

Audited Annual Report and Accounts for the Year 1 August 2014 - 31 July 2015



Operating and Financial Review

The Members of the Corporation present their report and the audited financial statements for the year ended 31 July 2015.

1 Legal status

1.1 The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting The Sixth Form College Farnborough. In December 2009, the Corporation resolved that the College should be designated as a sixth form college under Section 33A of The Apprenticeships, Skills, Children and Learning Act, 2009. The College is an exempt charity for the purposes of the Charities Act 2011.

2 Mission

2.1 The Mission, reaffirmed by the Corporation, is:
to be a distinguished provider of the highest quality education, enriching the lives of students within a lively, caring community and enabling all to develop the skills to meet the demands of a changing world with confidence.

3 Public benefit

3.1 The Sixth Form College Farnborough is an exempt charity under Part 3 of the Charities Act 2011 and from 1st September 2013, is regulated by the Secretary of State for Education.

3.2 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. The delivery of public benefit is covered throughout the Operating and Financial Review.

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

- very high quality teaching;
- widened participation and tackling social exclusion;
- an excellent employment record for students;
- very strong student support systems;
- strong links with employers, industry and the community;
- high value for money;
- excellent leisure, recreational and other facilities available for community use.

4 Implementation of the strategic Development Plan

4.1 In March 2014, the Corporation approved an updated three-year Development Plan, 'a mixed economy'. The plan emerged from a review and evaluation of the previous plan in the light of the Government's Comprehensive Spending Review (CSR) in November 2010. The Plan has been reviewed annually by the Principalship and Corporation.

4.2 The College has a single corporate objective which is: *to improve students' achievements*. It has adopted five broad key strategic aims, reaffirmed in February 2014:

- SA.1 Excellence in teaching and learning
- SA.2 Excellent care, guidance and support for all students
- SA.3 An attractive and engaging learning environment
- SA.4 A strong financial footing in a turbulent funding environment
- SA.5 Partnership with the outside world

5 Performance indicators

5.1 The success rates for the year 2014-15 were:

- AS subjects: 89.0% (86.8% in 2014)

- A2 subjects: 96.6% (96.9% in 2014)
- College overall: 92.0% (90.3% in 2014)

5.2 The learners' destinations for the 2014-15 cohort are as follows:

- Higher Education: 57.5% (60.1% in 2014)
- Further education: 4.2% (11.6% in 2014)
- Employment: 3.7% (13.1% in 2014)
- Unknown: 34.6% (15.2% in 2014)

5.3 The College is committed to observing the importance of the measures and indicators for the completion of the annual Finance Record for the Education Funding Agency (EFA). The EFA rating of 'Outstanding' for 2013-14 was as expected.

6 Financial Results

6.1 Recurrent funding for the year was £15.893m for 3,558 students which included Funding Protection of £1.378m. This is an increase of 260 funded students from the previous year. The operational surplus was £922k – an improvement of £148k on the budget surplus of £774k before taking the FRS17 adjustment deficit of £290k into account.

6.2 The main variations to budgets are shown below:

£000's	Budget	Actual	Impact on surplus
EFA Income	£15,886	£16,110	+£ 224
Other Income	£ 1,167	£ 1,021	-£ 146
Total Income	£17,053	£17,131	+£ 78
Salaries	£11,390	£11,521	-£ 131
Educational Costs	£ 1,435	£ 1,405	+£ 30
Premises Costs	£ 1,391	£ 1,293	+£ 98
Admin & Central Costs	£ 1,138	£ 985	+£ 153
Depreciation	£ 925	£ 1,005	-£ 80
Expenditure	£16,279	£16,209	+£ 70
Surplus :	£ 774	£ 922	+£ 148

6.3 The main savings are a result of tighter cost control in anticipation of the withdrawal of Funding protection from August 2017. Further savings are planned during 2015-16 so that a surplus can be achieved equal to the funding protection. When this ends in July 2016, the reduced income should then cover recurrent expenditure for the year 2016-17.

6.4 This strategy involves:

- not replacing staff leaving automatically and reviewing more economical options
- increased class sizes
- discontinuing non-viable courses with low student numbers.

The College will continue with a full enrichment programme and careers and tutor support as part of its commitment to students as long as financially possible.

7 Cash flow and Liquidity

7.1 Operational cash flow for the year was on target at £1.8m. Whilst the increased surplus improved the cash flow the additional spend on the building projects was more. This meant that cash at the year-end was lower than predicted at £1.45m against the predicted figure of £2.2m.

7.2 The main capital projects were two more student social spaces to cost £1.2m. Final costs were £2m mainly due to enhancements for the two projects – The Sports Centre Link and the new Ranson Courtyard building – costing £924k and £1.1m respectively. With the unreasonable timescale allowed to the College by the EFA for these projects, work has been carried out on a 'design and build as you go' basis so that numerous enhancements have been added throughout the two projects. Both the finished projects have added quality accommodation to the site in line with other recent additions which contributes to the attraction of the College to potential students.

7.3 The two other main capital projects during the year were total refurbishment of the business unit – 'Prospects' at £218k and a roof extension on the theatre roof costing £80k.

7.4 The College does not expect any bids for capital grants in the near future to be approved as the site would be considered as low priority in accordance with current EFA criteria.

7.5 At the year end, the College has net reserves of £18.5m after allowing for a £2.39m provision for the Local Government Pension Scheme (administered by Hampshire County Council).

8 Financial Performance Assessments: Financial Targets for 2014-15

8.1 The College has made significant savings ahead of the funding reduction. This meant a significant surplus would be achieved with the continuing payment protection of £1.3m and with improved financial ratios

Target		Actual
1. An operational surplus of £750k minimum	-	£ 1.0m
2. A positive operational cash flow of £1.6k minimum	-	£ 1.8m
3. 45 cash days in hand	-	35
4. Current ratio of at least 2:1	-	1.4:1

The two performance targets were met but as cash retention was lower because of the additional capital expenditure, the two other targets were just missed. Despite these extra costs and slightly lower cash balance, the College financial rating with the funding agency still remains as 'Outstanding'.

8.2 Other capital expenditure on equipment was in line with forecasts.

8.3 Targets for the current year reflect the strategy of cost saving where possible and making the most of the final year of funding protection. This includes making severance payments to reduce staff costs where longer term savings can be made. It is intended to achieve a surplus to match the funding protection so when that is withdrawn at the end of the year, the College will not have an immediate shortfall to address (subject to no further funding rate reductions announced during the year).

Target for 2015/16:

1. An operational surplus of £1.3m minimum
2. A positive operational cash flow of £2.2m minimum
3. 60 cash days in hand
4. Current ratio of at least 2.5:1

8.4 Enrolments in September 2015 were a record high at 3,750 and funding for 2016-17 should be for about 3,650 students: slightly higher than recent predictions. This will assist in maintaining a surplus when Funding Protection is withdrawn in August 2016.

9 Payment performance

9.1 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 2014 to 31 July 2015, the College estimates that it paid at least 97% of its invoices within 30 days and is mindful of paying smaller suppliers earlier where possible. The College incurred no interest charges in respect of late payment for this period.

10 Treasury policies and objectives

10.1 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 these activities and the pursuit of optimum performance consistent with those risks.

10.2 The College has a separate treasury management policy in place. Short-term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum with the EFA.

10.3 The College's activities do not fall to be charged to corporation tax.

11 Insurance Claim

11.1 The insurance claim for water damage during the Phase 7, loft conversion was settled by the College insurers, Zurich Municipal Insurers (ZMI), at £65k and paid in April 2014. The College and Insurers pursued its claim for negligence against the builders and this was successful. Our insurers were fully reimbursed and our excesses were also fully paid in March 2015.

12 Current and future development and performance**12.1 Student numbers**

With enrolments in September 2015 over 3,700, the funding for 2016-17 should be based on about 3,650 students when assessed in November 2015. The College financial forecasts are based on retaining student numbers at 3,600 so student numbers in excess of this would attract additional funding. The College received well over 3,000 applications for the places available but many students make applications to different colleges and Farnborough is not always their first choice so first year numbers were about 2,100.

12.2 Student achievements

The Corporation is proud of the achievements of students at the College, and of the commitment and enthusiasm of a dedicated and skilled teaching and support staff. It is pleased with the outcome of the 2015 examinations which at 96.6% for A2, were in line with those achieved by College students in 2014. Results at AS were also maintained at a high level (89%).

12.3 The College's value-added results were analysed by the independent A level Performance System (ALPS) at both AS and full A level (A2). The value-added achievements at A2 placed the College in the upper 25% (grade 3) whilst the AS results were in the top decile (grade 2).

12.4 Curriculum developments

Overall, the balance of the curriculum has been unaffected by the new and planned courses, with the majority of teaching still being at Advanced level (level 3). The College is committed to retaining the breadth and depth of provision upon which its reputation has been built, and it now offers over 50 different level 3 courses. However, recent changes to A levels coupled with the reduction in funding are likely, over time, to have a significant impact upon student choice. The College will keep its curriculum offer under scrutiny in the face of emerging developments.

12.5 In addition to the examined curriculum, the College continues to provide students with appropriate high-quality, expert support and guidance through the Personal Tutor system. Funding for this aspect of College work has been significantly cut by the EFA, as has funding for extra-curricular activities. The decision to reinforce the commitment to include provision of a broad, rich experience for the student body is consonant with the College Mission.

12.6 The tutorial programme and its delivery will be subject to some revision but a full programme of enrichment activities - sport, performing arts and music being pre-eminent among them - will be offered to all students in the year ahead.

12.7 The College Accommodation Strategy has recently been reviewed and the focus is on revising existing accommodation to meet the changing mix of courses as the majority of students move from a four to a three course programme of study.

13 Resources

13.1 The principal resources at the College are a gifted teaching and support staff, excellent buildings and inspirational teaching materials. The College employed 208 teaching staff, of whom 148 were full-time. 134 support staff worked at the College, of whom 46 were full-time.

13.2 Tangible resources include the College site with its versatile theatre, all-weather floodlit pitch and two large, flexible sports halls. In addition the College has a substantial IT network of almost 2,000 PCs with supporting server hardware.

13.3 The College has reserves of £18.5m after allowing for the pension liability on the Local Government Pension Scheme of £2.39m (administered by Hampshire County Council). The College has net current assets of £406k and a cash balance of £1.45m. The College owns two nearby residential properties which are included in Reserves at their total purchase prices of £560k whereas current market prices would total about £850k, giving a further undisclosed reserve of £290k.

13.4 The College has an outstanding reputation locally and nationally which it seeks to maintain and to develop further; it believes there is no reason why any other school or college in the independent or the state sector should provide education of higher quality.

14 Principal risks and uncertainties

14.1 The College regularly reviews the systems of internal control, including financial, operational and risk management, which are designed to protect the College's assets and reputation. Based on the strategic Development Plan, the Principalship undertakes a comprehensive annual review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions.

14.2 A risk register is maintained at the College level which is reviewed by the Corporation. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the detailed actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system; a system of board assurance to improve accountability and risk management has been implemented.

14.3 The principal risk factors identified by the College, in 2015-16 are:

14.3.1 Inadequate and falling revenue in light of continuing economic crisis

This risk is mitigated in a number of ways including:

- investing in maintaining close relationships with funding bodies;
- lobbying policy makers to influence funding decisions;
- expanding alternative sources of funding;
- prudent budgeting to reduce costs.

14.3.2 Loss of key personnel

This risk is mitigated in a number of ways including:

- strategic planning of staffing needs;
- regular review of management structure effectiveness;
- annual appraisal for all staff;
- payment of nationally agreed salary increase in full.

14.3.3 Turbulence caused by changes to Government education policy

This risk is mitigated in a number of ways including:

- maintain active lobbying of Ministers;
- further development of high profile in the community;
- maintain active presence in partner and link schools.

14.3.4 Negative impact on recruitment in face of increased competition for fewer 16-18 year old students

This risk is mitigated in a number of ways including:

- close liaison with partner and link schools;
- improved PR and effective promotion opportunities as part of 'keeping applications warm' strategy.

14.3.5 Breaches to regulations (safeguarding, Equality & Diversity, employment law, H&S)

This risk is mitigated in a number of ways including:

- regular safeguarding training for all staff and Governors;
- retained service of expert advice, including employment lawyers;
- experienced H&S advisor appointed;
- regular meetings of H&S Committee.

15 Stakeholder relationships

15.1 In line with other colleges and with universities, the College has many stakeholders. These include: our students and their parents; the EFA; our staff; the local community; partner and link schools; local employers; Local Authorities; the M3 Local Enterprise Partnership (LEP); Rushmoor and Hart Borough Councils and trade unions and professional bodies.

15.2 The College recognises the importance of these relationships and considers good communication with its stakeholders to be vital. A Joint Staff Group exists to enable issues relating to staff employment to be raised. Regular updates from Principalship to staff, supported by whole College briefings, are a feature of College life. In addition, regular newsletters are sent electronically to parents and students; the local media frequently report College news stories,

social media and the website are important means of communicating with the community. There are two staff governors, two parent governors and two student governors.

16 Equality of opportunity

16.1 The College is committed to ensuring equality of opportunity for all who learn and work in it. The policy on Equality and Diversity will continue to be published on the website.

16.2 The College has a published Charter outlining the entitlement of students. It contains challenging targets and commitments for both staff and students.

17 Employment of disabled persons

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

17.2 The College seeks to achieve the objectives set down in the Equality Act, 2010. In June 2010, the College was pleased to secure the prestigious 'Two Ticks' award, in public recognition of the positive approach taken towards disabled persons.

18 Auditors

18.1 The requirement to have separate external and internal auditors was removed by the Education Funding Agency from 1 August 2012. However, the Corporation considers it best practice to maintain separate firms for these audit functions and will continue to do so for the foreseeable future.

19 Disclosure of information to auditors

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

Approved by order of the members of the Corporation on 7 December 2015 and signed on its behalf by:



Andrew Needham
Chair of the Corporation

Professional Advisers

Financial Statement and Regularity Auditors:

Buzzacott LLP
130 Wood Street
London
EC2V 6DL

Internal Auditors:

Baker Tilly Business Services Limited (formerly known as RSM Tenon Limited)
Vantage
Victoria Street
Basingstoke
Hampshire
RG21 3BT

Bankers:

Lloyds TSB Plc

Solicitors:

Paris Smith
Number 1 London Road
Southampton
Hampshire
SO15 2AE

20 Statement of Corporate Governance and Internal Control

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

The College endeavours to conduct its business:

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

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

20.2 In the Governors' opinion, the College complies with all the provisions of the Foundation Code, and it has complied throughout the year ended 31 July 2015. The Corporation has not adopted the Foundation Code, however when considering it recognised that it does comply with most areas. The Corporation recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times.

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

The Corporation

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

20.5 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 four times per year.

20.6 The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees were Finance, Strategy and Estates, Performance and Quality, Search and Remuneration, Audit and Risk. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College website at www.farnborough.ac.uk or from the Clerk to the Corporation at: The Sixth Form College Farnborough, Prospect Avenue, Farnborough, Hampshire GU14 8JX.

20.7 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.

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

20.9 Formal agendas, papers and reports are made available to Governors in a timely manner, on a secure Governor website, prior to Corporation meetings. Briefings are also provided on an ad-hoc basis.

20.10 The Corporation understands and readily accepts its responsibilities with regard to Safeguarding. A Governor has been identified to lead on Safeguarding issues on behalf of the Corporation; an appropriate programme of Governor training has been implemented in support of the revised College Safeguarding.

20.11 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.

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

20.13 The members who served on the Corporation during the year and up to the date of signature of this report were as listed on page 14. This includes attendance at Corporation meeting.

21 Appointments to the Corporation

21.1 Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search and Remuneration Committee comprising five Corporation members and an external independent chair. It is responsible for the selection and nomination of all non-elected new members for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

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

22 Audit and Risk Committee

22.1 The Audit and Risk Committee comprises four members of the Corporation and a co-opted member (excluding the Accounting Officer and Chair). The Committee operates in accordance with written terms of reference approved by the Corporation.

22.2 The Audit and Risk Committee meets up to three times a year 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.

22.3 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 and Risk Committee.

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

22.5 The Audit and Risk 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.

23 Performance and Quality Committee

23.1 The Performance and Quality Committee provides an important forum for discussion of curriculum issues. The Committee monitors achievement within the College. It determines the targets for retention and achievement within the policies agreed to promote continuous improvement.

24 Finance, Strategy and Estates Committee

24.1 Throughout the year ending 31 July 2015, the Finance, Strategy and Estates Committee comprised those members listed on page 14. The Committee advises the Corporation on the educational character and mission of the College, the effective and efficient use of resources and the development of College estate. It advises on the appointment of consultants and contractors to carry out building projects and oversee their implementation, and monitors work carried out with funding received from grants.

25 Search and Remuneration Committee

25.1 Throughout the year ending 31 July 2015, the College's Search and Remuneration Committee comprised those members listed on page 14. The Committee's responsibilities are to make recommendations to the Corporation on the remuneration and benefits of the Principal and other senior post-holders, and to advise the Corporation on the framework for other staff. The Committee is also responsible for setting up "Special Committees" as required and Appointments to the Corporation as detailed in 21.1

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

Name	Date of first Appointment		End of Term		Governor Category	Committees Served				% Corp Att
						AR	FSE	PQ	SR	
Mr A Needham Chairman	Mar	2005	Sept	2016	Independent		✓	✓	✓	100
Mrs Dawn Arnold	Oct	2014	Sept	2018	Staff		✓			100
Mr W Bagnall	Jan	1996	Sept	2016	Independent		Ch			100
Mrs P Chan	Sept	1996	Sept	2016	Independent	Ch				75
Ms E Cunningham	May	2013	Apr	2017	Independent		✓		✓	75
Mr C Crumpton	April	2015	April	2016	Student		✓			100
Mr P Eyre Vice-Chair	May	1997	Sept	2018	Independent			Ch	✓	100
Mrs R Harrison	Dec	2013	Nov	2015	Parent	✓		✓		50
Mr S Jarvis	Sept	2010	Ex Officio		Principal		✓	✓	✓	100
Mrs M KC	Dec	2014	Nov	2018	Independent		✓			67
Miss K Obongonyinge	April	2015	April	2016	Student			✓		100
Mr B O'Reilly	Nov	2012	Oct	2016	Independent		✓			25
Mrs S Potter	Dec	2014	Nov	2016	Parent		✓			67
Mr A Tidd	Nov	2010	Oct	2016	Independent	✓		✓		100
Mr G Trigg	Dec	2008	Sept	2017	Independent		✓		✓	50
Mrs T Willcocks	Oct	2010	Sept	2016	Independent			✓		100
Mr N Wooldridge	Oct	2012	Sept	2016	Staff			✓		75
Mr A Lloyd	June	2004	Dec	2015	Co-Opted				Ch	N/A
Mr A Majury	Nov	2011	Dec	2015	Co-Opted	✓				100
Mrs A Venner	Jan	2011			Clerk					100
Governors Leaving during 2014 - 2015										
Mr J Bryant	Dec	2014	Nov	2014	Parent		✓			0
Mr D Faux	Mar	2011	Mar	2015	Independent			✓		0
Miss K Hughes	April	2014	April	2015	Student					50
Mr A Langedijk	April	2014	April	2015	Student		✓			100
Maj J Painting	May	2013	Feb	2015	Independent	✓		✓		50
Ms N Orchard	Oct	2003	Aug	2015	Independent				✓	67

A - Audit and Risk

E - Estates

F - Finance and Strategy

Ch - Chair, dates show a change of Chair

P - Performance and Quality

R - Remuneration

S - Search

26 Internal Control

Scope of responsibility

26.1 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.

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

27 The purpose of the system of internal control

27.1 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 the College for the year ended 31 July 2015 and up to the date of approval of the annual report and accounts.

28 Capacity to handle risk

28.1 The Corporation has reviewed the key risks to which the College is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ended 31 July 2015 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

29 The risk and control framework

29.1 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.

29.2 The College has an internal audit service, which operates in accordance with the requirements of the EFA and SFA's Joint Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis.

29.3 The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit and Risk Committee. At minimum annually, the Head of Internal Audit (HIA) provides the Corporation with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

30 Review of effectiveness

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

- the work of the internal auditors;
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework; and
- comments made by the College's financial statements auditors and regularity reporting accountants in their management letters and other reports.

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

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

30.4 Based on the advice of the Audit and Risk Committee and the Accounting Officer, the Corporation is of the opinion that the College has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for *"the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets"*.

31 Going Concern

31.1 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 7 December 2015 and signed on its behalf by:



Andrew Needham
Chair of the Corporation



Simon Jarvis
Accounting Officer

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

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

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

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

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 EFA and the Corporation of the College, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the 2007 *Statement of Recommended Practice - Accounting for Further and Higher Education Institutions* and with the *Accounts Direction for 2014-15 financial statements* issued jointly by the Skills Funding Agency and the EFA, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

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

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

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

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

Approved by order of the members of the Corporation on 7 December 2015 and signed on its behalf by:



Andrew Needham
Chair of the Corporation

Independent auditor's report to the Corporation of the Sixth Form College Farnborough

We have audited the financial statements of The Sixth Form College Farnborough for the year ended 31 July 2015 set out on pages 22 to 46. The financial reporting framework that has been applied in their preparation is applicable law and UK accounting statements (UK Generally Accepted Accounting Practice).

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

Respective Responsibilities of the Corporation of The Sixth Form College Farnborough and Auditor

As explained more fully in the Statement of the Corporation's Responsibilities set out on pages 17 - 18, the Corporation is responsible for the preparation of financial statements which give a true and fair view.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Corporation; and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the Operating and Financial Review to identify material inconsistencies with the audited financial statements and to identify any information that is materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2015 and of the College's surplus of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Matters on which we are required to report by exception

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

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

Buzzacott LLP

Chartered Accountants and Registered Auditors

Date

11 December 2015

Reporting accountant's assurance report on regularity to the Members of the Corporation of The Sixth Form College Farnborough ("the Corporation") and the Secretary of State for Education acting through Education Funding Agency

In accordance with the terms of our engagement letter dated 26 June 2015 and further to the requirements of the funding agreement with Education Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by The Sixth Form College Farnborough during the year ended 31 July 2015 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

Respective responsibilities of The Sixth Form College Farnborough and the reporting accountant

The Corporation of The Sixth Form College Farnborough is responsible, under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Joint Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the year ended 31 July 2015 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

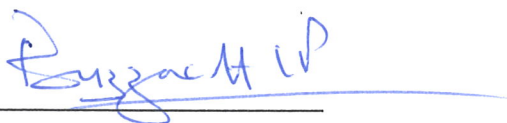
Our engagement includes examination, on a test basis, of evidence relevant to the regularity of the college's income and expenditure.

The work undertaken to draw to our conclusion includes:

- An assessment of the risk of material irregularity and impropriety across all of the college's activities;
- Further testing and review of self-assessment questionnaire including enquiry, identification of control processes and examination of supporting evidence across all areas identified as well as additional verification work where considered necessary; and
- Consideration of evidence obtained through the work detailed above and the work completed as part of our financial statements audit in order to support the regularity conclusion.

Conclusion

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



Buzzacott LLP
Statutory Auditor
130 Wood Street
London
EC2V 6DL



Date

The Sixth Form College Farnborough
Financial Statements for the year ended 31 July 2015

Income and Expenditure Account

	Notes	2015 £ 000	2014 £ 000
INCOME			
Funding council income	2	16,110	15,140
Tuition fees and education contracts	3	28	38
Other income	4	989	1,028
Investment income	5	4	3
Total income		17,131	16,209
EXPENDITURE			
Staff costs	6	11,362	11,451
Exceptional restructuring costs	6	159	202
Other operating expenses	8	3,661	3,333
Depreciation	11	1,005	965
Interest and other finance costs	9	22	40
Total expenditure		16,209	15,991
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and before tax		922	218
Surplus on continuing operations after depreciation of assets at valuation and tax		922	218

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

The Sixth Form College Farnborough
Financial Statements for the year ended 31 July 2015

Statement of Historical Cost Surpluses	Notes	2015	2014
		£ 000	£ 000
Surplus on continuing operations before taxation		922	218
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	16	78	78
Historical cost surplus for the year before taxation		<u>1,000</u>	<u>296</u>
Historical cost surplus for the year after taxation		<u>1,000</u>	<u>296</u>
 Statement of Total Recognised Gains		 2015	 2014
		£ 000	£ 000
Surplus on continuing operations after depreciation of assets at valuation and disposal of assets and tax		922	218
Actuarial (loss)/gain in respect of pension scheme liability	24	(290)	10
Total recognised gains since last report		<u>632</u>	<u>228</u>
 Reconciliation			
Opening reserves		17,848	17,620
Total recognised gains for the year		632	228
Closing reserves		<u>18,480</u>	<u>17,848</u>

The Sixth Form College Farnborough
Financial Statements for the year ended 31 July 2015

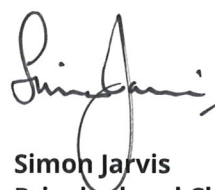
Balance Sheet as at 31 July

	Notes	2015 £ 000	2014 £ 000
Fixed assets			
Tangible assets	11	24,869	23,527
Total fixed assets		24,869	23,527
Current assets			
Stock		31	29
Debtors	12	29	52
Cash at bank and in hand		1,454	1,503
Total current assets		1,514	1,584
Less: Creditors – amounts falling due within one year	13	(1,108)	(1,132)
Net current assets		406	452
Total assets less current liabilities		25,275	23,979
Less: Provisions for liabilities and charges	14	(53)	(60)
Net assets excluding pension liability		25,222	23,919
Net pension liability	24	(2,390)	(2,070)
NET ASSETS INCLUDING PENSION LIABILITY		22,832	21,849
Deferred capital grants	15	4,352	4,001
Income and expenditure account excluding pension reserve		17,670	16,640
Pension reserve	24	(2,390)	(2,070)
Income and expenditure account including pension reserve	17	15,280	14,570
Revaluation reserve	16	3,200	3,278
Total reserves		18,480	17,848
TOTAL		22,832	21,849

The financial statements on pages 22 to 46 were approved by the Corporation on 7 December 2015 and were signed on its behalf on that date by:



Andrew Needham
Chair of the Corporation



Simon Jarvis
Principal and Chief Executive

The Sixth Form College Farnborough
Financial Statements for the year ended 31 July 2015

Cashflow Statement

	Notes	2015 £ 000	2014 £ 000
Cash inflow from operating activities	18	1,837	1,162
Deficits on investments and servicing of finance	19	(8)	(7)
Capital expenditure and financial investment	20	(1,878)	(1,113)
(Decrease)/Increase in cash in the year		<u>(49)</u>	<u>42</u>
Reconciliation of net cashflow to movement in net (debt)/funds			
(Decrease)/Increase in cash in the period		(49)	42
Movement in net funds in the period		<u>(49)</u>	<u>42</u>
Net funds at 1 August		1,503	1,461
Net funds at 31 July	22	<u>1,454</u>	<u>1,503</u>

In this statement, figures in brackets refer to cash outflows and all other figures are cash inflows to the College.

Notes to the Accounts

1 Accounting policies

Statement of accounting policies

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

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2007* (the SORP), the *Accounts Direction for 2014-15 financial statements* and in accordance with applicable Accounting Standards.

Basis of accounting

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

Going concern

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

The College will remain liquid and forecasts and financial projections indicate that it will be able to operate with a positive cashflow for the foreseeable future. The impact of any radical funding changes will be assessed for the medium-term impact in due course.

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 it will continue to adopt the going concern basis in the preparation of its Financial Statements.

Recognition of income

The recurrent grant from the EFA represents the funding allocation 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. 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, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

Notes to the Accounts

1 Accounting policies (continued)

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 the conditions of the funding have been met or the extent of the completion of the contract or service concerned.

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned. Income from restricted purpose endowment funds not expended in accordance with the restrictions of the endowment in the period is transferred from the income and expenditure account to accumulated income within endowment funds.

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.

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 funding bodies.

Notes to the Accounts

1 Accounting policies (continued)

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. The associated credit is included in the revaluation reserve. The difference between the depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account reserve on an annual basis. Building improvements made since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of between 20 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 20 and 50 years.

Where 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 15, the College followed the transitional provision to retain the book value of land and buildings as at the date of incorporation and 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 in accordance with FRS 11.

Assets under construction

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

Subsequent expenditure on existing fixed assets:

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it 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; or
- Significant extension of the asset's life beyond that conferred by repairs and maintenance.

Notes to the Accounts

1 Accounting policies (continued)

Equipment

Equipment costing less than £5,000 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.

Equipment is depreciated over its useful economic life as follows:

- Electrical and computing hardware equipment – 4 years on a straight-line basis
- Laptops and PCs – 2 years on a straight-line basis
- Other Equipment – between 7 and 10 years
- Motor vehicles – 5 years
- Furniture, fixtures and fittings – 10 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.

Where a significant batch of smaller IT items has been purchased as part of a new project or replacement package, the total sum is capitalised as a single item to be written off over 2 years. This more accurately reflects the capital nature of the assets.

Stocks

Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

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.

Liquid resources

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

Notes to the Accounts

1 Accounting policies (continued)

Provisions

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

Agency arrangements

The College acts as an agent in the collection and payment of discretionary support funds and Bursary 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 29, 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

The Sixth Form College Farnborough
Financial Statements for the year ended 31 July 2015

2 Funding Body Grants

	2015	2014
	£ 000	£ 000
EFA recurrent grant	15,893	14,934
Releases of deferred capital grants (note 15)	118	100
Other Funds	99	106
Total	16,110	15,140

3 Tuition Fees and Education Contracts

	2015	2014
	£ 000	£ 000
Tuition fees	28	38
Total fees paid by or on behalf of individual students	28	38

4 Other Income

	2015	2014
	£ 000	£ 000
Residencies, catering and conferences	57	56
Other income generating activities	932	972
Total	989	1,028

5 Investment Income

	2015	2014
	£ 000	£ 000
Other interest receivable	4	3
Total	4	3

The Sixth Form College Farnborough
Financial Statements for the year ended 31 July 2015

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:

	2015	2014
	No.	No.
Teaching staff	174	181
Non-teaching staff	96	97
Total	270	278

Staff costs for the above persons:

	2015	2014
	£ 000	£ 000
Wages and salaries	9,385	9,447
Social security costs	625	674
Other pension costs (including FRS17 adjustment of £20,000 2014 - £30,000)	1,274	1,265
Miscellaneous	78	65
Payroll sub total	11,362	11,451
Exceptional restructuring costs	159	202
Total staff costs	11,521	11,653

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

	Senior post-holders	
	2015	2014
	Number	Number
£ 70,001 to £ 80,000	3	4
£110,001 to £120,000	1	1
	4	5

The Sixth Form College Farnborough
Financial Statements for the year ended 31 July 2015

7 Senior Post-holders' Emoluments

Senior post-holders are defined as the Principal and holders of the other senior posts whom the Corporation 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 Corporation.

	2015	2014
	Number	Number
The number of senior post-holder positions including the Principal was 4 throughout the academic year as the Deputy Principal (Registry) took voluntary severance on 31 August 2014.	4	5

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

	2015	2014
	£ 000	£ 000
Salaries	342	404
Benefits in kind	2	3
Voluntary Severance	0	54
Pension contributions	47	56
Total emoluments	391	517

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

	2015	2014
	£ 000	£ 000
Salary	117	116
Benefits in kind	1	1
	118	117
Pension contributions	17	16

The pension contributions in respect of the Principal and senior post-holders are in respect of employer's contributions to the Teachers' Pension Scheme and are paid at the same rate as for other employees. The pension contributions for the Deputy Principal (Finance & Administration) are paid to the Local Government Pension Scheme on the same scale as for other non-teaching staff.

The compensation for loss of office agreed for the Deputy Principal (Registry) for termination of his office on 31 August 2014 was accrued in 2013/14.

No members of the Corporation, other than the Principal and staff members, received any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

The Sixth Form College Farnborough
Financial Statements for the year ended 31 July 2015

8 Other Operating Expenses

	2015	2014
	£ 000	£ 000
Teaching costs	1,405	1,321
Non teaching costs	963	1,076
Premises costs	1,293	936
Total	3,661	3,333

Other operating expenses include:

	2015	2014
	£ 000	£ 000
Auditors' remuneration:		
financial statements audit	16	16
internal audit	17	16
Total	33	32

9 Interest and other finance costs

	2015	2014
	£ 000	£ 000
On bank loans, overdrafts and other loans:		
Repayable within five years, not by instalments	12	10
Repayable within five years, by instalments	-	-
Repayable wholly or partly in more than five years	-	-
	12	10
On finance leases	-	-
Pension finance costs (note 24)	10	30
Total	22	40

10 Taxation

No tax liability was incurred on any income during the period.

The Sixth Form College Farnborough
Financial Statements for the year ended 31 July 2015

11 Tangible Fixed Assets

	Freehold Land & Buildings	Equipment & other assets	Total
Cost or valuation	£ 000	£ 000	£ 000
At 1 August 2014	27,553	4,442	31,995
Additions	2,118	229	2,347
Disposals	-	-	-
At 31 July 2015	29,671	4,671	34,342
Depreciation			
At 1 August 2014	5,202	3,266	8,468
Charge for year	573	432	1,005
Eliminated in respect of disposals	-	-	-
At 31 July 2015	5,775	3,698	9,473
Net book value at 31 July 2015	23,896	973	24,869
Net book value at 31 July 2014	22,351	1,176	23,527

The Sixth Form College Farnborough
Financial Statements for the year ended 31 July 2015

Note 11 (continued)

Land and buildings were valued in 1993 at depreciated replacement cost by a firm of independent chartered surveyors. Other tangible fixed assets inherited from the LEA at incorporation have been valued by the College on a depreciated replacement cost basis with the assistance of independent professional advice.

If inherited land and buildings had not been revalued they would have been included at the following historical cost amounts:

	£ 000
Cost	Nil
Aggregate depreciation based on cost	Nil
Net book value based on cost	<u>Nil</u>

12 Debtors	2015	2014
	£ 000	£ 000
Amounts falling due within one year:		
Trade debtors	28	50
Loans / Advances	1	2
Total	<u>29</u>	<u>52</u>

13 Creditors: Amounts falling due within one year	2015	2014
	£ 000	£ 000
Payments received in advance	88	87
Trade creditors	552	414
Other taxation and social security	220	222
Accruals	83	238
Pension contributions	165	171
Total	<u>1,108</u>	<u>1,132</u>

The Sixth Form College Farnborough
Financial Statements for the year ended 31 July 2015

14 Provisions for Liabilities and Charges	2015	2014
	£ 000	£ 000
At 1 August 2014	60	72
Expenditure in the period	(9)	(12)
Transferred from income and expenditure account	2	-
At 31 July 2015	53	60

The main provisions of £40k relate to enhanced pension provisions with a further sundry provision of £13k.

The principal assumptions for the enhanced pension provision calculation are:

	2015	2014
Price inflation	3.68%	2.81%
Discount rate	2.64%	3.71%

15 Deferred Capital Grants

	Funding
	Body
	£ 000
At 1 August 2014	4,001
Cash received	469
Released to Income & Expenditure	(118)
At 31 July 2015	4,352

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16 Revaluation Reserve

	2015	2014
	£ 000	£ 000
At 1 August	3,278	3,356
Transfer from revaluation reserve to general reserve in respect of:		
Depreciation on revalued assets	(78)	(78)
At 31 July	<u>3,200</u>	<u>3,278</u>

17 Movement on General Reserves

	2015	2014
	£ 000	£ 000
Income and Expenditure Account Reserve		
At 1 August	14,570	14,264
Surplus retained for the year	632	228
Transfer from revaluation reserve	78	78
At 31 July	<u>15,280</u>	<u>14,570</u>
Balance represented by:	2015	2014
	£ 000	£ 000
Pension reserve	(2,390)	(2,070)
Income and expenditure reserve excluding pension reserve	17,670	16,640
At 31 July	<u>15,280</u>	<u>14,570</u>

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18 Reconciliation of Consolidated Operating Surplus to Net Cash Inflow from Operating Activities

	2015	2014
	£ 000	£ 000
Surplus on continuing operations after depreciation of assets at valuation	922	218
Depreciation (note 11)	1,005	965
Deferred capital grants released to income (note 2)	(118)	(100)
Interest received (note 5)	(4)	(3)
Interest paid (note 9)	12	10
FRS17 pension adjustments (staff costs of £10k, interest costs of £20k)	30	60
Increase in stocks	(2)	(4)
Increase / (Decrease) in debtors	23	(29)
Increase (Decrease) in creditors	(24)	60
Decrease in provisions	(7)	(12)
Profit on sale of tangible fixed assets	-	(3)
Net cash inflow from operating activities	<u>1,837</u>	<u>1,162</u>

19 Returns on Investments and Servicing of Finance

	2015	2014
	£ 000	£ 000
Other interest received (note 5)	4	3
Interest paid (note 9)	(12)	(10)
Net cash outflow from returns on investment and servicing of finance	<u>(8)</u>	<u>(7)</u>

20 Capital Expenditure and Financial Investment

	2015	2014
	£ 000	£ 000
Purchase of tangible fixed assets (note 11)	(2,347)	(1,422)
Sale of tangible fixed asset	-	3
Deferred capital grants received (note 15)	469	306
Net cash outflow from capital expenditure and financial investment	<u>(1,878)</u>	<u>(1,113)</u>

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21 Financing

The College has no long-term or short-term financing and does not anticipate any need in the foreseeable future.

22 Analysis of Changes in Net Funds

	At 1 August 2014	Cashflows	At 31 July 2015
	£ 000	£ 000	£ 000
Cash at bank and in hand	1,503	(49)	1,454
Total	1,503	(49)	1,454

23 Cashflow relating to exceptional items

	2015	2014
	£ 000	£ 000
Provision as at 1 August	-	-
Income and expenditure account charge	159	202
Operating cash outflow	(159)	(112)
Provision as at 31 July	-	90

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 Hampshire County Council. Both are defined benefit schemes.

Total pension cost for the year

	2015	2014
	£ 000	£ 000
Teachers' Pension Scheme: contributions paid	919	960
Local Government Pension Scheme:		
Contributions paid	305	275
FRS17 charge	30	30
Charge to Income & Expenditure Account	335	305
Enhanced pension charge to Income & Expenditure Account (Staff Costs)	2	-
	305	275
Total Pension Cost for the Year	1,561	1,540

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuations of the TPS was 31 March 2012 and the LGPS 31 March 2013.

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

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Pension and similar obligations (continued)

Teachers' Pension Scheme

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

The Teachers' Pension Budgeting and Valuation Account

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

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

Valuation of the Teachers' Pension Scheme

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

- employer contribution rates were set at 16.4% of pensionable pay;
- 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 TPA will be implemented in September 2015

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

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

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Pension and similar obligations (continued)

Scheme Changes

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

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

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

Regulations giving effect to a reformed Teachers' Pension Scheme came into force on 1 April 2014 and the reformed scheme will commence on 1 April 2015. The pension costs paid to TPS in the year amounted to £919,220 (2014: £960,399)

FRS 17

Under the definitions set out in Financial Reporting Standard 17 (FRS17) Retirement Benefits, the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme.

Accordingly, the College has taken advantage of the exemption in FRS17 and has accounted for its contributions to the scheme as if it were a defined-contribution scheme. The College has set out above the information available on the scheme and the implications for the College in terms of the anticipated contribution rates.

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 July 2015 was £410,645 of which employers' contributions totalled £304,726 and employees' contributions totalled £105,919. Contribution rates for employers are a flat 6% of the salaries total as at 31 March each year, topped up by 13.1% of actual salaries each month. Employee rates are on a scale based on salary levels and range from 5.5% to 7.5%.

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Pension and similar obligations (continued)

FRS17

Principal Actuarial Assumptions

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

	At 31 July 2015	At 31 July 2014
Rate of increase in salaries	3.60%	3.70%
Rate of increase for pensions in payment/inflation	2.10%	2.20%
Discount rate for liabilities	3.60%	4.10%
Commutation of pensions to lump sums	70%	n/a

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

	At 31 July 2015	At 31 July 2014
<u>Retiring today</u>		
Males	24.5	24.4
Females	26.3	26.2
<u>Retiring in 20 years</u>		
Males	26.6	26.5
Females	28.6	28.5

The Colleges share of the assets and liabilities in the scheme and the expected rates of return were:

	Long-term rate of return expected at 31 July 2015	Value at 31 July 2015	Long-term rate of return expected at 31 July 2014	Value at 31 July 2014
		£000		£000
Equities	7.00%	2,593	7.50%	2,282
Property	6.20%	370	6.80%	292
Government Bonds	2.50%	1,164	3.20%	906
Corporate Bonds	3.10%	77	3.70%	49
Cash	1.10%	149	1.10%	144
Other	7.00%	157	7.50%	117
Total market value of assets		4,510		3,790
Present value of scheme (liabilities Funded)		(6,900)		(5,860)
Deficit in the scheme		(2,390)		(2,070)

Following the adoption of FRS102, the expected return on assets will no longer be required and will be replaced by a net finance charge.

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Pension and similar obligations (continued)

Analysis of the amount charged to income and expenditure account

	2015 £ 000	2014 £ 000
Employer service cost (net of employer contributions)	(20)	(30)
Total operating charge	(20)	(30)

Analysis of pension finance costs

Expected return on pension scheme assets	240	240
Interest on pension liabilities	(250)	(270)
Pension finance costs	(10)	(30)

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

	2015 £ 000	2014 £ 000
Actual return less expected return on pension scheme assets	(490)	470
Experience gains and losses arising on the scheme liabilities	200	(460)
Actuarial loss recognised in STRGL	(290)	10

Movement in deficit during year

	2015 £ 000	2014 £ 000
Deficit in scheme at 1 August	(2,070)	(2,020)
Movement in year:		
Current employer service charge	(320)	(300)
Employer contributions	300	270
Past service costs	-	-
Net interest	(10)	(30)
Actuarial (loss)/gain	(290)	10
Deficit in scheme at 31 July	(2,390)	(2,070)

Asset and Liability Reconciliation

	2015 £ 000	2014 £ 000
Reconciliation of Liabilities		
Liabilities at start of period	5,860	5,790
Service cost	320	300
Interest cost	250	270
Employee contributions	110	100
Actuarial loss/(gain)	490	(470)
Benefits paid	(130)	(130)
Liabilities at end of period	6,900	5,860

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Pension and similar obligations (continued)

Reconciliation of Assets

	2015	2014
	£ 000	£ 000
Assets at start of period	3,790	3,770
Expected return on assets	240	240
Actuarial (loss)/gain	200	(460)
Employer contributions	300	270
Employee contributions	110	100
Benefits paid	(130)	(130)
Assets at end of period	4,510	3,790

The estimated value of employer contributions for the year ended 31 July 2015 is £304,726

History of experience gains and losses

	2015	2014	2013	2012	2011
Difference between the expected and actual return on assets:					
amount £ '000	200	(460)	330	(70)	(380)
Experience gains and losses on scheme liabilities:					
amount £ '000	20	14	-	(10)	330
Total amount recognised in STRGL:					
amount £ '000	(290)	10	240	(560)	(160)

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25 Capital Commitments

	2015	2014
	£ 000	£ 000
Commitments contracted for at 31 July	-	94
Authorised but not contracted at 31 July	-	845

26 Financial Commitments

As at 31 July 2015 the College had no significant annual commitments under non-cancellable operating leases.

27 Contingent Liability and Contingent Asset

A contract with Chartwells includes a refund for capital equipment spend of £110k by Chartwells and expires on 31 July 2016. The College's liability reduces evenly over 5 years and at 31 July 2015 the outstanding liability for the College, should the contract with Chartwells be cancelled, was £22,000.

The outstanding claim for negligence by the builder for the loft conversion which was pursued by the College insurers was successful. The insurers were reimbursed about £65,000 and the College was repaid the policy excesses deducted amounting to about £3,000.

The College has received a claim against it for unfair dismissal which it is contesting. The case is due to be heard in 2016.

28 Related Party Transactions

Owing to the nature of the College's operations and the composition of the Corporation 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 Corporation may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures. No declarations of interest were received during the year in respect of any College projects.

29 Amounts disbursed as agent

	2015	2014
	£ 000	£ 000
Balance at 1 August	-	18
Funding body grants - hardship support	142	159
Funding Body Grants - Free School Meals	18	-
	<u>160</u>	<u>177</u>
Disbursed to students	(136)	(170)
Administration costs	(7)	(7)
Balance unspent as at 31 July (included in creditors)	<u>17</u>	<u>-</u>

EFA grants are available solely for students. In the majority of instances the College only acts as a paying agent. In these circumstances the grants and related disbursements are therefore excluded from the Income and Expenditure Account. Administration costs of £7k refunded to the College are included in the Income and Expenditure account.