

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

**Report and financial statements
for the period
1 August 2015 to 31 July 2016**

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HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Report of the Governing Body

NATURE, OBJECTIVES AND STRATEGIES

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

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting 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

Report of the Governing Body (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 a comprehensive performance management process where the Principal and Executive meet individual Heads of School at least termly to review a range of performance measures, including:

- Delivery of enrolments against the Curriculum Plan to ensure the College meets its funding targets
- Student Attendance (target 95%), retention (target 92%) and achievement (target 90%)
- Quality assurance in terms of Staff Observations, External Verifier reports and monitoring of courses that have Improvement Plans in place
- Staff and student feedback
- Health & Safety incidents and accidents
- Mandatory training compliance
- Financial performance including staff utilisation

Heads of School receive weekly Management Information Bulletins that summarise actual current performance against the above and highlight specific issues or concerns requiring intervention. The College position against all of the above is reported to College Leadership Committee and is reported termly to the Board via relevant sub-committees. In addition, the annual Financial Plan is approved by the Board via the Finance & General Purposes Committee and that Committee also has oversight of the Colleges financial health as reported in the Plan, Finance Record and verified by the Skills Funding Agency. The current rating of Satisfactory is considered an acceptable outcome in light of the College's borrowing to income ratio arising from the development of the new campus building.

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Report of the Governing Body (continued)

FINANCIAL POSITION

Financial results

The Group generated a consolidated operating surplus for the year of £236k (2014/15 restated: £56k surplus).

The Group has accumulated negative reserves of £7,358k which includes a pension deficit of £9,087k and cash and short term investment balances of £2,852k. The College wishes to continue to accumulate reserves and cash balances in order to create a contingency fund.

Tangible fixed asset additions during the year amounted to £98k and were purchases of equipment as well as some minor building alterations.

The College has significant reliance on the SFA and EFA for its principal funding sources, largely from recurrent grants. In 2015/16 the SFA and EFA provided approximately 80% 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 transferred to the College under gift aid, when allowed. In the current year the profit generated was £240k (2014/15: £20k 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. All other borrowing requires the authorisation of the Corporation.

Cash flows and liquidity

At £1,425k (2014/15: 1,352k inflow), operating cash inflow was mainly as a result of timing differences relating to funding receipts and a decrease in debtors. 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 2015/16 and related repayments were linked to the College campus on Stockton Street.

Reserves Policy

The College reserves, along with Government capital grant and loans were used to assist in the financing of the new building which opened in September 2011. There were therefore a few years of planned deficits which saw reserves drop considerably. However in the last three years, the College has been attempting to build these reserves up as it recognises the need to have a buffer in these uncertain times. Reserves, excluding pension deficit and revaluation currently stand at £520k and the College is looking to double this over the next few years as this would provide cover for a normal months outgoings.

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Report of the Governing Body (continued)

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Future Developments

Following the governments Area Based Review, the College is in discussions with Hartlepool Sixth Form College about the potential merger of the two colleges to form a Tertiary College in Hartlepool, as recommended by the governments Area Based Review.

The governments Apprenticeships Reform due to be launched in April 2017 will mean that the College will be reviewing its curriculum offer in conjunction with discussions with local employers and taking account of delivery costs and contributions of individual frameworks.

Other key Government strategies that will require implementation are the Skills Plan and plans for a more 'marketised' higher education system. Details are unclear at the moment but will require changes to be made.

Student numbers

In 2015/16 the College has delivered activity that has produced £11,708k in funding body main allocation funding (2014/15: £12,259k). The College had approximately 3567 SFA/EFA -funded and 1184 non-SFA/EFA-funded students.

Student achievements

The success rate for 2015/16 was 86.2% (2014/15 86.4%) 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 2015 to 31 July 2016 the College paid in excess of 90% of its invoices within agreed terms and incurred no interest charges as a result of late payment.

- 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

Report of the Governing Body (continued)

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 negative net assets of £7,358,000 (including a £9,087,000 pension liability) and long-term loan financing of £8,772,000.

People

The College employs 279 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.

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.

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Report of the Governing Body (continued)

PRINCIPAL RISKS AND UNCERTAINTIES

Outlined below is a description of some of the principal risks as perceived by the organisation in 2015/16. 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 2015/16, approximately 80% of the College's revenue was ultimately public-funded and a similar level of reliance is expected to continue.

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

Report of the Governing Body (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
- Local Enterprise Partnerships (LEP's)
- 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.

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Report of the Governing Body (continued)

Disability Statement

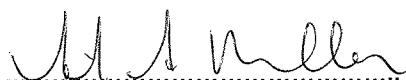
The College seeks to achieve the objectives set down in the Disability Discrimination Act 1995 as amended by the Special Educational Needs and Disability Acts 2001 and 2005.

- 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 8th December 2016 and signed on its behalf by:



Professor A Mullan
Chair of the Corporation

Key Management Personnel, Board of Governors and Professional Advisers

Key Management personnel

Key Management personnel are defined as members of the College Executive and were represented by the following in 2015/16:

Darren Hankey	Principal and CEO: Accounting Officer
Karen Dales	Assistant Principal
Andrew Steel	Assistant Principal
Steven Wallis	Assistant Principal

Board of Governors

A full list of Governors is given on page 11 of these accounts

Mr A Theakston acted as Clerk to the Corporation throughout this period

Professional Advisers

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

Statement of Corporate Governance and Internal Control

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

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 Code of Good Governance for English Colleges (the Code of Good Governance); 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 has adopted and complied with the Code of Good Governance.

We have not adopted and therefore do not apply the UK Corporate Governance Code. However we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider 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 Code of Good Governance and it has complied throughout the year ended 31 July 2016. 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.

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

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	3/4	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 2015 to 31 July 2016 (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	27.11.15	4 years		External	2/4	Chair: Finance & General Purposes Remuneration Student and Staff appeals Search Senior Staff Selection
Mrs J Regan	24.06.16 (re-appointment)	4 years		External	3/4	Audit Staff Appeals Senior Staff Selection
Mr S Salvin	29.11.15 (re-appointment)	4 years		External	4/4	Chair: Estates Curriculum & Standards Audit
Ms L Watson	09.07.16 (re-appointment)	4 years		External	3/4	Chair: Curriculum & Standards Finance & General Purposes Remuneration Senior Staff Selection
Mr P Mitchell	31.12.12	4 years		External	4/4	Staff Appeals Student Appeals Finance & General Purposes Senior Staff Selection
Mr S Fallowfield	30.06.13	4 years		External	1/4	Chair: Audit
Mrs M Roberts	13.03.13	4 years		Support Staff	4/4	Audit Estates Student Appeals
Ms L Nelson	23.03.16	4 years		External	2/2	Curriculum and Standards
Mr N Godfrey	28.03.16	4 years		Academic Staff	2/2	Curriculum and Standards Estates Student Appeals
Mr T Black	01.08.15	1 year	31.07.16	Student	4/4	

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Statement of Corporate Governance and Internal Control for the Period from 1 August 2015 to 31 July 2016 (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>
Miss C Crossman	01.08.15	1 year	31.07.16	Student	0/4	
Mrs S Sargent	15.03.14	4 years	10.12.15	External	0/0	Curriculum and Standards Staff Appeals
Dr K Gillen	31.12.13	4 years	10.12.15	External	0/0	
Mr I McNeil	28.03.12	4 years	27.03.16	Academic Staff	2/2	Curriculum and Standards Estates Student Appeals

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.

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 Accounting Officer are separate.

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Statement of Corporate Governance and Internal Control for the Period from 1 August 2015 to 31 July 2016 (continued)

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.

Corporation Performance

The Corporation's Self Assessment of its performance for 2015/16 is Good.

Remuneration Committee

Throughout the majority of the year ending 31 July 2016, 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 2016 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 Accounting Officer and Chair). The committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee meets on a termly basis and provides a forum for reporting by the College's internal 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.

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

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Statement of Corporate Governance and Internal Control for the Period from 1 August 2015 to 31 July 2016 (continued)

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 2016 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 2016 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
- comments made by the College's financial statements and regularity auditors in their management letters and other reports

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Statement of Corporate Governance and Internal Control for the Period from 1 August 2015 to 31 July 2016 (continued)

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

The Accounting Officer 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 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 2016 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2016 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2016.

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

Going Concern

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

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:

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.

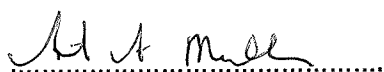
The College has in place well-developed and robust systems of risk management which include a discrete risk register dealing with business and financial risks. Risk management systems are reviewed and approved by the Board at least termly. The College has prepared over a period of time for the changes in the political environment which lead to changes in the machinery of government and feels adequately placed to mitigate any adverse impact.

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

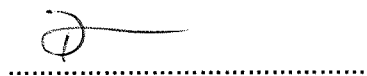
Statement of Corporate Governance and Internal Control for the Period from 1 August 2015 to 31 July 2016 (continued)

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. During 2015/16, the College has been involved in a government initiated Area Review and the recommendation of the review is for a merger of Hartlepool College of Further Education and Hartlepool Sixth Form College to form a tertiary college. This recommendation is now being explored by both parties.

Approved by order of the members of the Corporation on 8th December 2016 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 8th December 2016 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 2015/16 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 funds from the Skills Funding Agency and the Education Funding Agency are used only in accordance with the authorities that govern them as defined by and in accordance with Further and Higher Education Act 1992, subsequent legislation and related regulators and the Financial Memorandum with the Skills Funding Agency and any other conditions that may be prescribed from time to time.

Approved by order of the members of the Corporation on 8th December 2016 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 23 to 51. 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 Education Funding Agency and our engagement letter dated 10th 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 19, 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 2016 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

19 Dec 2016

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 Education acting through the Skills Funding Agency

In accordance with the terms of our engagement letter dated 10th November 2015 and supplementary letter dated 21st November 2016 ('engagement letter') 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 2015 to 31 July 2016 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 2015 to 31 July 2016 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities accounts have been prepared to 31 July 2016 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

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 Education 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 2015 to 31 July 2016 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

RSM UK Audit LLP

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

19 December 2016

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

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

	Notes	College 2016 £000	2015 Restated £000	Group 2016 £000	2015 Restated £000
Income					
Funding body grants	2	11708	12259	11708	12259
Tuition fees and education contracts	3	2018	2021	2630	2330
Research grants and other income	4	781	832	757	862
Investment income	5	4	224	4	224
Total income		<u>14511</u>	<u>15336</u>	<u>15099</u>	<u>15675</u>
Expenditure					
Staff costs	6	9377	9780	9699	10024
Other operating expenses	8	3369	3251	3395	3325
Depreciation	12	1120	1345	1120	1345
Interest and other finance costs	9	649	925	649	925
Total expenditure		<u>14515</u>	<u>15301</u>	<u>14863</u>	<u>15619</u>
Surplus on continuing operations after depreciation of tangible fixed assets and before disposal of assets and tax		<u>(4)</u>	<u>35</u>	<u>236</u>	<u>56</u>
Loss on disposal of assets		0	0	0	0
Surplus on continuing operations after depreciation of assets and disposal of assets but before tax		<u>(4)</u>	<u>35</u>	<u>236</u>	<u>56</u>
Taxation	10	0	0	0	0
Surplus on continuing operations after depreciation of assets, disposal of assets and tax		<u>(4)</u>	<u>35</u>	<u>236</u>	<u>56</u>
Actuarial loss in respect of pension schemes	27	(3539)	(1060)	(3539)	(1060)
Total Comprehensive Income for the year		<u><u>(3543)</u></u>	<u><u>(1025)</u></u>	<u><u>(3303)</u></u>	<u><u>(1004)</u></u>

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Consolidated Statement of Changes in Reserves for the year ended 31 July 2016

Group	Income & Expenditure account £000	Revaluation Reserve £000	Total £000
Restated Balance as at 1st August 2014	(4284)	1233	(3051)
Surplus/(deficit) from income and expenditure account	56	0	56
Other comprehensive income	(1060)	0	(1060)
Transfers between revaluation and income and expenditure reserves	12	(12)	0
Balance at 31st July 2015	(5276)	1221	(4055)
Surplus /(deficit) from income and expenditure account	236	0	236
Other comprehensive income	(3539)	0	(3539)
Transfers between revaluation and income and expenditure reserves	12	(12)	0
Total comprehensive income for the year	(3291)	(12)	(3303)
Balance as at 31 July 2016	(8567)	1209	(7358)

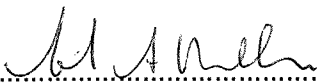
College	Income & Expenditure account £000	Revaluation Reserve £000	Total £000
Restated Balance as at 1st August 2014	(3872)	1233	(2639)
Surplus/(deficit) from income and expenditure account	35	0	35
Other comprehensive income	(1060)	0	(1060)
Transfers between revaluation and income and expenditure reserves	12	(12)	0
Balance at 31st July 2015	(4885)	1221	(3664)
Surplus /(deficit) from income and expenditure account	(4)	0	(4)
Other comprehensive income	(3539)	0	(3539)
Transfers between revaluation and income and expenditure reserves	12	(12)	0
Total comprehensive income for the year	(3531)	(12)	(3543)
Balance as at 31 July 2016	(8416)	1209	(7207)

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

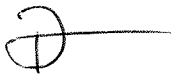
Balance Sheet as at 31 July 2016 - Consolidated

		2016	2015
	Notes	£000	Restated £000
Fixed assets			
Tangible assets	12	46401	47423
		<u>46401</u>	<u>47423</u>
Current assets			
Stock		14	15
Trade and other receivables	14	798	1378
Cash and cash equivalents	19	2852	2256
		<u>3664</u>	<u>3649</u>
Less: Creditors - amounts falling due within one year	15	<u>3033</u>	<u>3526</u>
Net current assets		<u>631</u>	<u>123</u>
Total assets less current liabilities		47032	47546
Creditors: amounts falling due after more than one year	16	44603	45765
Provisions			
Defined benefit obligations	19	(9087)	(5146)
Other provisions	18	(700)	(688)
Total net assets		<u><u>(7358)</u></u>	<u><u>(4053)</u></u>
 Income and expenditure account		(8567)	(5274)
Revaluation reserve		1209	1221
Total unrestricted reserves		<u><u>(7358)</u></u>	<u><u>(4053)</u></u>

The financial statements on pages 23 to 51 were approved and authorised for issue by the Corporation on 8th December 2016 and were signed on its behalf by:



Professor A Mullan
 Chair of the Corporation



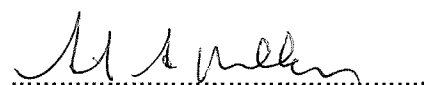
D Hankey
 Accounting Officer

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

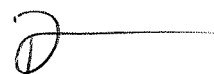
Balance Sheet as at 31 July 2016 – College

		2016	2015
	Notes	£000	Restated £000
Fixed assets			
Tangible assets	12	46401	47423
		<u>46401</u>	<u>47423</u>
Current assets			
Stock		10	11
Trade and other receivables	14	1118	1726
Cash and cash equivalents		2599	2065
		<u>3727</u>	<u>3802</u>
Less: Creditors- amounts falling due within one year	15	<u>2947</u>	<u>3290</u>
Net current assets		<u>780</u>	<u>512</u>
Total assets less current liabilities		47181	47935
Creditors: amounts falling due after more than one year	16	44603	45765
Provisions			
Defined benefit obligations	19	(9087)	(5146)
Other provisions	18	(700)	(688)
Total net assets		<u>(7209)</u>	<u>(3664)</u>
 Income and expenditure account		(8418)	(4885)
Revaluation reserve		1209	1221
Total unrestricted reserves		<u>(7209)</u>	<u>(3664)</u>

The financial statements on pages 23 to 51 were approved and authorised for issue by the Corporation on 8th December 2016 and were signed on its behalf by:



Professor A Mullan
Chair of the Corporation



D Hankey
Accounting Officer

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

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

	Notes	2016 £000	2015 Restated £000
Cash flow from operating activities			
Surplus/(Deficit) for the year		236	56
Adjustment for non-cash items			
Depreciation		1120	1345
(Increase)/decrease in stocks		1	7
(Increase)/decrease in debtors		580	(438)
Increase/(decrease) in creditors due within one year		(501)	561
Increase/(decrease) in creditors due after one year		(891)	(962)
Increase/(decrease) in provisions		12	10
Pension costs less contributions payable		402	297
Adjustment for investing or financing activities			
Investment income		(4)	(3)
Interest payable		470	479
Net cash flow from operating activities		1425	1352
Cash flows from investing activities			
Investment income		4	3
Payments made to acquire fixed assets		(98)	(62)
		(94)	(59)
Cash flows from financing activities			
Interest paid		(470)	(479)
Repayments of amounts borrowed		(265)	(256)
		(735)	(735)
Increase/(decrease) in cash and cash equivalents in the year		596	558
Cash and cash equivalents at the beginning of the year		2256	1698
Cash and cash equivalents at the end of the year		2852	2256

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Notes to the Financial Statements for the year ended 31 July 2016

1

ACCOUNTING POLICIES

Statement of accounting policies

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

General Information

Hartlepool College of Further Education is a corporation under the Further and Higher Education Act 1992 as an English general college of further education. The address of the Colleges principal place of business is given on page 13. The nature of the Colleges operations are set out in the Report of the Governing Body.

Basis of preparation

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

The preparation of financial statements in accordance with FRS102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Colleges accounting policies.

Transition to the 2015 FE HE SORP

The College is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the College has amended certain accounting policies to comply with FRS102 and the 2015 FE HE SORP. The trustees have also taken advantage of certain exemptions from the requirements of FRS 102 permitted by FRS 102 Chapter 35 ‘Transition to this FRS’.

An explanation of how the transition to the 2015 FE HE SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the College is provided in note 28.

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

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

- Revaluation as deemed cost – at 1st August 2014, the College has retained the carrying values of freehold properties as being deemed cost and measured at fair value
- The College has taken advantage of the exemptions provided in FRS 102 1.12 and the 2015 FE HE SORP 3.3, and has not included a separate statement of its own cash flows. These cash flows are included within the Consolidated Statement of Cash Flows, and the College balance sheet discloses cash at both the current and preceding reporting dates.

Intra-group sales and profits are eliminated fully on consolidation. All financial statements are made up to 31 July 2016.

Functional Currency

The consolidated financial statements are presented in sterling which is also the functional currency of the College.

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Notes to the Financial Statements for the year ended 31 July 2016

1

ACCOUNTING POLICIES (continued)

Monetary Assets

Monetary amounts in these financial statements are rounded to the nearest £1,000, except where otherwise indicated.

Basis of accounting

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

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.

Going Concern

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

The College currently has £8,772m of loans outstanding with bankers on terms negotiated in 2010. The terms of the existing agreement are for 25 years. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

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

Recognition of income

Government revenue grants include funding body recurrent grants are accounted for under the accrual model as permitted by FRS 102. 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.

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

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual method as permitted by FRS 102. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

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

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Notes to the Financial Statements for the year ended 31 July 2016

1

ACCOUNTING POLICIES (continued)

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

Post retirement benefits

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

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 qualified actuaries on the basis of valuations using a prospective benefit method.

The TPS is a multi-employer scheme and the College is unable to identify its share of the underlying 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 an expense in the income statement in the periods during which services are rendered by employees.

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

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

Short term Employment benefits

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

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 spreadsheet provided by the funding bodies.

Tangible fixed assets

Land and buildings

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment costs. Freehold and leasehold land is not depreciated. Freehold buildings are depreciated over their expected useful

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Notes to the Financial Statements for the year ended 31 July 2016

1

ACCOUNTING POLICIES (continued)

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 income account within creditors, 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. The deferred income is allocated between creditors due within one year and those due after more than one year.

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

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 increases the future benefits to the College, in which case it is capitalised and depreciated on the relevant basis.

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

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

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

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Notes to the Financial Statements for the year ended 31 July 2016

1

ACCOUNTING POLICIES (continued)

Inventories

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

Financial Instruments

The Group has chosen to adopt sections 11 and 12 of FRS102 in full in respect of the financial instrument.

Financial assets and liabilities

Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

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

All financial assets and liabilities are initially measured at transactional price (including transaction costs), except for those financial assets measured at fair value through the income or expenditure, which are initially measured at fair value (which is normally transaction price excluding transaction costs), unless arrangement constitutes a financial transaction. A financial asset or liability that is payable or receivable in one year is measured as the undiscounted amount expected to be received or paid net of impairment, unless it is a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest or similar debt instrument.

Financial assets and financial liabilities are offset only when there is a current legally enforceable right to set off the recognised amounts and the intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Cash and cash equivalents

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

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

Foreign currency translation

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

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the 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.

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Notes to the Financial Statements for the year ended 31 July 2016

1

ACCOUNTING POLICIES (continued)

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.

Provisions and contingent liabilities

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

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

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

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 of the College and are shown separately in Note 24, 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.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. The decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the group's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Notes to the Financial Statements for the year ended 31 July 2016

1

ACCOUNTING POLICIES (continued)

future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 20, will impact the carrying amount of pensions liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 July 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Notes to the Financial Statements for the year ended 31 July 2016

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FUNDING BODY GRANTS

	College		Consolidated	
	2016	2015	2016	2015
	£000	£000	£000	£000
Recurrent grant - Skills Funding Agency	4532	4597	4532	4597
- Education Funding Agency	6375	6846	6375	6846
Non-recurrent grant - Skills Funding Agency	0	0	0	0
Releases of deferred capital grants - Skills Funding Agency	801	816	801	816
Total	11708	12259	11708	12259

3

TUITION FEES AND EDUCATION CONTRACTS

	College		Consolidated	
	2016	2015	2016	2015
	£000	£000	£000	£000
Tuition fees	699	795	1311	1104
Education contracts	1319	1226	1319	1226
Total	2018	2021	2630	2330

Included within the above amounts are tuition fees funded by bursaries of £24k (2014/15 £17k).

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RESEARCH GRANTS AND OTHER INCOME

	College		Consolidated	
	2016	2015	2016	2015
	£000	£000	£000	£000
European commission	0	0	0	0
Other grant income and contracts	70	109	70	109
Catering and residences operations	338	343	404	452
Other income generating activities	59	0	59	0
Releases of deferred capital grants (non-funding council)	42	77	42	77
Other income	272	303	182	224
Total	781	832	757	862

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INVESTMENT INCOME

	College		Consolidated	
	2016	2015	2016	2015
	£000	£000	£000	£000
Pension finance income	0	0	0	0
Interest receivable	4	3	4	3
Total	4	3	4	3

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Notes to the Financial Statements for the year ended 31 July 2016

6

STAFF COSTS

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

	Number	
	2016	2015
Teaching staff	132	132
Teaching and other support services	61	59
Administration and central services	71	74
Premises	15	16
Other	0	0
	<u>279</u>	<u>281</u>

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Notes to the Financial Statements for the year ended 31 July 2016

6

STAFF COSTS (continued)

	Group		College	
	2016	2015	2016	2015
	£000	£000	£000	£000
Wages and salaries	7791	8316	7791	8316
Social security costs	642	598	642	598
Other pension costs (including FRS102 adjustments of £223,000 (2015 £130,000))	1266	1110	1266	1110
	<u>9699</u>	<u>10024</u>	<u>9699</u>	<u>10024</u>

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

Employment costs for staff on permanent contracts	9101	9518
Employment costs for staff on short-term and temporary contracts	375	448
FRS102, s28 retirement benefit charge	<u>223</u>	<u>58</u>
	<u>9699</u>	<u>10024</u>

Key Management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Executive team which comprises the Principal and three Assistant Principals.

Emoluments of Key management personnel, Accounting Officer and other higher paid staff

	2016 No.	2015 No.
The number of key management personnel including the Accounting Officer was:	4	4

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

	Number of staff 2016		Number of staff 2015	
	Senior Postholders	Other Staff	Senior Postholders	Other Staff
Emoluments excluding pension contributions:				
£60001-70000	0	0	0	0
£70001-80000	3	0	3	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 2016

7

SENIOR POSTHOLDERS' EMOLUMENTS

Senior post-holders, who are also key management personnel, 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.

	2016	2015
	Number	Number
The number of senior post-holders including the Accounting Officer was:	4	4
Senior post-holders' emoluments are made up as follows:	£	£
Salaries	329827	317205
Benefits in kind		0
Pension contributions	50919	44509
Total emoluments	380746	361714

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

	2016	2015
	£	£
Salary	100914	96000
Benefits in kind		0
	100914	96000
Pension contributions	15630	13536
Total emoluments	116544	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 2016

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OTHER OPERATING EXPENSES

	Group		College	
	2016	2015	2016	2015
		Restated		Restated
	£000	£000	£000	£000
Teaching costs	883	759	883	759
Non-Teaching Costs	1734	1888	1708	1814
Premises Costs	778	678	778	678
	<u>3395</u>	<u>3325</u>	<u>3369</u>	<u>3251</u>

	2016	2015
	£000	£000
Other operating expenses include:		
Auditors' remuneration:		
Financial statements and regularity audit *	13	16
Internal audit **	13	11
Tax advice services provided by the financial statements and regularity auditor	1	1
Funding audit services	13	11
Hire of land & buildings – operating leases	0	0
Hire of other assets – operating leases	55	16

*Includes £13k in respect of the College (2015: £15k)

**Includes £13k in respect of the College (2015: £11k)

9

INTEREST AND OTHER FINANCE COSTS

	2016	2015
	£000	£000
On bank loans, overdrafts and other loans:		
Repayable wholly or partly in more than 5 years	470	479
Pension finance costs (Note 20)	179	225
	<u>649</u>	<u>704</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.

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FINANCIAL INSTRUMENTS

The Group has the following Financial Instruments:

	2016	2015
	£000	£000
Financial Assets		
Financial Assets measured at amortised cost	<u>3196</u>	<u>3087</u>
Financial Liabilities		
Financial Liabilities measured at amortised cost	<u>10067</u>	<u>10542</u>

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Notes to the Financial Statements for the year ended 31 July 2016

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TANGIBLE FIXED ASSETS - CONSOLIDATED

	Freehold Land & Buildings	Equipment	Total
	£000	£000	£000
Cost or Valuation			
At 1 August 2015	51285	8657	59942
Additions	13	85	98
At 31 July 2016	<u>51298</u>	<u>8742</u>	<u>60040</u>
Depreciation			
At 1 August 2015	4501	8018	12519
Charge for the period	995	125	1120
At 31 July 2016	<u>5496</u>	<u>8143</u>	<u>13639</u>
Net Book Value 31 July 2016	<u><u>45802</u></u>	<u><u>599</u></u>	<u><u>46401</u></u>
Net Book Value at 31 July 2015	<u><u>46784</u></u>	<u><u>639</u></u>	<u><u>47423</u></u>

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Notes to the Financial Statements for the year ended 31 July 2016

12

TANGIBLE FIXED ASSETS - COLLEGE

	Freehold Land & Buildings	Equipment	Total
	£000	£000	£000
Cost or Valuation			
At 1 August 2015	51285	8657	59942
Additions	13	85	98
At 31 July 2016	<u>51298</u>	<u>8742</u>	<u>60040</u>
Depreciation			
At 1 August 2015	4501	8018	12519
Charge for the period	995	125	1120
At 31 July 2016	<u>5496</u>	<u>8143</u>	<u>13639</u>
Net Book Value 31 July 2016	<u>45802</u>	<u>599</u>	<u>46401</u>
Net Book Value at 31 July 2015	<u>46784</u>	<u>639</u>	<u>47423</u>

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 (2015: £885,000). The historic cost of these assets is nil.

Land and Buildings with a net book value of £45,466,615 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 2016

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INVESTMENTS

	College 2016 £	College 2015 £
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 as well as operating as an Apprenticeship Training Agency.

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DEBTORS

	2016 £000	2015 £000
Consolidated:		
Amounts falling due within 1 year		
Trade debtors	344	831
Prepayments & accrued income	168	268
Amounts owed by the Skills Funding Agency/Education funding Agency	<u>286</u>	<u>279</u>
	<u>798</u>	<u>1378</u>
College:		
Amounts falling due within 1 year		
Trade debtors	61	113
Amounts owed by subsidiary undertaking	605	1081
Prepayments & accrued income	166	253
Amounts owed by the Skills Funding Agency/ Education Funding Agency	<u>286</u>	<u>279</u>
	<u>1118</u>	<u>1726</u>

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Notes to the Financial Statements for the year ended 31 July 2016

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CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2016	2015
	£000	Restated £000
Consolidated		
Bank loans and overdrafts	273	265
Payments received in advance	7	155
Trade creditors	150	207
Other taxation and social security	397	325
Accruals	1152	1393
Deferred income – government capital grants	885	875
Deferred income – government revenue grants	8	0
Amounts owed to the Skills Funding Agency/ Education Funding Agency	161	306
	<u>3033</u>	<u>3526</u>
College		
Bank loans and overdrafts	273	265
Payments received in advance	0	19
Trade creditors	147	202
Other taxation and social security	328	325
Accruals	1145	1298
Deferred income – government capital grants	885	875
Deferred income – government revenue grants	8	0
Amounts owed to the Skills Funding Agency/ Education Funding Agency	161	306
	<u>2947</u>	<u>3290</u>

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Notes to the Financial Statements for the year ended 31 July 2016

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CREDITORS: AMOUNTS FALLING DUE AFTER	2016	2015
		Restated
MORE THAN ONE YEAR	£000	£000
Consolidated and College		
Bank Loans	8499	8772
Deferred Capital Grants	36104	36993
Total Creditors falling due after more than one year	44603	45765

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BORROWINGS

	2016	2015
	£000	£000
Consolidated and College		
Bank loan is repayable as follows:		
In one year or less	273	265
Between one and two years	288	273
Between two and five years	932	895
In five years or more	7279	7604
	8772	9037

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.

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PROVISIONS FOR LIABILITIES

Consolidated and College

	£000
Enhanced pension	
At 1 August 2015	688
Expenditure in the period	(48)
Transferred (to)/from income & expenditure account	60

At 31 July 2016

700

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:

	2016	2015
Interest rate/price inflation	2.3%	3.46%
Net interest rate/discount rate	1.3%	1.75%

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Notes to the Financial Statements for the year ended 31 July 2016

19

DEFINED BENEFIT OBLIGATIONS

The College's employees belong to two principal post-employment benefit plans, 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 multi-employer defined benefit schemes.

	2015/16		2014/15	
	£000	£000	£000	£000
Total pension cost for the year				
Teachers' Pension Scheme: contributions paid		680		621
Local Government Pension Scheme:				
Contributions paid	372		462	
FRS102 (28) charge	223		58	
Charge to the Statement of Comprehensive income		595		520
Enhanced pension charge to the Statement of Comprehensive Income		0		0
Total pension cost for the year within staff costs		1275		1141

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 £135,236 (2015: £126,667) were payable to the schemes at 31 July 2016 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. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or change of contract. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension Budgeting and Valuation Account

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

The Teachers' Pensions Regulations 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, 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

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

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

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

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

19

PENSION AND SIMILAR OBLIGATIONS (continued)

- An employer cost cap of 10.9% of pensionable pay

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

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

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

Scheme Changes

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

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

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

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

The pension costs paid to TPS in the year amounted to £680k (2015: £621k)

FRS 102 (28)

Under the definitions set out in FRS 102 (28.11), 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 FRS 102 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 plan 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 2016 was £533,000 of which employer's contributions totalled £372,000 and employees' contributions totalled £161,000. The agreed contribution rates for future years are 13.6% 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 2016

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PENSION AND SIMILAR OBLIGATIONS (continued)

Principal actuarial assumptions

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

	At 31 July 2016	At 31 July 2015
Inflation assumption - RPI	2.9%	3.2%
- CPI	1.8%	2.1%
Rate of increase in salaries	3.3%	3.6%
Rate of increase for pensions	1.8%	2.1%
Discount rate for scheme liabilities	2.4%	3.6%

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 2016	At 31 July 2015
Retiring in 20 years: Males	25.3	25.2
Females	28.0	27.8
Retiring today: Males	23.1	23.0
Females	25.6	25.5

The amounts recognised in the balance sheet are as follows:

	Value at 31 July 2016 £000	Value at 31 July 2015 £000
Fair value of plan assets	16336	14719
Present value of funded obligations	(25311)	(19756)
Present value of unfunded liabilities	(112)	(109)
Net pensions (liability)/asset	<u>(9087)</u>	<u>(5146)</u>

	Value at 31 July 2016 £000	Value at 31 July 2015 £000
Equities	13869	12114
Government Bonds	245	250
Other Bonds	131	236
Property	1258	912
Cash	833	942
Other	0	265
Total market value of assets	<u>16336</u>	<u>14719</u>

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Notes to the Financial Statements for the year ended 31 July 2016

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PENSION AND SIMILAR OBLIGATIONS (continued)

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

	Year ended 31 July 2016 £000	Year ended 31 July 2015 £000
Opening defined benefit obligation	19865	17438
Service cost (net of employee contributions)	595	520
Interest on scheme liabilities	713	705
Actuarial loss/(gain)	4408	1575
Benefits paid	(311)	(622)
Contributions by scheme participants	161	162
Unfunded pension payments	(8)	(8)
Past Service Cost	0	95
Closing defined benefit obligation	<u>25423</u>	<u>19865</u>

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

	Year ended 31 July 2016 £000	Year ended 31 July 2015 £000
Opening fair value of scheme assets	14719	13650
Expected return on assets	534	560
Actuarial gain/(loss)	869	515
Contributions by employer	372	454
Contributions by scheme participants	161	162
Benefits paid	(319)	(622)
Closing fair value of scheme assets	<u>16336</u>	<u>14719</u>

The amounts recognised in the Statement of Comprehensive Income in respect of the plan are as follows:

	Year ended 31 July 2016 £000	Year ended 31 July 2015 £000
Amounts included in staff costs		
Current service cost	595	520
Past service cost	0	95
Total	595	615
 Actual return on plan assets	 <u>1403</u>	 <u>1075</u>

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Notes to the Financial Statements for the year ended 31 July 2016

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CAPITAL COMMITMENTS

As at 31 July 2016 amounts contracted by the College but not yet provided for totalled £nil. Amounts authorised but not contracted for at 31 July 2016 totalled £nil.

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FINANCIAL COMMITMENTS

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

	College	
	2016	2015
	£000	£000
Land and buildings		
Expiring within one year	0	15
Expiring between two and five years inclusive	208	54
Expiring in over five years	0	0
Commitments contracted for at 31 July	<u>208</u>	<u>69</u>

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RELATED PARTY TRANSACTIONS

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

Transactions with the funding bodies are detailed in notes 2, 14, 15 and 19.

The College has taken advantage of the exemption available under Financial Reporting Standard 8 not to disclose transactions within the wholly-owned subsidiary, Hartlepool Business Development Centre Limited, in the consolidated financial statements.

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AMOUNTS DISBURSED AS AGENT

	2016	2015
	£000	£000
Discretionary support funds		
– hardship funds & childcare	535	606
	<u>535</u>	<u>606</u>
Disbursed to students	(499)	(556)
Administration costs	(23)	(28)
Balance unspent as at 31 July, included in creditors	<u>13</u>	<u>22</u>

Funding body grants are available solely for students. In the majority of instances the College acts only as a paying agent. In these circumstances the grants and related disbursements are therefore excluded from the income and expenditure account.

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Notes to the Financial Statements for the year ended 31 July 2016

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TRANSITION TO FRS102 AND THE 2015 FE HE SORP

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

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

	1 st August 2014		31 st July 2015	
	Group £000	College £000	Group £000	College £000
Financial Position				
Total reserves under previous SORP	36283	36693	34281	34670
Employee leave accrual	(502)	(502)	(466)	(466)
Re-allocation of non-government capital grants	(38832)	(38832)	(37868)	(37868)
Total effect of transition to FRS 102 and 2015 FE HE SORP	(39334)	(39334)	(38334)	(38334)
Total reserves under 2015 FE HE SORP	(3051)	(2641)	(4053)	(3664)
	Year Ended 31 st July 2015		Group £000	College £000
Financial Performance				
Surplus for the year after tax under previous SORP			408	389
Change in short term employee benefit			37	37
Pensions provision – actuarial loss			(1060)	(1060)
Changes to measurement of net finance cost on defined benefit plans			(389)	(389)
Total effect of transition to FRS 102 and 2015 FE HE SORP			(1412)	(1412)
Total comprehensive income for the year under 2015 FE HE SORP			(1004)	(1025)

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

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

Recognition of short term employment benefits

No provision for short term employment benefits such as holiday pay was made under the previous UK GAAP. Under FRS 102 the costs of short term employee benefits are recognised as a liability and an expense. The annual leave year runs to 31st August each year for both teaching and non-teaching staff meaning that, at the reporting date, there was an average of 15 unused leave for teaching staff and 8 unused leave for non-teaching staff. In addition, certain non-teaching employees are entitled to carry forward up to 5 days of unused holiday entitlement at the end of the leave year. The cost of any unused entitlement is recognised in the period in which the employee's services are received. An accrual of £466k was recognised at 31 August 2015. Following a re-measurement exercise in 2015/16, the movement on this provision of £16k has been charged to Comprehensive income in the year ended 31 July 2016.

Change in recognition of defined benefit plan finance costs

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

Presentation of actuarial gains and losses within Total Comprehensive Income

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