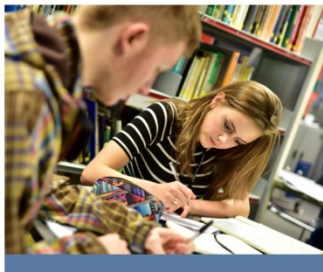


**PRIESTLEY**
◆ ◆ ◆ COLLEGE ◆ ◆ ◆
WARRINGTON



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**ANNUAL REPORT AND
FINANCIAL STATEMENTS**
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**FOR THE YEAR ENDED
31 JULY 2016**
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PRIESTLEY COLLEGE
FINANCIAL STATEMENTS
Year ended 31 July 2016

INDEX

	Page number
Report of the Governing Body	2 – 14
Professional Advisers	15
Statement of Corporate Governance and Internal Control	16 – 22
Governing Body's Statement on the College's Regularity, Propriety and Compliance with the Funding Body Terms and Conditions of Funding	23
Statement of the Responsibilities of the Members of the Governing Body	24
Independent Auditors' Report to the Governing Body of Priestley College	25 – 26
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	27 – 28
Statement of Comprehensive Income	29
Statement of Changes in Reserves	30
Balance Sheet	31
Cash Flow Statement	32
Notes to the Financial Statements	33 - 56

PRIESTLEY COLLEGE
REPORT OF THE GOVERNING BODY
Year ended 31 July 2016

NATURE, OBJECTIVES AND STRATEGIES

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

Legal Status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting 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 for Sixth Form Colleges. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 16-18.

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
REPORT OF THE GOVERNING BODY (continued)
Year ended 31 July 2016

Implementation of Strategic Plan

In December 2015 the College adopted a Strategic Plan for the period 1 August 2015 to 31 July 2020. 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 remain, and be recognised as, the region’s number one provider of excellent Post 16 educational opportunities through the delivery of a range of high quality academic, vocational and adult programmes.
2. To maximise and exploit opportunities which guarantee the financial stability of the organisation.
3. To develop strategic partnerships (education/business/community) which are to the benefit of Priestley College and the Community we serve.

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 2015/16.

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 2015/16 the following operational objectives were formulated:

<p>1. To remain, and be recognised as, the region’s number one provider of excellent Post 16 educational opportunities through the delivery of a range of high quality academic, vocational and adult programmes.</p>	<p>1.1 To develop a robust Quality Improvement Plan (QUIP) that is the key driver for sustained outstanding performance across the College.</p> <p>1.2 To become a founder member of the Warrington Challenge Trust</p> <p>1.3 Curriculum Development</p> <p>1.4 To further enhance Study Support systems and processes to ensure individual student needs are met and performance gaps closed</p> <p>1.5 To enhance the Campus and employer engagement to ensure the College is best placed to address the STEM agenda</p> <p>1.6 Adult Programme</p>
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PRIESTLEY COLLEGE
REPORT OF THE GOVERNING BODY (continued)
Year ended 31 July 2016

2.To maximise and exploit opportunities which guarantee the financial stability of the organisation	2.1 To maximise Year 11 recruitment to ensure 16-18 numbers in Year 1 rise by 50 in September 2016 and to raise local brand awareness 2.2 To seek opportunities to increase Income generation from non-government funded sources 2.3 To reduce staff costs through the rebalancing of Teaching/Business Support staff functions 2.4 To improve efficiency through the Increase of student: staff ratios 2.5 To enhance partnership activity 2.6 Seek to maximise efficiencies across a range of College functions 2.7 To raise funds for College development through successful external bids
3. To develop strategic partnerships (education/business/ community) which are to the benefit of Priestley College and the Community we serve	3.1 To explore the benefits of becoming an academy possibly as part of a Warrington Multi Academy Trust 3.2 To enhance local partnerships 3.3 To further develop the STEM strategy including renewal of STEM Assured status 3.4 Safeguarding processes and practices to be refined through proactive partnerships 3.5 To enhance employer liaison/engagement activities 3.6 To run a comprehensive range of School liaison activities to engage pupils and staff

Achievement of Objectives in 2015/16

The timing of the Strategic Plan has changed to carry on beyond the end of the financial year so that it maps in with the Self Assessment and QUIP. The Operational Strategies for 2015/16 identified 76 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 financial year end (mid-year point for plan) is summarised below:

	Operational Strategies	No of targets/ actions	Successful completion	Ongoing	No longer valid
1.1	To develop a robust Quality Improvement Plan (QUIP) that is the key driver for sustained outstanding performance across the College.	9	9	-	-
1.2	To become a founder member of the Warrington Challenge Trust	3	-	3	-
1.3	Curriculum Development	6	2	3	1
1.4	To further enhance Study Support systems and processes to ensure individual student needs are met and performance gaps closed	5	4	1	-
1.5	To enhance the Campus and employer engagement to ensure the College is best placed to address the STEM agenda	2	1	1	-
1.6	Adult Programme	3	3	-	-

PRIESTLEY COLLEGE
REPORT OF THE GOVERNING BODY (continued)
Year ended 31 July 2016

	Operational Strategies	No of targets/ actions	Successful completion	Ongoing	No longer valid
2.1	To maximise Year 11 recruitment to ensure 16-18 numbers rise by 50 in September 2016 and to raise local brand awareness	6	5	1	-
2.2	To seek opportunities to increase Income generation from non-government funded sources	3	1	2	-
2.3	To reduce staff costs through the rebalancing of Teaching/Business Support staff functions	2	1	1	-
2.4	To improve efficiency through the Increase of student: staff ratios	2	2	-	-
2.5	To enhance partnership activity	6	1	5	-
2.6	Seek to maximise efficiencies across a range of College functions	4	3	1	-
2.7	To raise funds for College development through successful external bids	2	1	1	-
3.1	To explore the benefits of becoming an academy possibly as part of a Warrington Multi Academy Trust	5	1	4	-
3.2	To enhance local partnerships	3	2	1	-
3.3	To further develop the STEM strategy including renewal of STEM Assured status	2	1	1	-
3.4	Safeguarding processes and practices to be refined through proactive partnerships	6	2	4	-
3.5	To enhance employer liaison/engagement activities	4	1	3	-
3.6	To run a comprehensive range of School liaison activities to engage pupils and staff	3	1	2	-
	Totals	76	41	34	1

The action/target shown under 'No longer valid' was the consequence of external developments beyond the College's control. For the actions/targets shown as ongoing, each case was reviewed by the Senior Management Team and thereafter by the Governing Body. Most of the 'ongoing' actions/targets have now either been completed since the mid-year review or scheduled later in the year.

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 and are included within the monthly management accounting pack sent to Governors.

PRIESTLEY COLLEGE
REPORT OF THE GOVERNING BODY (continued)
Year ended 31 July 2016

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 uses the FE Choices data available on the GOV.UK website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the Education Funding Agency ("EFA"). The Finance Record produces a financial health grading. The current rating of Outstanding is considered an acceptable outcome.

FINANCIAL POSITION

Financial results

The College generated a surplus before other gains and losses in the year of £104,000 (2014/15 – surplus of £757,000), with total comprehensive income of (£247,000), (2014/15 - £689,000). The College has accumulated reserves of £10,839,000 and cash balances of £3,639,000 at 31 July 2016. 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 staffing review and a small restructuring programme. This involved changes to the way in which tutorials were delivered, the cessation of an adult education contract and a number of other delivery changes. The College continued to refresh its IT and also replaced the main servers for the College. All of this was funded from within the College's own resources. The operational surplus is against a backdrop of increasing costs and reducing income. The College is pleased with the final outturn.

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 96.75% of the College's total income in the year to 31 July 2016 (2014/15 – 90.77% - reduced due to the capital funding in year).

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

PRIESTLEY COLLEGE
REPORT OF THE GOVERNING BODY (continued)
Year ended 31 July 2016

Cash flows

The operating cash flow for 2015/16 was particularly strong at £851,000 (2014/15 - £770,000) in light of a £182,000 reduction in 16-18 recurrent funding. 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 refreshing IT 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 whole of the year and at 31 Jul 2016, 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 at the lowest possible rate 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.

Reserves Policy

Due to the lack of capital funding available, the reductions in funding and increasing costs, the Corporation is seeking to build reserves to allow it to undertake large capital projects e.g. a new building, whilst at the same time providing sufficient reserves to act as a contingency for an unforeseen difficult year or event. It is still continuing to invest year on year in IT and the maintenance of its estate. The Corporation has not set any limits yet as it has still to reach its target for the next new building.

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	2015/16	2014/15	2013/14	2012/13	2011/12
Funding Council Target	2,078	2,159	2,160	2,160	2,278
Achieved Number of Learners	2,011	2,077	2,152	2,183	2,187

The College received an allocation of £129,818 (2015 - £142,392) from the Skills Funding Agency to deliver to adult learners. The College delivered learning to 171 (2015 – 149) learners under this contract. The College fulfilled its allocation and does not expect to receive any additional funding for the amount delivered over its allocation. No provision has been made in these accounts. In addition it also delivered to some 400 more adult learners mostly funded via contracts with Warrington Collegiate. The College decided not to continue beyond this year with the adult learning contract with Warrington Collegiate as the contract was not financially viable.

PRIESTLEY COLLEGE
REPORT OF THE GOVERNING BODY (continued)
Year ended 31 July 2016

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 2015/16 SAR. (The final grades for the SAR will not be confirmed until it has been fully validated by Governors following external scrutiny).

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
- 100% pass rate in 39 A level subjects
- With an inclusive admissions policy, high grades at A*-C grades up by 5.1% to 72.7%
- Rapid and significant improvement in AS achievement by 4.1% to 83.1% (above SFC NR)
- 100% pass rate across all BTEC Extended Diplomas
- Excellent pass rates on Level 2 BTEC
- At GCSE we secured an excellent A*-C pass rate in IGCSE English of 71% (16-18) and for GCSE Maths A*-C a pass rate of 40% (16-18), both rates higher than national SFC rates.

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	Achievement Rate 2015/16	Sixth Form College Achievement Rate 2014/15	All Achievement Rate 2014/15
A2 Level	95.7	96.7	96.6	95.7	95.7	95.4
AS Level	79.9	81.4	79.0	83.1	83.0	80.8
Level 3 Certificate	81.9	75.0	87.2	92.3	87.0	86.0
Level 3 Diploma	89.0	92.7	92.2	90.8	89.9	86.7
Level 3 Other regulated	75.8	80.3	78.4	77.2	83.9	78.0
Level 2 Certificate	91.3	90.7	91.5	94.7	86.8	78.9
GCSE Maths and English	90.4	85.6	90.3	91.9	88.7	82.1
Level 2 Other Regulated	52.2	87.8	86.4	85.3	75.7	74.7

Note: Success rates for 2015/16, National or Sixth form College, have not yet been released.

During 2015/16, some 568 applications were sent to UCAS from a total eligible cohort of 835 (including Art Foundation), which equated to 68%, by the deadline. This represented a 13% decrease on last year's 654 applications from a cohort of 882. The corresponding figures from 2014 were 645 from a cohort 887 students or 73% (2013 – 593 applications from 891 students – 67%). 2015/16 did see two successful Oxbridge applications in Law and Biochemistry (2014/15 – 1).

PRIESTLEY COLLEGE
REPORT OF THE GOVERNING BODY (continued)
Year ended 31 July 2016

Student achievements – cont.

The number of students leaving for employment or apprenticeships has increased. In particular, the increase in higher level apprenticeships has seen an impact on university applications and students leaving earlier. This year also saw the greatest number of applications by students to performing arts schools.

During 2015/16 the College was successfully reassessed by the STEM Foundation for our STEM Assured Status making us not only the first Sixth Form College to achieve this prestigious recognition but also to be revalidated. The Foundation were particularly impressed with the work we were doing to ensure students were encouraged to look at all routes into STEM related careers.

Curriculum developments

Curriculum Areas worked hard during 2015/16 to bed in the new linear A Levels across some 17 curriculum lines from 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 Classical Civilisation that was launched in 2015 was particularly successful securing a 100% pass rate.

Unfortunately, a couple of subjects offered have been discounted from next academic year e.g. Archaeology. This unfortunately reduces the options open to students for their studies. The College will continue to look at developing its curriculum offer.

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 20.8 days and the College incurred no interest charges in respect of late payment for this period.

Post Balance Sheet Events

On 3rd October 2016, the Corporation entered a period of consultation about the conversion of the College to a 16-19 Academy, following the change in the law and the Area Review outcome. In addition to the conversion, the Corporation is also giving consideration to the creation of a Multi Academy Trust. Dependent upon all approval being given, and in a timely manner, the target date for conversion is 1st April 2017.

PRIESTLEY COLLEGE
REPORT OF THE GOVERNING BODY (continued)
Year ended 31 July 2016

Future Developments

The Learner Responsive and Additional Learning Support grant income for 2016/17 has been confirmed at £9,008,712 (2014/15 - £9,470,845) which represents a decrease of 4.88%. There has been a decrease in the number of students funded and a 43% reduction in Funding Formula Protection. The Protection is now being phased out over a longer period. The College was expecting the reduction and undertook some changes to cope with the reduction in funding.

In July 2015, the Government announced Area Reviews for the FE sector where a review of the Post 16 provision by the FE sector would be undertaken. The College's Area Review process commenced in January 2016 and the report is due for publication in November 2016. As a result of the Area Review process, the College has been exploring the 16-19 Academy route which was the main recommendation of the Area Review in respect of the College.

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.

Financial

The College has £12.98m of net assets (including £1.7m pension liability) and long term debt of £2.1m.

People

The College employs 183 people (expressed as full time equivalents), of whom 113 are teaching staff.

Reputation

The College has a good reputation locally, being the destination for just over 50% of all 16 year olds in Warrington. Maintaining a quality brand through the delivery of quality educational choices is essential for the College's success at attracting students and building external relationships.

PRINCIPAL RISKS AND UNCERTAINTIES

The Governing Body at its meeting on 9 July 2015 approved the College's 2015/16:

- 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 2015/16 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.

PRIESTLEY COLLEGE
REPORT OF THE GOVERNING BODY (continued)
Year ended 31 July 2016

The College identified the following key broad risk areas in 2015/16:

- 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.

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 2015/16, 98.36% 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
- Change in direction of government education 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

PRIESTLEY COLLEGE
REPORT OF THE GOVERNING BODY (continued)
Year ended 31 July 2016

2. Staff Costs

The loss of employers' National Insurance Contributions pension rebate during the year coupled with an increasing demand on contributions to fund pension liabilities in the two pension schemes available to staff and rising demands for larger pay increases is all putting pressure on staff costs. 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. The Scheme is about to have its triennial actuarial review and this may lead to requests for an increase to pension contributions. The College has successfully in the past accommodated changes by lump sum payments in order to keep the employer's rate lower. There is a prospect that the College may face the same decision of lump sum payments or a higher rate.

3. Area Based Reviews and its Recommendation

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:

- 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

The College began its Area Review in January 2016 and awaits the final report due November 2016. The College are aware of its content and will work on the review recommendation 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.

PRIESTLEY COLLEGE
REPORT OF THE GOVERNING BODY (continued)
Year ended 31 July 2016

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 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.

PRIESTLEY COLLEGE
REPORT OF THE GOVERNING BODY (continued)
Year ended 31 July 2016

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 8 December 2016

Chair R Haslam

PRIESTLEY COLLEGE
PROFESSIONAL ADVISERS
Year ended 31 July 2016

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Cheshire
WA1 1TP

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ST1 5SJ

PRIESTLEY COLLEGE
STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL
Year ended 31 July 2016

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

The College endeavours to conduct its business:

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

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the College/Board has complied with the 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 Code, and it has complied throughout the year ended 31 July 2016. In September 2015, the College was subject to a review of its governance and compliance with the 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 2016	4 years		Ordinary	Chair: Governing Body Chair: Remuneration and HR Chair: Strategic Planning Governance & Search Finance and General Purposes	100%	77%

PRIESTLEY COLLEGE
STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL
(continued)
Year ended 31 July 2016

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%	92%
Mr J A Farquharson	Reappointed 2 Nov 2015	4 years		Ordinary	Chair: Audit Governance & Search; Remuneration and HR	67%	100%
Mr A Cannell	Reappointed 1 Aug 2015	4 years		Ordinary	Chair: Finance and General Purposes	83%	100%
Mrs D Stead	10 May 2013	4 years	27 Sep 2015	Ordinary	Curriculum and Standards; Strategic Planning, Remuneration and HR	0%	0%
Mr J Monaghan	1 Nov 2013	4 years		Ordinary	Chair: Governance & Search Remuneration and HR, Audit	100%	100%
Mr P Dyke	Reappointed 30 Oct 2015	4 years		Ordinary	Audit, Governance & Search, Remuneration and HR	50%	100%
Mr G Hill	14 Dec 2014	4 years		Ordinary	Finance and General Purposes	50%	40%
Mrs K Hope	8 Oct 2012	4 years	8 Oct 2016	Staff	Curriculum and Standards Audit	100%	100%
Mrs C Owen	Reappointed 7 Oct 2015	4 years	Suspension of membership 31 Jan 2016	Ordinary	Strategic Planning Curriculum and Standards	100%	50%
Mr M Salmon	1 Aug 2010	4 years	1 Aug 2016	Staff	Finance and General Purposes Audit	67%	50%
Mr A Osborne	11 Dec 2014	2 year2	11 Dec 2016	Parent	Audit	33%	33%
Ms K Simcock	1 Jun 2015	4 years		Ordinary	Chair: Curriculum and Standards Audit	80%	50%
Mrs B Scott-Heron	1 Aug 2015	4 years		Ordinary	Curriculum and Standards	67%	80%
Mrs S Yates	Reappointed 15 Feb 2016	4 years		Ordinary	Strategic Planning, Remuneration and HR	100%	100%

PRIESTLEY COLLEGE
STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL
(continued)

Year ended 31 July 2016

Name	Date of appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance	
						Governing Body	Committee
Mr D Hudson	20 Oct 2015	4 years		Ordinary	Finance and General Purposes	83%	25%
Mr P McGerty	10 Dec 2015	4 years	30 Jun 2016	Ordinary	Finance and General Purposes	0%	25%
Mr D Mowat MP	22 Dec 2015	4 years		Ordinary	Strategic Planning	67%	100%
Ms H Roach	1 Aug 2015	1 year	31 July 2016	Student	Curriculum and Standards	50%	25%
Mr B Jackson-Spruce	1 Aug 2015	1 year	31 July 2016	Student	Curriculum and Standards	50%	50%
Ms M McAuley	1 May 2016	1 Year		Student	Curriculum and Standards	Not Applicable	Not Applicable
Ms Z Hajim	1 May 2016	1 Year		Student	Curriculum and Standards	Not Applicable	Not Applicable
Mr T Date		1 year	28 Sep 2016	Co-opted	Finance and General Purposes	Not Applicable	40%
Mr M Hartill		1 year		Co-opted	Curriculum and Standards	Not Applicable	75%
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	75%

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 six occasions in 2015/16 (2014/15 – 5).

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>

PRIESTLEY COLLEGE
STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL
(continued)
Year ended 31 July 2016

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 2016, 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 2016 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 six 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 five 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 2016

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 five 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 2016

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 2016 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 2016 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 2016

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.

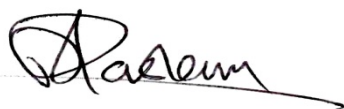
The Senior Management Team receives reports setting out key performance and risk indicators and considers possible control issues brought to its attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Senior Management Team and the 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 2016 meeting, the Governing Body carried out the annual assessment for the year ended 31 July 2016 by considering documentation from the Senior Management Team and internal audit, and taking account of events since 31 July 2016.

Based on the advice of the Audit Committee and the 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

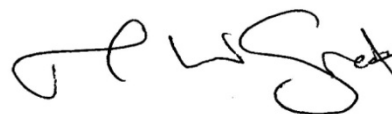
After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 8 December 2016 and signed on their behalf:



Signed _____

Reg Haslam
Chair



Signed _____

Matthew Grant
Accounting Officer

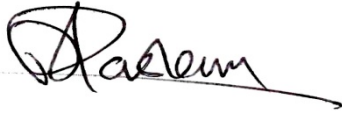
PRIESTLEY COLLEGE
**GOVERNING BODY'S STATEMENT ON THE COLLEGE'S REGULARITY,
PROPRIETY AND COMPLIANCE WITH FUNDING BODY TERMS AND
CONDITIONS OF FUNDING**

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 in 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.

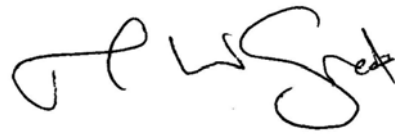
We confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the Education Funding Agency.

Approved by order of the members of the Corporation on 8 December 2016 and signed on their behalf:



Signed _____

Reg Haslam
Chair



Signed _____

Matthew Grant
Accounting Officer

PRIESTLEY COLLEGE
STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION
Year ended 31 July 2016

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 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education Institutions* and with the *College Accounts Direction 2015 to 2016* issued jointly by the Skills Funding Agency and the Education Funding Agency, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

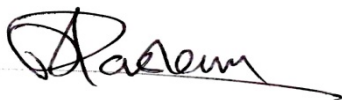
The Corporation is also required to prepare a Report of the Governing Body which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

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

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

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

Approved by order of the members of the Corporation on 8 December 2016 and signed on its behalf by:



Signed _____
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 2016 on pages 29 to 56. The financial reporting framework that has been applied in their preparation is applicable law, EFA College Accounts Direction Handbook 2015 to 2016 issued by the Education Funding Agency (EFA) 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 24, 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the College's affairs as at 31 July 2016 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 2015 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions and the EFA College Accounts Direction Handbook 2015 to 2016.

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

12 December 2016

**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 2016 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Joint Audit Code of Practice issued jointly by 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 2016 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Joint Audit Code of Practice issued jointly by 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 2016 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

12 December 2016

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 July 2016

	Note	2016 £000	2015 £000 Restated
Income			
Funding body grants	2	9,938	10,842
Tuition fees and education contracts	3	101	113
Other income	4	163	129
Endowment and investment income	5	-	-
Total income		<u>10,202</u>	<u>11,084</u>
Expenditure			
Staff costs	6	7,655	7,746
Other operating expenses	8	1,804	1,951
Depreciation	11	583	578
Interest and other finance costs	9	56	52
Total expenditure		<u>10,098</u>	<u>10,327</u>
Surplus before other gains and losses		104	757
(Profit)/Loss on disposal of assets	8	-	-
Surplus before tax		104	757
Taxation	10	-	-
Surplus for the year		104	757
Actuarial loss in respect of pension schemes	19	(351)	(68)
Total Comprehensive Income for the year		<u><u>(247)</u></u>	<u><u>689</u></u>

PRIESTLEY COLLEGE
STATEMENT OF CHANGES IN RESERVES
for the year ended 31 July 2016

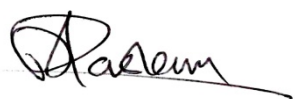
	Income and expenditure account	Revaluation reserve	Total
	£000	£000	£000
Restated Balance at 1st August 2014	10,291	2,251	12,542
Surplus from the income and expenditure account	757	-	757
Other comprehensive income	(68)	-	(68)
Transfers between revaluation and income and expenditure reserves	53	(53)	-
	<u>742</u>	<u>(53)</u>	<u>689</u>
Balance at 31st July 2015	11,033	2,198	13,231
Surplus from the income and expenditure account	104	-	104
Other comprehensive income	(351)	-	(351)
Transfers between revaluation and income and expenditure reserves	53	(53)	-
	<u>(194)</u>	<u>(53)</u>	<u>(247)</u>
Total comprehensive income for the year			
Balance at 31st July 2016	<u><u>10,839</u></u>	<u><u>2,145</u></u>	<u><u>12,984</u></u>

**PRIESTLEY COLLEGE
BALANCE SHEET**

As at 31 July 2016

	Note	2016 £000	2015 £000 Restated
Fixed assets			
Tangible assets	11	13,389	13,868
Current assets			
Debtors	12	169	205
Cash at bank and in hand		3,639	2,988
		3,808	3,193
Creditors: amounts falling due within one year	13	(540)	(556)
Net current assets		3,268	2,637
Total assets less current liabilities		16,657	16,505
Creditors: amounts falling due after more than one year	14	(1,950)	(2,100)
Net assets excluding pension liability		14,707	14,405
Net pension liability	19	(1,723)	(1,174)
NET ASSETS INCLUDING PENSION LIABILITY		12,984	13,231
Reserves			
Income and expenditure account excluding pension reserve	17	12,562	12,207
Pension reserve	19	(1,723)	(1,174)
Income and expenditure account including pension reserve	17	10,839	11,033
Revaluation reserve	16	2,145	2,198
Total reserves		12,984	13,231
TOTAL FUNDS		12,984	13,231

The financial statements on pages 29-56 were approved by the Governing Body on 8 December 2016 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 2016

	Note	2016	2015
		£000	£000 Restated
Cash flow from operating activities			
Surplus for the year		104	757
Adjustment for non-cash items			
Depreciation		583	578
Decrease in debtors		(36)	(39)
Increase in creditors due within one year		49	23
Pension costs less contributions payable		198	105
Adjustment for investing or financing activities			
Capital grants received through income		(58)	(665)
Interest payable		11	11
		<hr/>	<hr/>
Net cash flow from operating activities		851	770
		<hr/>	<hr/>
Cash flows from investing activities			
Capital grants received in the year		58	665
Payments to acquire tangible fixed assets		(97)	(1,119)
		<hr/>	<hr/>
		(39)	(454)
		<hr/>	<hr/>
Cash flows from financing activities			
Interest paid		(11)	(11)
		<hr/>	<hr/>
Increase in cash and cash equivalents in the year		801	305
		<hr/>	<hr/>
Cash and cash equivalents at the beginning of the year	18	738	433
		<hr/>	<hr/>
Cash and cash equivalents at the end of the year	18	1,539	738
		<hr/>	<hr/>

PRIESTLEY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2016

1. Accounting policies

Statement of accounting policies and estimation techniques

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

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 (the 2015 FE HE SORP), the College Accounts Direction for 2015 to 2016 and in accordance with Financial Reporting Standard 102 – “*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Transition to the 2015 FE HE SORP

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

An explanation of how the transition to the 2015 FE HE SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the College is provided in note 30.

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

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

- Revaluation as deemed cost – at 1st August 2014, the College has retained the carrying values of freehold properties as being deemed cost and measured at fair value

Basis of accounting

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

PRIESTLEY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2016
(continued)

Going concern

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

The College currently has surplus cash in excess of its borrowing of £2.1m which is repayable in instalments until 2030. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

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

Recognition of income

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are 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 following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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

Government capital grants and other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

Income from tuition fees is stated gross of any expenditure which is not a discount and is recognised in the period for which it is received.

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

Accounting for post-employment benefits

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

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method. The TPS is a multi-employer scheme and the College is unable to identify its share of the underlying

PRIESTLEY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2016

(continued)

Accounting for post-employment benefits cont.

assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

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

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

Short term Employment benefits

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

Non-current Assets - Tangible fixed assets

Tangible fixed assets are stated at cost / deemed cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

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 accounted for using the performance method and credited to the Statement of Consolidated Income upon successful performance completion.

PRIESTLEY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2016

(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 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1994, as deemed cost but not to adopt a policy of revaluations of these properties in future.

Assets under construction

There were no assets under construction as at 31 July 2016.

Subsequent expenditure on existing fixed assets

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

Equipment

Equipment costing less than £1,000 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost. On adoption of FRS102, equipment inherited from the local education authority is included in the balance sheet at a deemed cost, the book value following valuation on transfer in 1994.

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:

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.

PRIESTLEY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2016
(continued)

Tangible fixed assets cont.

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.

Borrowing costs

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

Leased assets

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

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

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

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

Maintenance of premises

The cost of routine corrective maintenance is recognised as expenditure in the period in which it is incurred.

Cash and cash equivalents

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

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

PRIESTLEY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2016
(continued)

Financial liabilities and equity

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

All loans, investments and short term deposits held by the College are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the College has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

Foreign currency translation

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

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 or Section 256 of Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

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

Provisions and contingent liabilities

Provisions are recognised when the College has a present legal or constructive obligation as a result of a past event, 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.

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

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

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

PRIESTLEY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2016
(continued)

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 of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the College's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 23, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 July 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

PRIESTLEY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2016
(continued)

2	Funding body grants	2016 £000	2015 £000 Restated
	Recurrent grant – 16-18 (EFA)	9,745	9,927
	Recurrent grant – 19+ (SFA)	125	134
	Recurrent capital grant – (EFA)	58	52
	Non recurrent grants – (EFA)	10	729
	Releases of deferred capital grants	-	-
	Total	9,938	10,842
3	Tuition fees and education contracts	2016 £000	2015 £000 Restated
	Tuition Fees	4	7
	Education Contracts	97	106
	Total	101	113
4	Other income	2016 £000	2015 £000 Restated
	Other grant income	28	7
	Releases from deferred capital grants	-	-
	Other income	135	122
	Total	163	129
5	Endowment and investment income	2016 £000	2015 £000 Restated
	Pension Finance Income	-	-

PRIESTLEY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2016
(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:

	2016	2015
	No.	No.
Teaching departments - teaching staff	113	125
Teaching support and other staff	70	70
	<hr/>	<hr/>
Total	183	195
	<hr/> <hr/>	<hr/> <hr/>

Staff costs for the above persons:

	2016	2015
	£000	£000
Wages and salaries	6,021	6,217
Social security costs	466	446
Other pension costs	1,032	929
	<hr/>	<hr/>
Payroll sub total	7,519	7,592
Contracted out staffing services	136	154
	<hr/>	<hr/>
Total	7,655	7,746
	<hr/> <hr/>	<hr/> <hr/>

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	
	2016	2015	2016	2015
	No.	No.	No.	No.
£60,001 - £70,000	-	-	1	1
£90,001 - £100,000	1	1	-	-
£100,001-£110,000	-	-	-	-
£110,001-£120,000	1	1	-	-
£140,001-£150,000	-	1	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total	2	3	1	1
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

PRIESTLEY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2016
(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.

	2016	2015
	No.	No.
The number of senior post-holders including the Principal was:	2	3
	<u> </u>	<u> </u>

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

	2016	2015
	£000	£000
Salaries	207	270
Compensation for early severance	-	30
Benefits in kind	-	-
Pension contributions	34	38
	<u> </u>	<u> </u>
Total emoluments	241	338
	<u> </u>	<u> </u>

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

	2016	2015
	£	£
Salaries	115,671	115,432
Benefits in kind	-	-
	<u> </u>	<u> </u>
	<u>115,671</u>	<u>115,432</u>
	<u> </u>	<u> </u>
Pension contributions	18,834	16,276
	<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 2016
(continued)

7 Senior Post-Holders' Emoluments cont.

Compensation for early severance paid to a former senior post-holder	2016	2015
	£	£
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

	2016	2015
	£000	£000
Teaching	406	495
Non Teaching costs	966	1,019
Premises costs	432	437
Total	1,804	1,951

Other operating expenses include:

	2016	2015
	£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	23	19
Hire of Premises - operating leases	-	-

9 Interest and other finance costs

	2016	2015
	£000	£000
On bank loans, overdrafts and other loans:		
Repayable wholly or partly in more than 5 years	11	11
Pension finance costs – note 19	45	41
Total	56	52

PRIESTLEY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2016

(continued)

10 Taxation

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

11 Tangible assets

	Land and Buildings			Total £000
	Freehold £000	Assets Under Construction £000	Equipment £000	
Cost or valuation				
At 1 August 2015	17,996	-	2,284	20,280
Additions	-	-	104	104
Disposals	-	-	-	-
At 31 July 2016	17,996	-	2,388	20,384
Accumulated depreciation				
At 1 August 2015	4,489	-	1,923	6,412
Charge for year	466	-	117	583
Eliminated in respect of disposals	-	-	-	-
At 31 July 2016	4,955	-	2,040	6,995
Net book value at 31 July 2016	13,041	-	348	13,389
Net book value at 31 July 2015	13,507	-	361	13,868

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:

	2016		2015	
	Land & Buildings £000	Equipment £000	Land & Buildings £000	Equipment £000
Inherited assets	2,146	-	2,198	-
Assets financed by exchequer funds	6,084	85	6,283	125
Net Book Value at 31 July	8,230	85	8,481	125

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.

PRIESTLEY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2016
(continued)

12 Debtors	2016	2015
	£000	£000
Trade debtors	66	80
Prepayments and accrued income	103	125
Amounts owed by the funding agencies	-	-
	<hr/>	<hr/>
Total	169	205
	<hr/> <hr/>	<hr/> <hr/>
13 Creditors: Amounts Falling Due Within One Year	2016	2015
	£000	£000
		Restated
Bank loan and overdrafts	150	150
Trade creditors	286	180
Accruals	74	134
Amounts owed to the funding agencies	30	92
	<hr/>	<hr/>
Total	540	556
	<hr/> <hr/>	<hr/> <hr/>
14 Creditors: Amounts Falling Due After One Year	2016	2015
	£000	£000
Bank loan	1,950	2,100
	<hr/>	<hr/>
Total	1,950	2,100
	<hr/> <hr/>	<hr/> <hr/>
15 Borrowings	2016	2015
	£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	1,350	1,500
	<hr/>	<hr/>
Total	2,100	2,250
	<hr/> <hr/>	<hr/> <hr/>

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.

PRIESTLEY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2016
(continued)

16 Revaluation Reserve

	2016	2015
	£000	£000
At 1 August	2,198	2,251
Transfer from revaluation reserve to general reserve in respect of:		
Disposals	-	-
Depreciation on revalued assets	(53)	(53)
At 31 July	2,145	2,198

17 Movements on General Reserves

	2016	2015
	£000	£000
		Restated
Income and expenditure Account		
At 1 August	11,033	10,291
Surplus retained for the year	104	757
Transfer from revaluation reserve	53	53
Actuarial loss in respect of pension scheme	(351)	(68)
At 31 July	10,839	11,033
Balance represented by:		
Pension reserve	(1,723)	(1,174)
Income and expenditure reserve excluding pension reserve	12,562	12,207
Total	10,839	11,033

18 Analysis of Cash and Cash Equivalents

	At 1 August	Cashflows	Other	At 31 July
	2015		Changes	2016
	£000	£000	£000	£000
Cash in hand and at bank	2,988	651	-	3,639
Overdrafts	-	-	-	-
	2,988	651	-	3,639
Debt due within 1 year	(150)	-	-	(150)
Debt due after 1 year	(2,100)	150	-	(1,950)
Total	738	801	-	1,539

Included in cash balances at 31 July 2016 is £7,000 (2015 - £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 2016
(continued)

19 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 multi-employer defined – benefit schemes.

Total pension cost for the year

	2016	2015
	£000	£000
Teachers Pension Scheme:		
Contributions paid	687	630
	<hr/>	<hr/>
Local Government Pension Scheme:		
Contributions paid	192	194
Lump sum payment	-	41
FRS 17 adjustment	153	64
	<hr/>	<hr/>
Charge to the Statement of Comprehensive Income	345	299
	<hr/>	<hr/>
Total Pension Cost for Year within staff costs	1,032	929
	<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 2016

(continued)

19 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:

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

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

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

<https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx>

Scheme Changes

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

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

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

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

The pension costs paid to TPS in the year amounted to £687,000 (2015: £630,000)

PRIESTLEY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2016

(continued)

19 Pension and similar obligations (continued)

FRS 102 (28)

Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension plan. The College is unable to identify its share of underlying assets and liabilities of the plan.

Accordingly, the College has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined contribution plan. The College has set out above the information available on the plan and the implications for the College in terms of the anticipated contribution rates.

Cheshire Pension Fund (CPF)

The CPF is a funded defined-benefit plan, with the assets held in separate funds administered by Cheshire West and Chester. The total contributions made for the year ended 31 July 2016 was £271,634 (2015 - £273,496) of which employers contributions totalled £192,090 (2015 - £194,551) and employees contributions totalled £79,544 (2015 - £78,946). The agreed contribution rates for future years are 16.8% plus a lump sum each year for employers and range from 5.5% to 8.5% for employees depending on salary. In 2015, the College made a lump sum payment of £40,900 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 £272,000.

Principal Actuarial Assumptions

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

	At 31 July 2016	At 31 July 2015
Rate of increase in salaries	2.9%	3.5%
Rate of increase for pensions in payment/inflation	1.9%	2.6%
Discount rate for scheme liabilities	2.4%	3.6%
Inflation assumption (CPI)	1.9%	2.6%
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 2016	At 31 July 2015
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 2016

(continued)

19 Pension and similar obligations (continued)

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

	Long-term rate of return expected at 31 July 2016	Value at 31 July 2016 £000	Long-term rate of return expected at 31 July 2015	Value at 31 July 2015 £000
Equities	2.4%	3,211	3.6%	2,535
Bonds	2.4%	2,102	3.6%	2,068
Property	2.4%	409	3.6%	465
Cash	2.4%	116	3.6%	103
Total Fair Value of Plan Assets		<u>5,838</u>		<u>5,171</u>
Present Value of Plan Liabilities		<u>(7,561)</u>		<u>(6,345)</u>
Net Pensions Liability		<u><u>(1,723)</u></u>		<u><u>(1,174)</u></u>

**Amounts charged to the Statement of Comprehensive
Income in respect of the plan are as follows:**

	2016 £000	2015 £000
Current service cost	318	299
Past service cost	27	-
Total	<u>345</u>	<u>299</u>

Amounts included in interest and other finance costs

	2016 £000	2015 £000
Interest income on plan assets	188	184
Interest on defined benefit obligation	(233)	(225)
Pension finance costs	<u>(45)</u>	<u>(41)</u>

Amount recognised in Other Comprehensive Income

	2016 £000	2015 £000
Return on pension plan assets	351	301
Experience losses arising on defined benefit obligations	49	27
Changes in assumptions underlying the present value of plan liabilities	(751)	(396)
Amount recognised in the Other Comprehensive Income	<u>(351)</u>	<u>(68)</u>

PRIESTLEY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2016
(continued)

19 Pension and similar obligations (continued)

Movement in net defined liability during the year	2016 £000	2015 £000
Net defined liability in scheme at 1 August	(1,174)	(1,001)
Movement in year:		
Current service cost	(318)	(299)
Employer Contributions	192	235
Past service cost	(27)	-
Net interest on the defined liability	(45)	(41)
Actuarial loss	(351)	(68)
	<hr/>	<hr/>
Net defined benefit liability at 31 July	(1,723)	(1,174)
	<hr/> <hr/>	<hr/> <hr/>

Asset and Liability Reconciliation

Changes in the present value of defined benefit obligations	2016 £000	2015 £000
Defined benefit obligations at start of year	6,345	5,502
Current service cost	318	299
Past service cost	27	-
Interest cost	233	225
Contributions by scheme participants	70	71
Changes in financial assumptions	751	396
Experience gains and losses on defined benefit obligations	(49)	(27)
Estimated benefits paid	(134)	(121)
	<hr/>	<hr/>
Defined benefit obligations at end of year	7,561	6,345
	<hr/> <hr/>	<hr/> <hr/>

Changes in fair value of plan assets	2016 £000	2015 £000
Fair value of plan assets at start of year	5,171	4,501
Interest on plan assets	188	184
Return on plan assets	351	301
Employer contributions	192	235
Contributions by scheme participants	70	71
Estimated benefits paid	(134)	(121)
	<hr/>	<hr/>
Fair value of plan assets at end of year	5,838	5,171
	<hr/> <hr/>	<hr/> <hr/>

PRIESTLEY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2016
(continued)

20 Post Balance Sheet Events

There are no post balance sheet events.

21 Capital Commitments

	2016	2015
	£000	£000
Capital Commitments contracted for at 31 July	Nil	Nil
	<u> </u>	<u> </u>

22 Financial Commitments

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

	2016	2015
	£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	-	-
Expiring between two and five years inclusive	23	20
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

23 Contingent Liabilities

The College had no contingent liabilities in either 2015/16 or 2014/15.

PRIESTLEY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2016

(continued)

24 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.

The total expenses paid to or on behalf of the Governors during the year was £388; 2 governors (2015 - £416, 1 Governor). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

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

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

Transactions during the year were as follows:

	2016	2015
	£	£
Warrington Borough Council		
Educational Contracts Delivered by the College	-	66,655
Grants received	-	-
	<u>-</u>	<u>66,655</u>
Payments for Goods and Services	<u>18,891</u>	<u>25,696</u>
Nickel Promotions		
Payments for Goods and Services	<u>1,713</u>	<u>1,992</u>
Sir Thomas Boteler CE High School		
Reimbursement of Expenses for College Activity	150	210
Exam Invigilation service provided	-	406
	<u>150</u>	<u>616</u>
Payments for Goods and Services	<u>-</u>	<u>-</u>

PRIESTLEY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2016
(continued)

24 Related Party Transactions cont.

Balances outstanding at 31 July were:

	2015	2015
	£	£
Included in Debtors:		
Warrington Borough Council	-	25,655
Sir Thomas Boteler CE High School	-	210
	<u> </u>	<u> </u>
Included in Creditors:		
Warrington Borough Council	-	3,208
Nickel Promotions	36	202
Sir Thomas Boteler CE High School	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 (2015 - £Nil) from College activities e.g. a proportion of ticket monies in respect of certain performances.

25 Discretionary Learner Support Funds

	2016	2015
	£000	£000
Funding body grants – hardship support	202	212
Funding body grants – childcare support	-	-
	<u> </u>	<u> </u>
	202	212
Disbursed to Students	(219)	(189)
Administration costs	(9)	(10)
	<u> </u>	<u> </u>
Balance (over)/unspent at 31 July	<u> </u>	<u> </u>
	(26)	13

Funding body grants are available solely for students; the College acts only as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the Statement of Comprehensive Income.

26 Transition to FRS 102 and the 2015 FE HE SORP

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

PRIESTLEY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2016
(continued)

26 Transition to FRS 102 and the 2015 FE HE SORP cont.

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

Financial Position	1st August 2014	31st July 2015
	£000	£000
Total reserves under previous SORP	6,502	13,179
Release of capital grants under performance method	6,040	120
Changes to measurement of net finance cost on defined benefit plans	-	(68)
	<hr/>	<hr/>
Total effect of transition to FRS 102 and 2015 FE HE SORP	6,040	52
	<hr/>	<hr/>
Total reserves under 2015 FE HE SORP	<u>12,542</u>	<u>13,231</u>

Financial Performance	Year ended
	31st July 2015
	£000
Surplus for the year after tax under previous SORP	376
Release of capital grants under performance method	52
Reversal of capital grants amortisation	397
Pensions provision – actuarial loss	(68)
Changes to measurement of net finance cost on defined benefit plans	(68)
	<hr/>
Total effect of transition to FRS 102 and 2015 FE HE SORP	313
	<hr/>
Total comprehensive income under 2015 FE HE SORP	<u>689</u>

a) Recognition of short term employment benefits

Under FRS 102 the costs of short-term employee benefits are recognised as a liability and an expense. The annual leave year runs to 31st July each year for all staff meaning that, at the reporting date, there was no liability. The College does pay holiday pay to hourly paid staff and this has always been included within creditors due within one year.

b) All capital grants accounted for under performance model

The College has previously been in receipt of capital grants from “government” and sources other than those classified as “government” under FRS 102 and the 2015 FE HE SORP. Under the previous UK GAAP and 2007 SORP, these were able to be capitalised and amortised over the remaining useful economic life of the relevant fixed assets. This accounting treatment is no longer available for non-government grants and, optional for “government” grants. The College has decided

PRIESTLEY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2016
(continued)

26 Transition to FRS 102 and the 2015 FE HE SORP cont.

to adopt the performance model for all capital grants and they have therefore been treated as if they had been credited to Comprehensive Income immediately that the performance conditions had been met. A corresponding adjustment has been made to the income recognised in the 2015 results that related to the annual amortisation of the capital grants involved.

c) Change in recognition of defined benefit plan finance costs

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

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

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