 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.

Counselling and welfare services are described in the Student Handbook which is issued to students

Operating and Financial Review
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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
Bankers	Lloyds TSB Bank plc
	HSBC Bank plc
	Barclays Bank plc

Approved by order of the members of the Corporation on 19 December 2016 and signed on its behalf by:

P Gavens
Chair

PRIOR PURSGLOVE CORPORATION/COMMITTEE MEMBERSHIP 2015-16

The size of the Corporation was 19 for the period 1 August 2015 to 14 October 2015. From the 15 October 2015 the number of independent governors was reduced to 5 giving a Corporation of 15 members. 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.

Category	Name	Date Apptd/Re-appointed	Committee Membership	Atten-dance
Independent	Dr P Gavens (Chair 18 Oct 2011)	Re-appointed 4 Dec 2012	Resources	86%
	Mr C Groves (Vice Chair)	Re- appointed 2h Oct 2013	Resources, Search and Governance	100%
	Mr J Kay	20 March 2012 Re-appointed 20 March 2016	Audit	100%
	Mrs N Crombie	21 October 2013	Search and Governance	75%
	Mr M Loftus	23 March 2015	Resources (from 10 Sept 2015)	100%
Foundation	Ms K Avery	15 December 2014		55%
	Dr D Dodds	6 November 2013		91%
	Cllr P Spencer	Re- appointed December 2013 Died 19 January 2016	Audit	0%
Parent	Mrs U Betterton	16 October 2014	Resources	71%
	Mr B Bird	10 November 2014	Audit (from 10 Sept 2015)	85%
Principal	Mrs J A Burton	25 August 2009 Retired 31 December 2015	Resources, Search and Governance	89%
Interim Principal	Mrs J Bailey	1 January 2016	Resources	100%
Staff	Mr S Dauncey	10 November 2014		82%
	Vacancy			
Student	Ashley Smith	1 May 2015 (1 yr appointment)		33%
	Serene Khabbass	1 May 2015 (1 yr appointment)		67%

Co-opted Committee Members (non-Governors)

Name	Committee Membership	Atten-dance
Mr B Pearce	Audit (re- appointed 24 Oct 2012)	100%

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. This statement covers the period from 1 August 2015 to 30 April 2016 and up to the date of approval of the annual report and financial statements.

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 Code of Good Governance for English Colleges (“the Code”); and
iii. having due regard to the UK Corporate Governance Code (2014) 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 has adopted and complied with the Code. We have not adopted and therefore do not apply the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.

In the opinion of the Governors, the College complies with all the provisions of the Code, and it has complied throughout the period to 30th April 2016. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out is responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015 which it formally adopted on 1st August 2015.

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 set out on page 10. The Corporation expects that, in any one academic year, Governors should attend at least 75% of the total combined number of Corporation and Committee meetings of which they are a member. In addition to formal meetings, Governors are invited to and attend a variety of college activities during the year, including staff professional development days, concerts, drama productions and enterprise activities. There is a link governor scheme in place with two governors linked to each of the four faculties, a quality link governor and three safeguarding/health and safety link governors.

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. A total of eleven full Corporation meetings were held during the period.

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; Resources including remuneration; and Search and Governance.

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.

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/Chief Executive Officer who is the accounting officer of the College 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 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 four years.

Resources Committee

The Resources Committee terms of reference were amended in March 2015 to include responsibility for remuneration. These responsibilities are to make recommendations to the Corporation on the remuneration and benefits of the Principal, other senior post-holders and the Clerk to the Corporation. Throughout the nine months to 30 April 2016, the committee comprised a minimum of five governors.

Details of remuneration for the nine months ended 30 April 2016 are set out in note 7 to the financial statements.

Audit Committee

Throughout the nine months to 30 April 2016 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 review 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 as well as reporting annually to the corporation.

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 personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between the College and the funding bodies. During the period of these accounts the Principal retired on 31 December 2015 and an Interim Principal was appointed with effect from 1st January 2016. The Principal 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 nine months ended 30 April 2016 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls 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 nine months to 30 April 2016 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

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 EFA and SFA's Joint Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. At 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. Her 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 other sources of assurance, 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 and other sources of assurance, 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 2016 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2016 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2016.

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

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

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

We confirm, on behalf of the Corporation, that to the best of its knowledge, the Corporation believes it is able to identify any material irregular or improper use of funds by the College, or material non-compliance with the Education Funding Agency's terms and conditions of funding under the College's funding agreement.

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 Funding Agency.

Going concern

During the period of these accounts, the Corporation went out to consultation on merger with Stockton Sixth Form College. Following publication of the results of the statutory consultation exercise (as required under The Sixth Form College Corporations (Publication of Proposals) (England Regulations 2012); and the carrying out of legal and financial due diligence exercises in respect of Stockton Sixth Form College; and the incorporation of Prior Pursglove and Stockton Sixth Form College, by way of Order of the Secretary of State for Education SI 2016/302 under section 33C of the Further and Higher Education Act 1992, the Corporation of Prior Pursglove College hereby resolved at a meeting on 20th April 2016 to transfer all of its property, rights and liabilities to Prior Pursglove and Stockton Sixth Form College with effect from 1 May 2016, with the Corporation of Prior Pursglove College dissolving at one minute past midnight on 1 May 2016 and all of its property, rights and liabilities transferring immediately before that time to Prior Pursglove and Stockton Sixth Form College.

Approved by order of the members of the Corporation on 19 December 2016 and signed on its behalf by:

P Gavens	J Bailey
Chair	Principal

Prior Pursglove and Stockton Sixth Form College

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 Funding Agreement between the Education Funding Agency (EFA) and the Corporation of the College, the Corporation, through its Principal, is required to prepare financial statements for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education and with the College Accounts Direction 2015 to 2016 issued jointly by the Skills Funding Agency and the Education Funding Agency, and which give a true and fair view of the state of affairs of the College and the result for the nine months ended 30 April 2016.

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

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the College, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it 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/SFA are used only in accordance with the Financial Agreement with the EFA, and Financial Memorandum with the 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 19 December 2016 and signed on its behalf by:

P Gavens, Chair, Prior Pursglove and Stockton Sixth Form College

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Independent Auditors' Report
to the Corporation of Prior Pursglove College

We have audited the financial statements of Prior Pursglove College for the period ended 30 April 2016 which comprise the Statement of Comprehensive Income, the Statement of Changes in Reserves, the Balance Sheet, the Statement of Cash Flows and related notes. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the College Accounts Direction 2015 to 2016.

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 Auditors

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 16, the Corporation is responsible for the preparation of the financial statements and for being satisfied that they 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 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the College's affairs as at 30 April 2016 and of the College's deficit for the period then ended;

- have been properly prepared in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education and the College Accounts Direction for 2015 to 2016.

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

Emphasis of Matter – Going Concern

As stated in note 1 on page 26, these financial statements have been prepared on the basis that Prior Pursglove College is no longer a going concern. Whilst we consider it necessary to draw attention to this matter, our opinion is not qualified in this respect.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosure of governors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

David Robertson FCA (Senior Statutory Auditor) December 2016
for and on behalf of Anderson Barrowcliff LLP
Chartered Accountants and Statutory Auditor

Note:
The maintenance and integrity of Prior Pursglove College website is the responsibility of the corporation and 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.

Reporting Accountant's Assurance Report on Regularity

To The corporation of Prior Pursglove College and Secretary of State for Education acting through Education Funding Agency

In accordance with the terms of our engagement letter dated 19 October 2015 and further to the requirements of the funding agreement with Education Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Prior Pursglove College during the period 1 August 2015 to 30 April 2016 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

Respective responsibilities of Prior Pursglove College and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Joint Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2015 to 30 April 2016 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

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 conclusive on regularity.

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

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

Reporting Accountant's Assurance Report on Regularity
To The corporation of Prior Pursglove College and Secretary of State for Education acting through Education Funding Agency
continued

The work undertaken to draw to our conclusion includes:-

- Evaluating the systems and control environment;
- Assessing the risk of irregularity, impropriety and non-compliance;
- Ensuring that the activities of the College are in keeping with the College's framework and objectives;
- Obtaining representations from the Accounting Officer and key management personnel.

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2015 to 30 April 2016 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Signed: ………………………………………..

Anderson Barrowcliff LLP

December 2016

Statement of Comprehensive Income

for the period ended 30 April 2016

	Notes	2016	Restated 2015
		£000s	**£000s**
Income			
Funding body grants	**2**	3,784	6,314
Tuition fees and education contracts	**3**	78	59
Other income	**4**	172	279
Investment income	**5**	3	6
Total income		**4,037**	**6,658**
Expenditure			
Staff costs	**6**	2,915	4,882
Fundamental restructuring costs	**6**	22	281
Other operating expenses	**8**	1,246	1,797
Depreciation	**10**	198	284
Interest and other finance costs	**9**	46	57
Total expenditure		**4,427**	**7,301**
Deficit before other gains and losses and tax		(390)	(643)
Taxation		-	-
Deficit for the year		**(390)**	**(643)**
Actuarial loss in respect of pension schemes		(10)	(297)
Total Comprehensive Income for the year		**(400)**	**(940)**

Statement of Changes in Reserves
for the period ended 30 April 2016

	Income & expenditure account £'000	Revaluation reserve £'000	Total Excluding Non-controlling interest £'000	Non-controlling Interest £'000	Total £'000
Restated Balance at 1 August 2014	4,743	24	4,767	-	4,767
Surplus/(deficit) from the income and expenditure account	(643)	-	(643)	-	(643)
Other comprehensive income	(297)	-	(297)	-	(297)
Transfers between revaluation and income and expenditure reserves	4	(4)	-	-	-
	(936)	(4)	(940)	-	(940)
Balance at 31 July 2015	3,807	20	3,827	-	3,827
Surplus/(deficit) from the income and expenditure account	(390)	-	(390)	-	(390)
Other comprehensive income	(10)	-	(10)	-	(10)
Transfers between revaluation and income expenditure reserves	2	(2)	-	-	-
Total comprehensive income for the year	(398)	(2)	(400)	-	(400)
Balance at 30 April 2016	**3,409**	**18**	**3,427**	**-**	**3,427**

Balance Sheet
as at 30 April 2016

	Notes	2016 £000s	Restated 2015 £000s
Non-current assets			
Tangible fixed assets	**10**	8,509	8,680
		8,509	8,680
Current assets			
Trade and other receivables	**11**	190	151
Cash and cash equivalents	**16**	1,398	1,779
		1,588	**1,930**
Less: Creditors – amounts falling due within one year	**12**	(705)	(807)
Net current assets		**883**	**1,123**
Total assets less current liabilities		**9,392**	**9,803**
Less: Creditors – amounts falling due after more than one year	**13**	(4,063)	(4,169)
Provisions			
Defined benefit obligations	**15**	(1,550)	(1,457)
Other provisions	**15**	(352)	(350)
Total net assets		**3,427**	**3,827**
Unrestricted reserves			
Income and expenditure account		3,409	3,807
Revaluation reserve		18	20
Total unrestricted reserves		**3,247**	**3,827**

The financial statements on pages 21 to 44 were approved by the Corporation on December 2016 and were signed on its behalf on that date by:

P Gavens, Chair

J Bailey, Principal

Statement of Cash Flows
for the Period ended 30 April 2016

	Notes	2016 £000s	Restated 2015 £000s
Cash (outflow)/inflow from operating activities			
Surplus/(Deficit) for the year		(390)	(643)
Adjustment for non-cash items			
Depreciation		198	284
(Increase)/decrease in stocks		-	-
(Increase)/decrease in debtors		(39)	(48)
Increase/(decrease) in creditors due within one year		(102)	(159)
Increase/(decrease) in creditors due after one year		(67)	(121)
Increase/(decrease) in provisions		(17)	(22)
Pensions costs less contributions payable		58	73
Adjustment for investing or financing activities			
Investment income		(3)	(6)
Interest payable		46	57
Taxation paid		-	-
Loss on sale of fixed assets		-	-
Net cash flow from operating activities		(316)	(585)
Cash flows from investing activities			
Proceeds from sale of fixed assets		4	-
Disposal of non-current asset investments		-	-
Investment income		3	6
Withdrawal of deposits		-	-
New deposits		-	-
Payment made to acquire fixed assets		(31)	(177)
		(24)	(171)
Cash flows from financing activities			
Interest paid		(2)	(3)
Interest element of finance lease rental payments		-	-
New unsecured loans		-	233
Repayments of amounts borrowed		(39)	(53)
Capital element of finance lease rental payments		-	-
		(41)	177
Increase/(decrease) in cash and cash equivalents in the year		(381)	(579)
Cash and cash equivalents at beginning of the year	16	1,779	2,358
Cash and cash equivalents at end of the year	16	1,398	1,779

Notes to the Financial Statements

1. Accounting policies

Statement of accounting policies and estimation techniques

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 2015 FE HE SORP), *the College* Accounts *Direction for 2015 to 2016* and in accordance with Financial Reporting Standard 102 – *"The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland"* (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the College's accounting policies.

Transition to the 2015 FE HE SORP

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

An explanation of how the transition to the 2015 FE HE SORP has affected the reported financial position, financial performance and cash flows of the results of the College is provided in note 22.

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

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.

Notes to the Financial Statements
continued

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 £0.687m 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.

As explained in the statement of corporate governance and internal control on page 2, the College has merged with Stockton Sixth Form College on 1 May 2016. Therefore, the College will not continue in its existing form. As required by FRS 102 – Accounting policies, the financial statements are prepared on the basis that the College was not a going concern. However, no material adjustments arose as a result of ceasing to apply the going concern basis, and the College's assets and liabilities will be transferred to the merged college at their book value.

Recognition of income

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS102. Funding body recurrent grants are measured 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 following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual method as permitted by FRS102. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

Grants from non-government sources are recognised in income when the College is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

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.

Notes to the Financial Statements
continued

Accounting for Post-retirement benefits

Post-employment benefits to employees of the College are principally provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit plans, which are externally funded and contracted out of the State Second Pension.

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method. The TPS is a multi-employer scheme and the College is unable to identity 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 plan and the contributions recognised as an expense in the income statement in the periods during which services rendered by employees.

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 liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus 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/asset it also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the schemes assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used 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 recognised gains and losses.

Short Term Employment Benefits

Short term employment benefits such as salaries and compensated absences (holiday pay) are recognised as an expense in the year in which the employees render service to the College. Any unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

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

Non-Current Assets Tangible fixed assets

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

Notes to the Financial Statements
continued

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 income account within creditors, and are released to the income and expenditure account over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

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 FRS102, 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 these properties in the future.

Subsequent expenditure on existing fixed assets
Where significant expenditure is incurred on tangible fixed assets after initial purchase it is charged to income in the period it is incurred, unless it increases the future benefits to the college, in which case it is capitalised and depreciated on the relevant basis:

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 recognised as expenditure 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.

Notes to the Financial Statements
Continued

Borrowing costs

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

Leased assets

Costs in respect of operating leases are charged on a straight line basis over the lease term. Any lease premiums or incentives relating to leases signed after 1st August 2014 are spread over the minimum lease term.

Leasing agreement which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as finance leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are convertible to known amounts of cash with insignificant risk of change in value. An investment qualifies as a cash equivalent when it has maturity of 3 months or less from the date of acquisition.

Financial liabilities and equity

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

All loans, investments and short term deposits held by the College are classified as basic financial instruments in accordance with FRS102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS102 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.

Foreign currency translation

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial period with all resulting exchange differences being taken to income in the period in which they arise.

Notes to the Financial Statements
Continued

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 sections 478-488 of the 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 not recover the 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.

Provisions and contingent liabilities

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

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

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

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

Agency arrangements

The College acts as an agent in the collection and payment of discretionary support funds (Bursaries). Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure account of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction and are shown separately in Note 21, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant.

Notes to the Financial Statements
continued

Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, management have been made the following judgements:-

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment or whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

- Determine whether these are indicators of impairment of the College's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- Local Government Pension Scheme

  The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 19, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 30 April 2016. Any differences between the figures derived from the roll forward and a full actuarial valuation would impact on the carrying amount of the pension liability.

	2016	**2015**
	£000s	**£000s**

2. Funding body grants

	2016 £000s	**2015 £000s**
Recurrent grants		
Skills Funding Agency	339	745
Education Funding Agency	3,333	5,360
Releases of government capital grants	67	121
Non recurrent grants	45	88
Total	**3,784**	**6,314**

3. Tuition fees and education contracts

	2016 £000s	**2015 £000s**
Tuition fees	1	-
Education contracts	77	59
Total	**78**	**59**

Notes to the Financial Statements
continued

4. Other income

Miscellaneous income	172	279
Total	**172**	**279**

5. Investment income

Bank interest receivable	3	6
Total	**3**	**6**

6. Staff costs

The average number of persons (including key management personnel) employed by the College during the period, described as full-time equivalents, was:

	2016 Number	**2015 Number**
Teaching staff	56	74
Non-teaching staff	37	47
	93	**121**

Staff costs for the above persons:

	2016 £000s	**2015 £000s**
Wages and salaries	2,368	4,008
Social security costs	164	282
Other pension costs	383	592
Payroll sub total	**2,915**	**4,882**
Contracted out staffing services	-	-
	2,915	4,882
Fundamental restructuring costs	22	281
Total Staff costs	**2,937**	**5,163**

7. Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Principal, who is also the Accounting Officer.

	2016 Number	**2015** Number
The number of key management personnel including the Accounting Officer was:	1	1

Notes to the Financial Statements
continued

7. Key management personnel - continued

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

	Key management personnel		Other staff	
	2016 Number	**2015 Number**	**2016 Number**	**2015 Number**
£ 50,001 to £60,000 p.a.	1	-		
£ 60,001 to £70,000 p.a.	-	-	-	-
£ 70,001 to £80,000 p.a.	-	-	-	-
£ 80,001 to £90,000 p.a.	-	-	-	-
£ 90,001 to £100,000 p.a.	-	1	-	-
	1	**1**	**-**	**-**

Key management personnel emoluments are made up as follows:

	2016 £000s	**2015 £000s**
Salaries	58	94
Benefits in kind	-	-
Pension contributions	9	13
Total emoluments	**67**	**107**

The above emoluments include amounts payable to the Accounting Officer (who is also the highest paid officer) of:

	2016 £000s	**2015 £000s**
Salary	58	94
Benefits in kind	-	-
Pension contributions	9	13

The members of the Corporation other than the Accounting Officer 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.

Notes to the Financial Statements
continued

8. Other operating expenses

	2016 £000s	2015 £000s
Teaching costs	228	330
Non-teaching costs	651	905
Premises costs	367	562
Total	**1,246**	**1,797**

Other operating expenses include:		
Auditors' remuneration:		
- Financial statements audit, including regularity audit	11	10
- Internal audit	10	9
- Other services from the financial statements auditor re due diligence	9	-
Hire of assets under operating leases	17	22

9. Interest payable and other finance costs

	2016 £000s	2015 £000s
On bank loans:		
Repayable within five years, by instalments	-	-
Repayable wholly or partly in more than five years	2	3
	2	3
Pension finance costs (note 15)	44	54
Total	**46**	**57**

10. Tangible fixed assets

	Freehold land & buildings £000s	Equipment £000s	Assets in the course of construction £000s	Total £000s
Cost or valuation				
At 1 August 2015	10,673	923	-	11,596
Additions	-	31	-	31
Transfers	-	-	-	-
Disposals	(4)	(69)	-	(73)
At 30 April 2016	**10,669**	**885**	**-**	**11,554**
Depreciation				
At 1 August 2015	2,062	854	-	2,916
Charge for the year	161	37	-	198
Elimination in respect of disposals	-	(69)	-	(69)
At 30 April 2016	**2,223**	**822**	**-**	**3,045**
Net book value at 30 April 2016	**8,446**	**63**	**-**	**8,509**
Net book value at 31 July 2015	8,611	69	-	8,680

Notes to the Financial Statements
continued

10. Tangible fixed assets - continued

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 £18,197 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 funding agreement with the EFA.

Land and buildings with a net book value of £3,578,777 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 under lease 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.

11. Debtors

	2016 £000s	2015 £000s
Amounts falling due within one year:		
Trade receivables	41	59
Amounts owed by funding bodies	-	-
Prepayments and accrued income	149	92
Total	**190**	**151**

12. Creditors: amounts falling due within one year

	2016 £000s	2015 £000s
Bank loans	53	53
Trade payables	71	92
Payments received in advance	-	34
Other taxation and social security	82	91
Other sundry creditors	83	67
Accruals and deferred income	326	380
Deferred income – government capital grants	90	90
Total	**705**	**807**

Accruals and deferred income at 30 April 2016 includes £109,000 (2015: £199,000) relating to employee leave accruals.

Notes to the Financial Statements
Continued

13. Creditors: amounts falling due after one year

	2016 £000s	2015 £000s
Bank Loan	634	673
Deferred income – government capital grants	3,429	3,496
Total	**4,063**	**4,169**

14. Maturity of debt

	2016	2015
Bank loans are repayable as follows:	£000s	£000s
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	423	462
Total	**687**	**726**

Bank loans consist of a LIBOR and Base Rate facility and are due between October 2007 and September 2032 and are not secured.

15. Provisions

	Defined benefit obligations £000s	Enhanced pensions £000s	Total £000s
At 1 August 2015	(1,457)	(350)	(1,807)
Expenditure in the period	(58)	17	(41)
Interest cost (note 9)	(38)	(6)	(44)
Actuarial gains/(losses)	3	(13)	(10)
At 30 April 2016	**(1,550)**	**(352)**	**(1,902)**

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Note 19.

The enhanced pension provision relates to the cost of staff who have already left the College's employ and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:-

	2016	2015
Price inflation	1.3%	1.7%
Discount rate	2.3%	3.5%

Notes to the Financial Statements
Continued

16. Cash and cash equivalents

	At 1 August 2015	Cash flows	Other charges	At 30 April 2016
	£000s	£000s	£000s	£000s
Cash and cash equivalents	1,779	(381)	-	1,398
Overdrafts	-	-	-	-
Total	**1,779**	**(381)**	**-**	**1,398**

17. Lease obligations

At 30th April the College had minimum lease payments under non-cancellable operating leases as follows:

	2016 £000	2015 £000
Future minimum lease payments due		
Other		
Not later than one year	-	22
Later than one year and not later than five years	-	54
Later than five years	-	-
Total	**-**	**76**

18. Events after the reporting period

Prior Pursglove College dissolved on 30 April 2016 and its activities, assets, liabilities and staff transferred to Prior Pursglove and Stockton Sixth Form College. The Governing Body of Prior Pursglove College ceased to exist on 30 April 2016 and responsibility for producing its financial statements transferred to the Governing Body of Prior Pursglove and Stockton Sixth Form College.

19. Defined benefit obligations

The College's employees belong to two principal post-employment benefit plans: 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 multi-employer defined-benefit schemes.

Total pension cost for the year

		2016 £000s		2015 £000s
Teachers' Pension Scheme: contributions paid		240		395
Local Government Pension Scheme:				
Contributions paid	85		157	
FRS 102 (28) charge	58		40	
Charge to Statement of Comprehensive Income		143		197
Total Pension Cost for Year within staff costs		**383**		**592**

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

Notes to the Financial Statements
Continued

19. Defined benefit obligations - continued

Teachers' Pension Scheme

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

The Teachers' Pension Budgeting and Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. 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 under arrangements governed by the above Act.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1st April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Valuation of the Teachers' Pension Scheme

The latest actuarial review of the TPS was carried out as at 31st 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 and the subsequent consultation are:

- new employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay.

The new employer contribution rate for the TPS was implemented in September 2015.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:

https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-thevaluationreport.aspx

Notes to the Financial Statements
Continued

19. Defined benefit obligations - continued

Scheme Changes

Following the Hutton report in March 2011 and the subsequent consultations with trade unions and other representative bodies on reform of the TPS, the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection.

Regulations giving effect to a reformed Teachers' Pension Scheme came into force on 1 April 2014 and the reformed scheme commenced on 1 April 2015.

The pension costs paid to TPS in the period amounted to £240,000 (2015: £395,000).

FRS 102 (28)

Under the definitions set out in FRS 102 (28.11) the TPS is a multi-employer pension plan. 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 FRS 102 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 period ended 30 April 2016 were £125,000 (2015: £232,000) of which employer's contributions totalled £86,000 (2015: £166,000) and employees' contributions totalled £39,000 (2015: £66,000). The agreed contribution rates for future years are 13.6% for employers and range from 5.5% to 12.5% for employees depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2013 updated to 30 April 2016 by a qualified independent actuary.

	At 30 April 2016	**At 31 July 2015**
Rate of increase in salaries	3.3%	3.6%
Future pension increases	1.8%	2.1%
Discount rate for scheme liabilities	3.4%	3.6%
Inflation assumption (CPI)	1.8%	2.1%
Commutation of pensions to lump sums	50%	50%

Notes to the Financial Statements
Continued

19. Defined benefit obligations - continued

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

		At 30 April 2016	At 31 July 2015
Retiring today:	Males	23.1	23.0
	Females	25.6	25.5
Retiring in 20 years:	Males	25.3	25.2
	Females	28.0	27.8

The College's share of the assets in the plan at the balance sheet date and the expected rates of return were:

	Long-term rate of return expected at 30 April 2016	Fair value at 30 April 2016	Long-term rate of return expected at 31 July 2015	Fair value at 31 July 2015
		£000s		£000s
Equity instruments	8.0%	3,793	8.0%	3,699
Debt instruments	5.9%	103	6.0%	229
Property	7.2%	344	7.2%	279
Cash	4.5%	228	4.5%	288
Total fair value of plan assets		**4,468**		**4,495**
Weighted average expected long term rate of return		**5.8%**		**5.5%**
Actual return on plan assets		**(39)**		**(329)**

The amount included in the balance sheet in respect of the defined benefit pension plan and enhanced pensions benefits is as follows:-

	2016	2015
	£000s	£000s
Fair value of plan assets	4,468	4,495
Present value of plan liabilities	(6,018)	(5,952)
Net pensions (liability)/asset (note 15)	**(1,550)**	**(1,457)**

Amounts recognised in the Statement of Comprehensive Income in respect of the plan are as follows:-

	2016	2015
	£000s	£000s
Amounts included in staff costs		
Current service cost	144	219
Past service cost	-	20
Total	**144**	**239**

Notes to the Financial Statements
Continued

19. Defined benefit obligations - continued

	2016 £000s	2015 £000s
Amounts included in investment income/(cost)		
Net interest cost	(38)	(40)
	(38)	**(40)**
Amounts recognised in Other Comprehensive Income		
Return on pension plan assets	(160)	158
Experience losses arising on defined benefit obligations	163	(444)
Changes in assumptions underlying the present value of plan liabilities	-	-
Amount recognised in Other Comprehensive Income	**3**	**(286)**

Movement in net defined benefit (liability)/asset during year

	2016 £000s	2015 £000s
Net defined benefit (liability)/asset in scheme at 1 August	(1,457)	(1,058)
Movement in year:		
Current service cost	(144)	(219)
Employer contributions	86	166
Past service cost	-	(20)
Net interest on the defined (liability)/asset	(38)	(40)
Actuarial gain or loss	3	(286)
Net defined benefit (liability)/asset at 30 April/31 July	**(1,550)**	**(1,457)**

Asset and Liability Reconciliation

	2016 £000s	2015 £000s
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	5,952	5,239
Current service cost	144	219
Interest cost	159	211
Contributions by Scheme participants	39	66
Experience gains and losses on defined benefit obligations	(163)	444
Changes in financial assumptions	-	-
Estimated benefits paid	(113)	(247)
Past service cost	-	70
Curtailments and settlements	-	-
Defined benefit obligations at end of period	**6,018**	**5,952**

Changes in fair value of plan assets

	2016 £000s	2015 £000s
Fair value of plan assets at start of period	4,495	4,181
Interest on plan assets	121	171
Return on plan assets	(160)	158
Employer contributions	86	166
Contributions by Scheme participants	39	66
Estimated benefits paid	(113)	(247)
Fair value of plan assets at end of period	**4,468**	**4,495**

Notes to the Financial Statements
continued

20. 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.

The total expenses paid to or on behalf of the Governors during the year was £2,265; 5 governors (2015: £1,631; 7 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the College during the year (2015: None).

21. Amounts disbursed as agent

	2016 £000s	2015 £000s
Funding body grants – bursary support	151	173
	151	173
Disbursed to students	(96)	(151)
Administration costs	-	-
Balance unspent as at 30 April (2015: 31 July) included in creditors	**55**	**22**

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.

Notes to the Financial Statements
continued

22. Transition to FRS 102 and the 2015 FE HE SORP

The period ended 30 April 2016 is the first year that the College has presented its financial statements under FRS 102 and the 2015 FE HE SORP. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended 31 July 2015 and the date or transition to FRS 102 and the 2015 FE HE SORP was therefore 1 August 2014. As a consequence of adopting FRS 102 and the 2015 FE HE SORP, a number of accounting policies have changed to comply with those standards.

An explanation of how the transition to FRS 102 and the 2015 FE HE SORP has affected the College's financial position, financial performance and cash flows, is set out below:-

	Note	1 August 2014 £000s	31 July 2015 £000s
Financial position			
Total reserves under previous SORP		4,906	3,959
Employee leave accrual	(a)	(207)	(198)
Release of non-government capital grants	(b)	68	66
Changes to measurement of net finance cost on defined benefit plans	(c)	-	-
Total effect of transition to FRS 102 and the 2015 FE HE SORP		(139)	(132)
Total reserves under 2015 FE HE SORP		**4,767**	**3,827**

	Note	Year Ended 31 July 2015 £000s
Financial performance		
Deficit for the year after tax under previous SORP		(530)
Employee leave accrual	(a)	9
Release of non-government grants received	(b)	-
Reversal of capital grants amortisation	(b)	(2)
Pensions provision – actuarial loss		(297)
Changes to measurement of net finance cost on defined benefit plans	(c)	(120)
Total effect of transition to FRS 102 and the 2015 FE HE SORP		(410)
Total comprehensive income for the year under 2015 FE HE SORP		**(940)**

Notes to the Financial Statements
continued

22. Transition to FRS 102 and the 2015 FE HE SORP continued …

a) Recognition of short term employment benefits

No provision for short term employment benefits such as holiday pay was made under the previous UK GAAP. Under FRS 102 the costs of short-term employee benefits are recognised as a liability and an expense. The annual leave year runs to 31st August each year for both teaching and non-teaching staff meaning that, at the reporting date, there was an average of 11 days unused leave for teaching staff and 11 unused leave for non-teaching staff. The cost of any unused entitlement is recognised in the period in which the employee's services are received. An accrual of £207,000 was recognised at 1 August 2014, and £199,000 at 31 July 2015. Following a re-measurement exercise in 2015/16, the movement on this provision of £89,000 has been charged to Comprehensive Income in the period ended 30 April 2016.

b) Non-government grants accounted for under performance model

The College has previously been in receipt of certain capital grants from sources other than those classified as "government" under FRS 102 and the 2015 FE HE SORP. Under the previous UK GAAP and 2007 SORP, these were able to be capitalised and amortised over the remaining useful economic life of the relevant fixed assets. This accounting treatment is no longer available for non-government grants and the grants have therefore been accounted for under the performance model and treated as if they had been credited to Comprehensive Income immediately that the performance conditions had been met. A corresponding adjustment has been made to the income recognised in the 2015 results that related to the annual amortisation of the capital grants involves.

c) Change in recognition of defined benefit plan finance costs

The net pension finance cost recognised in the Income and Expenditure account for the year ended 31 July 2015 under the previous UK GAAP was the net of the expected return on pension plans assets and the interest in pension liabilities. FRS 102 requires the recognition in the Statement of Comprehensive Income, of a net interest cost, calculated by multiplying the net plan obligations by the market yield on high quality corporate bonds (the discount rate applied). The change has had no effect on net assets as the measurement of the net defined benefit plan obligation has not changed. Instead, the decrease in the surplus for the year has been mirrored by a reduction in the actuarial losses presented within Other Comprehensive Income.

d) Presentation of actuarial gains and losses within Total Comprehensive Income

Actuarial gains and losses on the College's defined benefit plans were previously presented in the Statement of Total Recognised Gains and Losses (STRGL), a separate statement to the Income and Expenditure account. All such gains and losses are now required under FRS 102 to be presented within the Statement of Comprehensive Income, as movements in Other Comprehensive Income.