

**HARTLEPOOL
COLLEGE
OF FURTHER EDUCATION**

**Report and financial statements
for the period
1 August 2014 to 31 July 2015**

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HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Operating and Financial Review

NATURE, OBJECTIVES AND STRATEGIES

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

Legal status

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

Public Benefit

Hartlepool 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 pages 11 – 13.

In setting and reviewing the Colleges strategic objectives, the Governing Body has had due regard for the Charity Commissions 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

Mission

The College's mission as approved by its members is: *'Excellence in further and higher education'*

Implementation of strategic plan

Each year the College prepares a three year development plan which is reviewed and updated annually. The College produced a detailed three year financial plan in July 2015, which was approved by the Board of Governors and submitted to the SFA. The Corporation monitors the performance of the College against these plans. The plans are reviewed and updated each year. The College's Strategic Plan was reviewed and refreshed during 2014/15 for the following three years. The strategic aims are as follows:

1. To deliver teaching, learning and assessment practice which results in outstanding outcomes for all learners;
2. To offer a curriculum that is aspirational and meets the needs of learners, parents, employers and stakeholders;
3. To develop a highly skilled and motivated workforce which exemplifies and represents outstanding practice;
4. To deploy an effective and efficient resource to support and promote outstanding provision;

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Operating and Financial Review (continued)

5. To explore and develop transformational strategic partnerships which bring long term benefits to the College learning community and partners.

Each of these headline strategic aims are underpinned by a series of operating statements each with a milestone attached related to each year of the life of the strategy.

Financial objectives

The College's financial objectives are:

- To set challenging targets, applicable to all resources, to ensure that value for money is achieved in their procurement and efficiency and effectiveness in their operation.
- To ensure that the financial assets are safeguarded and augmented in order to secure the long-term viability and financial strength of the organisation.
- To ensure that the physical assets are maintained, developed and safeguarded in order to support the ongoing delivery of a broad, balanced and rich curriculum.
- To maintain a high standard of financial performance management, utilising information that is timely, fit for purpose and supports the decision-making process.
- To ensure that the principles of risk management are applied to all major areas of activity.

Performance indicators

FE Choices, formally the Framework for Excellence has four key performance indicators:

- Success rates
- Learner destinations
- Satisfaction Survey – formerly *Learner views*
- Satisfaction Survey – formerly *Employer views*

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 of Good is considered an acceptable outcome in light of the College's recent capital build project.

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Operating and Financial Review (continued)

FINANCIAL POSITION

Financial results

The College generated a consolidated marginal operating surplus for the year of £408k (2013/14: £16k surplus), with an historical cost surplus of £420k (2013/14: £28k surplus). The College had forecasted a surplus position of £52k and the change in the overall position to that of a surplus is entirely due to the impact of FRS17 on the Income and Expenditure account. FRS17 relates to the Colleges pension obligations and results can change dramatically depending on market conditions, resulting in volatility on the Colleges Balance Sheet and Income and Expenditure Account.

The College has accumulated consolidated income and expenditure reserves, excluding pension reserves, of £341k and a bank balance of £2.3million. The income and expenditure account including pension reserves is a negative reserve of £4,805k. The College wishes to accumulate reserves and cash balances in order to fund future investment within the College and to create a contingency fund.

Tangible fixed asset additions during the year amounted to £63k and were purchases of equipment.

The College has significant reliance on the SFA and EFA for its principal funding sources, largely from recurrent grants. In 2014/15 the SFA and EFA provided approximately 88% of the College's total income.

The Corporation owns 100% of the issued share capital of the College's subsidiary company, Hartlepool Business Development Centre Limited. The Company provides education and training programmes for industry and commerce, together with commercial activities including restaurant, conferencing, and gym and an Apprenticeship Training Agency. The activities of the Hartlepool Business Development Centre are carried out through the Company.

Any surpluses generated by the subsidiary are normally transferred to the College under gift aid. In the current year the profit generated was £20k (2013/14: £1k profit).

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.

Short term borrowing for temporary revenue purposes is authorised by the Principal. Such arrangements are restricted by limits in the College's Financial Memorandum previously agreed with the Skills Funding Agency. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

Cash flows

At £1,354k (2013/14: 937k inflow), operating cash inflow was mainly as a result of timing differences relating to funding receipts.

Liquidity

The size of the College's total borrowing and its approach to interest rates ensure a reasonable cushion between the total cost of servicing debt and operating cashflow. Borrowings in 2014/15 and related repayments were linked to the new build project.

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Operating and Financial Review (continued)

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2014/15 the College has delivered activity that has produced £12,259k in funding body main allocation funding (2013/14: £13,337k). The College had approximately 5671 SFA/EFA -funded and 1184 non-SFA/EFA-funded students.

Student achievements

The success rate for long courses in 2014/15 was 86.4% (2013/14 84%) which constitutes a significant improvement over recent years.

Curriculum developments

The College has an excellent reputation for curriculum innovation and change. It has introduced new courses in many areas of the curriculum in order to meet student needs better. A particular strength is in making students ready for the next stage in their lives.

Many students have low levels of prior educational achievement. The College is expanding the range of courses aimed at students who are returning to education. These include a range of self-improvement programmes focusing on improved literacy and numeracy skills.

Courses have been designed to provide students with the skills to move confidently into the labour market or progress to university. These include a range of Access courses for adults as well as a Preparation for Access course. The College also delivers a range of higher education courses in partnership with Teesside University, including foundation degrees and higher national certificates and diplomas.

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 2014 to 31 July 2015 the College paid in excess of 90% of its invoices within agreed terms and incurred no interest charges as a result of late payment.

Going concern

The College has a three year Strategic Plan which runs until the end of 2015/16 and this formed the basis for the detailed two year financial plan produced in July 2015 and submitted to the SFA. The College continues to seek increased levels of contribution in all areas by introducing efficiencies in both academic and business support operations. The College has in place monthly budgets which cover the next year of operation. Budgets were prepared in line with the Skills Funding Agency / EFA Financial Planning Handbook and in line with published levels of funding and include reasonable underlying assumptions within the following areas:

- Realistic income levels reflecting current government policy and priorities;
- achievable expected employer/learner fee income contributions;
- realistic inflation levels;
- realistic salary increases;
- realistic pension costs;
- realistic overhead levels;
- realistic working capital requirements and
- realistic potential bad debts

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Operating and Financial Review (continued)

Forecasts in the past have proved materially accurate and a detailed sensitivity analysis is integrated into the College's systems of risk management, which are reviewed and approved at least termly by the Board.

Robust controls over the recording of data are in place and ensure that the College Executive and the Board are provided with the most up to date and relevant information regarding the College's provision.

Internal and external audit reports are presented to the audit committee along with a progress report which ensures that College management is responding to and implementing agreed recommendations quickly and effectively.

The College has in place well-developed and robust systems of risk management which include a discrete risk register dealing with business and financial risks. Risk management systems are reviewed and approved by the Board at least termly.

The College has prepared over a period of time for the changes in the political environment which lead to changes in the machinery of government and feels adequately placed to mitigate any adverse impact.

In conclusion no material uncertainties leading to significant doubt about going concern have been identified by the Board and going concern is presumed in the preparation of these financial statements. The government has initiated a series of Area Reviews, the purpose of which is to 'establish the appropriate set of institutions to offer high quality provision based on the current and future needs of learners and employers within the local area'. The first wave of reviews has been announced and Tees Valley is one of the areas named, although it is still early days for the review with decisions on potential reconfigurations not expected until after February 2016. It is therefore concluded that the College will remain in operational existence for the foreseeable future, being at least 12 months hence; and that the income and expenditure account and balance sheet assume no intention to curtail significantly the scale of operations.

RESOURCES

The College has various resources that it can deploy in pursuit of its strategic objectives. Tangible resources include College buildings which are new and an annex at Exeter Street which is over 30 years old but maintained to a high standard.

Financial

The College has consolidated net assets of £34,281,000 (including a £5,146,000 pension liability) and long-term loan financing of £8,772,000.

People

The College employs 281 people (expressed as full-time equivalents), of whom 132 are teaching staff.

Reputation

The College has a good reputation locally and nationally. Maintaining a quality brand is essential for the College's success in attracting students and external partnerships.

The College has continued to undertake further work during the year to further 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 and development plans, the Executive undertakes a comprehensive review of the risks to which the College is exposed. The Executive 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 management action plans. In addition to the annual review, the Executive considers any risks to the organisation as part of the weekly Executive meetings.

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Operating and Financial Review (continued)

PRINCIPAL RISKS AND UNCERTAINTIES

A risk register is maintained by the College which is reviewed at least termly by the Audit Committee and more frequently where necessary. 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 scored and prioritised using a risk matrix, which shows both gross and net risks.

Risk is managed at all levels throughout the organisation.

Outlined below is a description of some of the principal risks as perceived by the organisation in 2014/15. Not all the factors are within the College's control and other factors apart from those listed below may also adversely affect the College.

1. *Below target delivery of funding body contracts*

The College relies significantly on continued government funding through contracts with the SFA and EFA. In 2014/15, approximately 88% of the College's revenue was ultimately public-funded and a similar level of reliance is expected to continue. It is expected that the government will continue with the policy of increasing 24 + Loans facilities and reducing Adult Skills Budgets over the next few years.

College controls to mitigate the risk include:

- Experienced management in curriculum planning
- Clear executive steer to contract performance managers
- A robust quality assurance policy and committee structure
- Robust data management systems and procedures
- Executive priority and whole-College approach in the event of early warning signs

2. *Impact of increased fees targets*

Individuals and employers are expected to contribute towards the cost of training and tuition. Each year the corporation approves a comprehensive fees and remission policy which details the fees to be charged in the coming year to individuals and employers. Where practicable, Hartlepool College will continue to increase tuition fees in line with the rising fee assumptions but is extremely mindful of the restrictions felt by both Employers and individuals in the current economic climate.

College controls to mitigate the risk include:

- Comprehensive fees and remission policy, updated and approved annually but with flexibility to respond to local market forces
- Local market intelligence
- Bursary system

3. *Higher than anticipated staff costs*

The College has robust processes in place to maximise staff utilisation and minimise use of temporary staff. The College also plans to continue to adhere to AoC pay recommendations, provided that this is financially feasible.

College controls to mitigate the risk include:

- Maintain close scrutiny of staff utilisation and strict authorisation processes for recruitment of additional and/or temporary staff
- Intention to implement AoC further recommendations if finances permit
- Estimated increases built into financial plans
- Review of structures and management costs

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Operating and Financial Review (continued)

STAKEHOLDER RELATIONSHIPS

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

- Students
- Funding bodies
- FE Commissioner
- Staff
- Employers including the NHS Trust, Heerema, Huntsman Tioxide, Tata Steel, Babcock Engineering, Tallent Engineering, Fine Industries, EDF and Darchem
- The local authority
- Government offices, regional development agencies and local enterprise partnerships
- The local community
- Other FE institutions
- Trade unions
- Professional bodies

The College recognises the importance of these relationships and engages in regular communication with stakeholders through a wide variety of channels.

Equal opportunities and employment of disabled persons

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, disability, religion or belief and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy is resourced, implemented and monitored on a planned basis. The Colleges Equal Opportunities Policy is published on the Colleges website.

The College publishes an Annual Equality Report and Equality Objectives to ensure compliance with all relevant equality legislation including the Equality Act 2010.

The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to ensure that the employment with the College continues. The Colleges policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non-disabled employees.

The College has committed to the Better Health at Work Award to assist the health and wellbeing of staff. The College has achieved accreditation to Investors in Diversity and has achieved Stage 2 which is the highest level.

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Operating and Financial Review (continued)

Disability Statement

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

- As part of the new build process the College updated its access audit. The results from the audit formed an important part of the detailed approval application to the LSC.
- The College employs a range of staff who provide information, advice, counselling and arrange support where necessary for students with disabilities. This includes staff with responsibilities for welfare and counselling and additional learner support.
- There is a range of specialist equipment which the College can make available for use by students and a range of assistive technology is available from the Learners' Resource Centre.
- The admissions policy for all students is described in the College charter. Appeals against a decision not to offer a place are dealt with under the complaints policy.
- The College has made a significant investment in the appointment of specialist staff to support students with learning difficulties and/or disabilities. It has a number of learner support assistants who provide a variety of support for learning. A programme of staff development is available to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
- Specialist programmes are described in College prospectuses and achievements and destinations are recorded in standard College format.
- 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 auditor

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 auditor is 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 auditor is aware of that information.

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



.....
Professor A Mullan
Chair of the Corporation

Professional Advisers

Financial statements and regularity auditor:	RSM UK Audit LLP (formally Baker Tilly UK Audit LLP) 1 St James Gate Newcastle upon Tyne NE1 4AD
Internal auditor:	KPMG Quayside House 110 Quayside Newcastle upon Tyne NE1 3DX
Banker:	Barclays Bank PLC Teesdale Business Park Stockton on Tees TS17 6YJ
Solicitor:	Eversheds LLP Central Square South Orchard Street Newcastle upon Tyne NE1 1XX

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Statement of Corporate Governance and Internal Control for the Period from 1 August 2014 to 31 July 2015

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

The College endeavors to conduct its business:

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

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the College/Board has adopted and complied with the Foundation Code

We have not adopted and therefore do not apply the UK Corporate Governance Code. However we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.

In the opinion of the governors, the College complies with all the provisions of the Foundation Code and it has complied throughout the year ended 31 July 2015. The Governing Body recognizes 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. In carrying out its responsibilities, it takes full account of the English Colleges' Foundation Code of Governance issued by the Association of Colleges in December 2011, which it formally adopted in July 2012 and the Audit and Accountability Annex to the Foundation Code that was issued in March 2013 and adopted by the College in July 2013. It is the intention of the Governing Body to consider adopting the Code of Good Governance for English Colleges at its meeting in December to take effect from August 2015 and this will replace the Foundation Code.

The Corporation

The members who served the corporation during the year and up to the date of signature of this report were as follows:

<i>Name</i>	<i>Date of Appointment</i>	<i>Term of Office</i>	<i>Date of Resignation</i>	<i>Status of Appointment</i>	<i>Corporation Meeting Attendance</i>	<i>Committees Served</i>
Prof A Mullan (Chair)	30.06.13	4 years		External	4/4	Chair: Remuneration Chair: Search Chair: Staff Appeals Chair: Student Appeals Chair – Senior Staff Selection
Mr D Hankey	01.08.13	N/A		Principal	4/4	Finance & General Purposes Search Curriculum & Standards Estates Senior Staff Selection

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Statement of Corporate Governance and Internal Control for the Period from 1 August 2014 to 31 July 2015 (continued)

<i>Member</i>	<i>Date of Appointment</i>	<i>Term of Office</i>	<i>Date of Resignation</i>	<i>Status of Appointment</i>	<i>Corporation Meeting Attendance</i>	<i>Committees Served</i>
Mr M Ward	27.11.11	4 years		External	4/4	Chair: Finance & General Purposes Remuneration Student and Staff appeals Search Senior Staff Selection
Mrs J Regan	24.06.12	4 years		External	1/4	Audit Staff Appeals Senior Staff Selection
Mrs S Sargeant	15.03.14	4 years		External	4/4	Curriculum & Standards Staff Appeals Search
Mr S Salvin	29.11.11	4 years		External	4/4	Chair: Estates Curriculum & Standards Audit
Ms L Watson	09.07.12	4 years		External	2/4	Curriculum & Standards
Mr P Mitchell	31.12.12	4 years		External	4/4	Staff Appeals Student Appeals Finance & General Purposes Senior Staff Selection
Dr K Gillen	31.12.13	4 years		External	3/4	Remuneration Chair: Curriculum & Standards
Mr S Fallowfield	30.06.13	4 years		External	3/4	Chair: Audit
Mr T Hanlon	19.05.11	4 years	12.03.15	External	1/2	Finance & General Purposes Remuneration Search Estates

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Statement of Corporate Governance and Internal Control for the Period from 1 August 2014 to 31 July 2015 (continued)

<i>Member</i>	<i>Date of Appointment</i>	<i>Term of Office</i>	<i>Date of Resignation</i>	<i>Status of Appointment</i>	<i>Corporation Meeting Attendance</i>	<i>Committees Served</i>
Mr I McNeil	28.03.12	4 years		Academic Staff	4/4	Curriculum & Standards Estates Student Appeals
Mrs M Roberts	13.03.13	4 years		Support Staff	4/4	Audit Estates Student Appeals
Mr N Robson	01.08.14	1 year	31.07.15	Student	4/4	
Ms K Ryan	01.08.14	1 year	31.07.15	Student	4/4	

Mr A Theakston acts as 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, equality and diversity 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 audit, finance and general purpose, estates, curriculum and standards, remuneration, senior staff selection, staff appeals, student appeals and search. Full minutes of meetings, except those deemed to be confidential by the Corporation, are available on the Colleges website or from the Clerk to the Corporation at:

Hartlepool College of Further Education
Stockton Street
Hartlepool
TS24 7NT

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

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

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

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Statement of Corporate Governance and Internal Control for the Period from 1 August 2014 to 31 July 2015 (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 Chairman and Principal 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 committee ordinarily comprising the Chairman, the Principal and two other members of the Corporation, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation, other than the Principal and student members, are appointed for a term of office not exceeding four years.

Remuneration Committee

Throughout the majority of the year ending 31 July 2015, the College's remuneration committee comprised the Chairman and three other members of the Corporation. The committee's responsibilities are to determine the remuneration and benefits of the Principal and other senior postholders.

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

Audit Committee

The audit committee ordinarily comprises four members of the Corporation (excluding the Principal and Chair). The committee operates in accordance with written terms of reference approved by the Corporation.

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

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

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

The audit committee also advises the Corporation on the appointment of internal and financial statements and regularity 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 on 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.

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Statement of Corporate Governance and Internal Control for the Period from 1 August 2014 to 31 July 2015 (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 between Hartlepool College and the funding bodies. He is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of college policies, aims and objectives, to evaluate the likelihood of those risks being realized and the impact should they be realized, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Hartlepool College for the year ended 31 July 2015 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

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

The risk and control framework

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

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

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

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 formed 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

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Statement of Corporate Governance and Internal Control for the Period from 1 August 2014 to 31 July 2015 (continued)

- comments made by the College's financial statements and regularity auditors in their management letters and other reports

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 other sources of assurance, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

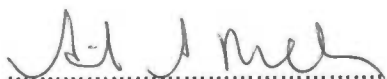
The Principal and senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Principal and senior management team and the Audit Committee also receive regular reports from internal audit and other forms of assurance, 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 received reports thereon from the senior management team and audit 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.

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

Going Concern

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

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



Professor A Mullan
Chair of the Corporation



D Hankey
Accounting Officer

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

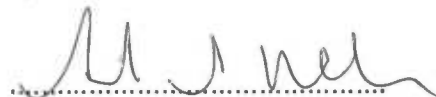
Governing Body's statement on the Colleges regularity, propriety and compliance with Funding body terms and conditions of funding

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 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.

We confirm, on behalf of the Corporation, that after due enquiry, and ***to the best of our knowledge***, we are able to identify any material irregular or improper use of funds by the College, or material non-compliance with the Skills Funding Agency 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 Skills Funding Agency.

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



Professor A Mullan
Chair of the Corporation



D Hankey
Accounting Officer

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Statement of the 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* and with the Accounts Direction for 2014/15 financial statements issued jointly by the Skills Funding Agency and the Education Funding Agency, and which give a true and fair view of the College's state of affairs 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.

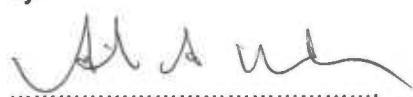
The Corporation is also required to prepare an Operating and Financial Review which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

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 to safeguard assets of the College and to prevent and detect fraud and other irregularities.

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

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the Skills Funding Agency and the Education Funding Agency are used only in accordance with the Financial Memorandum with the Skills Funding Agency 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 to safeguard public and other funds and to ensure that they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the Skills Funding Agency and Education Funding Agency are not put at risk.

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



Professor A Mullan
Chair of the Corporation

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Independent Auditor's Report to the Corporation of Hartlepool College of Further Education

We have audited the Group and College financial statements ("the financial statements") set out on pages 22 to 50. The financial reporting framework that has been applied in their preparation is United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice) as set out in our engagement letter dated 10th November 2015.

This report is made solely to the Corporation, as a body, in accordance with the Financial Memorandum published by the Skills Funding Agency and our engagement letter dated 10 November 2015. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are required under our engagement letter dated 10th November 2015 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 Hartlepool College of Further Education and Auditor

As explained more fully in the Statement of the Corporation's Responsibilities set out on page 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 the terms of our engagement letter dated 10th November 2015 Joint Audit Code of Practice issued by the Skills Funding Agency and Education Funding Agency and International Standards on Auditing (UK and Ireland). The International Standards on Auditing (UK and Ireland) require us to comply with the Auditing Practices Board's (APB'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 <http://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 Groups' and the College's affairs as at 31 July 2015 and of the Group'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.

RSM UK Audit LLP

RSM UK AUDIT LLP
Chartered Accountants
1 St James' Gate
Newcastle upon Tyne
NE1 4AD

17 December 2015

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Independent reporting Accountants report on regularity to the Corporation of Hartlepool College of Further Education and the Secretary of State for Business, Innovation and Skills acting through the Skills Funding Agency

In accordance with the terms of our engagement letter dated 10th November 2015 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 the expenditure disbursed and income received by Hartlepool College of Further Education during the period 1 August 2014 to 31 July 2015 have been applied to the purposes identified by Parliament and the financial transactions 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 Skills Funding Agency has other assurance arrangements in place.

This report is made solely to the corporation of Hartlepool College of Further Education and the Secretary of State for Business, Innovation and Skills acting through the Skills 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 Hartlepool College of Further Education and the Secretary of State for Business, Innovation and Skills acting through the Skills 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 Hartlepool College of Further Education and the Secretary of State for Business, Innovation and Skills acting through the Skills Funding Agency for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Hartlepool College of Further Education and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Joint Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2014 to 31 July 2015 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities accounts have been prepared to 31 July 2015 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Independent reporting Accountants report on regularity to the Corporation of Hartlepool College of Further Education and the Secretary of State for Business, Innovation and Skills acting through the Skills Funding Agency

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 and our engagement letter

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.

Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities including high level financial control areas where we identified areas where a material irregularity is likely to arise. We undertook detailed testing, based on our identification of the areas where a material irregularity is likely to arise where such areas are in respect of controls, policies and procedures that apply to classes of transactions. This work was integrated with our audit on the financial statements to the extent evidence from the conduct of that audit supports 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 period 1 August 2014 to 31 July 2015 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

RSM UK Audit LLP

RSM UK AUDIT LLP
Chartered Accountants
1 St James Gate
Newcastle upon Tyne
NE1 4AD

17 December 2015

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Consolidated Income & Expenditure Account for the year ended 31 July 2015

	Notes	2015 £000	2014 £000
Income			
Funding body grants	2	12259	13337
Tuition fees and education contracts	3	2330	1650
Research grants and other income	4	862	1301
Investment income	5	224	203
Total income		<u>15675</u>	<u>16491</u>
Expenditure			
Staff costs	6	10024	11014
Other operating expenses	8	3362	3628
Depreciation	12	1345	1342
Interest and other finance costs	9	536	491
Total expenditure		<u>15267</u>	<u>16475</u>
Surplus on continuing operations after depreciation of tangible fixed assets and before disposal of assets and tax		<u>408</u>	<u>16</u>
Loss on disposal of assets		0	0
Surplus on continuing operations after depreciation of assets and disposal of assets but before tax		<u>408</u>	<u>16</u>
Taxation	10	0	0
Surplus on continuing operations after depreciation of assets, disposal of assets and tax		<u>408</u>	<u>16</u>
Surplus for the year retained within general reserves		<u>408</u>	<u>16</u>

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

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Consolidated Statement of the Total Recognised Gains and Losses for the year ended 31 July 2015

	Notes	2015 £000	2014 £000
Surplus on continuing operations after depreciation and disposal of tangible fixed assets and tax		408	16
Actuarial loss in respect of pension scheme	27	(1449)	(477)
Total recognised losses since last report		<u>(1041)</u>	<u>(461)</u>
Reconciliation			
Opening reserves		(2564)	(2087)
Total recognised losses for the year		<u>(1449)</u>	<u>(477)</u>
Closing reserves		<u>(4013)</u>	<u>(2564)</u>

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Consolidated Note of Historical Cost Surpluses and Deficits for the year ended 31 July 2015

	Notes	2015 £000	2014 £000
Surplus on continuing operations before taxation		408	16
Difference between historical cost depreciation and the actual charge for the period calculated on the revalued amount	20	12	12
Historical cost surplus for the year before taxation		<u>420</u>	<u>28</u>
Historical cost surplus for the year after taxation		<u>420</u>	<u>28</u>

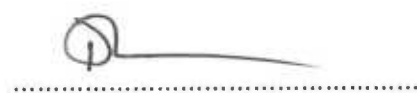
HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Balance Sheet as at 31 July 2015 - Consolidated

	Notes	2015 £000	2014 £000
Fixed assets			
Tangible assets	12	<u>47423</u>	<u>48705</u>
		<u>47423</u>	<u>48705</u>
Current assets			
Stock		15	22
Debtors	14	1378	940
Cash at bank and in hand		<u>2256</u>	<u>1698</u>
		<u>3649</u>	<u>2660</u>
Creditors: amounts falling due within one year	15	<u>2185</u>	<u>1579</u>
Net current assets		<u>1464</u>	<u>1081</u>
Total assets less current liabilities		48887	49786
Creditors: amounts falling due after more than one year	16	8772	9037
Provisions for liabilities	18	688	678
Net assets excluding pension liability		<u>39427</u>	<u>40071</u>
Net pension liability	27	(5146)	(3788)
NET ASSETS INCLUDING PENSION LIABILITY		<u>34281</u>	<u>36283</u>
Deferred capital grants	19	37870	38832
Reserves			
Income and expenditure account excluding pension reserve	21	336	6
Pension reserve	27	(5146)	(3788)
Income and expenditure account including pension reserve	21	<u>(4810)</u>	<u>(3782)</u>
Revaluation reserve	20	<u>1221</u>	<u>1233</u>
Total reserves		<u>(3589)</u>	<u>(2549)</u>
TOTAL FUNDS		<u>34281</u>	<u>36283</u>

The financial statements on pages 22 to 50 were approved and authorised for issue by the Corporation on 10th December 2015 and were signed on its behalf by:


 Professor A Mullan
 Chair of the Corporation

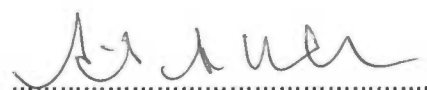

 D Hankey
 Accounting Officer

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Balance Sheet as at 31 July 2015 – College

	Notes	2015 £000	2014 £000
Fixed assets			
Tangible assets	12	47423	48705
		<u>47423</u>	<u>48705</u>
Current assets			
Stock		11	18
Debtors	14	1726	1557
Cash at bank and in hand		2065	1459
		<u>3802</u>	<u>3034</u>
Creditors: amounts falling due within one year	15	<u>1949</u>	<u>1543</u>
Net current assets		<u>1853</u>	<u>1491</u>
Total assets less current liabilities		49276	50196
Creditors: amounts falling due after more than one year	16	8772	9037
Provisions for liabilities	18	688	678
Net assets excluding pension liability		<u>39816</u>	<u>40481</u>
Net pension liability	27	(5146)	(3788)
NET ASSETS INCLUDING PENSION LIABILITY		<u>34670</u>	<u>36693</u>
Deferred capital grants	19	37870	38832
Reserves			
Income and expenditure account excluding pension reserve	21	725	416
Pension reserve	27	(5146)	(3788)
Income and expenditure account including pension reserve	21	(4421)	(3372)
Revaluation reserve	20	1221	1233
Total reserves		<u>(3200)</u>	<u>(2139)</u>
TOTAL FUNDS		<u>34670</u>	<u>36693</u>

The financial statements on pages 22 to 50 were approved and authorised for issue by the Corporation on 10th December 2015 and were signed on its behalf by:



Professor A Mullan
Chair of the Corporation



D Hankey
Accounting Officer

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Consolidated Cash Flow Statement for the year ended 31 July 2015

	Notes	2015 £000	2014 £000
Cash inflow from operating activities	22	1353	937
Returns on investments and servicing of finance	23	(476)	(288)
Taxation	10	0	0
Capital expenditure and financial investment	24	(63)	(145)
Financing	25	(256)	(207)
Increase in cash in the year	26	<u>558</u>	<u>297</u>
Reconciliation of net cash flow to movement in net debt			
		£000	£000
Increase in cash in the year		558	297
Cash outflow from repayment of loan	25	<u>256</u>	<u>207</u>
Movement in net funds in the period		814	504
Net debt at 1 August		<u>(7594)</u>	<u>(8098)</u>
Net debt at 31 July		<u>(6780)</u>	<u>(7594)</u>

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Notes to the Financial Statements for the year ended 31 July 2015

1

ACCOUNTING POLICIES

Statement of accounting policies

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

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting in Further and Higher Education 2007* (the SORP) and in accordance with applicable Accounting Standards. They conform to Accounts Direction for 2014/15 financial statements published jointly by the Skills Funding Agency and the Education Funding Agency.

Basis of accounting

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

The financial statements have been prepared on the going concern basis. This basis of preparation is considered further in pages 5 to 6 of the Operating and Financial Review.

Basis of consolidation

The consolidated financial statements include the College and its subsidiary undertaking, Hartlepool Business Development Centre Limited. 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. All financial statements are made up to 31 July 2015.

Recognition of income

The recurrent grant from the funding bodies is that receivable as informed by the results of the funding audit undertaken.

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 achievement for the Adult Skills Budget outside of the permitted threshold 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 and the results of any funding audits. This process may involve negotiations in respect of over achievement or adjustment to claw back in respect of under achievement, however where negotiations are subsequent to year end, any amendment is not reflected in the income recognised. 16-18 learner-responsive funding is not normally subject to a reconciliation and is therefore not subject to contract adjustments; the income recognised is the allocation for the year.

Non-recurrent grants from the funding body 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 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.

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

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Notes to the Financial Statements for the year ended 31 July 2015

1

ACCOUNTING POLICIES (continued)

and contracted out of the State Earnings Related Pension Scheme (SERPS), and assets are held desperately from those of the college.

The TPS is an unfunded scheme and contributions to the TPS are calculated so as to spread the cost of the pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of present and future pensionable payroll. The contributions are determined by the government actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 27, 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 LGPS is a funded scheme and the assets are held separately from those of the college in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the income and expenditure account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The expected return on assets and the interest cost are shown as a net finance amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately 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 the 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 tables provided by the funding bodies.

Tangible fixed assets

Land and buildings

Land and buildings inherited from the Local Education Authority (LEA) 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 and leasehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life, normally 10 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.

On adoption of FRS15 the College followed the transitional provision to retain the book value of land and buildings, which were valued for the purpose of the 1994 financial statements, 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 in accordance with FRS11.

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Notes to the Financial Statements for the year ended 31 July 2015

1

ACCOUNTING POLICIES (continued)

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on existing 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:

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

Buildings owned by third parties

Where land and buildings are used, but the legal rights are held by a third party, for example a charitable trust, they are only capitalised if the College has rights or access to ongoing future economic benefit.

These assets are then depreciated over their expected useful economic life.

Equipment

Equipment costing less than £500 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost. Inherited equipment has been depreciated on a straight line basis over its remaining useful economic life to the College and is now fully depreciated.

All other assets are depreciated over their useful economic life as follows:

- General equipment - 5% to 20% per year on a straight line basis
- Computer equipment - 25% per year on a straight line basis
- Motor vehicles - 25% per year 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.

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 risk 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.

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.

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.

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Notes to the Financial Statements for the year ended 31 July 2015

1

ACCOUNTING POLICIES (continued)

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 receives no similar exemption in respect of value added tax. For this reason the College is generally unable to recover input VAT it suffers on goods and services purchased. Non-pay expenditure and capital costs are therefore shown inclusive of VAT with any partial recovery netted off against these figures.

The College's subsidiary company is 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 institution 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 31, except for the 5% of the grant received which is available to the College to cover administration costs relating to the grant. The College employs staffing resource dedicated to the administration of Learner Support Fund applications and payments.

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Notes to the Financial Statements for the year ended 31 July 2015

2

FUNDING BODY GRANTS

	2015	2014
	£000	£000
Recurrent grant - Skills Funding Agency	4597	5262
- Education Funding Agency	6846	7268
Non-recurrent grant - Skills Funding Agency	0	0
Releases of deferred capital grants (note 19) - Skills Funding Agency	816	807
Total	<u>12259</u>	<u>13337</u>

3

TUITION FEES AND EDUCATION CONTRACTS

	2015	2014
	£000	£000
Tuition fees	1104	691
Education contracts	1226	959
Total	<u>2330</u>	<u>1650</u>

Included within the above amounts are tuition fees funded by bursaries of £17k (2014/15 £731).

Tuition fees for 2014/15 include full cost commercial courses that have previously been included in Note 4 under 'other income generating activities'

4

RESEARCH GRANTS AND OTHER INCOME

	2015	2014
	£000	£000
European commission	0	0
Other grant income and contracts	109	60
Catering and residences operations	452	510
Other income generating activities	0	442
Releases of deferred capital grants (non-funding council) (note 19)	77	156
Other income	224	133
Total	<u>862</u>	<u>1301</u>

5

INVESTMENT INCOME

	2015	2014
	£000	£000
Pension finance income (Note 27)	221	202
Interest receivable	3	1
	<u>224</u>	<u>203</u>

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Notes to the Financial Statements for the year ended 31 July 2015

6

STAFF COSTS

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

	Number	
	2015	2014
Teaching staff	132	136
Teaching and other support services	59	57
Administration and central services	74	73
Premises	16	17
Other	0	0
	<u>281</u>	<u>283</u>

	2015	2014
	£000	£000
Staff costs for the above persons:		
Teaching staff	5722	6439
Teaching and other support services	1257	1428
Administration and central services	2227	2292
Premises	406	460
Catering and residences	282	273
FRS17 retirement benefit charge	130	122
	<u>10024</u>	<u>11014</u>

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Notes to the Financial Statements for the year ended 31 July 2015

6

STAFF COSTS (continued)	2015 £000	2014 £000
Wages and salaries	8316	9158
Social security costs	598	662
Other pension costs (including FRS17 adjustments of £130,000 (2014 £122,000))	1110	1194
	<u>10024</u>	<u>11014</u>

Total staff costs, split by type of contract, were:

Employment costs for staff on permanent contracts	9446	10524
Employment costs for staff on short-term and temporary contracts	448	368
FRS17 retirement benefit charge	130	122
	<u>10024</u>	<u>11014</u>

The number of senior postholders and other staff, who received emoluments excluding pension contributions in the following ranges was:

	Number of staff 2015		Number of staff 2014	
	Senior Postholders	Other Staff	Senior Postholders	Other Staff
Emoluments excluding pension contributions:				
£60001-70000	0	0	0	0
£70001-80000	3	0	4	0
£80001-90000	0	0	0	0
£90001-100000	1	0	1	0
£100001-110000	0	0	0	0
£110001-120000	0	0	0	0
£120001-130000	0	0	0	0
£130001-140000	0	0	0	0
£140001-150000	0	0	0	0

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Notes to the Financial Statements for the year ended 31 July 2015

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SENIOR POSTHOLDERS' EMOLUMENTS

Senior post-holders are defined as the Accounting Officer 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.

	2015	2014
	Number	Number
The number of senior post-holders including the Accounting Officer was:	4	5
Senior post-holders' emoluments are made up as follows:	£	£
Salaries	317205	388887
Benefits in kind	0	0
Pension contributions	44509	54833
Total emoluments	361714	443720

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

	2015	2014
	£	£
Salary	96000	96000
Benefits in kind	0	0
	96000	96000
Pension contributions	13536	13536
Total emoluments	109536	109536

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

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

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Notes to the Financial Statements for the year ended 31 July 2015

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OTHER OPERATING EXPENSES

	2015	2014
	£000	£000
Teaching costs	614	889
Teaching support services	145	135
Administration and central services	828	818
General education	499	492
Premises costs	474	508
- running costs	204	192
- maintenance	0	0
- rents and leases	0	0
Other income-generating activities	95	168
Catering and residence operations	253	228
Other expenses	0	0
Franchised provision	250	198
	<u>3362</u>	<u>3628</u>

	2015	2014
	£000	£000
Other operating expenses include:		
Auditors' remuneration:		
Financial statements and regularity audit *	16	17
Internal audit **	11	13
Tax advice services provided by the financial statements and regularity auditor	1	1
Funding audit services provided by the internal auditor	11	10
Hire of land & buildings – operating leases	0	0
Hire of other assets – operating leases	16	20

*Includes £15k in respect of the College (2014: £15k)

**Includes £11k in respect of the College (2014: £13k)

9

INTEREST AND OTHER FINANCE COSTS

	2015	2014
	£000	£000
On bank loans, overdrafts and other loans:		
Repayable wholly or partly in more than 5 years	479	491
Pension finance costs (Note 27)	57	0
	<u>536</u>	<u>491</u>

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TAXATION

The members do not believe the group was liable for any corporation tax arising out of its activities during this period.

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Notes to the Financial Statements for the year ended 31 July 2015

11		
SURPLUS ON CONTINUING OPERATIONS FOR THE PERIOD	2015	2014
	£000	£000
The surplus on continuing operations for the period is made up as follows:		
College surplus for the period	388	14
Surplus generated by the subsidiary undertaking	20	2
	<u>408</u>	<u>16</u>

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Notes to the Financial Statements for the year ended 31 July 2015

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TANGIBLE FIXED ASSETS - CONSOLIDATED

	Freehold Land & Buildings	Equipment	Total
	£000	£000	£000
Cost or Valuation			
At 1 August 2014	51285	8594	59879
Additions	0	63	63
At 31 July 2015	<u>51285</u>	<u>8657</u>	<u>59942</u>
Depreciation			
At 1 August 2014	3490	7684	11174
Charge for the period	1011	334	1345
At 31 July 2015	<u>4501</u>	<u>8018</u>	<u>12519</u>
Net Book Value 31 July 2015	<u><u>46784</u></u>	<u><u>639</u></u>	<u><u>47423</u></u>
Net Book Value at 31 July 2014	<u><u>47795</u></u>	<u><u>910</u></u>	<u><u>48705</u></u>

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Notes to the Financial Statements for the year ended 31 July 2015

12

TANGIBLE FIXED ASSETS - COLLEGE

	Freehold Land & Buildings	Equipment	Total
	£000	£000	£000
Cost or Valuation			
At 1 August 2014	51285	8594	59879
Additions	0	63	63
At 31 July 2015	<u>51285</u>	<u>8657</u>	<u>59942</u>
Depreciation			
At 1 August 2014	3490	7684	11174
Charge for the period	1011	334	1345
At 31 July 2015	<u>4501</u>	<u>8018</u>	<u>12519</u>
Net Book Value 31 July 2015	<u>46784</u>	<u>639</u>	<u>47423</u>
Net Book Value at 31 July 2014	<u>47795</u>	<u>910</u>	<u>48705</u>

The transitional rules set out in FRS15 Tangible Fixed Assets have been retained on implementing FRS15. Accordingly, the book values at implementation have been retained.

Inherited land and buildings were valued for the purpose of the 1994 financial statements on the basis of depreciated replacement cost by a firm of independent chartered surveyors.

Land and buildings include land valued at £885,000 (2014: £885,000). The historic cost of these assets is nil.

Land and Buildings with a net book value of £45,545,923 relate to the redevelopment of the College campus, for which in-principle approval was granted by the LSC on 30 July 2008 followed by detailed approval by the LSC on 8 September 2009. Should these assets be sold, the College may be liable, under the terms of its Financial Memorandum, to surrender the proceeds.

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Notes to the Financial Statements for the year ended 31 July 2015

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INVESTMENTS

	College 2015 £	College 2014 £
Investment in subsidiary company at cost	<u>2</u>	<u>2</u>

The College owns 100% of the issued £1 ordinary shares of Hartlepool Business Development Centre Limited, a company incorporated in England and Wales. The principal activity of the company is the provision of education and training courses for industry and commerce and commercial activities including restaurant, conferencing and gym.

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DEBTORS

	2015 £000	2014 £000
--	--------------	--------------

Consolidated:

Amounts falling due within 1 year

Trade debtors	831	70
Prepayments & accrued income	268	479
Amounts owed by the Skills Funding Agency/Education funding Agency	<u>279</u>	<u>391</u>
	<u>1378</u>	<u>940</u>

College:

Amounts falling due within 1 year

Trade debtors	113	70
Amounts owed by subsidiary undertaking	1081	892
Prepayments & accrued income	253	204
Amounts owed by the Skills Funding Agency/ Education Funding Agency	<u>279</u>	<u>391</u>
	<u>1726</u>	<u>1557</u>

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CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015 £000	2014 £000
--	--------------	--------------

Consolidated

Bank loans and overdrafts	265	256
Payments received in advance	155	0
Trade creditors	207	138
Other taxation and social security	325	363
Accruals	927	822
Amounts owed to the Skills Funding Agency/ Education Funding Agency	<u>306</u>	<u>0</u>
	<u>2185</u>	<u>1579</u>

College

Bank loans and overdrafts	265	256
Payments received in advance	19	0
Trade creditors	202	102
Other taxation and social security	325	363
Accruals	832	822
Amounts owed to the Skills Funding Agency/ Education Funding Agency	<u>306</u>	<u>0</u>
	<u>1949</u>	<u>1543</u>

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Notes to the Financial Statements for the year ended 31 July 2015

16		
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	2015	2014
	£000	£000
Consolidated and College		
Bank loans	8772	9037

17		
BORROWINGS		
	2015	2014
	£000	£000
Consolidated and College		
Bank loan is repayable as follows:		
In one year or less	265	256
Between one and two years	273	265
Between two and five years	895	859
In five years or more	7604	7913
	<u>9037</u>	<u>9293</u>

The bank loan is in the form of a £9.5million term loan, 75% of which is fixed at a base rate of 4.45% plus 1.75% lending margin and is secured on a portion of the freehold land and buildings of the College.

18	
PROVISIONS FOR LIABILITIES	
Consolidated and College	£000
Enhanced pension	
At 1 August 2014	678
Expenditure in the period	57
Transferred (to)/from income & expenditure account	(47)
At 31 July 2015	688

The enhanced pension provision relates to the cost of staff who have already left the College's employment. This provision has been recalculated in accordance with guidance issued by funding bodies.

The principal assumptions for this calculation are:

	2015	2014
Interest rate/price inflation	3.46%	4.06%
Net interest rate/discount rate	1.75%	2.25%

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Notes to the Financial Statements for the year ended 31 July 2015

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DEFERRED CAPITAL GRANTS - CONSOLIDATED

	SFA grants £000	Other grants £000	Total £000
At 1 August 2014	35827	3005	38832
Cash Received	0	0	0
Released to Income & Expenditure Account	(816)	(146)	(962)
At 31 July 2015	<u>35011</u>	<u>2859</u>	<u>37870</u>

DEFERRED CAPITAL GRANTS – COLLEGE

	SFA grants £000	Other grants £000	Total £000
At 1 August 2014	35827	3005	38832
Cash Received	0	0	0
Released to Income & Expenditure Account	(816)	(146)	(962)
At 31 July 2015	<u>35011</u>	<u>2859</u>	<u>37870</u>

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Notes to the Financial Statements for the year ended 31 July 2015

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REVALUATION RESERVE

	Consolidated and College	
	2015	2014
	£000	£000
At 1 August	1233	1245
Transfer from revaluation reserve to general reserve in respect of release of revaluation reserves	(12)	(12)
At 31 July	<u>1221</u>	<u>1233</u>

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MOVEMENT ON GENERAL RESERVES

	Consolidated		College	
	2015	2014	2015	2014
	£000	£000	£000	£000
Income and Expenditure Account Reserve				
At 1 August	(3782)	(3332)	(3372)	(2921)
Surplus retained for the year	409	16	388	14
Transfer from revaluation reserve	12	12	12	12
Actuarial (loss)/gain in respect of pension scheme	(1449)	(477)	(1449)	(477)
At 31 July	<u>(4810)</u>	<u>(3782)</u>	<u>(4421)</u>	<u>(3372)</u>
Balance represented by:				
Pension reserve	(5146)	(3788)	(5146)	(3788)
Income and expenditure account reserve excluding pension reserve	336	6	725	416
At 31 July	<u>(4810)</u>	<u>(3782)</u>	<u>(4421)</u>	<u>(3372)</u>

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RECONCILIATION OF CONSOLIDATED OPERATING DEFICIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2015	2014
	£000	£000
Surplus on continuing operations after depreciation of assets at valuation	408	16
Depreciation (note 12)	1345	1342
Deferred capital grants released to income (note 19)	(962)	(963)
Interest payable (note 9)	479	289
Interest receivable (note 5)	(3)	(1)
FRS17 pension cost less contributions payable (notes 9 and 27)	130	122
FRS17 pension finance cost/(income) (note 27)	(221)	(202)
(Increase)/decrease in stocks	7	(2)
(Increase)/decrease in debtors	(438)	41
Increase/(decrease) in creditors	597	297
Increase/(Decrease) in provisions	10	(2)
Net cash inflow from operating activities	<u>1352</u>	<u>937</u>

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Notes to the Financial Statements for the year ended 31 July 2015

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RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2015 £000	2014 £000
Interest received	3	1
Interest paid (excluding pension finance costs)	(479)	(289)
Net cash inflow from returns on investments and servicing of finance	(476)	(288)

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CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2015 £000	2014 £000
Purchase of tangible fixed assets	(63)	(154)
Deferred capital grants received	0	9
Net cash outflow for capital expenditure and financial investment	(63)	(145)

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FINANCING

	2015 £000	2014 £000
Debt due beyond a year:		
Repayment of amounts borrowed	(256)	(207)
Net cash (outflow) from financing	(256)	(207)

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ANALYSIS OF CHANGES IN NET DEBT

	At 1 August 2014 £000	Cashflows £000	Other non-cash changes £000	At 31 July 2015 £000
Cash in hand, at bank (net of bank overdraft)	1698	558	0	2256
Debt due within 1 year	(256)	(9)	0	(265)
Debt due after 1 year	(9037)	265	0	(8772)
Total	(7595)	814	0	(6781)

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Notes to the Financial Statements for the year ended 31 July 2015

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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 Middlesbrough Council. Both are defined benefit schemes.

Total pension cost for the year	2014/15		2013/14	
	£000	£000	£000	£000
Teachers' Pension Scheme: contributions paid		621		690
Local Government Pension Scheme:				
Contributions paid	462		386	
FRS17 charge	130		122	
Charge to the Income and Expenditure Account (staff costs)		592		508
Enhanced pension charge to the Income and Expenditure Account (staff costs)		0		0
Total pension cost for the year		1213		1198

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuations of the schemes were as at 31 March 2012 (TPS) and 31 March 2013 (LGPS).

Contributions amounting to £126,667 (2014: £136,272) were payable to the schemes at 31 July 2015 and are included within creditors.

Teachers' Pension Scheme

The Teachers' Pensions Scheme ("TPS") is a statutory, contributory, defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pensions Regulations 2010 and from 1 April 2014 by the Teachers Pension Scheme Regulations 2014. Retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay as-you-go' basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations require an annual account, the Teachers' Pensions Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001 the Account has been credited with a real rate of return (in excess of price increases and currently set at 3.5%), 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' Pensions Scheme

Not less than every four years the Government Actuary ("GA"), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors.

The contribution rate paid into the TPS is assessed in two parts. First, a standard contribution rate ("SCR") is determined. This is the contribution, expressed as a percentage of the salaries of teachers and lecturers in service or entering service during the period over which the contribution rate applies, which if it were paid over the entire active service of these teachers and lecturers would broadly defray the cost of benefits payable in respect of that service. Secondly, a supplementary contribution is payable if, as a result of the actuarial investigation, it is found that accumulated liabilities of the Account for benefits to past and present teachers, are not fully covered by standard contributions to be paid in future and by the notional fund built up from past contributions. The total contribution rate payable is the sum of the SCR and the supplementary contribution rate.

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Notes to the Financial Statements for the year ended 31 July 2015

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PENSION AND SIMILAR OBLIGATIONS (continued)

Valuations of the TPS are now required under the Public Service Pensions Act 2013 every four years and are required to be carried out in accordance with the Public Services Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury.

An actuarial valuation of the TPS in accordance with these Directions was published in June 2014 assessing the TPS as at 31 March 2012. The GA's report revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £191,500 million. The notional value of the assets (estimated future contributions together with the proceeds from the national investment held at the valuation date) was £176,600 million. The assumed rate of return is 3% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

Employer and employee contribution rates

As from 1 January 2007, and as part of the cost-sharing agreement between employers' and teachers' representatives, the SCR was assessed at 19.75%, and the supplementary contribution rate was assessed to be 0.75% (to balance assets and liabilities as required by the regulations within 15 years). This resulted in a total contribution rate of 20.5%, which translated into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable. The cost-sharing agreement also introduced – effective for the first time for the 2008 valuation – a 14% cap on employer contributions payable.

From 1 April 2013 to 31 March 2014, the employee contribution rate will range between 6.4% and 11.2%, depending on a member's Full Time Equivalent salary and for 2014/15 will range between 6.4% and 12.4%. Thereafter, members will be expected to pay an average contribution rate of 9.6%. The TPS valuation for 2012 determined an employer contribution rate of 16.4% from September 2015 and an employee cost cap of 10.9%, both to be set in regulations until the next valuation as at March 2016, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

There will be further reforms and changes to the TPS with a new 2015 scheme.

The pension costs paid to TPS in the year amounted to £621k (2014: £690k)

FRS17

Under the definitions set out in Financial Reporting Standard 17: 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 deficit in 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 funds administered by Middlesbrough Council. The total contribution made for the year ended 31 July 2015 was £616,000 of which employer's contributions totalled £454,000 and employees' contributions totalled £162,000. The agreed contribution rates for future years are 14.6% for employers and range from 5.5% to 7.5% for employees, depending on salary.

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Notes to the Financial Statements for the year ended 31 July 2015

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PENSION AND SIMILAR OBLIGATIONS (continued)

FRS17

Principal actuarial assumptions

The Financial Reporting Standard 17 'Retirement Benefits' (FRS17) requires that the following further disclosure is made about the defined benefit pension scheme. The actuarial valuation has been updated by the qualified scheme actuary to 31 July 2015. Assumptions used were:

	At 31 July 2015	At 31 July 2014	At 31 July 2013
Inflation assumption - RPI		3.2%	3.4%
- CPI		2.2%	2.5%
Rate of increase in salaries	3.6%	3.7%	4.4%
Rate of increase for pensions	2.1%	2.2%	2.5%
Discount rate for scheme liabilities	3.6%	4.1%	4.5%

Principal demographic assumptions

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

	At 31 July 2015	At 31 July 2014
Retiring in 20 years: Males	25.2	25.1
Females	27.8	27.7
Retiring today: Males	23.0	12.9
Females	25.5	25.4

The amounts recognised in the balance sheet are as follows:

	Value at 31 July 2015 £000	Value at 31 July 2014 £000
Fair value of scheme assets	14719	13650
Present value of funded obligations	(19756)	(17328)
Present value of unfunded liabilities	(109)	(110)
Deficit in the scheme	<u>(5146)</u>	<u>(3788)</u>

Changes in the present value of the defined benefit obligation are as follows:

	Year ended 31 July 2015 £000	Year ended 31 July 2014 £000
Opening defined benefit obligation	17438	17581
Service cost (net of employee contributions)	499	508
Interest on scheme liabilities	718	798
Actuarial loss/(gain)	1575	(1264)
Benefits paid	(612)	(339)
Contributions by scheme participants	162	162
Unfunded pension payments	(8)	(8)
Past Service Cost	93	0
Closing defined benefit obligation	<u>19865</u>	<u>17438</u>