PETERBOROUGH REGIONAL COLLEGE

Report of the Members of the Corporation and Financial Statements

Year ended 31 July 2016

PETERBOROUGH REGIONAL COLLEGE

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PETERBOROUGH REGIONAL COLLEGE

Key Management Personnel, Board of Governors and Professional Advisors

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Key management personnel

Key management personnel are defined as members of the College Leadership Team and were represented by the following in 2015/16:

T Jones, Principal and Accounting Officer
P Walker, Vice-Principal Corporate Services
G Hanrahan, Managing Director of Business Services
N Witham, Vice-Principal Curriculum (resigned April 2016)

Board of Governors

A full list of Governors is given on pages 12 and 13 of these financial statements.

J Rotondo acted as Director of Governance to the Corporation from 18 April 2016.
S Fisher acted as Director of Governance to the Corporation up until 18 April 2016.

Financial statements auditors and reporting accountants

Moore Stephens LLP
Cheviot House, 53 Sheep Street, Northampton, NN1 2NE

Internal auditor

TIAA,
135, Greenford Road, Sudbury Hill, Harrow, HA1 3QN

Bankers

National Westminster Bank Plc,
PO Box No 15, Cathedral Square, Peterborough, PE1 1HW

Solicitors

Eversheds,
Kett House, Station Road, Cambridge, CB1 2JY.

1 NATURE, OBJECTIVES AND STRATEGIES

The Members present their report and the audited financial statements for the year ended 31 July 2016.

1.1 Legal status

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

1.2 Mission

The College's mission for the year was to “Raise aspiration, realise potential and inspire success in a diverse community through high quality education and training”

1.3 Public Benefit

Peterborough Regional College is an exempt charity under the Part 3 of the Charities Act 2011and from 1 September 2013, is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 12 and 13.

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

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

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

1.3 Implementation of strategic plan

The strategic plan for 2015-2020 contains certain targets against which performance is measured.

The Corporation monitors the performance of the College against this plan. The plan is reviewed and updated each year.

The College’s continuing strategy is based upon four cornerstones of success;

- Student Success
- Quality Success
- Market Success
- Business Success

We have identified primary and secondary measures of success in each of these areas, as follows:

Student Success is our main focus and is measured by our Headline Success Rate. Within this section we have also set targets for those indicators that correlate directly with student success, including attendance, learner survey ratings, progression from one qualification to the next and support for students. Student Success also contributes to Market Success, by increasing demand for our products, and to Business Success, through increased income and additional funding allocations.

Quality Success is the driver of Student Success and is measured by the percentage of lessons graded Good or better. This is assessed by our rigorous and externally validated lesson observation process and confirmed by Ofsted. Our staff are the key to success in this area and the appraisal process will be used as the basis for supporting and developing staff in all departments. We recognise the importance of effective communication and we will provide every member of staff with a copy of this Plan.

Market Success is measured by the total income of the College. By achieving Market Success we will generate the funds we need to continually invest in our human and physical resources. Given the anticipated reductions in public expenditure over the next few years, the key themes in this section are the development of strategic partnership and the growth of alternative income streams such as full cost provision and the recruitment of overseas students.

Success in all areas needs to be founded on a sound financial base and the financial health of the College is our measure of Business Success. Our five year investment strategy is based on the continual generation and reinvestment of cash reserves.

1.4 Financial objectives

The College's financial objectives are:

- to generate sufficient levels of income to support the asset base of the College;
- to pursue alternative sources of funding, on a selective basis, consistent with the College's core competencies, and the need for a financial contribution to the College's overall finances; and
- to fund continued capital investment.

A series of performance indicators have been agreed to monitor the successful implementation of the policies.

1.5 Performance indicators

The achievement of the primary success targets in the strategic plan for 2015/16 was as follows;

Success Area	Primary Measure	Target	Predicted Actual
Student Success	Headline success rate	90%	69%
Market Success	Total income	£28.5m	£26.6m
Business Success	Financial health score	Good	Outstanding

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

2. FINANCIAL POSITION

2.1 Financial results

The College generated a surplus on continuing activities of £0.1m (2014/15 surplus of £1.4m) after depreciation of assets at valuation and before tax and exceptional items.

The College has accumulated reserves of £7.9 million and cash balances of £2.9 million.

Tangible fixed asset additions during the year amounted to £2.0m million. This was split between land and buildings acquired of £1.3m million and equipment purchased of £0.7m.

The College has significant reliance on the EFA and SFA for its principal funding source, largely from recurrent grants. In 2015/16 the EFA and SFA provided 69.6% of the College's total income.

The College had two subsidiary companies during the year, Anglia Professional Training Ltd and PRC Ventures.

2.2 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. Short term borrowing for temporary revenue purposes is authorised by the Principal. Such arrangements are restricted by limits in the Financial Memorandum with the SFA. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum of the SFA.

2.3 Cash flows

The College invested £ 2.0 million in capital expenditure, this was split between land and buildings acquired of £1.3 million and equipment purchased of £ 0.7 million.

2.4 Liquidity

The College currently has significant cash reserves and had an outstanding loan balance of £1.1m at the year end.

3. CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

3.1 Student numbers

The College enrolled 2,968 students aged 16-19 and approximately 7,559 students in total.

3.2 Student achievements

The headline success rate for 2015/16 was 69%

3.3 Curriculum developments

The College has reviewed its curriculum offer to meet Government and funding agency priorities, including improving the skills of workers in the key areas of health, care, construction, manufacturing, leadership and management, and IT sectors
Specifically our focus is:

- 16 – 18 full and part-time learners;
- Skills for Life (16 – 18 and 19+ Adult);
- Adult Level 2 and 3 entitlement programmes;
- To target NEET learners (Not in Education, Employment or Training);
- Developing our apprenticeship provision; and
- Providing tailored programmes to meet employer requirements.

Our curriculum provides a broad-based mix of academic and vocational programmes (NVQ and National Certificate/ Diplomas etc.) that appeals to a wide range of students and employers and provides clear, coherent progression opportunities from pre-entry level 1 to level 3 and Higher Education (through our partnership with Anglia Ruskin University). Increasing key and functional skills success rates is a priority and we have embedded key skills delivery within the main programme wherever possible.

We have responded to community and business needs through flexible curriculum design and customised training services which suit customer needs and diversify the range of income streams to complement core EFA and SFA income.

The College has continued to build effective links with local schools. We have developed strong links with the Connexions service and other agencies in order to market our programmes directly to the NEET group and to gain access to employers of those young people who fall into the NEET group (Not in Education or Training).

Through University Centre Peterborough, a joint venture between the College and Anglia Ruskin University, we are continuing to develop a Higher Education portfolio which is responsive to the local skills sector and employment needs, and which increases the level of participation in the sub region, particularly amongst those groups currently under-represented in higher education (HE).

3.4 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 the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95%. During the accounting period 1 August 2015 to 31 July 2016, the College paid 81% of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

3.5 Review Of Growth Options

During the year the College carried out a Review of Growth Options (ROGO). These included a number of possible projects that would enable the College to increase its size (as measured by income), its profitability, and to reduce its reliance on Government funding.

After an exercise to evaluate the merits of each option, three were selected to pursue. These are

- Development of a High Tech Manufacturing facility
- Establishment of an English Language school
- Acquisition of a private training provider

Preliminary work has been carried out for each of these options and will continue over the coming year.

3.6 Post-balance sheet events

There have been no material post balance sheet events.

3.7 Future developments

The College's key targets, as set out in the Strategic Plan, are as follows:

Primary Measure	2016/17	2017/18	2018/19	2019/20	2020/21
Headline success rate	81%	83%	84%	86%	86%
Percentage of lessons graded Good or better	80%	80%	85%	88%	90%
Total income	£27m	£28.5m	£30m	£31.5m	£33m
Financial health score	Outstanding	Outstanding	Outstanding	Outstanding	Outstanding

The College has a five year capital investment programme to continue to develop the present campus. No significant additions to the present buildings are currently planned.

4. RESOURCES

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

Financial

The College has approximately £ 7.9 million of net assets (including £12.9 million pension liability) and £1.0 million long term debt.

People

The College employs 524 people (expressed as full time equivalents), of whom 270 are teaching staff.

Reputation

The College has a good reputation locally and nationally. Maintaining a quality brand is essential for the College's success at attracting students and external relationships.

5. PRINCIPAL RISKS AND UNCERTAINTIES

The College continues 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 Risk Management Group 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 Risk Management Group will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

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

This is supported by a risk management training programme to raise awareness of risk throughout the College.

The principal risk factors that may affect the College relate to the Government funding recruitment, retention and achievement rates of learners. Other factors besides those listed below may also adversely affect the College.

Government funding

The College relies upon continued government funding through the further education sector funding bodies. In 2015/16, 87% of the college's revenue was ultimately public funded. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

This risk is mitigated in a number of ways:

- The College is seeking new funding sources in order to diversify income.
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding.
- Growth through the acquisition of small private training providers whose activities are complimentary to those of the College.

5. PRINCIPAL RISKS AND UNCERTAINTIES *(continued)*

Not achieving planned learner volumes causing financial destabilisation of the College.

This risk is mitigated in a number of ways:

- Targeted marketing of available programmes;
- Promotional events in schools and other local premises;
- Open days and evenings;
- Maintenance of a successful 14 – 16 programme and partnerships with local schools;
- Provision of a high quality curriculum offer reviewed and endorsed by external bodies e.g. Ofsted, the Quality Assurance Agency (QAA), Awarding Body representatives; and
- Provision of qualified delivery and support staff who understand the business needs.

Retention

Failure to retain students who enrol resulting in not achieving agreed success rate targets.

This risk is mitigated in a number of ways:

- Recruitment of students with integrity to all programmes;
- Effective initial screening and induction programmes;
- On-programme support mechanisms;
- Focused tutorial programme;
- Continued use of Personal Learning Coaches;
- Effective use of the Bursary scheme; and
- Regular reporting of absence to parents/ guardians and employers (as appropriate).

5. PRINCIPAL RISKS AND UNCERTAINTIES *(continued)*

Achievement rates

Non-achievement of College overall success rate targets.

This risk is mitigated in a number of ways:

- Appointment of two Senior Directors with responsibility for quality and student screening and support;
- Skills development sessions for teaching staff;
- Intensive focus on the importance of student success with managers, team leaders, teaching and assessing staff;
- Utilisation of Personal Learning Coaches and Student Support Workers to motivate and support learners;
- Focused tutorial programme;
- Provision of "catch-up sessions" at the end of each term; and
- Provision of qualified delivery and support staff who understand the business needs.

6. STAKEHOLDER RELATIONSHIPS

6.1 Stakeholders

In line with other colleges and universities, Peterborough Regional College has many stakeholders. These include:

- Students;
- Education sector funding bodies;
- Staff;
- Local employers (with specific links);
- Local Authorities;
- Government Offices/Regional Development Agencies/LEPs;
- The local community;
- Other FE institutions;
- Trade unions; and
- Professional bodies.

6.1 Stakeholders *(continued)*

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

6.2 Equal opportunities and employment of disabled persons

Peterborough Regional College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, ability, class and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy will be resourced, implemented and monitored on a planned basis.

The College's Equal Opportunities Policy, including its Race Relations and Transgender Policies, is published on the College's internet site.

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

6.3 Disability statement

The College seeks to achieve the objectives set down in the Disability Discrimination Act 1995 as amended by the Special Educational Needs and Disability Act 2001 and 2005:

- There is a list of specialist equipment, such as radio aids, which the College can make available for use by students and a range of assistive technology is available;
- 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 policy;
- The College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities;
- Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format; and
- Counselling and welfare services are described in the College Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

Disclosure of information to auditors

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

Approved by order of the members of the Corporation on 15th December 2016 and signed on its behalf by:

Mr A Stafford
Chairman
15th December 2016

Statement of corporate governance and internal control

The Corporation

The Members who served the Corporation during the 2015-16 year and subsequent to the year end were as follows:

Name	Membership type	Date appointed	Date re-appointed	Date re-appointed for a third term	Term expires	Date Resigned	Committees	Corporation Meeting Attendance 15/16
Rod Allerton	Independent	19 July 12			18 Jul 16		Curriculum & Quality (Chair from 5 Nov 15) Governance & Search	100%
Nigel Barber	Independent	16 Dec 10	11 Dec 14		10 Dec 18		Vice Chair of Corporation (from Aug 14 – 14 Jul 16) Curriculum & Quality (Chair until 5 Nov 15) Audit(until 4 Jun 15, re-joining as Chair from 5 Nov 15) Governance & Search	100%
Rebecca Bridges	Independent	19 Mar 15			18 Mar 19		Curriculum & Quality	60%
Sarah Burnley-Davis	Independent	11 Mar 16			10 Mar 20		Audit	0%
Jo Carr	Independent	11 Dec 14			10 Dec 18		Curriculum & Quality	80%
Marco Cereste	Independent	02 May 13			01 May 17		No committee membership	60%
Geoff Claridge	Independent	19 Mar 15			n/a	1 Dec 15	Finance & General Purposes	100%
Stella Cockerill	Staff	11 Dec 14			n/a	31 Dec 15	Audit	100%
Alan Crawford	Independent	24 Oct 13			23 Oct 17		Audit	80%
Brynmor Cross	Independent	14 Jul 05	14 Jul 09	02 May 13 w/e/ 14 Jul 13	n/a	14 Jul 16	Finance & General Purposes (Chair) Governance & Search Remuneration	60%
Jeff Crowson	Staff	17 Dec 09	12 Dec 13		16 Dec 17		Curriculum & Quality	100%
Katherine Duff	Independent	4 Jun 15			n/a	5 Sep 16	Audit (until 5 Nov 15) Curriculum & Quality (from 5 Nov 15)	60%
Steve Gibbs	Independent	01 Aug 14			n/a	14 Jul 16	Finance & General Purposes	80%
Ian Jackson	Independent	21 Mar 13			20 Mar 17		Vice Chair of Corporation (from 14 Jul 16) Finance & General Purposes (Appointed Chair from 14 Jul 16) Governance & Search (from 14 Jul 16) Remuneration (from 14	40%

Name	Membership type	Date appointed	Date re-appointed	Date re-appointed for a third term	Term expires	Date Resigned	Committees	Corporation Meeting Attendance 15/16
							Jul 16)	
Mark Jackson	External	18 Oct 12			17 Oct 16		Audit	n/a
Terry Jones	Ex officio Principal & Chief Executive	1 Jul 15					All Committees, except Audit	100%
Sian Kerwin	Student	14 Apr 16			31 Jul 16		Curriculum & Quality	67%
Lee Kilby	External	24 Oct 13			23 Oct 17		Audit	n/a
Asim Mahmood	Student (President Students' Union)	1 Aug 15			31 Jul 16		Curriculum & Quality	100%
Sebastian Olejnik	Independent	14 Apr 16			13 Apr 20		Curriculum & Quality	67%
Hywel Palmer	Independent	4 Jun 15			3 Jun 19		Finance & General Purposes Remuneration	80%
Wendy Rule	Independent	24 Oct 13			n/a	5 Nov 2015	Audit (Chair from Sept 14) Governance & Search	100%
Andrew Stafford	Independent	4 March 04	12 Jun 08	11 June 12	10 Jun 16 (extended by special resolution until 10 Jun 18)		Chair of Corporation (from Aug 14) Finance & General Purposes Governance & Search (Chair from Aug 14) Remuneration	100%
Gail Thomas	Independent	11 Dec 14			n/a	16 Jun 2016	Finance & General Purposes	75%
Sarah Williamson	Staff	14 Apr 2016			16 Dec 17		Finance & General Purposes	100%

Corporate Governance

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

The College endeavours to conduct its business:

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

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

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

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the College/Board has adopted and complied with the Foundation Code and the code of Good Governance for English Colleges.

In the opinion of the governors, the College complies with all the provisions of the Foundation Code and it has complied throughout the year ended 31 July 2016. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The English Colleges' Foundation Code of Governance issued by the Association of Colleges in December 2011.

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 composition of the Corporation is set out on pages 11 and 12. It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues. The Corporation meets six times a year (usually 2 meetings a term).

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 Finance and General Purposes, Remuneration, Governance and Search, Curriculum and Quality, and Audit. Full minutes of all meetings except those deemed to be confidential, are available from the Director of Governance at:

Peterborough Regional College
Park Crescent
Peterborough
PE1 4DZ

The Director of Governance maintains a register of financial and personal interests of the Corporation Board Members and some senior staff having responsibility for significant budgets. The register is available for inspection at the above address.

All Governors are able to take professional advice in furtherance of their duties at the College's expense and have access to the Director of Governance, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Director of Governance are matters for the Corporation as a whole.

Formal agendas, papers and reports are supplied to Governors in a timely manner, prior to Board meetings. Briefings are also provided on an ad-hoc basis.

The Corporation has a strong and independent non-executive element and no individual or group dominates its decision making process. The Corporation considers 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 and Principal are separate.

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a governance and search committee which is responsible for the selection and nomination of any new Member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding 4 years.

Remuneration Committee

The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal and other senior post holders.

Details of remuneration for the year ended 31 July 2016 are set out in note 8 to the financial statements.

Audit Committee

The Audit Committee comprises no fewer than 3 and no more than 6 Members of the Corporation (excluding the Principal), one of whom is Chair and no more than two external Members. The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee normally meets on a termly basis and provides a forum for reporting by the College's internal and financial statement 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 assess the effectiveness of the College's systems of internal control, risk management and governance processes in accordance with an agreed plan reporting their findings to management and the Audit Committee. Management is responsible for the implementation of agreed recommendations and the internal auditor undertakes periodic follow up reviews to ensure such recommendations have been implemented.

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

Internal control

Scope of responsibility

The Corporation is ultimately responsible for the College's system of internal control and for reviewing its effectiveness.

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 he or she is personally responsible, in accordance with the responsibilities assigned to him or her in the Financial Memorandum between the College and the funding bodies.. He or she is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an 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 to manage them efficiently, effectively and economically. The system of internal control has been in place in the College for the year ended 31 July 2016 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed, together with the operating, financial and compliance controls 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 period ended 31 July 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;
- Risk Management Group tasked to monitor College action plans to manage risk; and
- the adoption of formal project management disciplines, where appropriate.

The College has an internal audit service, which operates in accordance with the requirements of 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 minimum annually, the Head of Internal Audit (HIA) provides the governing body with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

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

- the work of the internal auditors;
- the work of the executive 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, the regularity auditors, the appointed funding auditors in their management letter and other reports.

The Principal has been advised on the implications of the result of his review of the effectiveness of the system of internal control by the Audit Committee which oversees the work of the internal auditor, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Risk Management Group receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2015 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2016 by considering documentation from the senior leadership team and internal audit, and taking account of the 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*".

Going concern

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

Approved by order of the members of the Corporation on 15th December 2016 and signed on its behalf by:

Mr T Jones Principal	Mr A Stafford Chairman

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

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

We confirm, on behalf of the Corporation, that after due enquiry, and to the best of our knowledge, we are able to identify any material irregular or improper use of funds by the College, or material non-compliance with the Skills Funding Agency's terms and conditions of funding under the College's financial memorandum.

We 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 Skills Funding Agency.

Mr T Jones Principal	Mr A Stafford Chairman
15 December 2016	15 December 2016

Statement of the Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the Financial Memorandum agreed between the Learning and Skills Council (the Council) and the Corporation of the College, the Corporation, through its Principal, is required to prepare financial statements for each financial year in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions and which give a true and fair view of the state of affairs of the College and the result for that year.

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 to 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 to safeguard 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 matter 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 Skills Funding Agency/EFA are used only in accordance with the Financial Memorandum with the Skills Funding Agency/EFA 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 from the Skills Funding Agency/EFA are not put at risk.

Approved by order of the members of the Corporation on 15th December 2016 and signed on behalf of the Corporation.

Mr A Stafford
Chairman
15th December 2016

We have audited the Group and College financial statements ("the financial statements") of Peterborough Regional College for the year ended 31 July 2016 as set out on pages 23 to 46. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Corporation, as a body, in accordance with the Financial Memorandum published by the Skills Funding Agency and our engagement letter dated 7 June 2016. 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Corporation of Peterborough Regional College and Auditors

As explained more fully in the Statement of the Corporation's responsibilities set out on page 19, the Corporation is responsible for the preparation of financial statements which give a true and fair view.

Our responsibility is to audit, and express an opinion on, the financial statements in accordance with the terms of our engagement letter dated 7 June 2016, the Joint Audit Code of Practice issued by the Skills Funding Agency and Education Funding Agency and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Groups' and College's affairs as at 31 July 2016 and of the Group's surplus of income over expenditure for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education.

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:

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

Nicholas Simkins
for and on behalf of Moore Stephens LLP, Statutory Auditor
Chartered Accountants
Cheviot House
53 Sheep Street
Northampton NN1 2NE

Date:

Independent reporting accountant's report on regularity to the Corporation of Peterborough Regional College and the Secretary of State for Business, Innovation and Skills acting through the Skills Funding Agency

In accordance with the terms of our engagement letter dated 7 June 2016 and further to the requirements of the financial memorandum with Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Peterborough Regional College during the period 1 August 2015 to 31 July 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 specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which Skills Funding Agency has other assurance arrangements in place.

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

Respective responsibilities of Peterborough Regional College and the reporting accountant

The Corporation of Peterborough Regional 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 31 July 2016 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity.

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

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

Independent reporting accountant's report on regularity to the Corporation of Peterborough Regional College and the Secretary of State for Business, Innovation and Skills acting through the Skills Funding Agency (continued)

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

Conclusion

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

Nicholas Simkins
for and on behalf of Moore Stephens LLP, Statutory Auditor
Chartered Accountants
Cheviot House
53 Sheep Street
Northampton
NN1 2NE

Date:

PETERBOROUGH REGIONAL COLLEGE
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Year ended 31 July 2016		Year ended 31 July 2015 Restated	
		Group	**College**	**Group**	**College**
		£'000	**£'000**	**£'000**	**£'000**
INCOME					
Funding body grants	2	18,484	18,484	18,662	18,661
Tuition fees and education contracts	3	5,837	5,724	5,410	5,248
Other income	4	2,183	1,769	2,000	1,435
Investment income	5	65	60	60	60
Total income		**26,569**	**26,042**	**26,132**	**25,404**
EXPENDITURE					
Staff costs	6	18,000	17,535	16,062	15,535
Fundamental restructuring costs	6	76	76	92	90
Other operating expenses	7	6,707	6,697	7,070	6,880
Depreciation	9 & 10	1,183	1,147	1,062	1,053
Interest and other finance costs	8	485	469	441	441
Total expenditure		**26,451**	**25,924**	**24,727**	**23,999**
(Deficit)/surplus before other gains and losses		**118**	**118**	**1,405**	**1,405**
Loss on disposal of assets	10	-	-	-	-
(Deficit)/Surplus before tax		**118**	**118**	**1,405**	**1,405**
Taxation		-	-	-	-
(Deficit)/surplus for the year		**118**	**118**	**1,405**	**1,405**
Unrealised surplus on revaluation of assets		-	-	-	-
Actuarial loss in respect of pensions schemes	21	(2,434)	(2,434)	(1,078)	(1,078)
Total Comprehensive Income for the year		**(2,316)**	**(2,316)**	**327**	**327**

PETERBOROUGH REGIONAL COLLEGE

Consolidated and College Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Restricted reserve	Total
	£'000	£'000	£'000	£'000
Group				
Restated Balance at 1 August 2014	3,993	5,879	5	9,877
Surplus/(deficit) from the income and expenditure account	1,405	-	-	1,405
Other comprehensive income	(1,078)	-	-	(1,078)
Transfers between revaluation and income and expenditure reserves	46	(46)	-	-
	373	(46)	-	327
Balance at 31 July 2015	4,366	5,833	5	10,204
Surplus/(deficit) from the income and expenditure account	118	-	-	118
Other comprehensive income	(2,434)	-	-	(2,434)
Transfers between revaluation and income and expenditure reserves	44	(44)	-	-
Total comprehensive income for the year	(2,272)	(44)		(2,316)
Balance at 31 July 2016	2,094	5,789	5	7,888
College				
Restated Balance at 1 August 2014	3,991	5,879	5	9,875
Surplus/(deficit) from the income and expenditure account	1,405	-	-	1,405
Other comprehensive income	(1,078)	-	-	(1,078)
Transfers between revaluation and income and expenditure reserves	46	(46)	-	-
	373	(46)	-	327
Balance at 31 July 2015	4,364	5,833	5	10,202
Surplus/(deficit) from the income and expenditure account	118	-	-	118
Other comprehensive income	(2,434)	-	-	(2,434)
Transfers between revaluation and income and expenditure reserves	44	(44)	-	-
Total comprehensive income for the year	(2,272)	(44)	-	(2,316)
Balance at 31 July 2016	2,092	5,789	5	7,886

PETERBOROUGH REGIONAL COLLEGE

Balance sheets as at 31 July

	Notes	Group	College	Group	College
				Restated	
		2016	2016	2015	2015
		£'000	£'000	£'000	£'000
Non current assets					
Tangible Fixed assets	10	18,088	18,073	17,188	17,175
Intangible Assets	9	241	-	310	-
Investments	11	-	1	-	1
		18,329	**18,074**	**17,498**	**17,176**
Current assets					
Stocks		23	10	36	25
Trade and other receivables	12	1,324	1,794	1,148	1,647
Investments	13	5,746	5,746	6,706	6,706
Cash and cash equivalents	18	2,884	2,680	2,720	2,422
		9,977	**10,230**	**10,610**	**10,800**
Less: Creditors – amounts falling due within one year	14	(2,770)	(2,770)	(3,532)	(3,585)
Net current assets		**7,207**	**7,460**	**7,078**	**7,215**
Total assets less current liabilities		**25,536**	**25,534**	**24,576**	**24,391**
Creditors – amounts falling due after more than one year	15	(3,709)	(3,709)	(3,635)	(3,452)
Provisions					
Defined benefit obligations	17	(12,936)	(12,936)	(9,718)	(9,718)
Other provisions	17	(1,003)	(1,003)	(1,019)	(1,019)
Total net assets		**7,888**	**7,886**	**10,204**	**10,202**
Unrestricted Reserves					
Income and expenditure account		2,094	2,092	4,366	4,364
Revaluation reserve		5,789	5,789	5,833	5,833
Restricted reserve		5	5	5	5
Total unrestricted reserves		**7,888**	**7,886**	**10,204**	**10,202**

The financial statements on pages 23 to 46 were approved and authorised for issue by the Corporation on 15 December 2016 and were signed on its behalf on that date by:

Mr T Jones
Principal

Mr A Stafford
Chairman

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2016	Restated 2015
		£'000	£'000
Cash flow from operating activities			
Surplus/(Deficit) for the year		118	1,405
Adjustment for non-cash items			
Depreciation		1,155	1,063
Amortisation		28	44
Revaluation of goodwill		41	-
Pension costs less contributions payable		784	487
(Increase)/decrease in stocks		13	-
(Increase)/decrease in debtors		(176)	(310)
Increase/(decrease) in creditors		(949)	606
Increase/(decrease) in provisions		(16)	(14)
Increase/(decrease) in deferred capital grants		326	(219)
Adjustment for investing or financing activities			
Investment income		(65)	(60)
Interest payable		127	112
Loss on sale of fixed assets		-	-
Net cash flow from operating activities		1,386	3,114
Cash flows from investing activities			
Investment income		65	60
(Increase)/decrease in short term deposits		960	(1,052)
Payments made to acquire fixed assets		(2,055)	(1,423)
		(1,030)	(2,415)
Cash flows from financing activities			
Interest paid		(127)	(112)
Repayments of amounts borrowed		(65)	(72)
		(192)	(184)
Increase / (decrease) in cash and cash equivalents in the year		**164**	**515**
Cash and cash equivalents at beginning of the year	18	2,720	2,205
Cash and cash equivalents at end of the year	18	2,884	2,720

Notes to the Accounts

1. 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 consolidated results of the College is provided in note 24.

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

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

- The College has taken advantage of the exemptions provided in FRS 102 1.12 and the 2015 FE HE SORP 3.3, and has not included a separate statement of its own cash flows. These cash flows are included within the Consolidated Statement of Cash Flows, and the College balance sheet discloses cash at both the current and preceding reporting dates.

Notes to the Accounts (continued)

Basis of accounting

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

Basis of consolidation

The consolidated financial statements include the College and its subsidiaries, Anglia Professional Training Limited and PRC Ventures, controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2016.

Going Concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Members Report. The financial position of the College, its cash flow, liquidity and borrowings are described in the Financial Statements and accompanying notes. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future. Accordingly, the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

Recognition of income

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

Income from grants, contracts and other services rendered is included to 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.

The recurrent grant from the EFA and SFA represent the funding allocations attributable to the current financial year and are credited direct to the income and expenditure account. Recurrent grants are recognised in line with planned activity. Any underachievement against this planned activity is adjusted in year and reflected in the level of recurrent grant recognised in the income and expenditure account.

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

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

Accounting for post-employment benefits

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

Contributions to the schemes are charged to the income and expenditure account so as to spread the costs of pensions over employees' working lives with the College in such way that the pension cost is a substantially level percentage of current and future pensionable payroll.

Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 21, the TPS is a multi employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

Notes to the Accounts (continued)

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

Enhanced Pensions

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

Non-current Assets - Tangible fixed assets

Land and buildings

The College's policy is to carry all assets at historical cost except for inherited assets which are included on the balance sheet at a valuation existing at 31 July 1999 when the College implemented FRS 15 for the first time.

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. Land and buildings acquired since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic lives to the College which in normal circumstances vary between 15 and 50 years.

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

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

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

Equipment

Equipment costing less than £1,000 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost.

Capitalised equipment is depreciated on a straight-line basis over its remaining useful economic life as follows:

- Educational computers 3 years
- Administrative computers 5 years
- Motor vehicles 4 years
- General equipment 5 years
- Furniture, fixtures and fittings 12 years

Specialist assets costing less than £10,000 that are purchased for the dedicated use of individual learners are written off over the period for which those learners have enrolled.

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 equipment.

Notes to the Accounts (continued)

Assets under construction

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

Leased assets

All leases are in the nature of operating leases. Costs in respect of operating leases are charged on a straight-line basis over the lease term.

Intangible fixed assets

Goodwill

Purchased goodwill is capitalised and amortised on a straight line basis over 10 years.

Other investments

Listed investments held as non-current assets and current asset investments, which may include listed investments, are stated at fair value, with movements recognised in Comprehensive Income. Investments comprising unquoted equity instruments are measured at fair value, estimated using a valuation technique.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less additional costs to disposal. Where necessary, provision is made for obsolete, slow moving and defective stock.

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 readily 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 Group are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the Group 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.

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 exempted from levying VAT on most of the services it provides to students. For this reason, the College is generally unable to recover input VAT it suffers on goods and services purchased.

The College's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

Notes to the Accounts (continued)

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.

Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, management have 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 of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the group'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

- *Tangible fixed assets*

  Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- *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 26, 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 31 July 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Notes to the Accounts (continued)

2 Funding body grants

	2016 Group £'000	2016 College £'000	2015 Group £'000	2015 College £'000
Recurrent grants				
Skills Funding Agency	4,822	4,822	5,448	5,448
Education Funding Agency	13,315	13,315	12,863	12,863
Higher Education Funding Council	162	162	132	132
Specific grants				
Skills Funding Agency	-	-	-	-
Releases of government capital grants	185	185	219	219
HE grant	-	-	-	-
Total	**18,484**	**18,484**	**18,662**	**18,662**

3 TUITION FEES AND EDUCATION CONTRACTS

	2016 Group £'000	2016 College £'000	2015 Group £'000	2015 College £'000
Adult education fees	908	795	892	737
Apprenticeship fees and contracts	258	258	195	195
Fees for FE loan supported courses	399	399	534	534
Fees for HE loan supported courses	124	124	67	67
International students fees	238	238	307	307
Total tuition fees	1,927	1,814	1,995	1,840
Education contracts	3,910	3,910	3,415	3,408
Total	**5,837**	**5,724**	**5,410**	**5,248**

4 OTHER INCOME

	2016 Group £'000	2016 College £'000	2015 Group £'000	2015 College £'000
Catering and residences	554	-	565	-
Other income generating activities	1,195	1,195	839	839
Miscellaneous income	434	574	596	596
Total	**2,183**	**1,769**	**2,000**	**1,435**

Notes to the Accounts (continued)

5 INVESTMENT INCOME

	2016 Group £'000	2016 College £'000	2015 Group £'000	2015 College £'000
Other interest receivable	65	65	60	60
Total	**65**	**65**	**60**	**60**

6 Staff costs – Group and College

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

	2016 Group No.	2016 College No.	2015 Group No.	2015 College No.
Teaching staff	290	265	278	233
Non teaching staff	247	236	219	204
	537	501	497	437
Staff costs for the above persons				
	£'000	**£'000**	**£'000**	**£'000**
Wages and salaries	14,335	13,874	13,053	12,753
Social security costs	1,007	1,003	889	869
Other pension costs	2,359	2,359	1,920	1,718
Payroll sub total	17,701	17,236	15,862	15,340
Contracted out staffing costs	299	299	200	195
	18,000	17,535	16,062	15,535
Fundamental restructuring costs – non contractual	76	76	92	90
Total	**18,076**	**17,611**	**16,154**	**15,625**

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 College Leadership Team which comprises the Principal, Vice-Principal Corporate Services, Managing Director of Business Services and Vice Principal Curriculum. Staff costs include compensation paid to key management personnel for loss of office.

Emoluments of Key management personnel, Accounting Officer and other higher paid staff

	2016 No.	2015 No.
The number of key management personnel including the Accounting Officer was:	**4**	**4**

Notes to the Accounts (continued)

6 Staff costs – Group and College (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	**2015**	**2016**	**2015**
	No.	**No.**	**No.**	**No.**
£60,001 to £70,000 p.a.	1	-	1	-
£70,001 to £80,000 p.a.	-	2	-	-
£80,001 to £90,000 p.a.	1	1	-	-
£90,001 to £100,000 p.a.	1	-	-	-
£100,001 to £120,000 p.a.	-	1	-	-
£120,001 to £150,000 p.a.	1	1	-	-
	4	**5**	**1**	**-**

Key management personnel emoluments are made up as follows:

	2016	**2015**
	£'000	**£'000**
Salaries	**361**	**368**
Benefits in kind	**-**	**4**
	361	**372**
Pension contributions	**39**	**52**
Total emoluments	**400**	**424**

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

	2016	**2015**
	£'000	**£'000**
Salaries	**120**	**115**
Benefits in kind	**-**	**1**
	120	**116**
Pension contributions	**-**	**14**
Total emoluments	**120**	**-**

Notes to the Accounts (continued)

7 OTHER OPERATING EXPENSES

	2016 Group £'000	2016 College £'000	2015 Group £'000	2015 College £'000
Teaching costs	1,840	1,840	1,850	1,974
Non-teaching costs	3,245	3,304	3,365	3,137
Premises costs	1,622	1,553	1,855	1,733
Total	**6,707**	**6,697**	**7,070**	**6,844**

Other operating expenses include:	**2016 £'000**	**2015 £'000**
Auditors' remuneration:		
Financial statements audit	27	26
Internal audit	28	21
Hire of assets under operating leases	107	81

8 OTHER OPERATING EXPENSES

	2016 Group £'000	2016 College £'000	2015 Group £'000	2015 College £'000
On bank loans, overdraft and other loans	127	111	112	112
	127	111	112	112
Pension finance costs (note 21)	358	358	329	329
Total	**485**	**469**	**441**	**441**

9 INTANGIBLE FIXED ASSETS (GROUP)

	Goodwill £'000	Total £'000
Cost or valuation		
At 1 August 2015	443	443
Revaluation	(41)	(41)
At 31 July 2016	**402**	**402**
Depreciation		
At 1 August 2015	133	133
Charge for the year	28	28
Elimination in respect of disposals	-	-
At 31 July 2016	**161**	**161**
Net book value at 31 July 2016	**241**	**241**
Net book value at 31 July 2015	310	310

During 2016 the final settlement price for the purchase of 100% of Anglia Accountancy Training was agreed with its previous owners. The revaluation adjustment shown above is made to reflect the reduction in price agreed.

Notes to the Accounts (continued)

10 TANGIBLE FIXED ASSETS (COLLEGE)

	Land and buildings		Equipment	Total
	Freehold	Long leasehold		
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2015	25,684	639	11,039	37,362
Additions	1,334	-	711	2,045
Disposals	-	-	-	-
At 31 July 2016	**27,018**	**639**	**11,750**	**39,407**
Depreciation				
At 1 August 2015	10,435	639	9,113	20,187
Charge for the year	398	-	749	1,147
Elimination in respect of disposals	-	-	-	-
At 31 July 2016	**10,833**	**639**	**9,862**	**21,334**
Net book value at 31 July 2016	**16,185**	**-**	**1,888**	**18,073**
Net book value at 31 July 2015	15,249	-	1,926	17,175

10 TANGIBLE FIXED ASSETS (GROUP)

	Land and buildings		Equipment	Total
	Freehold	Long leasehold		
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2015	25,684	639	11,061	37,384
Additions	1,334	-	721	2,055
Disposals	-	-	-	-
At 31 July 2016	**27,018**	**639**	**11,782**	**39,439**
Depreciation				
At 1 August 2015	10,435	639	9,122	20,196
Charge for the year	398	-	757	1,155
Elimination in respect of disposals	-	-	-	-
At 31 July 2016	**10,833**	**639**	**9,879**	**21,351**
Net book value at 31 July 2016	**16,185**	**-**	**1,903**	**18,088**
Net book value at 31 July 2015	15,249	-	1,939	17,188

Notes to the Accounts (continued)

11 NON-CURRENT INVESTMENTS

	College 2016 £'000	College 2015 £'000
Investments in subsidiary companies	1	1
Total	**1**	**1**

The College owns 100 per cent of the issued ordinary £1 shares of Anglia Professional Training (APT) Limited, a company incorporated in England and Wales. The principal business activity of APT Limited is the provision of training and education.

The College has guaranteed the equity of PRC Ventures, a company limited by guarantee, up to the value of £2.

12 Debtors

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Amounts falling due within one year:				
Trade debtors	618	615	576	572
Amounts owed by group undertakings:				
Subsidiary undertakings	-	487	-	511
Prepayments and accrued income	482	468	428	420
Amounts owed by the Skills Funding Agency	224	224	144	144
Total	**1,324**	**1,794**	**1,148**	**1,647**

13 CURRENT INVESTMENTS

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Short term deposits	5,746	5,746	6,706	6,706
Total	**5,746**	**5,746**	**6,706**	**6,706**

Deposits are held with banks and building societies operating in the London market and licensed by the Financial Conduct Authority with more than three months maturity at the balance sheet date. The interest rates for these deposits are fixed for the duration of the deposit at time of placement.

Notes to the Accounts (continued)

14 Creditors: amounts falling due within one year

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Bank loans and overdrafts	71	71	67	67
Trade payables	772	768	759	754
Amounts owed to group undertakings:				
Subsidiary undertakings	-	27	-	63
Other taxation and social security	350	350	281	281
Accruals and deferred income	1,577	1,554	2,130	2,125
Amounts owed to the Skills Funding Agency	-	-	295	295
Total	**2,770**	**2,770**	**3,532**	**3,585**

15 Creditors: amounts falling due after one year

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Bank loans	1,045	1,045	1,114	1,114
Obligations under finance leases	-	-	-	-
Deferred income - government capital grants	2,664	2,664	2,338	2,338
Other Creditors	-	-	183	-
Total	**3,709**	**3,709**	**3,635**	**3,452**

16 Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
In one year or less	71	71	67	67
Between one and two years	74	74	71	71
Between two and five years	241	241	231	231
In five years or more	730	730	812	812
Total	**1,116**	**1,116**	**1,181**	**1,181**

The bank loan bears interest at 4.4%. It is unsecured.

Notes to the Accounts (continued)

17 Provisions (Group and College)

	Defined benefit obligations	Enhanced pensions	Total
	£'000	£'000	£'000
At 1 August 2015	9,718	1,019	1,019
Expenditure in the period	784	(16)	**(16)**
Additions in period	2,434	-	**-**
At 31 July 2016	**12,936**	**1,003**	**1,003**

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 21.

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	2.30%	3.46%
Discount rate	1.00%	1.75%

18 Cash and cash equivalents

	At 1 August 2015	Cash flows	Other changes	At 31 July 2016
	£'000	£'000	£'000	£'000
Cash and cash equivalents	2,720	164	-	2,884
Total	**2,720**	**164**	**-**	**2,884**

19 Capital and other commitments

	Group and College	
	2016	2015
	£'000	£'000
Commitments contracted for at 31 July	-	-

20 Lease obligations

At 31 July the College had minimum lease payments under non-cancellable operating leases as follows:

	Group and College	
	2016	2015
	£'000	£'000
Future minimum lease payments due		
Other		
Not later than one year	103	107
Later than one year and not later than five years	83	176
Later than five years	-	-
	186	283

Notes to the Accounts (continued)

21 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 Cambridgeshire County Council**.** Both are multi-employer defined-benefit plans.

Total pension cost for the year		**2016**		**2015**
		£000		**£000**
Teachers' Pension Scheme: contributions paid		964		904
Local Government Pension Scheme:				
Contributions paid	969		1,026	
FRS 102 charge	426		158	
Charge to the Statement of Comprehensive Income		1,395		1,184
Enhanced pension charge to Statement of Comprehensive Income		-		-
Total Pension Cost for Year within staff costs		**2,359**		**2,088**

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 of the LGPS 31 March 2013.

Contributions amounting to £150,374 (2015 £121,839) were payable to the scheme at 31st July and are included within creditors.

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 1 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.

Notes to the Accounts (continued)

21 Defined benefit obligations (continued)

Valuation of the Teachers' Pension Scheme
The latest actuarial review of the TPS was carried out as at 31 March 2012 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation are:

- 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-the-valuation-report.aspx

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 year amounted to £964,000 (2015: £904,000).

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 plan.

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 plan. The College has set out above the information available on the plan and the implications for the College in terms of the anticipated contribution rates.

Notes to the Accounts (continued)

21 Defined benefit obligations (continued)

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Cambridgeshire County Council. The total contributions made for the year ended 31 July 2016 were £1,262,000, of which employer's contributions totalled £969,000 and employees' contributions totalled £293,000. The agreed contribution rates for future years are 19.6% 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 31 July 2016 by a qualified independent actuary.

	At 31 July 2016	At 31 July 2015
Rate of increase in salaries	3.9%	4.5%
Future pensions increases	1.9%	2.6%
Discount rate for scheme liabilities	2.4%	3.6%
Inflation assumption (CPI)	1.9%	2.6%

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

	At 31 July 2016	At 31 July 2015
	years	years
Retiring today		
Males	22.50	22.50
Females	24.50	24.50
Retiring in 20 years		
Males	24.40	24.40
Females	26.90	26.90

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

	Fair Value at 31 July 2016 £'000	Fair Value at 31 July 2015 £'000
Equity instruments	18,915	16,540
Debt instruments	3,484	3,088
Property	1,742	1,764
Cash	747	662
Total fair value of plan assets	**24,888**	**22,054**
Actual return on plan assets	**2,207**	**1,720**

Notes to the Accounts (continued)

21 Defined benefit obligations (continued)

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

	2016	2015
	£'000	£'000
Fair value of plan assets	**24,888**	22,054
Present value of plan liabilities	**(37,743)**	(31,692)
Present value of unfunded liabilities	**(81)**	(80)
Net pensions (liability)/asset (Note 19)	**(12,936)**	**(9,718)**

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

	2016	2015
	£'000	£'000
Amounts included in staff costs		
Current service cost	1,400	1,184
Employer contributions	(974)	(1,026)
Total	**426**	**158**
Amounts included in investment costs		
Net interest cost	358	329
	358	**329**
Amount recognised in Other Comprehensive Income		
Return on pension plan assets	1,402	921
Experience losses arising on defined benefit obligations	356	200
Changes in assumptions underlying the present value of plan liabilities	(4,192)	(2,199)
Amount recognised in Other Comprehensive Income	**(2,434)**	**(1,078)**

Notes to the Accounts (continued)

21 Defined benefit obligations (continued)

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

	2016	2015
	£'000	£'000
Net defined benefit (liability)/asset in scheme at 1 August	(9,718)	(8,153)
Movement in year:		
Current service cost	(1,382)	(1,177)
Employer contributions	974	1,026
Past service cost	(18)	(7)
Net interest on the defined (liability)/asset	(358)	(329)
Actuarial gain or loss	(2,434)	(1,078)
Net defined benefit (liability)/asset at 31 July	**(12,936)**	**(9,718)**

Asset and Liability Reconciliation

	2016	2015
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	31,772	27,800
Current service cost	1,382	1,177
Interest cost	1,163	1,128
Contributions by Scheme participants	293	270
Experience gains and losses on defined benefit obligations	(356)	(200)
Changes in financial assumptions	4,192	2,199
Estimated benefits paid	(640)	(609)
Past Service cost	18	7
Defined benefit obligations at end of period	**37,824**	**31,772**
Changes in fair value of plan assets		
Fair value of plan assets at start of period	22,054	19,647
Interest on plan assets	805	799
Return on plan assets	(640)	921
Employer contributions	969	1,026
Contributions by Scheme participants	293	270
Estimated benefits paid	5	(609)
Fair value of plan assets at end of period	**24,888**	**22,054**

Notes to the Accounts (continued)

22 Related party transactions

Owing 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 £560; 3 governors (2015: £1,000; 5 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 or its subsidiaries during the year (2015: None).

The College has an interest in the University Centre Peterborough (UCP), a company limited by guarantee. The Principal, Vice Principal Corporate Services and Chair of the corporation are directors of this company. The College entered into an agreement to supply educational services with UCP with effect from 1 August 2008. During the year net sales of £2,517,367 (2015: £2,284,142) have been made in respect of UCP module costs and recharges. The amount outstanding at 31 July 2016 was £298,303 (£2015: £328,414).

The Peterborough Educational Trust was established as a registered charity (no 1143019) on 24th May 2011 for the purpose of supporting learners of Peterborough Regional College. Three trustees of this charity are members of Peterborough Regional College extended leadership team. During the year donations of £NIL (2015: £NIL) have been made from the College to the Trust.

23 Amounts disbursed as agent

Learner support funds

	2016 £'000	2015 £'000
Funding body grants – bursary support	458	529
	458	529
Disbursed to students	(382)	(506)
Administration costs	(16)	(23)
Balance unspent as at 31 July, included in creditors	60	-

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.

24 Transition to FRS 102 and the 2015 FE HE SORP

The year ended 31st July 2016 is the first year that the College has presented its financial statements under 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 31st July 2015 and the date of transition to FRS 102 and the 2015 FE HE SORP was therefore 1st 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	1st August 2014		31st July 2015	
		Group	College	Group	College
		£'000	£'000	£'000	£'000
Financial Position					
Total reserves under previous SORP		10,269	10,267	10,544	10,542
Employee leave accrual	(a)	(392)	(392)	(340)	(340)
Total effect of transition to FRS 102 and 2015 FE HE SORP		(392)	(392)	(340)	(340)
Total reserves under 2015 FE HE SORP		9,877	9,875	10,204	10,202

	Note	Year ended 31st July 2015	
		Group	College
		£'000	£'000
Financial performance			
Surplus for the year after tax under previous SORP		1,730	1,730
Employee leave accrual	(a)	52	52
Changed to measurement of net finance cost on defined benefit plans	(b)	(377)	(377)
Total effect of transition to FRS 102 and 2015 FE HE SORP		1,405	1,405
Total comprehensive income for the year under 2015 FE HE SORP		1,405	1,405

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 25,000 hours unused leave for all staff. The cost of any unused entitlement is recognised in the period in which the employee's services are received. An accrual of £392,000 was recognised at 1 August 2014, and an accrual of £340,000 at 31 August 2015. The movement on this provision of £52,000 has been charged to the statement of comprehensive Income in the year ended 31 July 2015.

b) 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 31st July 2015 under the previous UK GAAP was the net of the expected return on pension plan assets and the interest on 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.