



EXETER COLLEGE

**Report and Financial Statements
for the year ended 31 July 2016**

Key Management Personnel, Board of Governors and Professional Advisors

Key Management Personnel

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

Principal & Accounting Officer:	Mr R Atkins (until 31 March 2016) Mr J Laramy (from 1 April 2016)
Vice Principal – Finance and Business Operations:	Mr S Campion
Vice Principal – Schools, Partnerships & Curriculum:	Mr R Bosworth
Vice Principal – Standard and Student Experience:	Mrs J Skinner

Board of Governors

A full list of Governors is given on Page 11 of these financial statements.

B Sweeney acted as Clerk to the Corporation throughout the period.

Professional advisers

Financial statement and regularity auditor:

Grant Thornton UK LLP
Hartwell House
55-61 Victoria Street
Bristol
BS1 6FT

Internal auditors:

PricewaterhouseCoopers
Princess Court
23 Princess Street
Plymouth
PL1 2EX

Bankers:

Lloyds TSB Bank PLC
PO Box 340
234 High Street
Exeter
EX4 3ZB

Solicitors:

Foot Anstey Solicitors
Senate Court
Southernhay Gardens
Exeter
Devon
EX1 1NT

Property consultants:

Jones Lang LaSalle
Keble House
Southernhay Gardens
Exeter
EX1 1NT

Sweett (UK) Ltd
Winward House
Fitzroy Road
Exeter
EX1 3LJ

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STATEMENT FROM THE CHAIR OF THE BOARD

The Board has presided over another year of excellence for Exeter College. The constant organisation-wide focus on student outcomes, the learner experience, teaching quality and robust financial management during 2015/16 has put the College in an exceptionally strong position as it faces the challenges of the coming year.

Adverse demographic trends, reduced government funding, increased provider competition and major national education policy and curriculum changes are factors affecting the whole of the sixth form and further education sector. Exeter College is not immune to such factors and the fact that, despite these, the College has continued to grow and improve its outcomes over the last year is testament to the drive, innovation and responsiveness of its leadership and governance.

In recognition of our sound financial management and current financial position it is gratifying that the Skills Funding Agency has reclassified our financial rating to 'good' from the previous year's 'satisfactory' rating.

We have also continued the momentum of capital investment in accommodation and facilities, to support our ever-growing student numbers. 2015/16 saw the opening, by Jo Pavey MBE, of our £5.9million state-of-the-art Sports Hall development at the Queen Street campus.

We also welcomed Sir Steve Smith, Vice-Chancellor of Exeter University, to open our exceptional new Maths and Science Centre in Queen Street. Further major investment is under way at our Exwick Sports site and a major extension to our Technology Centre at Monkerton is under construction. Towards the end of the year five new classrooms and a full size lecture theatre were completed at Hele Road to cater for growing student numbers.

In 2015/16 our 16-18 full-time learner numbers increased yet again, to 5440 – an increase of 100 on 2014/15. This further established Exeter College's position as one of the largest 16-18 providers in the country (8th largest) and the only top 10 provider to be rated 'outstanding' by Ofsted. Following 2014's BTEC College of the Year Award, 2015/16 saw the College awarded both the TES Apprenticeship Programme of the Year and the City & Guilds UK Centre of the Year. Our HE numbers remained strong and we invested in improved facilities and support for our HE students.

Across all our programmes 2015/16 was a year of exceptional student outcomes, with the best ever A Level results, outstanding IB results and well above national average outcomes for Apprenticeships and GCSE Maths and English. Ten students secured Oxbridge places.

Partnership working was, as always, central to our approach and our work. We built on our strong and well-established partnerships with local schools, the University, the City and County Councils, Innovation Exeter, major local employers, employer organisations and sports bodies. We also forged a significant new partnership with the Exeter Chiefs Rugby Club, creating the Chief's Rugby Academy and welcoming 70 new students to its 2016/17 inaugural year at Exeter College.

2015/16 saw the retirement of Richard Atkins CBE, after 14 outstanding years as Principal of the College. After an exhaustive selection process the Board was unanimous in appointing former Vice Principal John Laramy as our new Principal and Chief Executive – to build an even more exceptional College on the outstanding foundations he inherits.

The Board remains extremely strong in the quality and breadth of its membership and continually renews itself on account of its 8 year maximum term of office, striving for the right skills, gender and age mix at all times. It has presided over a sustained period of growth, success and rising quality and faces the numerous sectoral, political, curriculum and financial challenges ahead with a very high degree of confidence.



Philip Bostock OBE DL HonLLD
Chair of the Board of Exeter College

Operating and Financial Review

NATURE, OBJECTIVES AND STRATEGIES:

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

Legal status

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

Mission and Aims

In 2013/14, Exeter College launched its new Strategic Plan (2013-17) which incorporates the following Mission, Values and College Themes.

Mission

To be an outstanding, dynamic and thriving College, working with partners to provide inspirational education and training for our community.

Aims

The Exeter College Strategic Plan has four aims for the College:

A. Excellence

- To strive for excellence in all that we do
- To ensure that teaching, learning and assessment is consistently outstanding
- To ensure all learners are on a programme of study which provides potential opportunities to progress
- To support all learners and provide them with opportunities to influence and shape their experience
- To enhance the performance potential and contribution of all staff through effective leadership, support, training and development
- To develop the College as an employer and provider of choice
- To provide facilities and resources that are excellent and enable outstanding learning
- To develop curriculum that encourages growth in our learner community in line with emerging priorities

B. Innovation

- To promote a culture of innovation and progressive thinking
- To offer engagement and innovative provision which enable all learners to progress
- To provide resources that promote and embrace emerging technologies and support a professional environment
- To engender and promote a culture of environmental sustainability within College practices
- To be agile, flexible and responsive to maximise opportunities

C. Community

- To respond to emerging needs
- To respond flexibly to emerging community and employment needs and priorities
- To be a catalyst for long-term sustainable partnership
- To be responsive and provide fit-for-purpose training that meets the needs of the employers in the community
- To embrace the positive impact of globalisation in the opportunities we offer to our wider community

Operating and Financial Review (continued)

D. Inclusivity

- To reflect and be accessible to the community we serve
- To provide a safe, welcoming and inclusive environment
- To promote a pro-active culture that respects, values and celebrates the individuality of all learners and staff
- To provide an environment that meets the needs of all learners and staff
- To provide a broad, responsive and accessible curriculum that meets the needs and abilities of our diverse learners

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

Public Benefit

Exeter College is an exempt charity under the Part 3 of the Charities Act 2011 and from 1st September 2013, is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on page 11 and 12. In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit. In delivering its mission, the College provides the following identifiable public benefits through the advancement of education:

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

Financial objectives

In the summer of 2015, the College set itself the following specific targets for the period to 31 July 2016:

1. Maintaining financial health of at least "Satisfactory" as determined by the SFA
2. maintaining unrestricted reserves of at least 10% of income;
3. setting and achieving annual budgets which generate an historic cost surplus each year
4. generating cash inflows from operating activities;
5. maintaining a current ratio of at least 0.5, and to return to 1.0 by the end of the SFA 3 year plan period

All these objectives were achieved.

Performance indicators

The Skills Funding Agency has adopted a system of performance measures for colleges, FE Choices which is part of the Further Education Public Information (FEPI) framework:

- Success rates
- Learner destinations
- Learner satisfaction
- Employer satisfaction

The College is committed to observing the importance of the measures and indicators within the Framework and is monitoring these through the completion of the annual Finance Record for the Skills Funding Agency. The current rating is in line with the recent Ofsted inspection which grades the College as outstanding.

Operating and Financial Review (continued)

FINANCIAL POSITION

Financial results

The College generated a consolidated operating surplus, before other gains and losses, in the year of £285,000 (2014/15: FRS 102 restated loss £116,000). The profit before FRS 102 and pension adjustments was £1,046,000 (2014/15: FRS102 restated profit £414,000).

The Group has an FRS102 accumulated income and expenditure deficit of £498,000 (2014/15: FRS102 restated surplus £3,803,000) and cash balances of £5,982,000 (2014/15: £5,230,000). The College now wishes to accumulate reserves following a significant period of capital investment for a number of years. The cash balances will be used to support the development and implementation of the new strategic plan and property masterplan.

Tangible fixed asset additions during the year amounted to £3,288,000. This was split between new buildings of £2,372,000 and equipment purchased of £761,000 and assets under construction of £155,000.

The College has significant reliance on the funding bodies for its principle funding source, largely from recurrent grants. In 2015/16 funding body grants provided 77% of the College's total income.

The College has two subsidiary companies, Aplus Training (SW) Limited, and Ecole Limited, both of which are dormant. The operations of Aplus Training (SW) Ltd now operate as part of the Business and IT faculty within the College.

Treasury policies and objectives

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

The College has a separate treasury management policy in place. Borrowing requires authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum of the Skills Funding Agency.

Cash flows

At £3,765,000 (2014/15: £3,713,000), operating cash inflow was good.

Liquidity

The size of the College's total borrowing and its approach to interest rates have been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cashflow. During the year this margin was comfortably exceeded.

Reserves Policy

The College has no formal Reserves Policy, but recognises the importance of reserves in the financial stability of an organisation, whilst ensuring that adequate resources are provided for the College's core business. The College currently holds no restricted reserves. It is the Corporation's intention to increase reserves over the life of the Strategic Plan, by the generation of annual operating surpluses.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2015/16 the Group has delivered activity that has produced £28,691,000 in funding body main allocation funding (2014/15: £28,931,000). The College enrolls over 11,500 students spanning entry to level 4 provision. Around a third of all 16-18 full-time students in the Devon Local Authority Area attend Exeter College. There were 5,440 full time 16-18 at the end of the year, 100 above the original funding allocation for the year

Operating and Financial Review (continued)

Student achievements

Student outcomes are outstanding and continue to place Exeter College as one of the highest performing colleges in the country. 16-18 learners have an overall achievement rate of 87% compared to the national average of 80%. The overall achievement rate for apprenticeship provision is 83%, some 12% ahead of the last available national average.

Curriculum developments

Exeter College plays a social, economic and community leadership role in the city and county as a school, Sixth Form College, general further education College, training provider and local HE centre. This makes the College vibrant and lively, with a strong focus on success, which has a high impact on the local community.

2015/16 has been the first year of fully embedding Maths and English into programmes of study, for which the College has received both regional and national recognition on the success of its implementation and the challenges this brings in terms of resourcing in a large Tertiary College.

Exeter College offers a very wide curriculum to our students and our community. Courses are offered in all subject areas except land-based industries, from Foundation learning level 1 to levels 3 and 4. The College has extensive and meaningful links with business, industry and the community, including partnerships with Flybe, Exeter City Football Club, Exeter City Council and Devon County Council.

The College has also developed a number of other specialist academies including the Journalism Academy, the Michael Caines Hospitality Academy, the Reach Academy sponsored by the Met Office, an Enterprise Academy and the recently formed Exeter Chiefs Rugby Academy.

Additionally, Exeter College is the adult and community learning provider for the city offering a range of adult vocational provision and currently enrolls over 530 students on Higher Education programmes each year. In 2015/16, over 200 young people aged 14-16 attended the College, following a wide range of courses from Foundation Learning through vocational provision to gifted & talented programmes.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2015 to 31 July 2016, the College paid 95% of its suppliers within 31 days. The College incurred no interest charges in respect of late payment for this period and it is further enhancing measures to improve performance against this target.

Post-balance sheet events

There are no post balance sheet items in the financial statements to report.

Future developments

In October 2015 completed the £8.2m construction of the Maths and Science centre on Queen Street. As a response to projected growth in student numbers for 2016/17, the old sports hall at the Hele Road site has been converted into five classrooms and a 135 seat lecture theatre during the summer of 2016, in order to be able to teach some curriculum in larger class sizes and improve efficiency. The final costs of this project are likely to be just less than £1m.

The college has also relocated its accountancy training facility (Aplus Training, now part of the Business and IT faculty) to a new fit for purpose leased premises in the Millbay area of Plymouth, along with improvements to its facility in Exeter,

Operating and Financial Review (continued)

Future developments cont'd

The college has also appointed two sets of contractors over the summer of 2016 for future developments. Firstly, work has now started on a £3m, LEP supported project to extend the Technology Centre to meet some of the skills requirements set out by the Hinkley Point Training Agency (HPTA), in the provision of welding, robotics and industrial automation. This is due for completion for the 2017/18 financial year. Secondly, the college has appointed a master-planning team to produce an estates vision for our city centre sites (Hele Road and Queen Street) covering the next 20 years. This will be developed with internal and external stakeholders to produce an overall plan by the early part of 2017.

The College will be aiming to significantly increase contribution by introducing a number of efficiency schemes across the College site in future years. The College would like to reduce dependency on the Skills Funding Agency / EFA and is seeking opportunities particularly in the areas where the College currently performs well such as HE recruitment, apprenticeships, international recruitment and non-funded or commercial course delivery.

During the summer of 2016 the college has signed a 40 year lease to operate further playing fields at Exwick / Flowerpot in the centre of Exeter on behalf of Exeter City Council, including three football pitches and two rugby pitches. This provides outstanding outdoor teaching facilities in the centre of the city as part of an Exwick Sports Hub, including planning permission that has been granted for a 3G artificial pitch. The artificial pitch will be constructed during 2017.

RESOURCES

The College has considerable property resources that it can deploy in pursuit of its strategic objectives. There are now five main College sites in Exeter city centre, as well as a Technology Centre at Monkerton and a Construction Centre at Sowton. In addition, the College now operates an Outdoor Education Centre at Haven Banks, on the Quayside in Exeter, in partnership with Devon County Council

Financial

The College has £9,401,000 of consolidated net assets (2014/15 £14,027,000), after deducting £20,515,000 pension liability (2014/15 £14,343,000) and long term debt of £9,714,000 (2014/15 £9,157,000).

People

The Group employs 695 people (expressed as full time equivalents), of whom 555 are teaching staff.

Reputation

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

Based on the strategic plan, the College undertakes a comprehensive review of the risks to which it is exposed. It identifies systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the College will also consider any risks which may arise as a result of a new area of work being undertaken.

A risk register is maintained at the College level which is reviewed by both the Senior Leadership Team and the Audit Committee on a termly basis. In addition, each risk has been allocated to the relevant governance committee for additional oversight. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

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

Operating and Financial Review (continued)

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.

The primary current risks identified by the College are set out below. These are the risks given an overall risk classification of significant based on both the potential impact and the likelihood of the risk occurring.

- Response to ongoing funding pressures while maintaining the quality of our provision
- Failure to provide sufficient specialist resources, social space and accommodation to support students
- Changes within the sector including Area Reviews
- Failure to recruit high quality staff and managers
- Adverse publicity and reputational damage
- Responding to curriculum and assessment changes especially A level reform
- Availability of funding to support student travel
- The impact of the demographic downturn on future cohorts attending College
- Capacity of the College leadership team
- Implementation of the Apprenticeship Levy
- Impact of new league tables

These risks are being addressed through the College's Strategic and Operational plans.

Tuition fee policy

Ministers have confirmed that the fee assumption remains at 50%. In line with the majority of other colleges, Exeter College will seek to increase tuition fees in accordance with the fee assumptions. The risk for the College is that demand falls off as fees increase. This will impact on the growth strategy of the College.

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students
- Close monitoring of the demand for courses as prices change

Maintain adequate funding of pension liabilities

The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS 102.

STAKEHOLDER RELATIONSHIPS

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

- Students;
- Funding Agencies;
- Governors;
- Staff;
- Local employers;
- Local Authorities;
- Local Enterprise Partnership;
- Parents & schools;
- The local community;
- Exeter University;
- Other FE institutions;
- Trade unions;
- Lenders; and
- Professional bodies

Operating and Financial Review (continued)

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

Equal opportunities and employment of disabled persons

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

The College's Equality and Diversity Policy is published on the College's Internet site.

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

Disability statement

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

- a) As part of its accommodation strategy the College regularly updates its access audit.
- b) There is a list of specialist equipment, such as lighting and audio facilities, which the College can make available for use by students and a range of assistive technology is available in the learning centres.
- c) 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.
- d) The College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
- e) Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.
- f) Counselling and welfare services are described in the College Student Handbook, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

Disclosure of information to auditors

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

Approved by order of the members of the Corporation on 16/12/16 and signed on its behalf by:



Philip Bostock
Chair of the Board

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

CORPORATE GOVERNANCE

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in the revised Combined Code on Corporate Governance issued by the London Stock Exchange in July 2006. Its purpose is to help the reader of the Financial Statements understand how the principles have been applied.

We are not required to comply with the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the College and best practice.

THE CORPORATION

The governors, including co-opted members, who served on the Corporation during the year and up to the date of approval of this report were as listed in Table 1.

Table 1: Governors on the College Board during 2015/16

Name	Date of Appointment	Term of Office	Date of Resignation	Status of Appointment	Committee Served (meetings attended/scheduled meetings)
D Allen	01/04/13	4 years		External	Board (6/9) Chair Business Services (5/5) Search & Governance (3/4) Selection (5/8) Remuneration (3/3)
B Arjoon	01/08/13	4 years		External	Board (6/9) Business Services (4/5) Vice Chair Quality & Standards (2/2)
R Atkins	14/01/02	Ex officio	31/03/16	Principal	Board (3/5) Business Services (2/3) Quality & Standards (2/3) Search & Governance (1/2)
D Batho	06/07/12 (Reappointed 06/07/15)	4 years		College Staff	Board (7/9) Audit (3/4)
P Bostock (Chair from 01/08/13)	15/10/10 (Reappointed 14/10/14)	4 years		External	Chair Board (9/9) Business Services (5/5) Chair Search & Governance (4/4) Chair Selection (8/8) Chair Remuneration (3/3)
S Brampton	9/10/15	4 years		External	Board (4/8) Business Services (4/4)
J Bunting	01/07/09 (Reappointed 01/07/13)	4 years		External	Board (7/9) Quality & Standards (3/5) Selection (1/1)
M Caines	01/04/13	4 years	06/07/16	External	Board (0/9) Business Services (1/5)
J Coombs	04/07/12 (Reappointed 04/07/16)	4 years		Co-optee	Audit (3/4)
M Goodwin	09/10/15	4 years		External	Board (5/8) Business Services (4/4)
C Hoar	04/07/12 (Reappointed 04/07/16)	4 years		External	Board (8/9) Chair Audit (4/4) Search & Governance (3/4) Remuneration (3/3) Selection (7/8)
E Hobson	01/07/09 Reappointed 01/07/13	4 years		External	Board (8/9) Vice Chair Audit (4/4) Quality & Standards (3/5) Selection (7/7)
R Hutchinson	13/02/15	4 years	14/03/16	External	Board (2/5) Quality & Standards (2/3)
J Laramy	1/4/16	Ex officio		Principal	Board (4/4) Business Services (2/2) Quality & Standards (2/2) Search and Governance (2/2)
A Lawless	01/08/15	1 year	31/07/16	Student	Board (7/9) Quality & Standards (3/5)

EXETER COLLEGE

Name	Date of Appointment	Term of Office	Date of Resignation	Status of Appointment	Committee Served (meetings attended/scheduled meetings)
C Marshall	10/05/10 Reappointed 10/05/14	4 years		External	Board (6/9) Quality & Standards (5/5)
J Matthews	01/08/13	4 years		Co-optee	Business Services (4/5)
I McGregor	01/11/07 Reappointed 1/11/11	4 years	31/10/15	External	Board (1/2) Business Services (1/1)
M Owen	02/05/14	4 years		College Staff	Board (8/9) Quality & Standards (5/5)
M Pugh	08/07/15	4 years		External	Board (8/9) Business Services (4/5)
M Roach	08/12/10 (Reappointed 17/12/14)	4 years		External	Board (8/9) Vice Chair Business Services (4/5)
T Tamblyn	01/01/08 Reappointed 01/01/12	4 years	31/12/15	External	Board (3/3) Business Services (2/2)
D Underwood	12/10/12 (Reappointed 12/10/16)	4 years		External	Board (8/9) Chair Quality & Standards (5/5) Audit (3/4) Search & Governance (4/4) Remuneration (3/3) Selection (7/8)
E Webber	18/02/11 (reappointed 18/02/15)	4 years		External	Vice Chair Board (8/9) Quality & Standards (5/5) Vice Chair Search & Governance(4/4) Vice Chair Remuneration (3/3) Selection (7/8)
S Welsh	01/08/16	1 year		Student	Board Quality and Standards

B Sweeney acts as the Clerk to the Corporation

It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues. The Corporation meets each term.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Business Services, Audit, Remuneration, Search, Quality and Standards. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website at or from the Clerk to the Corporation at:

Exeter College
Hele Road
Exeter
Devon
EX4 4JS

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 and removal of the Clerk are matters for the Corporation as a whole.

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

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL *(continued)*

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

There is a clear division of responsibility in that the roles of the Chair of the Corporation and Principal of the College are separate.

APPOINTMENTS TO THE CORPORATION

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search and Governance Committee, comprising of the Chair and Vice Chair of the Board, the Principal and the Chairs of the Committees, 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 COMMITTEE

Throughout the year ending 31 July 2016, the College's Remuneration Committee comprised the Chair and Vice Chair of the Board, a Governor with expertise in Human Resources and a Governor with expertise in Finance. The committee determines the remuneration and benefits of the Principal and other senior post-holders, reporting to the Corporation.

Details of remuneration for the year ended 31 July 2016 are set out in note 7 to the financial statements.

AUDIT COMMITTEE

The Audit Committee comprises four members of the Corporation (excluding the Principal and the Chair of the Board). 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 audit recommendations and internal audit undertake periodic follow up reviews to ensure such recommendations have been implemented.

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

INTERNAL CONTROL

Scope of responsibility

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

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL *(continued)*

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 Exeter College and the Learning and Skills Council and its successor organisations. He is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Exeter 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 Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2016 and up to the date of approval of the 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 Corporation;
- regular reviews by the Corporation of periodic and annual financial reports which indicate financial performance against forecasts;
- setting targets to measure financial and other performance;
- clearly defined capital investment control guidelines; and
- the adoption of formal project management disciplines, where appropriate.

Exeter College has an internal audit service, which operates in accordance with the requirements of the Joint Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. At least annually, the Head of Internal Audit (HIA) provides the Corporation with a report of internal audit activity in the College.

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, the regularity auditors in their management letters and other reports.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL *(continued)*

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

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

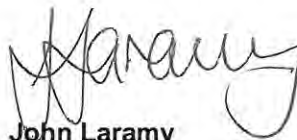
GOING CONCERN

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 it continues to adopt the going concern basis in preparing the Financial Statements.

Approved by order of the members of the Corporation on 16/12/16 and signed on its behalf by:



Philip Bostock
Chair of the Board



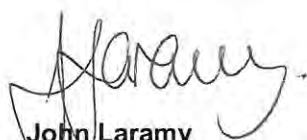
John Laramy
Principal and Accounting Officer

STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

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

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

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



John Laramy
Principal and Accounting Officer



Philip Bostock
Chair of the Board

STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

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

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

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

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

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

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the College, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it in order to safeguard the asset 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 Funding bodies are used only in accordance with the Financial Memorandum with the Funding bodies and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds by the Funding bodies are not put at risk.

Approved by order of the members of the Corporation on 16/12/16 and signed on its behalf by:



Philip Bostock
Chair of the Board

Independent auditor's report to the Corporation of Exeter College

We have audited the financial statements of Exeter College for the year ended 31 July 2016 which comprise consolidated statement of comprehensive income, the consolidated and college statement of changes in reserves, the consolidated and college balance sheets, the consolidated statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the College's Corporation, as a body, in accordance with Article 22 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the College's Corporation those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the College's Corporation as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Corporation and auditor

As explained more fully in the Statement Responsibilities of the Corporation set out on page 17, the College's **Corporation** is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of **the Group's and of** the College's affairs as at 31 July 2016 and of the Group's deficit of income over expenditure for the year then ended in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education issued in March 2014.

Matters on which we are required to report by exception

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

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



Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Hartwell House
55-61 Victoria Street
Bristol
BS1 6FT



Reporting accountant's assurance report on regularity to the corporation of Exeter College and Secretary of State for Business, Innovation and Skills acting through Skills Funding Agency

In accordance with the terms of our engagement letter dated 22 August 2016 and further to the requirements of the financial memorandum with Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that, in all material respects, the expenditure disbursed and income received by Exeter College during the period 1 August 2015 to 31 July 2016 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Joint Audit Code of Practice issued jointly by Skills Funding Agency and Education Funding Agency in June 2016. In accordance with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which Skills Funding Agency has other assurance arrangements in place.

This report is made solely to the corporation of Exeter College, as a body, and the Skills Funding Agency, as a body, in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of Exeter College and Skills Funding Agency those matters we are required to state in a limited assurance 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 Exeter College as a body, and Skills Funding Agency as a body, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Exeter College and the reporting accountant

The corporation of Exeter 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 as imposed by the law, professional standards and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Joint Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that, in all material respects, expenditure disbursed and income received during the period 1 August 2015 to 31 July 2016 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

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

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

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

The work undertaken to draw our conclusion includes:

- an assessment of the risk of material irregularity and impropriety across the college's activities;
- evaluation of the processes and controls established and maintained in respect of regularity and propriety for the use of public funds through observation of the arrangements in place and enquiries of management;
- consideration and corroboration of the evidence supporting the Accounting Officer's statement on regularity, propriety and compliance and that included in the self-assessment questionnaire (SAQ); and
- limited testing, on a sample basis, of income and expenditure for the areas identified as high risk and included on the SAQ.

Conclusion

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



Grant Thornton UK LLP
Chartered Accountants
Hartwell House,
55-61 Victoria Street
Bristol
BS1 6FT



Consolidated Statement of Comprehensive Income
For the year ended 31 July 2016

	Notes	2016	2015 Restated
		£'000	£'000
INCOME			
Funding body grants	2	29,730	29,703
Tuition fees and education contracts	3	4,969	4,946
Other income	4	3,660	3,756
Investment income	5	21	42
Total income		38,380	38,447
EXPENDITURE			
Staff costs	6	24,339	23,948
Fundamental restructuring costs	6	137	120
Other operating expenses	8	9,982	10,904
Depreciation	12	2,642	2,581
Interest and other finance costs	9	995	1,010
Total expenditure		38,095	38,563
Surplus/(deficit) before other gains and losses and before exceptional items and tax		285	(116)
Taxation	10	-	-
Surplus/(deficit) on continuing operations	11	285	(116)
Actuarial Loss in respect of pension schemes	18	(4,911)	(2,358)
Total comprehensive (Loss) for the year		(4,626)	(2,474)

The comprehensive income account is in respect of continuing activities.

The notes on pages 25 to 44 form an integral part of these financial statements.

Consolidated and College Statement of Changes in Reserves

For the year ended 31 July 2016

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Group			
Restated Balance at 1 August 2014	5,952	10,549	16,501
Restated (Deficit) from the income and expenditure account	(116)	-	(116)
Other comprehensive income	(2,358)	-	(2,358)
Transfers between revaluation and income and expenditure reserves	325	(325)	-
	(2,149)	(325)	(2,474)
Restated Balance at 31 July 2015	3,803	10,224	14,027
Surplus from the income and expenditure account	285	-	285
Other comprehensive income	(4,911)	-	(4,911)
Transfers between revaluation and income and expenditure reserves	325	(325)	-
Total comprehensive income for the year	(4,301)	(325)	(4,626)
Balance at 31 July 2016	(498)	9,899	9,401
College			
Restated Balance at 1 August 2014	5,985	10,549	16,534
Restated (Deficit) from the income and expenditure account	(116)	-	(116)
Other comprehensive income	(2,358)	-	(2,358)
Transfers between revaluation and income and expenditure reserves	325	(325)	-
	(2,149)	(325)	(2,474)
Restated Balance at 31 July 2015	3,836	10,224	14,060
Surplus from the income and expenditure account	285	-	285
Other comprehensive income	(4,911)	-	(4,911)
Transfers between revaluation and income and expenditure reserves	325	(325)	-
Total comprehensive income for the year	(4,301)	(325)	(4,626)
Balance at 31 July 2016	(465)	9,899	9,434

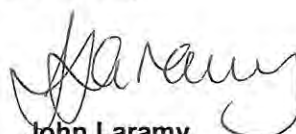
The notes on pages 25 to 44 form an integral part of these financial statements.

Balance sheets as at 31 July 2016

	Notes	Group 2016 £'000	College 2016 £'000	Group Restated 2015 £'000	College Restated 2015 £'000
Fixed assets					
Tangible assets	12	49,459	49,459	48,813	48,813
Investments	13	-	-	-	-
Total fixed assets		49,459	49,459	48,813	48,813
Current assets					
Trade and other receivables	14	1,180	1,213	768	801
Investments	13	-	-	-	-
Cash and cash equivalents	19	5,982	5,982	5,230	5,230
Total current assets		7,162	7,195	5,998	6,031
Less: Creditors – amounts falling due within one year	15	(6,654)	(6,654)	(6,857)	(6,857)
Net current assets / (liabilities)		508	541	(859)	(826)
Total assets less current liabilities		49,967	50,000	47,954	47,987
Less: Creditors – amounts falling due after more than one year	16	(18,730)	(18,730)	(18,246)	(18,246)
Provisions					
Defined benefit obligations	18	(20,515)	(20,515)	(14,343)	(14,343)
Other provisions	18	(1,321)	(1,321)	(1,338)	(1,338)
TOTAL NET ASSETS		9,401	9,434	14,027	14,060
Unrestricted Reserves					
Income and expenditure account		(498)	(465)	3,803	3,836
Revaluation reserve		9,899	9,899	10,224	10,224
TOTAL UNRESTRICTED RESERVES		9,401	9,434	14,027	14,060

The financial statements and the accompanying notes on pages 25 to 44 were approved by the Corporation on 16/12/16 and were signed on its behalf on that date by:


Philip Bostock
Chair


John Laramy
Principal

The notes on pages 25 to 44 form an integral part of these financial statements.

Consolidated Statement of Cash Flows
For the year ended 31 July 2016

	Notes	2016 £'000	Restated 2015 £'000
Cash flow from operating activities			
Surplus/(Deficit) for the year		285	(116)
Adjustment for non-cash items			
Depreciation		2,642	2,581
(Increase)/decrease in debtors		(412)	133
Decrease in creditors due within one year		(348)	(2,342)
(Decrease) / Increase in creditors due after one year		(73)	1,999
Decrease in provisions		(17)	(11)
Pensions costs less contributions payable		1,261	994
Adjustment for investing or financing activities			
Investment income		(21)	(42)
Interest payable		448	517
Net cash flow from operating activities		<u>3,765</u>	<u>3,713</u>
Cash flows from investing activities			
Investment income		21	42
Payments made to acquire fixed assets		(3,288)	(9,639)
		<u>(3,267)</u>	<u>(9,597)</u>
Cash flows from financing activities			
Interest paid		(448)	(517)
New unsecured loans		1,250	1,750
Repayments of amounts borrowed		(548)	(578)
		<u>254</u>	<u>655</u>
Increase / (decrease) in cash and cash equivalents in the year		<u>752</u>	<u>(5,229)</u>
Cash and cash equivalents at beginning of the year	19	5,230	10,459
Cash and cash equivalents at end of the year	19	5,982	5,230

The notes on pages 25 to 44 form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 July 2016

1. Accounting policies

Statement of accounting policies

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

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP) and in accordance with applicable Accounting Standards. They conform to guidance published jointly by the Funding bodies 2015/16 Accounts Direction Handbook 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.

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 28.

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

Going Concern

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

The College currently has £9.7 m of loans outstanding with bankers on terms negotiated since 2005. The terms of the existing agreement are for up to another 15 years. 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.

Notes to the Financial Statements (continued)
For the year ended 31 July 2016

1. Accounting policies (continued)

Basis of accounting

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

Basis of consolidation

The consolidated financial statements include the College and its subsidiaries, as detailed in Note 13. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. In accordance with Financial Reporting Standard FRS 102, the activities of the student union (student representative committee) have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2016.

Recognition of income

The recurrent grant from HEFCE represents the funding allocations attributable to the current financial year and is credited direct to the income and expenditure account.

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

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

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

Income from grants, contracts and other services rendered is included to the extent that conditions of the funding have been met, or the extent of the completion of the contract or service concerned.

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

Post-retirement benefits

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

Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 24, the TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

Notes to the Financial Statements (continued)

For the year ended 31 July 2016

1. Accounting policies (continued)

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

Enhanced Pensions

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

Tangible fixed assets

Land and buildings

Land and buildings inherited from the local education authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. 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 between 20 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 10 and 50 years.

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

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

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of 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 1993, but not to adopt a policy of revaluations of these properties in the future. These values are retained subject to the requirement to test assets for impairment.

Assets under construction

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July 2016. They are not depreciated until they are brought into use.

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

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

Notes to the Financial Statements (continued)

For the year ended 31 July 2016

1. Accounting policies (continued)

Equipment

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

Inherited equipment has been depreciated on a straight-line basis over its remaining useful economic life to the College of five years from incorporation and is now fully depreciated. All other equipment is depreciated over its useful economic life as follows:

- motor vehicles and general equipment – between 3 and 5 years on a straight-line basis
- computer equipment – 3 years on a straight-line basis

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

Fixed asset investments

Fixed asset investments are carried at historical cost less any provision for impairment in their value.

Leased assets

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

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright and are capitalised at their fair value at the inception of the lease and depreciated over the shorter of the lease term or the useful economic lives of equivalently owned assets. The capital element outstanding is shown as obligations under finance leases. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding. Where finance lease payments are funded in full from funding council capital equipment grants, the associated assets are designated as grant-funded assets.

Maintenance of premises

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

Financial liabilities and equity

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

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

Debt and Borrowings

The College recognises loan balances upon receipt of the loan and reduces the balances in line with debt repayments. All interest payments are recognised in the year of payment.

Notes to the Financial Statements (continued)

For the year ended 31 July 2016

1. Accounting policies (continued)

Foreign currency translation

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

Taxation

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

The College is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature. The College's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

Liquid resources

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

Provisions

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

Agency arrangements

The College acts as an agent in the collection and payment of Discretionary Support Funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in Note 26, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant. The College employs one member of staff dedicated to the administration of Learner Support Fund applications and payments.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determined 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.
- Determined whether there are indicators of impairment of the group's tangible assets. 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.

Notes to the Financial Statements (continued)
For the year ended 31 July 2016

1. Accounting policies (continued)

Other key source of estimation uncertainty

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 26, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 July 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 Funding body grants

	2016	2015
	£'000	£'000
Recurrent grants		
Skills Funding Agency	5,202	3,326
Education Funding Agency	23,489	25,605
Higher Education Funding Council	661	244
Specific grants		
Releases of deferred capital grants	378	528
	<u>29,730</u>	<u>29,703</u>

3 Tuition fees and education contracts

	2016	2015
	£'000	Restated £'000
Adult Education fees	1,724	1,967
Fees for HE/FE loan supported courses	2,608	2,657
Education contracts	325	183
International student fees	90	-
Apprenticeship fees and contracts	222	139
	<u>4,969</u>	<u>4,946</u>

4 Other income

	2016	2015
	£'000	£'000
Catering and residences	827	783
Other income generating activities	2,254	2,417
Exam fees	149	145
Rent receivable	99	102
Day nursery income	310	284
Hairdressing	21	25
	<u>3,660</u>	<u>3,756</u>

Notes to the Financial Statements (continued)
For the year ended 31 July 2016

5 Investment income

	2016 £'000	2015 £'000
Other interest receivable	21	42

6 Staff costs

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

	2016 No.	2015 No.
Teaching staff	555	534
Non-teaching staff	140	159
	<u>695</u>	<u>693</u>

Staff costs for the above persons

	2016 £'000	2015 £'000
Wages and salaries	19,622	19,736
Social security costs	1,413	1,322
Other pension costs (Including FRS17 adjustments of £761,000 (2015 £530,000))	3,304	2,890
Payroll sub total	<u>24,339</u>	<u>23,948</u>
Fundamental restructuring costs – contractual	137	120
	<u>24,476</u>	<u>24,068</u>

The number of senior post-holders and other staff who received emoluments, including pension contributions and benefits in kind, in the following ranges was:

	Senior post-holders		Other staff	
	2016 No.	2015 No.	2016 No.	2015 No.
£60,001 to £70,000	-	-	7	4
£70,001 to £80,000	-	-	3	1
£80,001 to £90,000	-	1	1	4
£90,001 to £100,000	2	-	2	-
£100,001 to £110,000	1	-	-	-
£120,001 to £130,000	-	1	-	-
£130,001 to £140,000	1	-	-	-
£140,001 to £150,000	1	-	-	-
£170,001 to £180,000	-	1	-	-
	<u>5</u>	<u>3</u>	<u>13</u>	<u>9</u>

Notes to the Financial Statements (continued)
For the year ended 31 July 2016

7 Senior post-holders' emoluments

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

	2016 No.	2015 No.
The number of senior post-holders including the Principal was:	6	6

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

	2016 £'000	2015 £'000
Salaries	501	376
Pension contributions	59	49
Other benefits in kind	1	1
Total emoluments	561	426

The above emoluments include amounts payable to the highest paid senior post-holder of:

	2016 £'000	2015 £'000
Salaries	120	150
Other benefits in kind	1	1
	121	151
Pension contributions	4	21

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

8 Other operating expenses

	2016 £'000	2015 £'000
Teaching costs	4,096	3,791
Non-teaching costs	3,633	4,068
Premises costs	2,253	3,045
	9,982	10,904

Notes to the Financial Statements (continued)
For the year ended 31 July 2016

	2016 £'000	2015 £'000
Auditor's remuneration:		
Financial statements audit*	33	28
Internal audit**	26	36
Hire of plant and machinery – operating leases	31	35
Hire of other assets – operating leases	139	123

* includes £30,768 in respect of the College (2014/15 £27,779)

** includes £26,046 in respect of the College (2014/15 £31,876)

9 Interest payable

	2016 £'000	2015 Restated £'000
On bank loans, overdrafts and other loans:		
Repayable wholly or partly in more than five years	448	517
Pension finance costs (note 24)	547	493
	995	1,010

10 Taxation

The Members of the Corporation do not believe the College is liable for any corporation tax arising out of its activities during this year.

11 Surplus on continuing operations for the period (Group)

The surplus / (deficit) on continuing operations for the year is made up as follows:

	2016 £'000	2015 Restated £'000
Group's surplus / (deficit) for the period	285	(116)

Notes to the Financial Statements (continued)
For the year ended 31 July 2016

12 Tangible fixed assets (Group & College)

	Land and Buildings Freehold £'000	Equipment £'000	Assets under construction £'000	Total £'000
Cost or valuation				
At 1 August 2015	63,893	2,930	5,479	72,302
Additions	105	582	2,601	3,288
Transfer	7,746	179	(7,925)	-
Disposals	(12)	(278)	-	(290)
At 31 July 2016	71,732	3,413	155	75,300
Depreciation				
At 1 August 2015	20,934	2,555	-	23,489
Charge for the year	2,233	409	-	2,642
Elimination in respect of disposals	(12)	(278)	-	(290)
At 31 July 2015	23,155	2,686	-	25,841
Net book value at 31 July 2016	48,577	727	155	49,459
Net book value at 31 July 2015	42,959	375	5,479	48,813
Inherited – at valuation	12,381	-	-	12,381
Financed by capital grant	10,834	333	-	11,167
Other	25,362	394	155	25,911
Net book value				
At 31 July 2016	48,577	727	155	49,459

Inherited land and buildings were valued at incorporation at depreciated replacement cost by Devon County Council Surveyors Department.

Land and buildings with a net book value of £32,971,299 have been financed by exchequer funds. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum with the Funding Body, to surrender the proceeds.

13 Investments

	College 2016 £	College 2015 £
Investments in subsidiary companies	3	3

The College owns 100% of the issued ordinary £1 shares of Ecole Limited and Aplus Training (SW) Limited, incorporated in England and Wales which are both dormant.

Notes to the Financial Statements (continued)
For the year ended 31 July 2016

14 Debtors

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Trade debtors	530	530	493	493
Amounts owed by subsidiary undertakings	-	33	-	33
Prepayments and accrued income	650	650	275	275
	1,180	1,213	768	801

15 Creditors: amounts falling due within one year

	Group 2016 £'000	College 2016 £'000	Group Restated 2015 £'000	College Restated 2015 £'000
Bank loans and overdrafts	689	689	544	544
Payments received in advance	989	989	798	798
Trade payables	911	911	720	720
Other taxation and social security	480	480	477	477
Other creditors	781	781	772	772
Amounts owed to the Skills Funding Agency	-	-	326	326
Deferred Income – government capital grants	345	345	325	325
Accruals	2,459	2,459	2,895	2,895
	6,654	6,654	6,857	6,857

Included in accruals, is £342,230 relating to outstanding pension contributions.

16 Creditors: amounts falling due after one year

	Group 2016 £'000	College 2016 £'000	Group Restated 2015 £'000	College Restated 2015 £'000
Bank loans	9,714	9,714	9,157	9,157
Deferred Income – government capital grants	9,016	9,016	9,089	9,089
	18,730	18,730	18,246	18,246

Notes to the Financial Statements (continued)

For the year ended 31 July 2016

17 Borrowings

(a) Bank loans

Bank loans are repayable as follows:

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
In one year or less	689	689	544	544
Between one and two years	707	707	2,309	2,309
Between two and five years	2,238	2,238	1,789	1,789
In five years or more	6,769	6,769	5,059	5,059
Total	10,403	10,403	9,701	9,701

The College currently has four bank loans:

- The first loan (capital outstanding at 31 July 2016: £4,089,196) is unsecured and is repayable over a period of 15 years. The loan is being repaid in 56 quarterly instalments, the first being paid in October 2007. The interest on the loan has been fixed for a period of 15 years at 5.615% per annum.
- The second loan (capital outstanding at 31 July 2016: £2,812,500) is repayable over 16 years in 56 quarterly instalments following a 2 year initial capital repayment holiday. The Interest rate has been fixed at 4.0375% per annum.
- The third loan (capital outstanding at 31 July 2016: £ 501,370) is initially for 5 years with the option to extend to 20 years with an initial 2 year capital repayment holiday. Repayments have been geared to an 18 year repayment term with the interest rate charged at 1.65% above LIBOR.
- The College converted an additional loan in 2016 from an initial loan on a revolving credit. This loan totalled £3,000,000 and was converted in July 2016 on a fixed rate for 14years 10 months with the option to extend top 23 years at a variable rate.

The bank has security over certain of the College's properties for loans 2, 3 and 4.

18 Provisions for liabilities and charges

	Group and College		Total
	Defined benefit obligations £'000	Enhanced pensions £'000	£'000
At 1 August 2015	14,343	1,338	15,681
Expenditure in the period	(783)	(95)	(878)
Indexation	547	31	578
Transferred from Statement of Comprehensive Income	1,544	-	1,544
Actuarial valuation loss	4,864	47	4,911
At 31 July 2016	20,515	1,321	21,836

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 24.

Notes to the Financial Statements (continued)
For the year ended 31 July 2016

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

The principal assumptions for this calculation are:

	2016	2015
Price inflation	2.30%	3.50%
Discount rate	1.30%	1.70%

19 Cash and cash equivalents

	At 1 August 2015 £'000	Cash flows £'000	At 31 July 2016 £'000
Cash and cash equivalents	5,230	752	5,982
Total	5,230	752	5,982

20 Capital commitments

	2016 £'000	2015 £'000
Commitments contracted for at 31 July	3,868	2,717

21 Lease obligations

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

	Group and College	
	2016	2015
	£'000	Restated £'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	10	13
Later than one year and not later than five years	272	92
	<u>282</u>	<u>105</u>
Other		
Not later than one year	-	-
Later than one year and not later than five years	4	25
Later than five years	-	-
	<u>4</u>	<u>25</u>

22 Contingent Liabilities

There are no contingent liabilities to report

Notes to the Financial Statements (continued)

For the year ended 31 July 2016

23 Post balance sheet events

There are no post balance sheet events to report.

24 Pension and similar obligations

The College's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Devon County Council. Both are defined-benefit schemes.

Total pension cost for the year	2016 £'000	2015 £'000
Teachers' Pension Scheme: contributions paid	1,741	1,539
Local Government Pension Scheme:		
Contributions paid	783	773
FRS 102(28) charge	761	530
	1,544	1,303
Enhanced pension charge to Statement of Comprehensive Income (staff costs)	18	54
Total Pension Cost for Year	3,303	2,896

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 of the LGPS 31 March 2013.

Contributions amounting to £246,577 (2015: £224,179) were payable to the Teachers' Pension scheme and are included in creditors.

Contributions amounting to £95,653 (2015: £97,015) payable to the Local Government Pension scheme are included in creditors.

Teachers' Pension Scheme

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

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act.

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

Notes to the Financial Statements (continued)

For the year ended 31 July 2016

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

The key results of the valuation are:

- 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>

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

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

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

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

The pension costs paid to TPS in the year amounted to £2,683,977 (2015: £2,278,193)

FRS 102 (28)

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

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

Notes to the Financial Statements (continued)

For the year ended 31 July 2016

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds administered by Devon County Council. The total contribution made for the year ended 31 July 2016 was £1,145,000 of which employer's contributions totalled £783,000 and employees' contributions totalled £362,000. The agreed contribution rates for future years are 11.3% for employers and 5.5% to 9.9% for employees.

Principal Actuarial Assumptions

	At 31 July 2016	At 31 July 2015
Rate of increase in salaries	4.0%	4.5%
Rate of increase for pensions	2.2%	2.7%
Discount rate for liabilities	2.6%	3.8%
Inflation assumption	2.2%	2.7%
Commutation of pensions to lump sums		
– post 2008 service	50%	75%
– pre 2008 service	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
<i>Retiring today</i>		
Males	22.9	22.8
Females	26.2	26.1
<i>Retiring in 20 years</i>		
Males	25.2	25.1
Females	28.6	28.4

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

	Long-term rate of return expected at 31 July 2016	Value at 31 July 2016 £'000	Long-term rate of return expected at 31 July 2015	Value at 31 July 2015 £'000
UK Equities	24.00%	6,424	25.00%	6,048
Overseas Equities	34.00%	9,019	33.00%	7,724
Gilts	3.00%	864	5.00%	1,124
Property	10.00%	2,716	10.00%	2,462
Infrastructure	4.00%	1,083	3.00%	693
Other Bonds	3.00%	754	5.00%	548
Target Return Portfolio	14.00%	3,747	15.00%	1,132
Cash	1.00%	328	2.00%	3,585
Alternative Assets	6.00%	1,518	2.00%	429
Total market value of assets		26,453		23,745
Present value of scheme liabilities				
– Funded		(46,968)		(38,088)
– Unfunded		-		-
Deficit in the scheme		(20,515)		(14,343)

Notes to the Financial Statements (continued)
For the year ended 31 July 2016

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

	2016 £'000	2015 £'000
Fair value of plan assets	26,453	23,745
Present value of plan liabilities	(46,968)	(38,088)
Net pensions (liability)/asset (Note 19)	(20,515)	(14,343)

Analysis of the amount charged to Statement of Comprehensive Income		
	2016 £'000	2015 Restated £'000
Amounts included in staff costs		
Employer service cost (net of employee contributions)	(1,544)	(1,303)
Past service cost	-	-
	(1,544)	(1,303)
Amounts included as investment income		
Net interest income	(547)	(493)
	(547)	(493)
Amounts recognised in Other Comprehensive income		
	2016 £'000	2015 Restated £'000
Return on pension plan assets	1,445	244
Changes in assumptions underlying the present value of plan liabilities	(6,309)	(2,573)
	(4,864)	(2,329)
Movement in deficit benefit during year		
	2016 £'000	2015 Restated £'000
Surplus/ (deficit) in scheme at 1 August	(14,343)	(10,991)
Movement in year:		
Current service cost	(1,544)	(1,303)
Employer contributions	783	773
Past service cost	-	-
Net interest on the defined (liability)/asset	(547)	(493)
Actuarial gain or loss	(4,864)	(2,329)
Deficit in scheme at 31 July	(20,515)	(14,343)

Notes to the Financial Statements (continued)
For the year ended 31 July 2016

Asset and Liability reconciliation

	2016 £'000	2015 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	38,088	32,995
Current service cost	1,507	1,303
Interest cost	1,441	1,442
Contributions by scheme participants	362	370
Experience gains and losses on defined benefit obligations	-	-
Changes in financial assumptions	6,309	2,573
Estimated benefits paid	(776)	(595)
Past service cost	37	-
Curtailments and settlements	-	-
Defined benefit obligations at end of period	46,968	38,088

Reconciliation of Assets

	2016 £'000	2015 £'000 Restated
Fair value of plan assets at start of period	23,745	22,004
Interest on plan assets	909	958
Return on plan assets	1,445	244
Administration expenses	(15)	(9)
Employer contributions	783	773
Contributions by scheme participants	362	370
Benefits paid	(776)	(595)
Assets at end of period	26,453	23,745

The estimated value of employer contributions for the year ending 31 July 2016 is £783,000.

25 Related party transactions

Owing to the nature of the College's operations and the composition of the board of governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

26 Amounts disbursed as agent

Learner support funds

	2016 £'000	2015 £'000
Funding body grants – hardship funds	167	162
Funding body grants – childcare	62	47
	<u>229</u>	<u>209</u>
Disbursed to students	(189)	(133)
Administration costs	(10)	(10)
	<u>30</u>	<u>66</u>
Balance unspent as at 31 July, included in creditors	30	66

Notes to the Financial Statements (continued)

For the year ended 31 July 2016

27 Transition to FRS 102 and the 2015 FE HE SORP

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

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

	Note	1 st August 2014		31 st July 2015	
		Group £'000	College £'000	Group £'000	College £'000
Financial Position					
Total reserves under previous SORP		16,712	16,744	14,261	14,294
Employee leave accrual	(a)	(210)	(210)	(234)	(234)
Total effect of transition to FRS 102 and 2015 FE HE SORP		<u>(210)</u>	<u>(210)</u>	<u>(234)</u>	<u>(234)</u>
Total reserves under 2015 FE HE SORP		<u>16,501</u>	<u>16,534</u>	<u>14,027</u>	<u>14,060</u>
Financial performance					
		Year ended 31 st July 2015			
		Group £'000	College £'000		
Surplus for the year after tax under previous SORP		324	324		
Employee leave accrual	(a)	(24)	(24)		
Pensions provision – actuarial loss		<u>(416)</u>	<u>(416)</u>		
Total effect of transition to FRS 102 and 2015 FE HE SORP		<u>(440)</u>	<u>(440)</u>		
Total comprehensive income for the year under 2015 FE HE SORP		<u>(116)</u>	<u>(116)</u>		

a) Recognition of short term employment benefits

No provision for short term employment benefits such as holiday pay was made under the previous UK GAAP. Under FRS 102 the costs of short-term employee benefits are recognised as a liability and an expense. The annual leave year runs to 31st August each year for both teaching and non-teaching staff meaning that, at the reporting date, there was an average of 1.58 days unused leave for teaching staff and 7.39 days unused leave for non-teaching staff. In addition, certain non-teaching employees are entitled to carry forward up to 3 days of any unused holiday entitlement at the end of the leave year. The cost of any unused entitlement is recognised in the period in which the employee's services are received. An accrual of £210,000 was recognised at 1 August 2014, and an additional £24,000 at 31 August 2015. In 2015/16, the movement on this provision of £116,000 has been charged to Comprehensive Income in the year ended 31 July 2016.

Notes to the Financial Statements (continued)
For the year ended 31 July 2016

b) Change in recognition of defined benefit plan finance costs

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

c) 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.