Palmer's
COLLEGE

Report and Financial Statements

for the year ended 31 July 2016

Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

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

Mark Vinall, Principal; Accounting officer
Alison Ross, Assistant Principal, Student Services, Marketing & Liaison
Sue Davies, Assistant Principal, Curriculum
Derek Griffiths, Assistant Principal, Teaching, Learning & Quality Improvement
David Maynes, Assistant Principal, Finance &Resources

Board of Governors
A full list of Governors is given on page 14 of these financial statements.

Ms Janet Munn acted as Clerk to the Corporation throughout the period.

Professional advisers

Financial statements auditors and reporting accountants:

KPMG LLP
Botanic House
100 Hills Road
Cambridge
CB2 1AR

Internal auditors:

Scrutton Bland
Fitzroy House
Crown Street
Ipswich
IP1 3LG

Bankers:

Lloyds Bank PLC
1 Legg Street
Chelmsford
Essex
CM1 1JS

Solicitors:

Birketts LLP
Brierley Place
New London Road
Chelmsford
Essex
CM2 0AP

Contents

Report of the Governing Body

NATURE, OBJECTIVES AND STRATEGIES:

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

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Palmer's College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

Mission

Governors in January 2010 adopted the following mission statement:

"Palmer's College is committed to serving its community through excellent teaching and support for all students. The College aims to ensure that, in their pursuit of learning, students are enthusiastically engaged and successful in the achievements of their goals. It aims to widen their aspirations to take full advantage of a more globalised, inter-dependent world."

Public Benefit

Palmer's College is an exempt charity under Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on page 14.

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

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

- Excellent teaching
- Support for all students
- All students enthusiastically engaged in learning
- Success in the achievement of their goals
- Widened aspirations to take advantage of a more globalised and inter-dependent world

The delivery of public benefit is covered throughout the Members Report.

Implementation of strategic plan

In July 2015 the College adopted a strategic plan for the period 1 August 2015 to 31 July 2018. The Corporation monitors the performance of the College against this plan through the operating statement. The strategic plan is reviewed and updated each year. The core business of Palmer's College is the delivery of the highest quality teaching and learning possible, within a culture of continuous improvement.

In December 2015 the College was inspected by Ofsted and graded as 'Requires Improvement'. This mirrored the College's self-assessment. The college has used the recommendations from the inspection to identify actions to improve the quality of teaching and learning on behalf of our learners.

The College's strategic priorities in 2015/16 are:

1. **Student Success**

Excellent teaching and learning leading to excellent student success rates and value added, with all students achieving their full potential.

2. **High Quality Individualised Study Programmes**

A responsive and high quality curriculum with careers and employability support that enables students to progress to the destination of their choice, whether that is higher education, training or employment.

3. **Financial Security**

Financial security to allow continual investment in resources and effective delivery of the Strategic Plan.

The College is on target for achieving these objectives.

Financial objectives

The College's financial objectives are to:

- continue to maintain recruitment targets
- ensure financial resources are deployed to provide study programmes that meet the needs of our students
- ensure that the College's financial health is maintained at either outstanding or good in order to invest as much as possible in teaching and learning, based on the following:
    - maintaining a general reserve of at least 30% of income
    - maintaining cash days of 45 or more
    - achieve break-even (ignoring FRS102 Pension costs) by 31st July 2018
    - generating a cash inflow from operating activities by 31st July 2018
- continue to produce monthly management accounts, including an income and expenditure account, balance sheet, cash-flow forecast and capital forecast.
- maintain the confidence of funding bodies, suppliers and professional advisors by
    - providing financial and non-financial returns on time and in the agreed format
    - ensuring all returns requiring certification by auditors are unqualified and submitted on time
    - adhering to the college's policy to pay all suppliers within 30 days of receipt of an invoice.

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

Performance indicators

The College is committed to observing the importance of sector measures and indicators and uses the FE Choices data available on the GOV.UK website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the Education Funding Agency (EFA). The College is assessed by the EFA as having a "Good" financial health rating. The current rating of Good is considered an acceptable outcome. The College aims to retain this category against a very difficult backdrop of increased local competition for post 16 education.

Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) is expected to reduce from 4% to 1% in 2016/17 but expenditure reductions for 2017/18 should bring it back to the original position.

Learner achievement rates in 2015/16 were 83.9% which is 3.8% below national average. It is also 2% below the College's 2014/15 achievement but above the 3-year trend.

FINANCIAL POSITION

Financial results

The College generated a deficit before other gains and losses in the year of £184,000 (2014/15 – surplus of £109,000) with total comprehensive income of (£1,304,000) (2014/15 – £139,000). This amount is after the adjustments for Pension liabilities. The position before these adjustments was a £53,000 surplus (2014/15 – £323,000 surplus).

The College has accumulated reserves of £65,000 and cash balances of £1,866,000 as at July 2016.

Tangible fixed asset additions during the year amounted to £273,000. Of this, £173,000 was for equipment purchased and £100,000 for modernisation of heating and lighting.

The College has significant reliance on the EFA for its principal funding source, largely from recurrent grants. In 2015/16 the FE funding bodies provided 91% of the College's total income.

Treasury policies and objectives

Treasury management is the management of the College's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Funding Agreement.

Cash flows and liquidity

At £386,000 (2014/15 £1,114,000), net cash flow from operating activities was reasonably strong.

During the year, the college increased its loan from SALIX by £90,000 to £193,000. It also entered into a finance lease for gym equipment for £69,000.

The size of the College's total borrowing and its approach to interest rates has been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cashflow. During the year this margin was comfortably exceeded. However, the deficit posted represents a breach in the college's loan facility, which would allow the bank to call in the loan. If this were to occur, the college's cash balance would be substantially reduced.

Reserves Policy

The College seeks to maintain a level of reserves sufficient to cover day to day expenditure that in the short term may not be covered due to differing phasing of receipts. Expenditure in any one month typically amounts to about £800,000. The cash reserve of £1.866m is more than sufficient to allow for this expenditure.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2015/16 the College has delivered activity that has produced £8,659,000 in main allocation funding (2014/15 – £9,214,000). The College had an average during the year of approximately 1,750 funded students.

Student achievements

Students prosper at Palmer's with the College maintaining its commitment to continual improvement as it serves the needs of the community. In 2015/16 the College's overall success rate was 83.9%. Although slightly below 2014/15, this was in line with recent performance.

Curriculum developments

The College has a local reputation for curriculum innovation and change. It has introduced new courses in many areas of the curriculum in order to meet student needs better. The College admits any student who is capable of benefitting from study here, including some students with low levels of prior educational achievement. The College is developing its range of courses and is continuing to work with the 11-19 Planning and Development groups in Thurrock.

Courses have been designed to ensure students are able to move securely into the labour market and university depending on what is right for them.

Students have been encouraged to consider whether academic or vocational courses best suit their needs and considerable effort is placed on ensuring that they have a study programme that is suitable for them.

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 per cent. During the accounting period 1 August 2015 to 31 July 2016, the College achieved 91%. The College incurred no interest charges in respect of late payment for this period.

Events after the end of the reporting period

There are none to report.

Future prospects

The College will continue to develop the Estates Strategy to improve the facilities for the students and staff. Alternative sources of funding were explored over the course of 2015/16 and the College took out a Finance Lease of £69,000 to renew Sports Centre equipment. It is intended in 2016/17 to submit a funding bid to EFA for the capital cost of renewing D-Block, which is in need of work to ensure it remains fit for provision of teaching and learning.

Student numbers declined from 1,947 in September 2014 to 1,734 in September 2015. It is anticipated that the number of students for 2016/17 academic year will be about 1,640. This reflects increased local provision for 16-19 education in Schools and Academies and the trend towards apprenticeships rather than academic qualifications amongst the population. The college is adapting to provide a service within the reduced resources that this entails.

In November, the college will take part in the Essex Area Review of Further Education. A number of options are likely to be considered, including closer links with other FE establishments. Federation or merger are possible results of the review. The college is also exploring the possibility of joining with local schools in a Multi Academy trust.

RESOURCES:

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

Financial
The College has £65,000 of net assets (including £3,933,000 pension liability) and long term debt of £157,000.

People
The College employs 171 people (expressed as full time equivalents), of which 88 are teaching staff.

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

PRINCIPAL RISKS AND UNCERTAINTIES:

The College has undertaken further work during the year to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation.

Based on the strategic plan, the Audit and Risk Committee 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 Audit and Risk Committee will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

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

Outlined below is a description of the principal risk factors that may affect the College. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

1. *Government funding*
The College relies on continued government funding through the education sector funding bodies for 91% of the College's revenue. This funding is based on student numbers. Although the government has promised no change to the headline funding per student before 2020, there can be no assurance that overall funding will not be changed (e.g. high needs provision) or that government policy and practice will remain the same

The College is aware of several issues which may impact on future funding,

- The local competition for post 16 provision
- The effect of an Ofsted rating of "Requires Improvement"
- The Government emphasis on Area Based Reviews for Further Education

This risk is mitigated in a number of ways:

- by rigorously promoting high quality from its teachers
- maintaining and managing key relationships with the various funding bodies;
- ensuring the College is focused on those priority sectors which will continue to benefit from public funding
- marketing and promotion of the college in the local area
- easily accessible enrolment processes
- regular dialogue with funding bodies

2. *Decline in perceived quality of provision*
The college needs to improve its reputation to attract increasing numbers of future students. It is therefore using its Quality Improvement Plan to improve the quality of teaching and learning which, apart from being an important aim in its own right, should impact positively on examination results and OFSTED assessments.

3. *Possible Loss of Key Personnel*
The college depends for its success on attracting and retaining staff who are sufficiently skilled in teaching or other areas to maintain and improve its services. Therefore, effective recruitment procedures and succession planning are used to maintain the necessary expertise.

4. *Child Protection and Safeguarding*
The majority of the College's students are under 18 years of age. The College therefore has policies and procedures in place to ensure, as far as possible, the safety of the young people who use its services. This includes remaining aware of potential risks to safety and well-being and acting to prevent them or minimise their impact.

5. *Maintain adequate funding of pension liabilities*
The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS 102.

STAKEHOLDER RELATIONSHIPS

In line with other colleges and with universities, Palmer's College has many stakeholders. These include:

- Students;
- Education sector funding bodies;
- Sixth Form Commissioner;
- Staff;
- Local employers (with specific links);
- Local authorities;
- Local Enterprise Partnerships;
- The local community;
- Other FE institutions;
- Trade unions;
- Professional bodies;
- William Palmer College Educational Trust; and
- Palmer's College Corporation.

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

Equal opportunities and employment of disabled persons

Palmer's 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, disability, class, religion or belief and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively challenge any form of bias, prejudice or bigotry. This policy is resourced, implemented and monitored on a planned basis.

The College publishes an Annual Equality Report and Equality Objectives to ensure compliance with all relevant equality legislation including the Equality Act 2010. The College undertakes equality impact assessments on all new policies and procedures and publishes the results. Equality impact assessments are also undertaken for existing policies and procedures on a prioritised basis.

The College considers all applications from disabled persons, bearing in mind the aptitudes of the individuals concerned. If an existing employee becomes disabled, every effort will be 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.

Disability statement

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

- As part of its accommodation strategy the College updated its access audit;
- The College has staff who provide information, advice and arrange support where necessary for students with disabilities;
- 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 staff to support students with learning difficulties and/or disabilities. There are a number of learning consultants 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; 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 7 December 2016 and signed on its behalf by:

G. Loveland

Graeme Loveland - Chair

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1st August 2015 to 31st July 2016 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
ii. in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the Code"); and
iii. having due regard to the UK Corporate Governance Code 2014 insofar as it is applicable to the further education sector

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the College has adopted and complied with the Code. We have not adopted and therefore do not comply with the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.

In the opinion of the Governors, the College complies with all the provisions of the 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.

The College is an exempt charity within the meaning of Part 3 of the Charities Act 2011. The Governors, who are also the Trustees for the purposes of the Charities Act 2011, confirm that they have had due regard for the Charity Commission's guidance on public benefit and that the required statements appear elsewhere in these financial statements.

The Corporation

The members who served on the Corporation during the year and up to the date of signature of this report were as listed in the table below.

	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees Served	Attendance 01.08.2015-31.07.2016
Clive Attwood	30/03/2012 30/03/2016	4 years	16/09/16	External	Chair: Corporation, Member: Search, Governance & Remuneration	100%
Robert Avery	15/12/2014	4 years		External	Member: Search, Governance & Remuneration	42.86%
Clive Banbury	24/03/2014	4 years		External	Chair: Audit and Risk, Member: Search, Governance & Remuneration	100%
Jenny Carter	25/03/2013	4 years	05/09/16	External	Member: Search, Governance & Remuneration	92.86%
Roger Key	02/08/2012 02/08/2016	4 years		External	Member: Audit and Risk	80%
Rajan Mohile	18/10/2012	4 years	19/09/16	External	Member: Search, Governance & Remuneration	85.71%
Geraldine Perks	14/07/2013	4 years		External	Member: Audit and Risk	53.33%
Glenn Phillips	24/03/2014	4 years		External		54.54%
Kevin Sadler	24/03/2014	4 years		External		45.45%
Stephen Finch	01/09/2015	4 years		External		36.36%
Cliff Carter	02/08/2012	4 years	01/08/16	Trust (Foundation)		72.72%
Graeme Loveland	19/10/2011 19/10/2015	4 years		Trust (Foundation)	Member: Audit and Risk. Chair from 17/10/16	86.67%
Mark Vinall	01/09/2007	Term as Principal		Principal		93.33%
Diane Wadey	18/05/2012 18/05/2016	4 years		Staff (Support)	Member: Audit and Risk	93.33%
Ritchie Naylor	18/12/2013	4 years		Staff (Teaching)		81.81%
Molly Lindsey	24/03/2015	1 year	23/03/16	Student		0%
Michael Webster	24/03/2015	1 year	23/03/16	Student		0%
Jaz Dupree	24/03/2016	1 year		Student		33.33%
Rob Evans	24/03/2016	1 year		Student		33.33%

A Foundation member is a Governor nominated by the William Palmer Educational Trust.

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 each month apart from August.

The Corporation conducts certain business through two committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are

- Search, Governance & Remuneration
- Audit & Risk.

Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website at www.palmers.ac.uk or from the clerk to the Corporation at:

Palmer's College
Chadwell Road
Grays
Essex RM17 5TD

The Clerk to the Corporation maintains a register of financial and personal interests of the governors. The register is available for inspection at the above address.

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

Formal agendas, papers and reports are supplied to governors in a timely manner, prior to Board meetings. Briefings are 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 Accounting Officer are separate.

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search, Governance & Remuneration committee, consisting of five members of the Corporation, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

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

Corporation Performance
Governance requires improvement because:

- Insufficient improvement in the overall quality of teaching, learning and assessment, contributing to a slight decline in the college's overall achievement rate and the lack of improvement in overall value added scores.
- The provision of a premises lease by the Trust remains outstanding
- Low attendance of some governors to meetings
- Declining enrolments leading to reductions in income forecasts

Governance has the following strengths:

- A more effective and restructured Governing body, with more frequent meetings of the full Corporation and a reduced number of committees
- Robust and well informed discussion at meetings of the full Corporation with regard to the development of strategic options for the forthcoming FE Area Review
- Improved oversight of the quality of teaching, learning, assessment and safeguarding by the full Corporation which now involves all members
- Effective oversight of the college's finances
- Regular monthly reporting of performance against KPIs
- Governor participation in 'Learning Walks'
- Good, supportive and productive relationship between governors and the senior management team, with managers responding promptly to requests by governors for information
- Agendas and the vast majority of papers for meetings are sent out to governors at least a week prior to their meetings

Remuneration committee
Throughout the year ending 31 July 2016, the College's Search, Governance and Remuneration committee comprised five members of the Corporation. The Committee's responsibilities include making recommendations to the Corporation on the remuneration and benefits of the Accounting Officer and other key management personnel.

Details of remuneration for the year ended 31 July 2016 are set out in note 5 to the financial statements.

Audit and Risk Committee
The Audit and Risk Committee comprises five members of the Corporation (excluding the Accounting Officer and Chair). The Committee operates in accordance with written terms of reference approved by the Corporation.

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

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

The Audit and Risk Committee also advises the Corporation on the appointment of internal, reporting accountants and financial statements auditors and their remuneration for both audit and non-audit work as well as reporting annually to the Corporation.

Internal control

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

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum between Palmer's College and the funding bodies. He 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 the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Palmer's 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 ending 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; and
- the adoption of formal project management disciplines, where appropriate.

The College carefully analyses the risks to which it is exposed, and a programme of external assurance was agreed with the Audit and Risk Committee. The Committee was provided with regular reports on this external assurance activity in the College. The reports included independent assessments on the adequacy and effectiveness of key areas of the College's systems, and was targeted at higher risk areas. The basis of targeted external assurance work will continue for the year ended 31 July 2016.

Palmer's College makes use of a limited form of internal audit service, whereby the service undertakes such activities as the Audit & Risk committee requests during the year. In 2015/16 one internal audit report was commissioned, on the arrangements for approving and funding student trips and visits. For 2015/16 the College management and Governors have assessed the internal controls and produced an Internal Financial Management and Control Evaluation. They also carried out an assurance mapping exercise.

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

- the work of the internal auditors in previous years and the current year (if any);
- 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 and the reporting accountant for regularity assurance in their management letters and other reports.

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

The Senior Management Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training.

The Audit and Risk 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 and Risk Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

Based on the advice of the Audit and Risk Committee and the Accounting Officer, 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

As detailed in note 1, the College has a breach in one of its financial covenants at 31st July 2016. Subsequent to the year end, the College has discussed its position with Lloyds Bank, which has confirmed that it remains supportive of the College and senior management team. The Bank is considering the potential to reset the College's covenant suite for the financial year 2016-17 onwards.

At this point, the bank has the option of calling in its loans. Although the college considers, from conversations with bank representative that this is not likely, it has not had formal confirmation of the fact. The college is showing the entire £909,000 term loan as repayable within one year.

The college has sufficient cash and net assets to enable the immediate repayment of the loan, should that be required. However, should all creditors due within one year be required to be repaid immediately, the College would have a need to rely on the bank for loan funding. (Creditors due within one year includes £390,000 deferred Capital grant and £267,000 employee leave accrual for which no cash payment would ever be likely to be required).

Based on the above the Corporation believe that it remains appropriate to prepare the financial statements on a going concern basis.

Student numbers declined from 1,947 in September 2014 to 1,734 in September 2015. It is anticipated that the number of students for 2016/17 academic year will be about 1,640. The College holds a substantial cash reserve and has sufficient net assets to meet its debts and enable its continuance. Plans are being prepared for reduced staffing levels in 2017/18, which will enable it to spend within its income.

Approved by order of the members of the Corporation on 7 December 2016 and signed on its behalf by:

G Loveland

Graeme Loveland
Chair

Mark Vinall

Mark Vinall

Accounting Officer

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

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

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 EFA's terms and conditions of funding under the College's financial memorandums.

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 Education Funding Agency.

G. Loveland

Graeme Loveland
Chair

Mark Vinall

Mark Vinall

Accounting Officer

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the Funding Agreement between the EFA, Skills Funding Agency and the Corporation of the College, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the *2015 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *College Accounts Direction 2015 to 2015* issued jointly by the Skills Funding Agency and the EFA, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

The Corporation is also required to prepare a Report of the Governing Body which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

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

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

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the Skills Funding Agency and the EFA are used only in accordance with the Financial Memorandum with the Skills Funding Agency and the 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 and the EFA are not put at risk.

Approved by order of the members of the Corporation on 7 December 2016 and signed on its behalf by:

G. Loveland

Graeme Loveland
Chair

Independent Auditor's Report to the Corporation of Palmer's College

We have audited the College financial statements ("the financial statements") of Palmer's College for the year ended 31 July 2016 set out on pages 27 to 51. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

This report is made solely to the Corporation, as a body, in accordance with Article 22 of the College's Articles of Government. 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 Palmer's College and Auditor

As explained more fully in the Statement of the Responsibilities of the Members of the Corporation set out on pages 21-22, the Corporation is responsible for the preparation of financial statements which give a true and fair view.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Corporation; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Report of the Governing Body to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2016 and of the College's income and expenditure, gains and losses, changes in reserves and cash flows for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and 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 (June 2016) issued jointly by the Skills Funding Agency and the Education Funding Agency requires us to report to you if, in our opinion:

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

S Beavis

Stephanie Beavis 21 **December 2016**
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Botanic House, 100 Hills Road, Cambridge, CB2 1AR

Reporting Accountant's Report on Regularity

To: The Corporation of Palmer's College and Secretary of State for Education acting through Education Funding Agency

In accordance with the terms of our engagement letter dated 7 June 2013 and further to the requirements of the funding agreement with Education Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Palmer's 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 Education Funding Agency has other assurance arrangements in place.

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

Respective responsibilities of Palmer's College and the reporting accountant

The corporation of Palmer's 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.

The work undertaken to draw our conclusion included:

- Documenting the framework of authorities which govern the activities of the College;
- Undertaking a risk assessment based on our understanding of the general control environment and any weaknesses in internal controls identified by our audit of the financial statements;
- Reviewing the self-assessment questionnaire which supports the representations included in the Chair of Governors and Accounting Officer's statement on regularity, propriety and compliance with the framework of authorities;
- Testing transactions with related parties;
- Confirming through enquiry and sample testing that the College has complied with its procurement policies and that these policies comply with delegated authorities; and
- Reviewing any evidence of impropriety resulting from our work and determining whether it was significant enough to be referred to in our regularity report.

Conclusion

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

S Beavis

Stephanie Beavis 21 **December 2016**
For and on behalf of KPMG LLP, Reporting Accountant
Chartered Accountants
Botanic House, 100 Hills Road, Cambridge, CB2 1AR

Statement of Comprehensive Income

	Notes	Year ended 31 July 2016	Year ended 31 July 2015 Restated
		£'000	£'000
INCOME			
Funding body grants	2	9,100	9,651
Other grants and contracts	3	94	67
Other income	4	766	1,067
Total income		**9,960**	**10,785**
EXPENDITURE			
Staff costs	5	6,998	7,292
Fundamental restructuring costs	5	54	103
Other operating expenses	6	2,116	2,318
Depreciation	8	834	808
Interest and other finance costs	7	142	155
Total expenditure		**10,144**	**10,676**
(Deficit)/surplus before other gains and losses		**(184)**	**109**
Loss on disposal of assets	8	-	-
(Deficit)/surplus for the year		**(184)**	**109**
Unrealised surplus on revaluation of assets		-	-
Actuarial loss in respect of pensions schemes	20	(1,120)	30
Total Comprehensive Income/ (Loss) for the year		**(1,304)**	**139**
Represented by:			
Restricted comprehensive income/ (loss)		-	-
Unrestricted comprehensive income/ (loss)		**(1,304)**	**139**
		(1,304)	**139**

Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Restated Balance at 1st August 2014	1,230	-	1,230
Surplus/(deficit) from the income and expenditure account	109	-	109
Other comprehensive income	30	-	30
	139	-	139
Balance at 31st July 2015	1,369	-	1,369
Surplus/(deficit) from the income and expenditure account	(184)	-	(184)
Other comprehensive income/ (loss)	(1,120)	-	(1,120)
Total comprehensive income/ (loss) for the year	(1,304)	-	(1,304)
Balance at 31 July 2016	65	-	65

The notes on pages 31 to 51 form part of these financial statements

Balance sheet as at 31 July

	Notes	2016	2015
		£'000	£'000
Non current assets			
Tangible Fixed assets	8	8,011	8,572
Investments	9	-	-
Pensions asset			
Total fixed assets		**8,011**	**8,572**
Current assets			
Trade and other receivables	10	158	172
Cash and cash equivalents		1,866	1,730
Total current assets		2,024	1,902
Less: Creditors – amounts falling due within one year	11	(2,386)	(1,633)
Net current assets		**(362)**	**269**
Total assets less current liabilities		**7,649**	**8,841**
Creditors – amounts falling due after more than one year	12	(3,651)	(4,896)
Provisions			
Defined benefit obligations	14	(3,933)	(2,576)
TOTAL NET ASSETS		**65**	**1,369**
Unrestricted Reserves			
Income and expenditure account		65	1,369
Total unrestricted reserves		**65**	**1,369**

The financial statements on pages 27 to 51 were approved and authorised for issue by the Corporation on 7 December 2016 and were signed on its behalf on that date by:

G Loveland

Graeme Loveland
Chair

Mark Vinall

Mark Vinall
Accounting Officer

Statement of Cash Flows

	Notes	2016	Restated 2015
		£'000	£'000
Cash flow from operating activities			
Surplus/(Deficit) for the year		(1,304)	139
Adjustment for			
Depreciation		834	808
(Increase)/decrease in debtors		14	378
Increase/(decrease) in creditors due within one year		(172)	(63)
Increase/(decrease in creditors due after one year		(390)	(381)
Pensions costs less contributions payable		1,357	184
Adjustment for investing or financing activities			
Interest payable		47	49
Net cash flow from operating activities		386	1,114
Cash flows from investing activities			
Payments made to acquire fixed assets		(204)	(760)
		(204)	(760)
Cash flows from financing activities			
Interest paid		(45)	(49)
Interest element of finance lease rental payments		(2)	-
New unsecured loans		90	103
Repayments of amounts borrowed		(80)	(60)
Capital element of finance lease rental payments		(9)	-
		(46)	(6)
Increase / (decrease) in cash and cash equivalents in the year		**136**	**348**
Cash and cash equivalents at beginning of the year	20	1,730	1,382
Cash and cash equivalents at end of the year	20	1,866	1.730

Notes to the Accounts
1. Accounting policies
Statement of accounting policies
The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation
These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 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 23.

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

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

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

Basis of accounting
The financial statements are prepared in accordance with the historical cost convention.

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

The College currently has £909,000 of loans outstanding with bankers on terms negotiated between 2006 and 2009. It also has a £161,000 interest free loan with Salix. 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. These forecasts assume that student numbers will continue to fall until 2019 but stabilise thereafter. If the fall in student numbers is greater than anticipated then further expenditure reduction will be required. The move to FRS102 reporting has resulted in some high value adjustments, which put the college in breach of the bank covenants. The college has discussed this with Lloyds bank, which has indicated that it will not treat the college adversely as a result of the change in reporting and will not act on any breach that arises solely from the adoption of FRS102. For future years the bank intends to reset the covenants to ensure they fit with the new accounting policy. Pending written confirmation from the bank on its final position, the loans have been reclassified as being wholly due within one year.

The Corporation is aware that future income is expected to be lower than at present because student numbers are falling. It considers that careful planning should enable it to manage its expenditure to match future resources. It currently plans to incur a deficit of £300k in 2016/17 but to return to break-even in 2017/18. Accordingly, it is reviewing its staffing levels, its use of procurement expertise to obtain value for money in its contracts and its curriculum offer in the light of the viability of courses. As part of the Area Review of Further Education, it is exploring the scope for joint working with other Further Education providers to gain economies of scale.

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
Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual method as permitted by FRS 102. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

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

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

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

Actuarial gains and losses are recognised immediately in other recognised gains and losses.

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

Non-current Assets - Tangible fixed assets

Land and buildings
The College operates from land and buildings owned by the William Palmer College Educational Trust ('the Trust'). It has full use of the land and buildings rent free.

The Charity Commission set out the use of the property as 'subject as hereinafter provided the Trustees shall permit the land and buildings to be appropriated and used for the purposes of a voluntary controlled school within the meanings of the Educational Acts 1944 to 1973.'

Whilst there is no defined expectation of the length of occupancy, it is accepted that the College will operate from the site for at least the next 100 years. The land and buildings owned by the Trust have been excluded from capitalisation on the basis that it is not practicable to obtain valuation of this benefit.

Buildings inherited from the Local Education Authority and building improvements made since incorporation are stated in the balance sheet at deemed cost less accumulated depreciation.

Buildings are depreciated over their expected useful economic life to the College of between 20 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 20 and 50 years.

Where buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred income account within creditors, and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

On adoption of FRS 102, the College followed the transitional provision to retain the book value of buildings as deemed cost but not to adopt a policy of revaluations of these properties in the future.

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.

Subsequent expenditure on existing fixed assets
Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it increases the future benefits to the College, in which case it is capitalised and depreciated on the relevant basis.

Equipment
Equipment costing less than £250 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 to the College of between one and three years from incorporation and is now fully depreciated. All other equipment is depreciated over its useful economic life as follows:

- Education, catering and maintenance equipment 4 - 10 years on a straight-line basis
- Office equipment 4 - 10 years on a straight-line basis
- Computer equipment 4 years on a straight-line basis
- Furniture, fixtures and fittings 4 - 15 years on a straight-line basis.

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

Leased assets
Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives relating to leases signed after 1st August 2014 are spread over the minimum lease term. The College has taken advantage of the transitional exemptions in FRS 102 and has retained the policy of spreading lease premiums and incentives to the date of the first market rent review for leases signed before 1st August 2014.

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

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

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

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

Cash equivalents are short term, highly liquid investments that are 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.

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is exempt in respect of Value Added Tax, so that it cannot recover VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

Provisions and contingent liabilities

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

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

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

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

Agency arrangements

The College acts as an agent in the collection and payment of discretionary support Funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the college.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- One lease, for Gym Equipment is considered to be a finance lease, as the risks and rewards of ownership lie with the College as lessee. All other leases (for Photocopiers and IT equipment) are treated as operating leases.
- It is considered that there are no indicators of impairment of the College's tangible assets.

Other key sources of estimation uncertainty

- *Tangible fixed assets*

Tangible fixed assets 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 20, 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.

2 Funding body grants

	2016	2015
	£'000	£'000
Recurrent grants		
Skills Funding Agency	-	7
Education Funding Agency	8,710	9,258
Specific grants		
Education Funding Agency	-	5
Releases of government capital grants	390	381
Total	**9,100**	**9,651**

3 Other grants and contracts

	2016	2015
	£'000	£'000
Local Authorities (High Needs)	58	41
Sport England	36	26
Total	**94**	**67**

4 Other income

	2016	2015
	£'000	£'000
Catering	246	291
Lettings	16	17
Sports and Fitness Centre	308	326
Transport Income	57	83
College Trips	130	215
Non-government capital grants	-	125
Miscellaneous income	9	10
Total	**766**	**1,067**

5 Staff costs

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

	2016 No.	2015 No.
Teaching staff	88	91
Non-teaching staff	83	82
	171	**173**

Staff costs for the above persons

	2016 £'000	2015 £'000
Wages and salaries	5,317	5,782
Social security costs	419	415
Other pension costs	920	873
Payroll sub total	**6,656**	**7,070**
Contracted out staffing services	342	222
	6,998	**7,292**
Fundamental restructuring costs - Contractual	44	103
- Non contractual	10	-
Total Staff costs	**7,052**	**7,395**

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 Senior Management Team which comprises the Principal and 4 Assistant Principals. 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:	5	6

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

	2016 No.	2015 No.
£60,001 to £70,000	3	4
£70,001 to £80,000	1	1
£80,001 to £90,000	0	0
£90,001 to £100,000	0	0
£100,001 to £110,000	0	0
£110,001 to £120,000.	1	1
	5	**6**

No other staff received more than £60,000. The 2014/15 figures include 2 postholders of Assistant Principal (Finance & Resources) post due to the retirement of the original postholder

Key management personnel compensation is made up as follows:

	2016	2015
	£'000	£'000
Salaries	372	372
Employers National Insurance	42	40
	414	**412**
Pension contributions	61	53
Total key management personnel compensation	**475**	**465**

There were no amounts due to key management personnel that were waived in the year, nor any salary sacrifice arrangements in place.

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

	2016	2015
	£'000	£'000
Salaries	111	110
Benefits in kind	-	-
	111	110
Pension contributions	18	16

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

6 Other operating expenses

	2016	2015
	£'000	£'000
Teaching costs	247	226
Non-teaching costs	1,252	1,414
Premises costs	617	678
Total	**2,116**	**2,318**

Other operating expenses include:	**2016**	**2015**
	£'000	£'000
Auditors' remuneration:		
Financial statements audit	21	18
Internal audit	3	9
Hire of assets under operating leases	136	96

7 Interest and other finance costs

	2016	2015
	£'000	£'000
On bank loans, overdrafts and other loans	45	49
On Finance leases	2	-
Pension finance costs (note 20)	95	106
Total	**142**	**155**

8 Tangible Fixed Assets

	Land and buildings Long leasehold	Equipment	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2015	9,600	5,134	103	14,837
Additions	100	173	-	273
Transfers	-	103	(103)	-
Disposals	-	-	-	-
At 31 July 2016	**9,700**	**5,410**	**-**	**15,110**
Depreciation				
At 1 August 2015	2,728	3,537	-	6,265
Charge for the year	494	340	-	834
Elimination in respect of disposals	-	-	-	-
At 31 July 2016	**3,222**	**3,877**	**-**	**7,099**
Net book value at 31 July 2016	**6,478**	**1,533**	**-**	**8,011**
Net book value at 31 July 2015	6,872	1,597	103	8,572

The College occupies land and buildings at Chadwell Road, Grays which are owned by the William Palmer College Educational Trust. The title to the land is vested in the Official Custodian for Charities in trust for the charity. There is no formal agreement to occupy. The properties are maintained and insured by the College (for details please see note 21). The properties are not included in the balance sheet.

Inherited buildings were valued for the purpose of the 1994 financial statements at depreciated replacement cost by Essex County Council Property Services in accordance with the RICS statement of Asset Valuation Practice and Guidance notes. Other tangible assets inherited from Essex County Council at incorporation have been valued by the Corporation on a depreciated replacement cost basis with the assistance of independent professional advice.

Inherited buildings with a net book value of nil were funded by Essex County Council.

The net book value of equipment includes an amount of £60,000 (2014/15 – nil) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £9,000 (2014/15 – nil).

9 Investments

	2016	2015
	£	£
Investments in subsidiary company	1	1
Total	**1**	**1**

The College owns 100% of the issued ordinary £1 shares of Palmer's College Catering Limited, a company incorporated in England and Wales. The principal business activity of Palmer's College Catering Limited was that of vending machine sales but it ceased trading during 2012. The amount of issued share capital is £1

10 Debtors

	2016	2015
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	7	4
Prepayments and accrued income	151	168
Total	**158**	**172**

11 Creditors: amounts falling due within one year

	2016	2015
	£'000	£'000
Loans and overdrafts	956	48
Obligations under finance leases	17	-
Trade creditors	138	191
Other taxation and social security	122	121
Accruals	496	510
Holiday Pay	267	373
Deferred income – government capital grants	390	390
Total	**2,386**	**1,633**

12 Creditors: amounts falling due after one year

	2016	2015
	£'000	£'000
Bank loans		909
Other Loan - Salix	114	103
Obligations under finance leases	43	-
Deferred income – government capital grants	3,494	3,884
Total	**3,651**	**4,896**

13 Maturity of Debt

(a) Loans and overdrafts

Loans and overdrafts are repayable as follows:

	2016	2015
	£'000	£'000
In one year or less	956	48
Between one and two years	48	77
Between two and five years	66	243
In five years or more	0	692
Total	**1,070**	**1,060**

The College has three loans over a 25 year period. The first loan started in January 2006 and was for £500k fixed at 6.025%. A variable loan started at the same time for £250k at 0.75% over base rate. A further fixed rate loan over 25 years started in February 2009 for £500k fixed at 4.965%. The college also has a Salix loan, included in the accounts at £193k, repayable over 4 years. This loan is interest free. All of the loans are unsecured.

(b) Finance leases

The net finance lease obligations to which the college is committed are

	2016	2015
	£'000	£'000
In one year or less	17	-
Between one and two years	17	-
Between two and five years	26	-
In five years or more	-	-
Total	**60**	**0**

Finance lease obligations are secured on the assets to which they relate. This finance lease for Gym equipment was entered into in 2015/16

14

	Defined benefit obligations	Restructuring	Enhanced pensions	Total
	£'000	£'000	£'000	£'000
At 1 August 2015	2,576	-	-	**2,576**
Expenditure in the period	(270)	-	-	**(270)**
Additions in period	1,627	-	-	**1,627**
At 31 July 2016	**3,933**	**-**	**-**	**3,933**

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 20.

15 Cash and cash equivalents

	At 1 August 2015	Cash flows	Other changes	At 31 July 2016
	£'000	£'000	£'000	£'000
Cash and cash equivalents	1,730	136	-	1,866
Total	**1,730**	**136**	**-**	**1,866**

16 Capital and other commitments

	2016	2015
	£'000	£'000
Commitments contracted for at 31 July	-	97

17 Lease obligations

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

	2016	2015
	£'000	£'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	-	-
Later than one year and not later than five years	-	-
Later than five years	-	-
	-	-
Other i.e. Computer Equipment and Photocopiers		
Not later than one year	123	92
Later than one year and not later than five years	219	78
Later than five years	-	-
	342	**170**

18 Contingent liabilities

The College is reporting no contingent liabilities

19 Events after the reporting period

There are no events after the reporting period

20 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 Essex Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Essex County Council. Both are multi-employer defined-benefit plans.

Total pension cost for the year		**2016**		**2015**
		£000		**£000**
Teachers' Pension Scheme: contributions paid		504		508
Local Government Pension Scheme:				
Contributions paid	270		274	
FRS 102 (28) charge	142		108	
Charge to the Statement of Comprehensive Income		412		382
Enhanced pension charge to Statement of Comprehensive Income		-		-
Total Pension Cost for Year within staff costs		**916**		**890**

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.

There were no outstanding or prepaid contributions at either the beginning or the end of the financial year.

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.

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 £504,000 (2015: £508,000)

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.

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Essex County Council. The total contributions made for the year ended 31 July 2016 were £365,000, of which employer's contributions totalled £270,000 and employees' contributions totalled £95,000. The agreed contribution rates for future years are 16.0% 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%	4.4%
Future pensions increases	2.1%	2.6%
Discount rate for scheme liabilities	2.5%	3.8%
Inflation assumption (CPI)	2.1%	2.6%
Commutation of pensions to lump sums	60%	60%

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	22.9	22.8
Females	25.3	25.2
Retiring in 20 years		
Males	25.2	25.1
Females	27.7	27.6

	Fair Value at 31 July 2016	Fair Value at 31 July 2015
	£'000	£'000
Equities	5,356	4,300
Gilts	280	268
Other bonds	351	642
Property	864	765
Cash	236	163
Alternative assets	347	476
Other managed funds	375	-
Total fair value of plan assets	**7,809**	**6,614**
Estimated return on the fund (on a bid value to bid value basis)	**9%**	**12%**
Actual return on plan assets	**600**	**704**

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

	2016	2015
	£'000	£'000
Fair value of plan assets	7,809	6,614
Present value of plan liabilities	(11,742)	(9,190)
Net pensions (liability)/asset (Note 14)	(3,933)	(2,576)

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	412	382
Past service cost	-	-
Total	**412**	**382**
Amounts included in Interest and other finance costs		
Net income/ (expenditure)	(95)	(106)
	(95)	**(106)**

Amount recognised in Other Comprehensive Income

Return on pension plan assets	337	457
Changes in assumptions underlying the present value of plan liabilities	(1,457)	(427)
Amount recognised in Other Comprehensive Income	**(1,120)**	**30**

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

	2016 £'000	2015 £'000
Net defined benefit (liability)/asset in scheme at 1 August	(2,576)	(2,392)
Movement in year:		
Current service cost	(412)	(382)
Employer contributions	270	274
Past service cost	-	-
Net interest on the defined (liability)/asset	(95)	(106)
Actuarial gain or loss	(1,120)	30
Net defined benefit (liability)/asset at 31 July	**(3,933)**	**(2,576)**

Asset and Liability Reconciliation

	2016 £'000	2015 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	9,190	8,374
Current service cost	412	382
Interest cost	355	353
Contributions by Scheme participants	95	97
Experience gains and losses on defined benefit obligations	-	-
Changes in financial assumptions	1,457	427
Estimated benefits paid	233	(443)
Past Service cost	-	-
Curtailments and settlements	-	-
Defined benefit obligations at end of period	**11,742**	**9,190**
Changes in fair value of plan assets		
Fair value of plan assets at start of period	6,614	5,982
Interest on plan assets	260	247
Return on plan assets	337	457
Employer contributions	270	274
Contributions by Scheme participants	95	97
Estimated benefits paid	233	(443)
Fair value of plan assets at end of period	**7,809**	**6,614**

Deficit contributions

The College has entered into an agreement with the LGPS to make additional contributions of £31k per annum in addition to normal funding levels until the next full valuation at which point the situation will be reviewed again.

21 Related party transactions

As a consequence of its representation on the Corporation, The William Palmer College Educational Trust is a related party within the terms of Financial Reporting Standard 102 “Related Party Disclosures”. As stated in note 8, the College continues to occupy land and buildings at Chadwell Road, Grays controlled by The William Palmer College Educational Trust. The Trust has made no charge to the College in respect of this occupancy. The College has paid maintenance and improvement costs connected with this site of £158k (2015: £230k) without seeking reimbursement from the Trust. These arrangements have been in place since the College’s incorporation in 1993.

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.

No expenses were paid to or on behalf of the Governors in either the 2014/15 or 2015/16 financial years.

No Governor has received any remuneration or waived payments from the College during the year (2014/15: none).

22 Amounts disbursed as agent

Learner support funds

	2016	**2015**
	£’000	**£’000**
Balance brought forward	75	-
Funding body grants – bursary support	179	187
Funding body grants – discretionary learner support	10	10
Other Funding body grants	31	63
	295	260
Disbursed to students	(221)	(176)
Administration costs	(9)	(9)
Balance unspent as at 31 July, included in creditors	65	75

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.

23 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
		£'000	£'000
Financial Position			
Total reserves under previous SORP		401	560
Employee leave accrual	(a)	(324)	(373)
Release of non-government capital grants	(b)	1,153	1,182
Changes to measurement of net finance cost on defined benefit plans	(c)	-	-
Total effect of transition to FRS 102 and 2015 FE HE SORP		829	809
Total reserves under 2015 FE HE SORP		1,230	1,369

	Note	Year ended 31st July 2015
		£'000
Financial performance		
Surplus for the year after tax under previous SORP		222
Revaluation of employee leave accrual	(a)	(49)
Release of non-government grants received	(b)	125
Reversal of capital grants amortisation	(b)	(96)
Pensions provision – actuarial loss	(c)	(63)
Total effect of transition to FRS 102 and 2015 FE HE SORP		(83)
Total comprehensive income for the year under 2015 FE HE SORP		139

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 23 days unused leave for teaching staff and 5 days unused leave for non-teaching staff. In addition, certain non-teaching employees are entitled to carry forward up to 5 days of any unused holiday entitlement at the end of the leave year. The cost of any unused entitlement is recognised in the period in which the employee's services are received. An accrual of £324,000 was recognised at 1 August 2014, and of £373,000 at 31 August 2015. Following a re-measurement exercise in 2015/16, the movement on this provision of £106,000 has been credited to Comprehensive Income in the year ended 31 July 2016.

b) Non-government grants accounted for under performance model

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

c) Non-government grants accounted for under performance model

In prior years, the balance sheet presented deferred capital grants together with total reserves to arrive at total funds which were balanced against net assets. Under FRS102, deferred capital grants are presented in creditors, falling due within or after more than one year as appropriate, and are therefore included in total net assets which are balanced against total unrestricted reserves.

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

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