


PRIESTLEY
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WARRINGTON



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**ANNUAL REPORT AND
FINANCIAL STATEMENTS**
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**FOR THE YEAR ENDED
31 JULY 2015**
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PRIESTLEY COLLEGE
FINANCIAL STATEMENTS
Year ended 31 July 2015

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PRIESTLEY COLLEGE
OPERATING AND FINANCIAL REVIEW
Year ended 31 July 2015

NATURE, OBJECTIVES AND STRATEGIES

The members present their annual report and the audited financial statements for the year ended 31 July 2015.

Legal Status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Priestley College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011. The Corporation was incorporated as Priestley College. From 1 April 2010 Priestley College became a designated sixth form College under the provisions of the Apprenticeships, Skills, Children and Learning Act of 2009.

Mission

In February 2015, the Governing Body reviewed the Corporation's Mission and Vision. After much discussion, it was agreed to change the Mission Statement and adopt the following:

"To inspire, challenge and support students to excel in learning and life."

Values

At Priestley College we value:

- **Learning** and the enjoyment of learning.
- Each **individual** and their needs and aspirations.
- **Achievements** and success which are both personal and academic.
- **Effort** and endeavour to maximise a person's full potential.
- **Partnership** based on respect and equality.

Public Benefit

Priestley College is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education as Principal Regulator for all Sixth Form Colleges in England. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 15-17.

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

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

- High-quality teaching
- Widening participation and tackling social exclusion
- Excellent progression for students to employment or higher education
- Strong student support systems
- Links with employers, industry and commerce
- Links with local community groups and sports clubs

PRIESTLEY COLLEGE
OPERATING AND FINANCIAL REVIEW (continued)
Year ended 31 July 2015

Implementation of Strategic Plan

In July 2014 the College adopted a Strategic Plan for the period 1 August 2014 to 31 July 2017. This strategic plan includes property and financial plans. The Corporation monitors the performance of the College against these plans. The plans are reviewed and updated each year. The College's continuing strategic objectives are:

1. To provide excellent teaching, learning and assessment to optimise student success and progression
2. To provide, evolve and adapt highly efficient and responsive business operations at a time of public sector financial constraints
3. To further strengthen Priestley values, culture and ethos

A number of operational strategies were developed in order to achieve the strategic objectives outlined above. These strategies did not encompass all ongoing activities but did set out the key priorities for taking the College forward in 2014/15.

Responsibility for delivering these strategies rests with members of the College's Senior Management Team who developed more detailed implementation plans as appropriate with teams of staff across the College.

Progress against the Strategic Plan is monitored regularly by the Senior Management Team and reports are received by the Governing Body against the targets which are set in the plan.

For 2014/15 the following operational objectives were formulated:

<p>1. To provide excellent teaching, learning and assessment to optimise student success and progression.</p>	<p>1.1 Embed and develop effective differentiation strategies across the College</p> <p>1.2 Revise assessment practices in light of new awarding body expectations and curriculum development</p> <p>1.3 Revise and embed English and Maths strategies</p> <p>1.4 Continue to develop student programme expectations, the curriculum offer and enrichment provision in response to national and local initiatives</p> <p>1.5 Revise curriculum and programme management/leadership responsibilities to drive forward improvements in the monitoring of student and teacher performance</p> <p>1.6 Streamline Student Performance Monitoring policies, procedures and strategies to maximise the positive impact on student performance</p> <p>1.7 Refine the Improvement Plan process to enhance the positive impact on curriculum lines that give cause for concern</p> <p>1.8 Explore and share innovative and best practice in teaching, learning and assessment including the use of ILT</p>
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PRIESTLEY COLLEGE
OPERATING AND FINANCIAL REVIEW (continued)
Year ended 31 July 2015

2. To provide, evolve and adapt highly efficient and responsive business operations at a time of public sector financial constraints.	2.1	Reviewing and developing business processes to efficiently and effectively support the College's operations
	2.2	Continually reviewing and implementing best value procurement practices and practise and promote a culture of budget awareness
	2.3	Design, develop and manage an adaptable and efficient workforce
	2.4	Maintain and develop the campus to meet the needs of the College community
	2.5	Identify and develop opportunities for income generation
3. To further strengthen the Priestley culture and ethos.	3.1	Articulate the Priestley culture and ethos to staff, students, parents and the wider community
	3.2	Further developing best practice in safeguarding including health and safety
	3.3	Promoting inclusion, equality, diversity and community cohesion
	3.4	Further develop best practice in sustainability

Achievement of Objectives in 2014/15

The Operational Strategies for 2014/15 identified 192 targets and actions to be undertaken during the year. Governors and College Management recognise that progress is not measured by "number of satisfactorily completed actions" alone. *Qualitative* progress was also reviewed periodically by the Senior Management Team and reported to the Strategic Planning Committee during the year. The overall progress at the year end is summarised below:

	Operational Strategies	No of targets/ actions	Successful completion	Incomplete	No longer valid
1.1	Embed and develop effective differentiation strategies across the College	5	5	-	-
1.2	Revise assessment practices in light of new awarding body expectations and curriculum development	10	10	-	-
1.3	Revise and embed English and Maths strategies	9	9	-	-
1.4	Continue to develop student programme expectations, the curriculum offer and enrichment provision in response to national and local initiatives	33	33	-	-
1.5	Revise curriculum and programme management/leadership responsibilities to drive forward improvements in the monitoring of student and teacher performance	7	7	-	-
1.6	Streamline Student Performance Monitoring policies, procedures and strategies to maximise the positive impact on student performance	5	5	-	-
1.7	Refine the Improvement Plan process to enhance the positive impact on curriculum lines that give cause for concern	13	13	-	-
1.8	Explore and share innovative and best practice in teaching, learning and assessment including the use of ILT	16	15	-	1

PRIESTLEY COLLEGE
OPERATING AND FINANCIAL REVIEW (continued)
Year ended 31 July 2015

	Operational Strategies	No of targets/ actions	Successful completion	Incomplete	No longer valid
2.1	Reviewing and developing business processes to efficiently and effectively support the College's operations	18	16	-	2
2.2	Continually review and implement best value procurement practices and practise and promote a culture of budget awareness	6	6	-	1
2.3	Design, develop and manage an adaptable and efficient workforce	7	6	-	1
2.4	Maintain and develop the campus to meet the needs of the College community	5	5	-	-
2.5	Identify and develop opportunities for income generation	7	7	-	-
3.1	Articulate the Priestley culture and ethos to staff, students, parents and the wider community	9	8	1	-
3.2	Further developing best practice in safeguarding including health and safety	16	16	-	-
3.3	Promoting inclusion, equality, diversity and community cohesion	13	12	1	-
3.4	Further develop best practice in sustainability	13	13		
	Totals	192	186	2	4

Those actions/targets shown under 'No longer valid' were nearly all the consequences of external developments beyond the College's control. For the actions/targets shown as incomplete, each case was reviewed by the Senior Management Team and thereafter by the Governing Body. Most of the 'incomplete' actions/targets have now either been completed since the end of the planning year or have been rescheduled, where appropriate, in the latest Strategic Plan.

Financial Objectives

The College's financial objectives are:

- to remain financially sound in order to protect itself from unforeseen adverse changes in enrolments
- to generate sufficient income to enable the maintenance and improvement of its accommodation and equipment.
- to maintain the confidence of funders, suppliers, bankers and auditors. In adopting a business-like attitude, the College will promote the awareness of College staff to the financial environment and funding pressures under which it operates.

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

PRIESTLEY COLLEGE
OPERATING AND FINANCIAL REVIEW (continued)
Year ended 31 July 2015

Performance Indicators

FE Choices (formerly the 'Framework for Excellence') has two key performance indicators which apply to Sixth form Colleges:

- Success rates
- Learner destinations

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

FINANCIAL POSITION

Financial results

The College generated an operating surplus in the year of £376,000 (2013/14 – £192,000). The College has an accumulated income and expenditure reserve (excluding the pension reserve) of £5,719,000 (2013/14 - £5,252,000) and cash balances of £2,988,000 (2013/14 - £2,833,000) at 31 July 2015. The College wishes to continue to accumulate reserves and cash balances in order to create a contingency fund.

During the year, the College undertook a new building project to extend two buildings, the Crescent Building and the Priestley Building. The extension to the Priestley Building provided additional much needed facilities for the Performing Arts curriculum area, including new changing facilities. The extension to the Crescent Building provided a flexible area for students to study, eat and also be used by curriculum areas for delivery. The majority of this work was funded by the EFA funded Building Condition Improvement Fund 2014/15. The amount spent on the project in the year to 31 July 2015 was £996,000 (2013/14 - £43,000).

The College is heavily reliant upon the education sector funding bodies as its principal funding source, largely from recurrent grants. The College concentrates primarily on 16-18 education provision and this is reflected by it accounting for 93.1% of the College's total income in the year to 31 July 2015 (2013/14 – 94.8%).

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.

Currently the College enjoys an offset arrangement on its cash balances against its loan, thereby reducing the amount of interest payable. Once advantageous to do so, the College will seek to invest more. The College has a separate treasury management policy in place.

Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. Such arrangements are restricted by limits in the College's Financial Memorandum agreed with the EFA.

PRIESTLEY COLLEGE
OPERATING AND FINANCIAL REVIEW (continued)
Year ended 31 July 2015

All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Funding Agreement.

Cash flows

The operating cash flow for 2014/15 was particularly strong at £734,000 (2013/14 - £653,000) in light of the fact that there was a £97,000 reduction in the mainstream funding from the EFA. The Corporation is pleased to report that the College was able to adjust its operations to take account of the reduction in income and operating cash flow. The closing position in net funds is pleasing as it is a surplus, after the College having invested some of its own funds into the capital project during the year.

Liquidity

Throughout the year, the Corporation has maintained as high a level of cash in order to offset against the interest charge on the outstanding loan. During the majority of the year and at 31 Jul 2015, the Corporation had a net surplus in terms of liquid assets and liabilities. The improved cash position during the year has seen the interest charged on the loan reduce and the offset affords the College the opportunity to have more cash available to further its educational aims rather than being lost in interest charges.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student Numbers

Funding targets and student numbers for the College's main 16-19 provision were:

Number Of Learners	2014/15	2013/14	2012/13	2011/12	2010/11
Funding Council Target	2,159	2,160	2,160	2,278	2,259
Achieved Number of Learners	2,077	2,152	2,183	2,187	2,254

The College initially received an allocation of £89,808 (2014 - £105,180) from the Skills Funding Agency to deliver to adult learners. During the year, the allocation was increased to £142,392. Due to the increase coming so late in the academic year, the College did not reach its new funding target but achieved £133,883. The shortfall has been included in creditors due to clawback. The College delivered learning to 149 (2014 – 186) learners under this contract. In addition it also delivered to some 400 more adult learners mostly funded via Warrington Borough Council contracts.

Quality of Provision

The College was last formally inspected in 2007 when it received a Grade 1 (Outstanding) for all aspects of the framework used at that time. In 2011 the College was inspected as part of a pilot for the new framework and no formal grades were published and the College continues to hold the Outstanding OFSTED grading.

However in 2013/14 the College's Self- Assessment Report (SAR) graded the College's overall effectiveness as Good under the new 2015 framework. The College is also likely to be self-assessed as Good in the 2014/15 SAR. (The final grades for the SAR will not be confirmed until it has been fully validated by Governors following external scrutiny).

PRIESTLEY COLLEGE
OPERATING AND FINANCIAL REVIEW (continued)
Year ended 31 July 2015

Student achievements

The Sixth Form College results were once again outstanding overall with the following being particularly noteworthy:

- A 99% pass rate on full year A2 courses for the eleventh year running
- The A2 A* to C pass rate fell slightly from 71.7% to 68%
- The AS pass rate declined to 86% from 87.4%
- There were excellent pass rates on Level 2 BTEC programmes
- The BTEC Extended Diplomas a 100% pass rate with 99% pass rate on diplomas
- This year 73% of students at Priestley securing Distinction* or Distinction grades in their BTEC Level 3 Diplomas or Extended Diplomas up from 65% in 2014
- At GCSE we secured a 53% A* to C pass rate in the Sixth Form College with the IGCSE in English securing a very impressive 70% A* to C pass rate.

Headline Success Rate Performance: Main Qualification Type 2012/13 to 2014/15 (16-18)

Type	Success Rate 2012/13	Success Rate 2013/14	Success Rate 2014/15	Sixth Form College Success Rate 2013/14	National Success Rate 2013/14
A2 Level	95.7	96.7	96.6	95.3	95.0
AS Level	79.9	81.4	79.0	82.6	80.4
Level 3 Certificate	81.9	75.0	87.2	87.1	85.0
Level 3 Diploma	89.0	92.7	92.2	88.7	86.3
Level 3 Other regulated	75.8	80.3	78.4	83.2	81.3
Level 2 Certificate	91.3	90.7	91.5	84.9	82.3
GCSE Maths and English	90.4	85.6	90.3	89.3	85.1
Level 2 Other Regulated	52.2	87.8	86.4	80.5	75.6

Note: Success rates for 2014/15, National or Sixth form College, have not yet been released.

In May 2015, the final cohort of International Baccalaureate students successfully completed their programme and most have now progressed to university.

Student progression to university and/or employment at the end of their programmes of study was particularly impressive this year. In January 2015, some 654 applications were sent to UCAS from a total eligible cohort of 882 (including Art Foundation), which equated to 74% the national deadline of 15th January 2015. This represented a 1% increase on last year's 645 applications from a cohort of 887 or 73%. The corresponding figures from 2013 were 593 from a cohort 891 students or 67%.

There were 78 successful 2015 Russell Group applications in 2015 compared to 103 in 2014 and 96 in 2013 and 92 in 2012. Oxbridge successful applications include 1 student at Oxford, Catherine Thompson, reading Classics and English. There were 257 STEM related applications for 2015 entry. Of the 654 applicants 585 (89%) were accepted by their firm or insurance university and course, compared to 2014, where 645 applicants 540 (83%) were accepted on the basis of their results and 503 out of 593 (85%) from 2013 applicants. We believe that this indicates that we are seeing an increasing number of successful confirmations on A Level results day.

Following results 4 students withdrew their application having secured substantial employment with training or due to family/caring commitments compared to 5 withdrawals in 2014 and 10 withdrawals in 2013 and 16 in 2012.

PRIESTLEY COLLEGE
OPERATING AND FINANCIAL REVIEW (continued)
Year ended 31 July 2015

Curriculum developments

Curriculum Areas worked hard during 2014/15 to be ready for the launch of the new linear A Levels across some 17 curriculum lines for September 2015.

This was at the same time as embedding to work on delivering reformed BTEC Level 2 qualifications.

A number of areas have taken the opportunity to switch boards for either vocational or academic provision to ensure that the programmes on offer best fit with our students' needs.

The new AS in Creative Writing that was launched in 2014 was particularly successful securing a 100% pass rate.

There is still considerable uncertainty surrounding the future of a number of A Levels post September 2017 as part of the Governments ongoing review of A Level provision.

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. Unfortunately, the College's system cannot easily calculate this figure. However, the average creditor day ratio for the College was 21.15 days and the College incurred no interest charges in respect of late payment for this period.

Post Balance Sheet Events

At 31 July 2015, there were no post balance sheet events.

Future Developments

The Learner Responsive and Additional Learning Support grant income for 2014/15 has been confirmed at £9,470,845 (2013/14 - £9,630,606) which represents a decrease of 1.66%. There has been a decrease in the number of students funded but the reduction has not been as marked due to improved success and retention rates. Although there is a drop in income for the next financial year, the year ended 31 July 2017 will see the College lose more funding due to the end of Funding Formula Protection. The College has already considered the impact of this and continues to work on developing the study programme offer to students.

In July 2015, the Government announced Area Reviews for the FE sector where a review of the Post 16 provision by the FE sector will be undertaken. The College does not know when it will be subject to its area review or which area it will form a part of. The College is preparing for the review whenever it arises.

RESOURCES

The College has a wide range of resources that it can deploy in pursuit of its strategic objectives and is always striving to improve the existing accommodation and facilities to further enhance the learner experience.

PRIESTLEY COLLEGE
OPERATING AND FINANCIAL REVIEW (continued)
Year ended 31 July 2015

The College received a £914,600 Building Condition Improvement Fund (BCIF) Grant to finance the construction of two new building extensions, creation of a new science laboratory and improvements to the IT infrastructure.

New Principal Appointment

During the year, M Southworth left his post of Principal, having served notice to the Governing Body in the previous year. In May 2014, the Governing Body ran a successful and rigorous recruitment exercise and appointed M Grant, the then Deputy Principal, as Principal Designate. He assumed the role of Principal on 1st January 2015. At the same time, a new Vice-Principal was appointed. The Governing Body took the opportunity to reduce the number of senior post holders by changing the vacated role of Deputy Principal to Vice Principal.

PRINCIPAL RISKS AND UNCERTAINTIES

The Governing Body at its meeting on 3 July 2014 approved the College's 2014/15:

- Risk Management Policy.
- Risk Management Calendar.
- Risk Management Plan.

The policy sets out how risk management objectives will be met together with the underlying approach to risk management. Moreover, the roles of the Governing Body and the Risk Management Team (led by the Principal as Risk Management Champion) are clearly set out.

The 2014/15 Risk Management Calendar highlighted:

- Risk Management workshops.
- Updates to the Governors' Audit Committee and full Governing Body in December and July.
- The importance of a Mid-Year Review of the Risk Register.
- A formalised approach to the Annual Risk Management Report.

The College identified the following key broad risk areas in 2014/15:

- Safeguarding (including Health and Safety)
- Estates and Facilities
- Human Resources
- Funding Contracts
- Curriculum and Quality
- Legal and Insurance Issues
- Local Risks (mainly impacting on sixth form recruitment)
- National Initiatives
- Financial and Audit Issues
- FIS/MIS/IT/HR Systems Issues

From this, precise risks were identified for each broad risk area. Existing controls and monitoring arrangements were noted before developing an agreed action plan. The College's internal audit provider annually reviews the College's approach to risk management and corporate governance.

PRIESTLEY COLLEGE
OPERATING AND FINANCIAL REVIEW (continued)
Year ended 31 July 2015

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 has considerable reliance on continued government funding through the education funding bodies. In 2014/15, 97.4% of the College's revenue was ultimately public funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The College identified several issues which may impact on future funding:

- Under achievement of funding/learner numbers
- Changes to funding methodology
- Failure to secure contracts with the Local Authority for adult education
- Change of government in 2015 and change in direction of policy
- Continued austerity measures due to government failure to reduce government borrowing

This risk is mitigated in a number of ways:

- Ensuring the College is rigorous in delivering high quality education
- Ensuring the College is focussed on those sectors which will continue to benefit from public funding
- Continual monitoring of learner numbers and controls in place to ensure retention and success rates are not compromised
- Staff maintaining their knowledge of funding methodologies through contact with the funding bodies, other similar providers in formal and informal networks
- Maintenance of relationships with funding bodies and other contractors
- Ensuring the student offer meets their needs and those of the wider community

2. Staff Costs

There is an impending loss of employers' National Insurance Contributions pension rebate coupled with an increasing demand on contributions to fund pension liabilities in the two pension schemes available to staff. Through the College's financial planning process, it has already identified the impact of the change to employer National Insurance Contributions and begun to work towards accommodating the change within its finances. As regards the 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 17.

In July 2015 the Government announced its intention to conduct a national review of Post 16 Education and Training Institutions, called Area Based Reviews, starting in September 2015 through to March 2017, with the implementation of any accepted recommendations to be concluded by 2020. This was followed by the issuance of detailed guidance "Reviewing post-16 education and training institutions: guidance on area reviews" in September 2015. The College is committed to the principles of Area Based Reviews as set out on pages 10-11 of the guidance and we endorse the purpose of the reviews which should deliver:

PRIESTLEY COLLEGE
OPERATING AND FINANCIAL REVIEW (continued)
Year ended 31 July 2015

- Institutions which are financially viable, sustainable, resilient and efficient and deliver maximum value for public investment
- An offer that meets each area's educational and economic needs
- Providers with strong reputations and greater specialisation
- Sufficient access to high quality and relevant education and training for all
- Provision which reflects changes in government funding priorities and future demand

We will work through the review process with partners and colleagues to ensure that objectives are met and that the young people and adults in our area continue to benefit from high quality, efficient, effective and responsive learning programmes.

STAKEHOLDER RELATIONSHIPS

As with all colleges, Priestley College has many stakeholders.

These include:

- Students
- Staff
- Education Funding Agency
- Sixth Form Commissioner
- Skills Funding Agency
- Warrington Borough Council
- Local employers
- The wider local community
- The 11-19 Partnership
- Partner high schools
- The college sector as a whole
- Recognised Trade Unions
- Professional bodies including the Sixth Form Colleges' Association (SFCA) and the Association of Colleges (AoC)

The College recognises the importance of these relationships and seeks to work in partnership for the benefit of learners.

Equal Opportunities

The 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, religion or belief and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy is resourced, implemented and monitored on a planned basis. The College's Single Equality Policy is published on the College's Intranet site.

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 employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who

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OPERATING AND FINANCIAL REVIEW (continued)
Year ended 31 July 2015

meets the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non-disabled employees.

Disability statement

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

- a) As part of its accommodation strategy the College has updated its access audit. The results of the audit have formed the basis of future capital projects aimed at improving access.
- b) The College has a member of staff who provides information, advice and arranges support where necessary for students with disabilities.
- c) There is a list of specialist equipment which the College can make available for use by students and a range of assistive technology is available in the Learning Resource Centre.
- d) The admissions policy for all students is described in the College charter. Appeals against a decision not to offer a place are dealt with under the complaints policy.
- e) There are a number of student study support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
- f) Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.
- g) Counselling and welfare services are described in the Student Handbook 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 and signed on behalf of the Corporation on



Date 10 December 2015

Chair R Haslam

PRIESTLEY COLLEGE
PROFESSIONAL ADVISERS
Year ended 31 July 2015

Bankers:

Lloyds Bank
Town Hill
Warrington
Cheshire
WA1 1TP

Solicitors:

Forshaw Davies Ridgeway
Palmyra Square
Warrington
WA1 1BW

Independent Auditors:

Murray Smith LLP
Darland House
44 Winnington Hill
Northwich
Cheshire
CW8 1AU

Internal Auditors:

RSM (formerly Baker Tilly Business Services Ltd)
4 Ridge House
Ridge House Drive
Festival Park
Stoke-on-Trent
ST1 5SJ

PRIESTLEY COLLEGE
STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL
Year ended 31 July 2015

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

The College endeavours to conduct its business:

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

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the College/Board has complied with the Foundation Code apart from the provision of only two terms of office for Governors as the Governing Body believe that it is not always in the best interests of the Corporation to follow this. We have not adopted and therefore do not apply the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.

In the opinion of the Governing Body, the College complies with/exceeds all but one of the provisions of the Foundation Code, and it has complied throughout the year ended 31 July 2015. In September 2015, the College has been subject to a review of its governance and compliance with the Foundation Code by the internal audit service. There were no matters arising from that review. 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 Table below.

Name	Date of appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance	
						Governing Body	Committee
Mr R Haslam	8 Oct 2012	4 years		Ordinary	Chair: Governing Body Chair: Remuneration and HR Chair: Strategic Planning Governance & Search Finance and General Purposes	100%	82%
Mr M Southworth	-	-	31 December 2014	Principal	Finance and General Purposes; Governance & Search; Remuneration and HR; Strategic Planning	100%	66%

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STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL
(continued)
Year ended 31 July 2015

Name	Date of appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance	
						Governing Body	Committee
Mr M Grant	1 Jan 2015	-		Principal	Finance and General Purposes; Governance & Search; Remuneration and HR; Strategic Planning	100%	73%
Mr J A Farquharson	2 Nov 2011	4 years		Ordinary	Chair: Audit Remuneration and HR	66%	58%
Mr A Cannell	1 Aug 2011	4 years		Ordinary	Chair: Finance and General Purposes	40%	60%
Mrs D Stead	10 May 2013	4 years	27 Sep 2015	Ordinary	Chair: Curriculum and Standards; Strategic Planning, Remuneration and HR	80%	70%
Mr J Monaghan	1 Nov 2013	4 years		Ordinary	Chair: Governance & Search Remuneration and HR, Audit	60%	80%
Mr P Dyke	30 Oct 2011	4 years		Ordinary	Audit, Governance & Search, Remuneration and HR	60%	66%
Mr G Hill	14 Dec 2010 Reappointed 14 Dec 2014	4 years		Ordinary	Finance and General Purposes	40%	60%
Mrs K Hope	8 Oct 2012	4 years		Staff	Curriculum and Standards Audit	100%	87%
Mrs C Owen	7 Oct 2011	4 years		Ordinary	Strategic Planning Curriculum and Standards	20%	87%
Mr M Salmon	1 Aug 2010	4 years		Staff	Finance and General Purposes	100%	40%
Mr A Osborne	11 Dec 2014	2 year2		Parent	Audit	100%	100%
Ms K Simcock	1 Jun 2011 Reappointed 1 Jun 2015	4 years		Ordinary	Curriculum and Standards; Audit	80%	50%
Mrs B Scott-Heron	1 Aug 2014 Reappointed 1 Aug 2015	1 year		Ordinary		80%	-
Mrs P Worrall	18 Oct 2011	3 years	17 Oct 2014	Parent	Audit, Governance & Search	-	-

PRIESTLEY COLLEGE
STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL
(continued)
Year ended 31 July 2015

Name	Date of appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance	
						Governing Body	Committee
Professor T Wheeler	12 Dec 2013	4 years	31 Dec 2014	Ordinary	Strategic Planning	50%	0%
Mrs S Yates	15 Feb 2012	4 years		Ordinary	Strategic Planning	80%	100%
Mr D Cathie	1 Aug 2014	1 year	31 July 2015	Student	Curriculum and Standards	100%	100%
Mr B Craven	1 Aug 2014	1 year	31 July 2015	Student	Curriculum and Standards	80%	60%
Ms H Roach	1 Aug 2015	1 Year		Student	Curriculum and Standards	Not Applicable	Not Applicable
Mr B Jackson-Spruce	1 Aug 2015	1 Year		Student	Curriculum and Standards	Not Applicable	Not Applicable
Mr T Date		1 year		Co-opted	Finance and General Purposes	Not Applicable	40%
Mr M Hartill		1 year		Co-opted	Curriculum and Standards	Not Applicable	80%
Mr L Horrigan		1 year		Co-opted	Curriculum and Standards	Not Applicable	100%
Mr Y Shaikh		1 year		Co-opted	Curriculum and Standards	Not Applicable	60%

The co-opted members are confirmed on an annual basis.

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, equality and diversity, personnel-related matters such as health and safety and environmental issues. The Corporation meets at least once a term.

The Corporation met on five occasions in 2014/15 (2013/14 – 6).

The Corporation conducts its business through a number of committees. Each committee has terms of reference which have been approved by the Corporation. These committees are: Finance and General Purposes, Remuneration and Human Resources, Curriculum and Standards, Strategic Planning, Governance and Search, and Audit. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Clerk to the Corporation at:

Priestley College
Loushers Lane, Warrington, Cheshire, WA4 6RD

or alternatively may be accessed on the College website: [http:// www.priestley.ac.uk](http://www.priestley.ac.uk)

PRIESTLEY COLLEGE
STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL
(continued)
Year ended 31 July 2015

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 Governing Body as a whole.

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

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

There is a clear division of responsibility in that the roles of the Chair 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 Governance & Search Committee comprised of six members, 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.

Remuneration and Human Resources Committee

Throughout the year ending 31 July 2015, six governors served on the Corporation's Remuneration and Human Resources Committee. The Committee's responsibilities include making recommendations to the Board on the remuneration and benefits of the Accounting Officer and other senior post-holders.

Details of remuneration for the year ended 31 July 2015 are set out in notes 6 and 7 to the financial statements.

Finance and General Purposes Committee

The Finance and General Purposes Committee works closely with the Senior Management Team to ensure that there are appropriate resources to support the teaching and learning taking place at the College. The Committee comprised five members and one co-opted.

Curriculum and Standards Committee

The regular review of teaching and learning in the College is undertaken by the Curriculum and Standards Committee. The Committee comprised six members and three co-opted members. The College's quality assurance framework, charters and overall curriculum provision are overseen by

PRIESTLEY COLLEGE
STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL
(continued)
Year ended 31 July 2015

this Committee which regularly monitors the academic performance of the College against agreed targets.

Strategic Planning Committee

The Strategic Planning Committee discusses the wider issues affecting the College and is involved in formulating the College's strategic plans. The Committee comprised of seven members.

Audit Committee

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

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

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

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

Internal Control

Scope of responsibility

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

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum/Financial Agreement between the College and the funding bodies. He is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

PRIESTLEY COLLEGE
STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL
(continued)
Year ended 31 July 2015

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 Priestley College for the year ended 31 July 2015 and up to the date of approval of the annual report and financial statements.

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 Governing Body is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks which has been in place for the year ending 31 July 2015 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Corporation.

The risk and control framework

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

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

The College has an internal audit service, which operates in accordance with the requirements of the EFA and SFA's Joint Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. At a minimum annually, the Head of Internal Audit (HIA) provides the Governing Body with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

PRIESTLEY COLLEGE
STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL
(continued)
Year ended 31 July 2015

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
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework
- comments made by the College's financial statements auditors and the regularity auditors 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 Committee, which oversees the work of the internal auditor and other sources of assurance, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

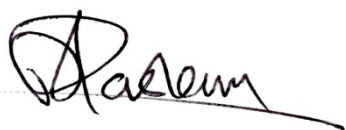
The Senior Management Team receives reports setting out key performance and risk indicators and considers possible control issues brought to its attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Senior Management Team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to 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 therein from the Senior Management Team and Audit Committee. The emphasis is on obtaining the relevant degree of assurance, not merely reporting by exception. At its December 2015 meeting, the Governing Body carried out the annual assessment for the year ended 31 July 2015 by considering documentation from the Senior Management Team and internal audit, and taking account of events since 31 July 2015.

Based on the advice of the Audit 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*".

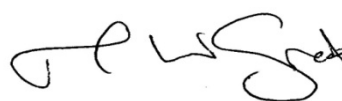
Going Concern

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

Approved by order of the members of the Corporation on 10 December 2015 and signed on their behalf:



Reg Haslam
Chair



Matthew Grant
Accounting Officer

PRIESTLEY COLLEGE
**GOVERNING BODY'S STATEMENT ON THE COLLEGE'S REGULARITY,
PROPRIETY AND COMPLIANCE WITH FUNDING BODY TERMS AND
CONDITIONS OF FUNDING**

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


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

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

Approved by order of the members of the Corporation on 10 December 2015 and signed on their behalf:



Reg Haslam
Chair



Matthew Grant
Accounting Officer

PRIESTLEY COLLEGE
STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE
CORPORATION
Year ended 31 July 2015

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 agreed between the Education Funding Agency and the 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 2007 *Statement of Recommended Practice – Accounting for Further and Higher Education Institutions* and with the *Accounts Direction for 2014/15 financial statements* issued jointly by the Skills Funding Agency and the Education Funding Agency, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

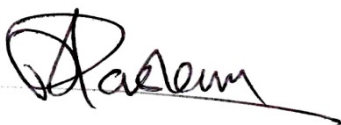
The Corporation is also required to prepare an Operating and Financial Review which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

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

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

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

Approved by order of the members of the Corporation on 10 December 2015 and signed on its behalf
by:



Reg Haslam
Chair

INDEPENDENT AUDITORS' REPORT TO THE GOVERNING BODY OF PRIESTLEY COLLEGE

We have audited the financial statements of Priestley College for the year ended 31 July 2015 which comprise the income and expenditure account, the statement of historical cost surpluses and deficits, the statement of total recognised gains and losses, the balance sheet, the cash flow statement and the related notes. 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).

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

Respective responsibilities of Members of the Governing Body of Priestley College and the auditors

As explained more fully in the Statement of the Responsibilities of the Members of the Governing Body as set out on page 23, the Governing Body 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 Governing Body; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Operating and Financial Review to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2015 and of the College's surplus of income over expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

INDEPENDENT AUDITORS' REPORT TO THE GOVERNING BODY OF PRIESTLEY COLLEGE

Opinion on other matters prescribed by the Joint Audit Code of Practice issued by the Skills Funding Agency and the Education Funding Agency

In our opinion:

- proper accounting records have been kept, and
- the financial statements are in agreement with the accounting records.

A handwritten signature in black ink, appearing to read "Murray Smith", is written over a light grey rectangular background.

Murray Smith LLP
Chartered Accountants and Statutory Auditors
Darland House
44 Winnington Hill
Northwich
Cheshire
CW8 1AU

11 December 2015

**Reporting Accountant's Assurance Report on Regularity
To the Corporation of Priestley College and The Secretary of State for Education acting
through the Education Funding Agency**

In accordance with the terms of our engagement letter and further to the requirements of the funding agreement with the 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 Priestley College during the year to 31 July 2015 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 the 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 the Education Funding Agency has other assurance arrangements in place.

This report is made solely to the Corporation of Priestley College and the Education Funding Agency in accordance with our engagement letter. Our work has been undertaken so that we might state to the Corporation of Priestley College and the 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 Priestley College and the Education Funding Agency for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Priestley College and the Reporting Accountant

The Corporation of Priestley College is responsible, under the requirements of the Further and 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 year to 31 July 2015 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 the 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.

**Reporting Accountant's Assurance Report on Regularity
to the Corporation of Priestley College and The Secretary of State for Education acting
through the Education Funding Agency**

The work undertaken to draw our conclusions includes:

- review of evidence supporting the college's Regularity Self Assessment; and
- review of the college's expenditure during the year.

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 year to 31 July 2015 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Murray Smith LLP

Chartered Accountants and Statutory Auditors
Darland House
44 Winnington Hill
Northwich
Cheshire CW8 1AU

11 December 2015

PRIESTLEY COLLEGE
INCOME AND EXPENDITURE ACCOUNT
for the year ended 31 July 2015

	Note	2015 £000	2014 £000
Income			
Funding body grants	2	10,388	10,284
Tuition fees and education contracts	3	113	145
Other income	4	134	139
Endowment and investment income	5	27	6
Total income		<u>10,662</u>	<u>10,574</u>
Expenditure			
Staff costs	6	7,746	8,036
Other operating expenses	8	1,951	1,777
Depreciation	12	578	556
Interest and other finance costs	9	11	13
Total expenditure		<u>10,286</u>	<u>10,382</u>
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and before exceptional items and tax		376	192
(Profit)/Loss on disposal of assets	8	-	-
Surplus on continuing operations after depreciation of assets at valuation, exceptional items and disposal of assets but before tax		376	192
Taxation	10	-	-
Surplus for the year retained within General Reserves		<u><u>376</u></u>	<u><u>192</u></u>

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

PRIESTLEY COLLEGE
STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS
for the year ended 31 July 2015

	Note	2015	2014
		£000	£000
Surplus on continuing operations after depreciation of assets at valuation, exceptional items and disposal of assets but before tax		376	192
Difference between historical cost depreciation and the actual charge for the year calculated on the re-valued amount	18	53	53
		<hr/>	<hr/>
Historical cost Surplus for the year before taxation		429	245
		<hr/> <hr/>	<hr/> <hr/>
Historical cost Surplus for the year after taxation		429	245
		<hr/> <hr/>	<hr/> <hr/>

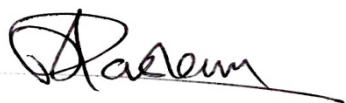
PRIESTLEY COLLEGE
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 July 2015

	Note	2015 £000	2014 £000
Income			
Surplus on continuing operations after depreciation of assets at valuation, exceptional items and disposal of assets but before tax		376	192
Actuarial gain/(loss) in respect of pension scheme	25	(136)	(137)
Total recognised net (losses)/gains relating to the year		240	55
Reconciliation			
Opening reserves and endowments		6,502	6,447
Total recognised net (losses)/gains for the year		240	55
Closing reserves and endowments		6,742	6,502

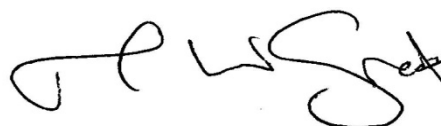
PRIESTLEY COLLEGE
BALANCE SHEET
As at 31 July 2015

	Note	2015 £000	2014 £000
Fixed assets			
Tangible assets	12	13,868	13,300
Current assets			
Debtors	13	205	287
Cash at bank and in hand		2,988	2,833
		3,193	3,120
Creditors: amounts falling due within one year	14	(608)	(939)
Net current assets		2,585	2,181
Total assets less current liabilities		16,453	15,481
Creditors: amounts falling due after more than one year	15	(2,100)	(2,250)
Net assets excluding pension liability		14,353	13,231
Net pension liability	25	(1,174)	(1,001)
NET ASSETS INCLUDING PENSION LIABILITY		13,179	12,230
Deferred capital grants	17	6,437	5,728
Reserves			
Income and expenditure account excluding pension reserve	19	5,718	5,252
Pension reserve	25	(1,174)	(1,001)
Income and expenditure account including pension reserve	19	4,544	4,251
Revaluation reserve	18	2,198	2,251
Total reserves		6,742	6,502
TOTAL FUNDS		13,179	12,230

The financial statements on pages 28-54 were approved by the Governing Body on 10 December 2015 and were signed on its behalf on that date by:



Reg Haslam
Chair of Governing Body



Matthew Grant
Principal

PRIESTLEY COLLEGE
CASH FLOW STATEMENT
for the year ended 31 July 2015

	Note	2015	2014
		£000	£000
Cash inflow from operating activities	20	734	653
Returns on investments and servicing of finance	21	(11)	(13)
Capital expenditure	22	(418)	(282)
Financing	23	(150)	(150)
Increase in cash in the year	24	155	208
Reconciliation of net cash flow to movement in net debt			
Increase in cash in the year		155	208
Loan repayment in the year	23	150	150
Movement in net funds in year	24	305	358
Net cash/(debt) at 1 August		433	75
Net cash at 31 July	24	738	433

PRIESTLEY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2015

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 (SORP): Accounting for Further and Higher Education 2007 and in accordance with applicable Accounting Standards in the United Kingdom. They conform to guidance published jointly by the Skills Funding Agency and the Education Funding Agency in the 2014/15 Accounts Direction Handbook.

Basis of accounting

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

Going concern

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

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

Funding body recurrent grants are recognised in line with best estimates for the year of what is receivable and depend on the particular income stream involved. Any under or over achievement for the adult learner responsive funding element is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body at the end of November following the year end. Employer responsive grant income is recognised based on a year end reconciliation of income claimed and actual delivery. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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

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

PRIESTLEY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2015

(continued)

Recognition of income cont.

Income from grants, contracts and other services rendered is included to the extent the conditions of the funding have been met or the extent of the completion of the contract or service concerned. All income from short-term deposits is credited to the income and expenditure account in the year in which it is earned.

Post Retirement Benefits

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

Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 25, the TPS is a multi employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

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

Tangible fixed assets

Land and buildings

Land and buildings inherited from the Local Authority were valued for the purposes of the 1994 financial statements on the basis of the depreciated replacement cost, by a firm of independent chartered surveyors, as the open market value for existing use is not readily available. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account reserve on an annual basis. Building improvements made since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of 50 years except in the case of semi-permanent buildings where the manufacturer recommends less. The College has a policy of depreciating major adaptations to buildings over their expected useful economic life of up to 50 years.

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

PRIESTLEY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2015

(continued)

Tangible fixed assets cont.

Land and buildings cont.

Building improvements of a structural nature, which are expected to be in place for the life of the building will be written off over the lifetime of the building.

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

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

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

Assets under construction

There were no assets under construction as at 31 July 2015.

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 year it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

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

Buildings owned by third parties

Where the College enjoys the use of an asset which it does not own and for which no rental or a nominal rental is paid, if practicable, a value is attributed to this benefit and capitalised, with a corresponding credit to deferred capital grants which are subsequently released to the income and expenditure account over the useful economic life of the asset at the same rate as the depreciation charge on the related asset.

Equipment

Equipment costing less than £1,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost. Equipment inherited from the local education authority is included in the balance sheet at valuation.

Inherited equipment has been 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:

PRIESTLEY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2015

(continued)

Tangible fixed assets cont.

Short leasehold land and buildings	-	written off over the year of the lease;
Motor vehicles	-	five years;
Machinery	-	ten years;
General equipment and classroom fixtures and fittings	-	five years;
Computer equipment	-	four years;
All other equipment	-	five years;
Musical instruments	-	fifty years;

Improvements in cabling for computers will be written off over a four year period.

Additional electrical communication or security services will be written off over five years.
Computer equipment costs include software licences where attributable but do not include labour costs if assembled 'in-house'.

Special capital assets e.g. major projects, significant specialised equipment may merit individual treatment as to the commencement of depreciation, rate to be used etc. These, and any other variations from the above rules, must be agreed by the Board of the Governing Body.

Additional depreciation must be provided in respect of any fixed asset which has suffered a permanent diminution in value.

All fixed assets retain a residual value of £1.

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

Leased assets

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

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright and are capitalised at their fair value at the inception of the lease and depreciated over the shorter of the lease term or the useful economic lives of equivalently owned assets. The capital element outstanding is shown as obligations under finance leases.

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

Maintenance of premises

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

PRIESTLEY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2015
(continued)

Foreign currency translation

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

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 Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

Liquid resources

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

Provisions

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

Agency arrangements

The College acts as an agent in the collection and payment of Discretionary Learner Support Funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in Note 31, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant. The 5% contributes towards the costs to the College of staff employed to administer applications and payments of the funds.

PRIESTLEY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2015
(continued)

2	Funding body grants	2015	2014
		£000	£000
	Recurrent grant – 16-18 (EFA)	9,927	10,024
	Recurrent grant – 19+ (SFA)	134	105
	Non recurrent grants – (EFA)	116	-
	Releases of deferred capital grants	211	155
	Total	10,388	10,284
		<hr/> <hr/>	<hr/> <hr/>
3	Tuition fees and education contracts	2015	2014
		£000	£000
	Tuition Fees	7	6
	Education Contracts	106	139
	Total	113	145
		<hr/> <hr/>	<hr/> <hr/>
4	Other income	2015	2014
		£000	£000
	Other grant income	7	19
	Releases from deferred capital grants	5	6
	Other income	122	114
	Total	134	139
		<hr/> <hr/>	<hr/> <hr/>
5	Endowment and investment income	2015	2014
		£000	£000
	Pension Finance Income	27	6
		<hr/> <hr/>	<hr/> <hr/>

PRIESTLEY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2015
(continued)

6 Staff costs

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

	2015	2014
	No.	No.
Teaching departments - teaching staff	125	125
Teaching support and other staff	70	74
Total	195	199

Staff costs for the above persons:

	2015	2014
	£000	£000
Wages and salaries	6,217	6,270
Social security costs	446	456
Other pension costs	929	1,068
Payroll sub total	7,592	7,794
Contracted out staffing services	154	242
Total	7,746	8,036

The number of senior post-holders and other staff who received emoluments (annual equivalent), excluding pension contributions, in the following ranges was:

	Senior post-holders		Other staff	
	2015	2014	2015	2014
	No.	No.	No.	No.
£60,001 - £70,000	-	-	1	-
£90,001 - £100,000	1	1	-	-
£100,001-£110,000	-	1	-	-
£110,001-£120,000	1	-	-	-
£130,001-£140,000	-	1	-	-
£140,001-£150,000	1	-	-	-
Total	3	3	1	-

PRIESTLEY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2015
(continued)

7 Senior Post-Holders' Emoluments

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

	2015	2014
	No.	No.
The number of senior post-holders including the Principal was (now reduced to 2):	3	3
	<u> </u>	<u> </u>

Following the resignation of the previous Principal and appointment of the Principal Designate, the Governing Body took the decision to not make the new post of Vice-Principal, instead of Deputy Principal, a senior post holder. A new Vice-Principal was commenced their employment on 1st January 2015.

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

	2015	2014
	£000	£000
Salaries	270	339
Compensation for early severance	30	-
Benefits in kind	-	-
Pension contributions	38	48
	<u> </u>	<u> </u>
Total emoluments	338	387
	<u> </u>	<u> </u>

In March 2014, M Southworth tendered his resignation as Principal. M Grant, a senior post holder at the College, was appointed Principal and Accounting Officer on 1st January 2015. The above emoluments include amounts payable to the Accounting Officer (who is also the highest paid senior post holder) of:

	2015	2014
	£	£
Salaries	115,432	137,379
Benefits in kind	-	-
	<u> </u>	<u> </u>
	<u>115,432</u>	<u>137,379</u>
	<u> </u>	<u> </u>
Pension contributions	<u>16,276</u>	<u>19,370</u>
	<u> </u>	<u> </u>

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

PRIESTLEY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2015
(continued)

7 Senior Post-Holders' Emoluments cont.

Compensation for early severance paid to a former senior post-holder	2015	2014
	£	£
Compensation paid to former post-holder	29,950	-

The severance payment was approved by the College's Remuneration Committee.

The Members of the Governing Body other than the Accounting Officer and the staff members did not receive any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

8 Other operating expenses

	2015	2014
	£000	£000
Teaching	495	312
Non Teaching costs	1,019	936
Premises costs	437	529
Total	1,951	1,777

Other operating expenses include:

	2015	2014
	£000	£000
Auditors' remuneration:		
- financial statements audit	9	9
- internal audit	9	9
- other services provided by the financial statements auditors	-	-
- other services provided by the internal auditors	-	-
Hire of Equipment - operating leases	19	15
Hire of Premises - operating leases	-	93

9 Interest and other finance costs

	2015	2014
	£000	£000
On bank loans, overdrafts and other loans:		
Repayable wholly or partly in more than 5 years	11	13
Total	11	13

PRIESTLEY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2015

(continued)

10 Taxation

The College was not required to pay any corporation tax during this or the preceding year.

11 Surplus on continuing operations for the year

	2015	2014
	£000	£000
Surplus for the year	376	192
Total	376	192

12 Tangible assets

	Land and Buildings			Total
	Freehold	Assets Under Construction	Equipment	
	£000	£000	£000	£000
Cost or valuation				
At 1 August 2014	16,921	-	2,213	19,134
Additions	1,075	-	71	1,146
Disposals	-	-	-	-
At 31 July 2015	17,996	-	2,284	20,280
Accumulated depreciation				
At 1 August 2014	4,035	-	1,799	5,834
Charge for year	454	-	124	578
Eliminated in respect of disposals	-	-	-	-
At 31 July 2015	4,489	-	1,923	6,412
Net book value at 31 July 2015	13,507	-	361	13,868
Net book value at 31 July 2014	12,886	-	414	13,300

Included in fixed assets, are assets which have been inherited or financed by exchequer funds. The net book value of these assets are as follows:

	2105		2014	
	Land & Buildings	Equipment	Land & Buildings	Equipment
	£000	£000	£000	£000
Inherited assets	2,198	-	2,251	-
Assets financed by exchequer funds	6,283	125	5,533	168
Net Book Value at 31 July	8,481	125	7,784	168

PRIESTLEY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2015
(continued)

12 Tangible assets cont.

Inherited land and buildings were valued for the purposes of the 1994 financial statements at depreciated replacement costs by a firm of independent chartered surveyors. Other Tangible Fixed Assets inherited from the Local Education Authority at incorporation have been valued by the Governing Body on a depreciated replacement cost basis, with the assistance of independent professional advice.

Should the assets financed by exchequer funds be sold, the College may be liable, under the terms of its Financial Memorandum, to surrender the proceeds.

13 Debtors

	2015	2014
	£000	£000
Trade debtors	80	135
Prepayments and accrued income	125	152
Amounts owed by the funding agencies	-	-
	<hr/>	<hr/>
Total	205	287
	<hr/> <hr/>	<hr/> <hr/>

14 Creditors: Amounts Falling Due Within One Year

	2015	2014
	£000	£000
Bank loan and overdrafts	150	150
Trade creditors	180	156
Accruals	134	166
Amounts owed to the funding agencies	144	467
	<hr/>	<hr/>
Total	608	939
	<hr/> <hr/>	<hr/> <hr/>

15 Creditors: Amounts Falling Due After One Year

	2015	2014
	£000	£000
Bank loan	2,100	2,250
	<hr/>	<hr/>
Total	2,100	2,250
	<hr/> <hr/>	<hr/> <hr/>

PRIESTLEY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2015
(continued)

16 Borrowings

	2015	2014
	£000	£000
The bank loan is repayable as follows:		
In one year or less	150	150
Between one and two years	150	150
Between two and five years	450	450
In five years or more	1,500	1,650
	2,250	2,400
Total	2,250	2,400

The loan facility is secured against the College buildings. Interest is charged under an offset arrangement at 0.5% p.a. on equivalent cash balances held at the bank and at 0.5% above base p.a. on amounts owing that are above the levels of cash held at the bank. Loan repayments are made in equal quarterly payments with the loan due to be repaid in July 2030.

17 Deferred capital grants

	Funding Body £000	Other Grants £000	Total £000
At 1 August 2014	5,715	13	5,728
Cash received	925	-	925
Released to income and expenditure account	(211)	(5)	(216)
	6,429	8	6,437
At 31 July 2015	6,429	8	6,437

18 Revaluation Reserve

	2015	2014
	£000	£000
At 1 August	2,251	2,304
Transfer from revaluation reserve to general reserve in respect of:		
Disposals	-	-
Depreciation on revalued assets	(53)	(53)
	2,198	2,251
At 31 July	2,198	2,251

PRIESTLEY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2015
(continued)

19 Movements on General Reserves

	2015	2014
	£000	£000
Income and expenditure Account		
At 1 August	4,251	4,143
Surplus retained for the year	376	192
Transfer from revaluation reserve	53	53
Actuarial loss in respect of pension scheme	(136)	(137)
	<hr/>	<hr/>
At 31 July	4,544	4,251
	<hr/> <hr/>	<hr/> <hr/>
Balance represented by:		
Pension reserve	(1,174)	(1,001)
Income and expenditure reserve excluding pension reserve	5,718	5,252
	<hr/>	<hr/>
Total	4,544	4,251
	<hr/> <hr/>	<hr/> <hr/>

20 Reconciliation of Operating Surplus to Net Cash Inflow from Operating Activities

	2015	2014
	£000	£000
Surplus on continuing operations after depreciation of assets at valuation	376	192
Depreciation	578	556
Deferred capital grants released to income	(216)	(161)
(Profit)/Loss on disposal of tangible fixed assets	-	-
Interest payable (note 9)	11	13
FRS 17 Pension cost less contributions payable	37	70
(Decrease)/Increase in debtors	(39)	(33)
(Decrease)/Increase in creditors	(13)	16
	<hr/>	<hr/>
Net cash inflow from operating activities	734	653
	<hr/> <hr/>	<hr/> <hr/>

21 Returns on Investments and Servicing of Finance

	2015	2014
	£000	£000
Interest Paid	(11)	(13)
	<hr/>	<hr/>
Net cash outflow from returns on investments and servicing of finance	(11)	(13)
	<hr/> <hr/>	<hr/> <hr/>

PRIESTLEY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2015
(continued)

22 Capital Expenditure and Financial Investment

	2015	2014
	£000	£000
Payments to acquire tangible fixed assets	(1,119)	(1,392)
Proceeds from sales of tangible fixed assets	-	-
Deferred capital grants received	701	851
Capital grants received this year in advance of project	-	302
Payments in advance of capital project starting	-	(43)
	<hr/>	<hr/>
Net cash outflow from capital expenditure and financial investment	(418)	(282)
	<hr/> <hr/>	<hr/> <hr/>

23 Financing

	2015	2014
	£000	£000
Loan Repayment in the year	(150)	(150)
	<hr/>	<hr/>
Net cash outflow from financing	(150)	(150)
	<hr/> <hr/>	<hr/> <hr/>

24 Analysis of Changes in Net Funds

	At 1 August 2014	Cashflows	Other Changes	At 31 July 2015
	£000	£000	£000	£000
Cash in hand and at bank	2,833	155	-	2,988
Overdrafts	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	2,833	155	-	2,988
Debt due within 1 year	(150)	-	-	(150)
Debt due after 1 year	(2,250)	150	-	(2,100)
	<hr/>	<hr/>	<hr/>	<hr/>
Total	433	305	-	738
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Included in cash balances at 31 July 2015 is £7,000 (2014 - £7,000) of monies held on behalf of students. The balances are also included in Creditors.

PRIESTLEY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2015
(continued)

25 Pension and similar obligations

The College's employees belong to two principal schemes, the Teachers' Pensions Scheme England and Wales (TPS) and the Cheshire Pension Fund (CPF). Both are defined – benefit schemes.

Total pension cost for the year

	2015	2014
	£000	£000
Teachers Pension Scheme:		
Contributions paid	630	635
	<hr/>	<hr/>
Local Government Pension Scheme:		
Contributions paid	194	189
Lump sum payment	41	168
FRS 17 adjustment	64	76
	<hr/>	<hr/>
Charged to Income and Expenditure Account (staff costs)	299	433
	<hr/>	<hr/>
Total Pension Cost for Year	929	1,068
	<hr/> <hr/>	<hr/> <hr/>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2012 and the CPF 31 March 2013. There were no outstanding or prepaid contributions at either the beginning or the end of the financial year.

Teachers' Pensions 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 pensions' increases). From 1 April 2001, the Account has been credited with a real rate of return,

PRIESTLEY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2015

(continued)

25 Pension and similar obligations (continued)

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 (Valuation and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation and the subsequent consultation are:

- Employer contribution rates were set at 16.48% of pensionable pay (including a 0.08% levy for administration);
- 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 will be 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 will commence on 1 April 2015.

The pension costs paid to TPS in the year amounted to £630,000 (2014: £635,000)

PRIESTLEY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2015

(continued)

25 Pension and similar obligations (continued)

FRS 17

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

Accordingly, the College has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The College has set out above the information available on the scheme and the implication for the College in terms of the anticipated contribution rates.

Cheshire Pension Fund (CPF)

The CPF is a funded defined benefit scheme, with the assets held in separate funds administered by Cheshire West and Chester. The total contribution made for the year ended 31 July 2015 was £273,496 (2014 - £257,284) of which employers contributions totalled £194,551 (2014 - £188,914) and employees contributions totalled £78,946 (2014 - £68,370). The agreed contribution rates for future years are 16.8% plus a lump sum each year for employers and range from 5.5% to 7.5% for employees depending on salary. The College made a lump sum payment of £40,900 (2014 - £168,000) which was the final amount due of the agreed lump sum payment over the three years from 1st April 2014.

The best estimate of contributions expected to be paid to the scheme during the accounting year beginning after the balance sheet date is £273,000.

FRS 17

Principal Actuarial Assumptions

The following information is based on a full actuarial valuation of the fund at 31 March 2013 updated to 31 July 2015 by a qualified independent actuary.

	At 31 July 2015	At 31 July 2014
Rate of increase in salaries	3.5%	3.5%
Rate of increase for pensions in payment/inflation	2.6%	2.7%
Discount rate for scheme liabilities	3.6%	4.0%
Inflation assumption (CPI)	2.6%	2.7%
Commutation of pensions to lump sums	50%	50%

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

	At 31 July 2015	At 31 July 2014
Retiring today		
Males	22.3	22.3
Females	24.4	24.4
Retiring in 20 years		
Males	24.1	24.1
Females	26.7	26.7

PRIESTLEY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2015

(continued)

25 Pension and similar obligations (continued)

The College's share of the assets and liabilities in the scheme and the expected rates of return were:

	Long-term rate of return expected at 31 July 2015	Value at 31 July 2015 £000	Long-term rate of return expected at 31 July 2014	Value at 31 July 2014 £000
Equities	3.6%	2,535	6.6%	2,701
Bonds	3.6%	2,068	3.8%	900
Property	3.6%	465	4.7%	315
Cash	3.6%	103	3.6%	585
Total Market Value of Assets		5,171		4,501
Present Value of Scheme Liabilities		(6,345)		(5,502)
Deficit in the scheme		(1,174)		(1,001)

Analysis of the amount charged to the income and expenditure account

	2015 £000	2014 £000
Employer service cost (net of employee contributions)	299	265
Past service cost	-	-
Total operating charge	299	265

Analysis of pension finance income / (costs)

	2015 £000	2014 £000
Expected return on pension scheme assets	252	232
Interest on pension liabilities	(225)	(226)
Pension finance income/(costs)	27	6

Amount recognised in the statement of total recognised gains and losses (STRGL)

	2015 £000	2014 £000
Actuarial gains on pension scheme assets	233	155
Actuarial losses on scheme liabilities	(369)	(292)
Actuarial (loss)/gain recognised in the STRGL	(136)	(137)

PRIESTLEY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2015
(continued)

25 Pension and similar obligations (continued)

Movement in deficit during the year	2015 £000	2014 £000
Deficit in Scheme as at 1 August	(1,001)	(794)
Movement in year:		
Employer service cost (net of employee contributions)	(299)	(265)
Employer Contributions	235	189
Net Return/Interest on assets	27	6
Actuarial (loss)/gain	(136)	(137)
	<hr/>	<hr/>
Deficit in scheme at 31 July	(1,174)	(1,001)
	<hr/> <hr/>	<hr/> <hr/>
Asset and Liability Reconciliation	2015 £000	2014 £000
Reconciliation of Liabilities		
Liabilities at start of year	5,502	4,832
Service cost	299	265
Interest cost	225	226
Employee contributions	71	69
Actuarial loss	369	292
Benefits paid	(121)	(182)
	<hr/>	<hr/>
Liabilities at end of year	6,345	5,502
	<hr/> <hr/>	<hr/> <hr/>
Reconciliation of Assets	2015 £000	2014 £000
Assets at start of year	4,501	4,038
Expected return on assets	252	232
Actuarial gains/(losses)	233	155
Employer contributions	235	189
Employee contributions	71	69
Benefits paid	(121)	(182)
	<hr/>	<hr/>
Assets at end of year	5,171	4,501
	<hr/> <hr/>	<hr/> <hr/>

The estimated value of employer contributions for the year ended 31 July 2015 is £273,000.

PRIESTLEY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2015
(continued)

25 Pension and similar obligations (continued)

History of experience gains and losses	2015	2014	2013	2012	2011
	£000	£000	£000	£000	£000
Difference between expected and actual return on assets:					
Amount in £000	233	155	435	(99)	706
Experience gains and losses on scheme liabilities:					
Amount in £000	27	(268)	-	(24)	(83)
Total amount recognised in the STRGL:					
Amount in £000	(136)	(137)	336	(516)	692

26 Post Balance Sheet Events

There are no post balance sheet events.

27 Capital Commitments

	2015	2014
	£000	£000
Capital Commitments contracted for at 31 July	Nil	145

28 Financial Commitments

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

	2015	2014
	£000	£000
Land and buildings		
Expiring within one year	-	-
Expiring between two and five years inclusive	-	-
Expiring in over five years	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Other		
Expiring within one year	-	3
Expiring between two and five years inclusive	17	13
	<u>17</u>	<u>16</u>

PRIESTLEY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2015
(continued)

29 Contingent Liabilities

The College had no contingent liabilities in either 2014/15 or 2013/14.

30 Related Party Transactions

Due to the nature of the College's operations and the composition of the Governing Body (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 Governing Body may have an interest. All transactions involving organisations in which a member of the Governing Body may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures. Members of the Governing Body or Senior Management Team who had an interest in an organisation that the College transacted with during the year were:

Governor/Senior Management Team	Organisation	Relationship
T Date	Warrington Borough Council	Employee
M Grant	Sir Thomas Boteler CE High School	Governor
K Hope	Nickel Promotions	Family Member's Business
L Horrigan	Sir Thomas Boteler CE High School	Employee
M Salmon	Bradshaw Lane Primary School	Governor
T Wheeler	University of Chester	Employee

Transactions during the year were as follows:

	2015	2014
	£	£
Warrington Borough Council		
Educational Contracts Delivered by the College	66,655	133,168
Grants received	-	-
	<u>66,655</u>	<u>133,168</u>
Payments for Goods and Services	<u>25,696</u>	<u>20,956</u>
Nickel Promotions		
Payments for Goods and Services	<u>1,992</u>	<u>4,801</u>
Sir Thomas Boteler CE High School		
Reimbursement of Expenses for College Activity	210	150
Exam Invigilation service provided	406	-
	<u>616</u>	<u>150</u>
Payments for Goods and Services	<u>-</u>	<u>310</u>

PRIESTLEY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2015
(continued)

30 Related Party Transactions cont.

Transactions during the year cont.:

	2015	2014
	£	£
Bradshaw Lane Primary School		
Sponsorship of Essay Writing Competition	-	-
	<u> </u>	<u> </u>
University of Chester		
Payments for Goods and Services	-	-
	<u> </u>	<u> </u>

Balances outstanding at 31 July were:

	2015	2014
	£	£
Included in Debtors:		
Warrington Borough Council	25,655	26,860
Sir Thomas Boteler CE High School	210	Nil
	<u> </u>	<u> </u>
Included in Creditors:		
Warrington Borough Council	3,208	3,248
Nickel Promotions	202	Nil
Sir Thomas Boteler CE High School	Nil	Nil
The Bankfield School	Nil	Nil
Bradshaw Lane Primary School	Nil	Nil
University of Chester	Nil	Nil
	<u> </u>	<u> </u>

In addition, R Haslam, D Stead, M Grant and J McCann, members of the Governing Body or Senior Management Team, are Trustees of Priestley Education & Training Trust, a charitable trust to provide support to current and past students of Priestley College. During the year, the Trust received £Nil (2014 - £Nil) from College activities e.g. a proportion of ticket monies in respect of certain performances.

31 Discretionary Learner Support Funds

	2015	2014
	£000	£000
Funding body grants – hardship support	212	201
Funding body grants – childcare support	-	2
	<u> </u>	<u> </u>
	212	203
Disbursed to Students	(189)	(174)
Administration costs	(10)	(10)
	<u> </u>	<u> </u>
Balance unspent at 31 July	<u> </u>	<u> </u>
	13	19
	<u> </u>	<u> </u>

Funding body grants are available solely for students; the College acts only as a paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.