



# EAST BERKSHIRE COLLEGE

Report and Financial Statements  
for the year ended 31 July 2015



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## Operating and Financial Review

### NATURE, OBJECTIVES AND STRATEGIES:

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

#### Legal Status

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

#### Mission and Values

Governors reviewed the College's mission in October 2012 and adopted a revised mission statement as follows:

*"To provide opportunities for all our learners to thrive and achieve in life and work"*

Governors also adopted the following values at this time:

*We will make respect our Golden Rule*

*We will try to stand out in everything we do*

*We will not be afraid to innovate even if we risk failure*

*We will learn something new every day*

*We will persevere until we get it right*

*We will celebrate our achievements*

*We will champion our students*

*We will always have high expectations*

*We will be responsive and enterprising*

*We will work together and in partnership with our communities and businesses*

*We will never forget that we are accountable to the students, communities and businesses that we serve*

*We will be responsible stewards of public money*

#### Public Benefit

East Berkshire College (EBC) 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 14-15.

In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit.

In delivering its mission, the College provides the following identifiable public benefits through the advancement of education.

*Through Learning, East Berkshire College adds Value to People's Lives*

Participating in College courses helps students improve their self-confidence and develop the tools they need to approach life's challenges. While at East Berkshire College, students can establish good habits that will

## Operating and Financial Review (continued)

make their lives easier and improve the overall health and well-being for themselves and their families. The skills and qualifications that students achieve at East Berkshire College will put them on the path to fulfilling and prosperous careers.

High numbers of students move on to further or higher education or employment, 77% in 2013/14.

On average, an East Berkshire College student will receive a cumulative £4.10 in higher future earnings for every £1 spent (in fees and forgone time and earnings): a return on investment of 14.7%.

### *East Berkshire College Adds Value to Local Business*

Every year students leave the College and enter the workforce. The skills they have gained support a wide range of employment sectors in the local area.

The close relationships that EBC maintains with local employers through vocational learning and apprenticeship programmes provide employers with a workforce specifically developed for their business needs and growth strategies.

The availability of a skilled workforce and the training opportunities provided to local employers boosts business outputs through reduced hiring and training costs and, most importantly, higher worker productivity.

### *East Berkshire College is a Good Partner*

The College is a lead organisation for skills, social and economic development, valued as a partner by stakeholders, such as the Local Authority and the Local Enterprise Partnership.

### *East Berkshire College Adds Value to Local Prosperity*

Students earn more because of the skills and qualifications they acquired at East Berkshire College. Further, employers earn more because the added skills of learners make their businesses more productive.

Together, increases in earnings and business output stimulate corresponding increases in value added and employment throughout the national economy. The present value of the added income created in the UK as a result of the added skills of East Berkshire College students comes to £208.7 million.

### *East Berkshire College is a Solid Investment*

For every £1 of public money spent in East Berkshire College, taxpayers receive a cumulative return of £1.80 over the course of learners' working lives in the form of higher tax receipts and avoided public sector costs.

Taxpayers see an annual return of 9% on their investment in EBC. This return compares favourably with the 3.5% long-term discount rate defined by the HM Treasury Green Book for appraising 30-year investments.

### *Assessing the Public Value of East Berkshire College*

The Board of Governors review and update the Public Value Statement as part of the review cycle of the Strategic Plan every three years.

## Operating and Financial Review (continued)

The value added by East Berkshire College is measured by the following:

- The College's latest Ofsted report
- The College's Student Destination Survey (independently assessed by J2Profit for 2013/14)
- The College's Economic Impact Study (independently assessed by EMSI for 2014/15)
- The College's Learner Voice Strategy including annual Student Satisfaction Survey
- The College's annual Employer Satisfaction Survey
- The College's Reputation Survey

### Implementation of strategic plan

In December 2012, following a period of consultation with staff, students, governors and other key stakeholders, the Corporation approved a new strategic plan for the period 2013-16. This strategic plan aligns with the College's property and financial plans. The Corporation monitors the performance of the College against these plans at its termly meetings and updates the plans when required.

Our Strategic Plan includes a statement of intent for the following areas of work:

- 14-19 Education and Training
- Adult Education and Training
- Apprenticeships
- Business Development
- Higher Education
- LLDD (Learners with Learning Difficulties and/or Disabilities)

Our Strategic Plan also sets out the College's strategic priorities within three **Stand Out Challenges** for the further development of the College over the next three years. These are shown below.

#### SKILLS CHALLENGE

- We will innovate new curriculum to meet emerging needs and develop skills for the local area
- We will invest in technology, facilities and expertise to develop new curriculum

#### EXCELLENCE CHALLENGE

- We will provide stand out teaching and learning
- We will empower every student to achieve and thrive in life and work
- We will develop a stand out workforce
- We will develop excellent business and student support processes

#### COMMUNITY CHALLENGE

- We will be responsive and accountable to our local communities
- We will work in partnership for the benefit of our local communities
- We will sustain our outstanding financial management to ensure continued investment in our future
- Where our students are from

## Operating and Financial Review (continued)

The College completed the final third phase of its £31m capital investment programme at the start of the year in state-of-the-art learning facilities to meet the needs of local people and employers.

The first phase of the capital investment programme costing approximately £15m comprised:

- A stunning new Entrance and Reception providing visitors with a warm welcome on arrival
- A new Sports Centre featuring a multi-purpose sports hall, gym and dance studio. It is also available for the local community to use.
- A new central thoroughfare 'The Street' that houses study areas, social spaces and our Student Services team to provide students with a range of information, advice and support in one place.
- A new Learning Centre that includes specially designed study areas and is fully equipped with a range of printed and digital learning resources, PC suites and the latest tablets for mobile learning.

The second phase costing approximately £10m comprised:

- New Hair and Beauty Salons that act as a working business allowing students to train on real customers incorporating the latest industry-standard environment and equipment.
- Enhanced facilities for our Health and Social Care students. These include a new simulated hospital environment.
- An exciting Genovation Hub featuring a state-of-the-art Innovation Lab to showcase applied maths and science in new technologies and product design.

The third phase was completed at the end of the year costing approximately £5m and comprised:

- A STEM Project and Research Centre, focusing on engineering and construction.
- Improvements to the main Langley teaching block.

The College's principal financial objectives for 2014-15 and achievement of those objectives is addressed below:

### Financial objectives

The Corporation has adopted a financial planning framework with associated objectives. This framework is based upon securing sound financial health so that:

- the College is protected from any unforeseen downturn in activity and/or profitability;
- the College generates sufficient funds to continue its strategy of reinvestment in the expansion and improvement of teaching and learning;
- the College can clearly demonstrate that its activities provide value for money;
- the College is perceived as a good employer which thrives on academic and financial success; and
- the College can discharge its responsibilities as a large organisation in its dealings with third party suppliers.

The College's financial objectives are shown below together with the performance for the year *against these*. All objectives were successfully achieved.

- i. deliver an operating deficit of £900,000 (excluding any adverse effects from the implementation of the FRS 17 pension accounting rules or one-off costs associated with the capital project) – £598,000 deficit - *achieved*

## Operating and Financial Review (continued)

- ii. maintain staff costs at or below 66% of income – *66% actual - achieved*
- iii. maintain an academic contribution at a rate of at least 43% - *53% achieved*
- iv. maintain the current level of support staff costs and reduce these further where opportunities arise – *under budget - achieved*
- v. allow for a pay award at least in line with the Government's public sector pay policy - *1.0% increase agreed from 1<sup>st</sup> September 2014 which is in line with the AOC recommended award - achieved*
- vi. to achieve SFA 'Good' financial health - *achieved*
- vii. to maintain a current ratio of 1.0 except where the one-off costs associated with the capital project prevent this, – *1.7 achieved*
- viii. Achieve net cash inflow of £250,000 from operating activities - *net cash inflow from operating activities increased by £495,000 (excluding Santander loan) achieved*

### Performance indicators

The key headline performance measures that are monitored by the Board and the assessment against them are as follows:

#### Participation and Growth

The 16-18 learner number was 2,304, which was 129 higher than the previous year's number of 2,175 and therefore slightly exceeded the growth target of 125 learners. Funding targets were met for adults, 16-18 apprentices and LLDD learners. The targets for HE and adult apprentices fell short but the loss of income was contained in the overall budget via other income and compensatory savings.

#### Quality

An overall FE success rate of 81% (excluding Functional Skills) was achieved which was in line with the target.

An Apprentices success rate of 65% was achieved which was significantly above last year's 57%

Of the lesson observations, 91% were grade 1 or 2 which was above the target. Within this was an increase of 5% from 16% to 21% for Outstanding observations.

#### Financial

An operating deficit of 2.8% was achieved (excluding FRS17) which was an improvement on the 4.1% target.

Staff costs were 66% of income which was within the 66% maximum target.

The proportion of SFA category A accommodation was 63% at year-end which was in line with target.

SFA "Good" Financial Health was achieved for the year in line with the target.

The College is committed to observing the importance of sector measures and indicators and uses the FE choices website which looks at measures such as success rates. The College is required to complete the Annual Finance Record for the Skills Funding Agency. The Finance Record produces a financial health grading. The current rating of "Good" is considered an acceptable outcome.

## **Operating and Financial Review (continued)**

### **FINANCIAL POSITION**

#### **Financial results**

The College generated an operating deficit in the year of £1,064,000 (2013/14 – deficit of £151,000).

The College has accumulated reserves of £22,512,000 and cash balances of £5,410,000. The College wishes to continue to generate sufficient future operating surpluses and cash in order to fund further investment in teaching and learning and provide contingency reserves.

Tangible fixed asset additions during the year amounted to £7,868,000. This was split between equipment purchased of £957,000 and assets under construction of £6,911,000. The land and buildings comprised in the main the costs of the Langley Redevelopment Phases 2 and 3.

The majority of the equipment costs were for furniture and equipment and I.T. hardware.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2014/15 the funding bodies provided 85% of the College's total income.

#### **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 Accounting Officer. No such borrowing was required in the year in view of the level of the College's cash balances held. Such arrangements are restricted by limits in the College's Financial Memorandum with the SFA. All other borrowing also requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum / Funding Agreement.

#### **Cash flows**

Operating cash out flow was £0.602m (£6.154m in 2013/14). The main factor contributing to this was the Langley Campus redevelopment costs.

#### **Liquidity**

During the year the College took out an unsecured loan of £5.5m and the majority of this was used to finance Phase 3 of the Langley College redevelopment.

A long term liability is held in the balance sheet for the repayment of VAT relating to the College's previous capital building projects under the 'Lennartz' mechanism. The outstanding liability at 31 July 2015 was £158,000 and the annual repayments of VAT due to Customs and Excise in future years are approximately £108,000.

The cash balance held of £5,410,000 maintains the College's liquidity position.

## Operating and Financial Review (continued)

### CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

#### Student numbers

In 2014/15 the College has delivered activity that has produced £16,663,000 in recurrent grant funding (2013/14 – £18,253,000). The College had approximately 7,100 funded and 800 non-funded students.

#### Student achievements

Students continue to prosper at the College. Overall success rates including maths and English increased from 79% in 2013-14 to 81% in 2014-15. Learners' success in maths and English was above national averages for A-C outcomes in both subjects. The College also saw a significant improvement in apprentices successfully completing their maths and English. This resulted in a 9% increase in overall success for apprentices (65%) in 2014-15. During the year the College had a successful Higher Education Review which has provided a solid platform on which to build the College's HE provision to meet local priority skills needs.

#### Curriculum developments

The College has a good reputation for curriculum innovation and change. Effective and proactive use is made of market intelligence to introduce new courses across the curriculum in order to meet students' and employers' needs. Additionally East Berkshire College is highly responsive to national priorities and strategies. Consequently the following have now been rolled out at the College: 16-19 Study Programmes, Functional Skills for Adults and Young People, Traineeships, directly funded Higher Education to raise the skills level of residents in Slough, Apprenticeships in most SSAs including responsive development of Higher Level Apprenticeships and proactive involvement in Apprenticeship Trail Blazers.

The College remains strongly committed to education inclusion in order to develop learners with higher technical skills as required for sustainable employment and for higher education. As a result of the College's inclusive curriculum (accessibility from Foundation Learning to Higher Education) and proactive support for progression, the College now has a higher proportion of young people and adults studying at level 3. Courses have also been designed to ensure students are able to move securely into the labour market. Consequently new areas such as Hospitality and Entrepreneurial / Enterprise have been launched to prepare learners to take up progressive opportunities. Working closely with the National Engineering Foundation, the College is further developing its resources as a STEM specialist to best prepare learners to take up opportunities in these globally growing areas. Consequently a new Innovation Hub (Genovation) has been established to develop generalist STEM skills with Bureau Services to employers (Digital, Sustainability, Medical and Food).

With changes to young people and adult entitlement and the need to progress learners into employment, the College continues to refine programmes of study and training with distinct pathways:

- Vocational and Academic with a strong emphasis on learners progressing and acquiring the technical and higher technical expertise (Level 3 and 4/5) required by most employers
- Maths and English (Functional skills, higher tier GCSEs, AS/A2 levels and AS Core Maths) are now at the heart of curriculum planning with all learners having free Maths and English entitlements. A discreet maths and English centre has now been established and as a result of above average success in higher tier GCSE. A priority for 2014-15 is to facilitate greater online learning.
- Relatively new GCSE resit offers in sciences and humanities are enrolling increasingly higher volumes of learners each year
- Work Ready / Development Route: Professional / Trades options, Levels 2 and 3 Apprenticeships and Traineeships / pre-apprenticeships, Industrial updating, Professional Access to HE have been developed to meet the needs of aged 24 and above learners and other fee paying learners.

## Operating and Financial Review (continued)

- Higher Education: As well as partnership franchise agreements with local universities the College now has a directly funded HE provision with learners on HND/C and Levels 4/5 apprenticeships. These are two plus one programmes and therefore the College annually develops links with a wide range of universities to enable final year progressions to undergraduate programmes. As a result strategic objectives are in place to grow HE over the next 3 to 5 years.
- Community engagement: the College works closely with Slough Borough Council and other agencies to offer stepping stone qualifications / training and collaboratively lead on initiatives such as Troubled Families. Additionally there are growing partnerships with JCPs and other agencies to meet the needs of the unemployed.

### RESOURCES:

The College has various resources that it can deploy in pursuit of its strategic objectives.

Tangible resources include the college's two campuses in Langley and Windsor. An extensive improvement has just been completed at Langley College with £31m being expended between 2012 and 2015. Windsor College was opened in 2006-07 at a cost of approximately £10 million. Current assets total £6,242,000, including £5,410,000 cash balances.

#### *Financial*

The College has £34.25 million of net assets (including £14.96 million pension liability).

#### *People*

The College employs 372 staff members (expressed as full time equivalents), of whom 243 are teaching staff.

#### *Reputation*

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

### PRINCIPAL RISKS AND UNCERTAINTIES:

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

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

A risk register is maintained at the College level which is reviewed at least annually by the Audit Committee. The highest level risks form the Risk Management Plan which identifies the key risks, the likelihood of those risks occurring, their potential impact on the College (both scored at gross and net risk level) and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system. This is supported by a risk management training programme to raise awareness of risk throughout the College.

## Operating and Financial Review (continued)

Outlined below is a description of the principal risk factors that may affect the College. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

### 1. Government funding

The College has considerable reliance on continued government funding through the further education sector funding bodies. In 2014/15, 85% of the College's revenue was ultimately public funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The College is aware of several issues which may impact on future funding,

- The Government Spending Review in November 2015 that reduces public sector funding in future years up to 2019-20
- The College's recruitment of students, particularly for full-time 16-18s, that directly impacts on current and future years' funding
- The risk of future changes to the funding formulae of the EFA and SFA
- The demand led funding system which applies a series of factors such as the length and type of study programme to calculate an amount of funding to be received for each learner. Such funding cannot be guaranteed though.

This risk is mitigated in a number of ways:

- Funding is derived through a number of direct and indirect contractual arrangements
- By ensuring the College is rigorous in delivering high quality education and training
- By seeking continuous improvement in the College's buildings and facilities to meet students' needs
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding
- Regular dialogue with funding bodies

### 2. Tuition fee policy

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

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

### 3. Maintain adequate funding of pension liabilities

## Operating and Financial Review (continued)

The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS 17.

### 4. Employer Related Provision

The College has an infrastructure to seek to deliver increasing volumes of this provision but the risk is that SFA funding does not increase accordingly.

This risk is mitigated in a number of ways:

- By robust monitoring
- By forecasting processes

### 5. Inability to Deliver the Accommodation Strategy

The College's buildings at the Langley campus have been identified for improvement to enable them to meet the long term needs of students and staff. All 3 phases are now completed.

Three future priorities are identified in the College's most recent December 2014 Property Strategy. These are a "Solutions Lab" extension to Windsor College, a "Slough Centre for Higher Education" at Langley College and the remaining areas of refurbishment needed at Langley College.

### 6. Inability to Accelerate the Pace of Quality Improvement

There is a relentless focus on quality improvement, success rates and the learner experience, taking into account national benchmarks. Success rates and learner satisfaction are anticipated to remain at a high level for 2015-16.

## STAKEHOLDER RELATIONSHIPS

In line with other colleges and with universities, East Berkshire College has many stakeholders.

These include:

- Students;
- Education sector funding bodies;
- FE Commissioner;
- Staff;
- Local employers (with specific links);
- Local Authorities;
- Local Education Partnerships (LEPs);
- The local community;
- Other FE institutions;
- Trade unions;
- Professional bodies

## Operating and Financial Review (continued)

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

### 7. Strategic Prospects Appraisal (SPA) and Area Review

The College commenced a SPA in the Summer of 2015 and completed this in October. The aim of the SPA is to consider collaborative opportunities with stakeholders and partners in order to secure the College's future sustainability. This key strategic development is being carefully managed and monitored by the Policy and Resources Committee and Board and external consultancy support is being received.

### Equal opportunities and employment of disabled persons

East Berkshire College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, sex, sexual orientation, disability, religion or belief, being a transsexual person, having just had a baby or being pregnant, being married or in a civil partnership and age.

We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat discrimination, direct or indirect. This will be resourced, implemented and monitored on a planned basis. The College's Equality Objectives are published on the College's Internet site. The College's policy is to provide training, career development and opportunities for promotion to all employees.

The College welcomes applications from people with disabilities. Where an existing employee becomes disabled, every effort is made to ensure that their employment with the College continues.

### Disability statement

The College seeks to achieve the objectives set down in the Equalities Act 2010.

- a) Access information is available on the DisabledGo website: [www.disabledgo.com](http://www.disabledgo.com)
- b) 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.
- c) The College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
- d) Specialist programmes are described in College prospectuses and achievements and destinations are recorded and published in the standard College format.
- e) Counselling and welfare services are described in the College Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.
- f) The College holds the two tick symbol which means means we are positive about employing disabled people and are keen to know about your abilities. The symbol is awarded by Jobcentre Plus to employers who have made commitments to employ, keep and develop the abilities of disabled staff.

### Disclosure of information to auditors

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

Approved by order of the members of the Corporation on 9 December 2015 and signed on its behalf by:



A Dixon

Chair

## **Operating and Financial Review (continued)**

### **Professional advisers**

#### **Financial statement and regularity auditors:**

RSM UK Audit LLP  
Highfield Court  
Tollgate  
Chandlers Ford  
Hampshire  
SO53 3TY

#### **Internal auditors:**

MacIntyre Hudson  
New Bridge Street House  
30-34 New Bridge Street  
London  
EC4V 6BJ

### **Bankers:**

#### **Barclays Bank plc.**

Basingstoke and Reading Team  
4<sup>th</sup> Floor, Apex Plaza, Forbury Road,  
Reading  
Berkshire  
RG1 1AX

### **Solicitors:**

#### **Burlingtons**

38 Hertford Street  
Mayfair  
London W1J 7SG

#### **Stephenson Harwood**

1 Finsbury Circus  
London EC2M 7SH

## 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.

The College endeavours to conduct its business:

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

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

In the opinion of the Governors, the College complies with all the provisions of the Foundation Code, and it has complied throughout the year ended 31 July 2015. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The English Colleges' Foundation Code of Governance issued by the Association of Colleges in December 2011, which it formally adopted in October 2012 and the Audit and Accountability Annex to the Foundation Code that was issued in March 2013 and adopted by the College in December 2013.

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

### The Corporation

The members who served on the Corporation during the year and up to the date of signature of this report were as listed in Table 2.

**Table 2: Governors serving on the College Board during 2014/15**

	Date of appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance at Board (Committees)
Mr A Bhattacharya	15.05.13	4 years		External	Curriculum & Quality; Governance & Search	100% (88%)
Ms G Briggs	07.03.12	4 years		External	Policy & Resources	80% (100%)
Mr M Cheale	07.03.12	4 years		External	Curriculum & Quality; Governance & Search; Remuneration	60% (100%)
Mr A Dixon	31.10.02 02.03.06 new term agreed to 31.10.10 07.07.10 new term agreed to 31.10.14. 02/10/13 new term agreed to 01.10.17	4 years		External	Chair of Corporation; Chair of Policy & Resources; Governance	80% (75%)

					& Search; Remuneration	
Mr F Foley	07.03.12	4 years		Staff	Curriculum & Quality	80% (100%)
Mr D Knowles- Leak	04.07.12	4 years		External	Audit	80% (75%)
Mr K Lamb	12.03.08 07.03.12 new term agreed to 11.03.16	4 years		External	Vice Chair of Corporation; Governance & Search; Vice Chair of Policy & Resources; Vice Chair of Remuneration	60% (75%)
Mr R Gupta	29.06.11	4 years		External	Audit	75% (50%)
Mr P O'Hara	15.05.13	4 years		External	Curriculum & Quality	80% (33%)
Mr S Taylor	02.10.13	4 years		External	Audit	100% (100%)
Ms K Webb	15.03.10	n/a		Principal (Accounting Officer)	Curriculum & Quality; Governance & Search; Policy & Resources	60% (100%)
Ms E Wheeler	16.12.04 Reappointed 30.01.09 Reappointed 12.12.12 for 4 years	4 years		Staff	Vice Chair: Curriculum & Quality; Audit (Co-opted)	80% (100%)
Ms A Wellings	11.03.09 New term agreed to 03.17	4 years	Currently on sabbatical (May 2015)	External	Chair: Curriculum & Quality;	66% (66%)
Mr M Agarwal	10.12.2014	4 years		External	Vice Chair: Audit	100% (x%)
Ms L Payne acts as Clerk to the Corporation.						

## **Statement of Corporate Governance and Internal Control (continued)**

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

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

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are policy and resources, curriculum and quality, remuneration, governance and search and audit. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website at [www.eastberks.ac.uk](http://www.eastberks.ac.uk) or from the clerk to the Corporation at:

East Berkshire College

Station Road

Langley

Berkshire SL3 8BY

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 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.

### **Appointments to the Corporation**

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a governance and search committee, consisting of four 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 are appointed for a term of office not exceeding four years.

### **Remuneration committee**

Throughout the year ending 31 July 2015, the College's remuneration committee comprised four members of the Corporation. The committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other senior post-holders. Details of remuneration for the year ended 31 July 2015 are set out in note 7 to the financial statements.

### **Audit committee**

The Audit Committee 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, regularity and financial statements auditors, who have access to the Committee for independent discussion,

## Statement of Corporate Governance and Internal Control (continued)

without the presence of College management. The Committee also receives and considers reports from the main FE funding bodies as they affect the College's business.

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

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

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

### Internal control

#### *Scope of responsibility*

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

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 she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum / Financial Agreement between East Berkshire College and the funding bodies. She is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

#### *The purpose of the system of internal control*

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

#### *Capacity to handle risk*

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

## Statement of Corporate Governance and Internal Control (continued)

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

### *Review of effectiveness*

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

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

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

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

Based on the advice of the Audit Committee and the 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, it continues to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 9 December 2015 and signed on its behalf by:



**A Dixon**  
**Chair**

**Kate Webb**  
**Accounting Officer**



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

The Corporation has considered its responsibility to notify the 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 its consideration the Corporation has had due regard to the requirements of the financial memorandum.

We confirm, on behalf of the Corporation, that after due enquiry, and ***to the best of our knowledge***, 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's terms and conditions of funding under the College's financial memorandum.

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

## Statement of Responsibilities of the Members of the Corporation

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

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

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

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

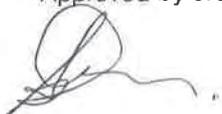
The Corporation is also required to prepare a Members Report which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

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

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

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

Approved by order of the members of the Corporation on 9 December 2015 and signed on its behalf by:



**A Dixon**  
**Chair**

### Independent auditor's report to the Corporation of East Berkshire College

We have audited the College financial statements ("the Financial Statements") set out on pages 22 to 25. 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 1 April 2015.

This report is made solely to the Corporation, as a body, in accordance with the Financial Memorandum published by the Skills Funding Agency and our engagement letter dated 1 April 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 1 April 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 Governing Body of East Berkshire College and Auditor

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 20, 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 [date], 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 College's affairs as at 31 July 2015 and of the College's deficit 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 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 (formerly Baker Tilly UK Audit LLP)

Chartered Accountants

Highfield Court  
Tollgate  
Chandlers Ford  
Eastleigh  
Hampshire  
SO53 3TY

21/12/15

**East Berkshire College**  
**Income and Expenditure Account for the year ended 31 July 2015**

	Notes	2015 £'000	2014 £'000
<b>INCOME</b>			
Funding body grants	2	18,193	18,802
Tuition fees and education contracts	3	2,897	2,304
Other income	4	326	205
Investment income	5	18	58
<b>Total Income</b>		<b>21,434</b>	<b>21,369</b>
<b>EXPENDITURE</b>			
Staff costs	6	14,157	13,931
Exceptional restructuring costs	6	19	158
Other operating expenses	8	5,889	5,506
Depreciation	12	1,961	1,605
Interest and other finance costs	9	472	320
<b>Total Expenditure</b>		<b>22,498</b>	<b>21,520</b>
<b>Deficit on continuing operations after depreciation of tangible fixed assets at valuation and before exceptional items and tax</b>		<b>(1,064)</b>	<b>(151)</b>
Impairment of assets	11	-	-
<b>Deficit on continuing operations after depreciation of assets at valuation, exceptional items and disposal of assets but before tax</b>		<b>(1,064)</b>	<b>(151)</b>
Taxation	10	-	-
<b>Deficit on continuing operations after depreciation of assets at valuation, exceptional items and tax</b>	11	<b>(1,064)</b>	<b>(151)</b>
<b>Deficit for the year retained within general reserves</b>		<b>(1,064)</b>	<b>(151)</b>

The Income and Expenditure account is in respect of continuing activities

**East Berkshire College**  
**Note of Historical Cost Surpluses and Deficits**

	<b>Notes</b>	<b>2015</b> <b>£'000</b>	<b>2014</b> <b>£'000</b>
Deficit on continuing operations after depreciation of assets at valuation and tax		(1,064)	(151)
Unrealised surplus on revaluation of fixed assets	19	66	185
Release of revaluation reserve on impaired assets	19	-	-
		<u>          </u>	<u>          </u>
<b>Historical cost surplus for the year before taxation</b>		<u><b>(998)</b></u>	<u><b>34</b></u>
<b>Historical cost surplus for the year after taxation</b>		<u><b>(998)</b></u>	<u><b>34</b></u>

**Statement of Total Recognised Gains and Losses**

		<b>2015</b> <b>£'000</b>	<b>2014</b> <b>£'000</b>
Deficit on continuing operations after depreciation of assets at valuation and disposal of assets and tax		(1,064)	(151)
Actuarial (loss)/gain in respect of pension scheme	27	(2,230)	(3,027)
		<u>          </u>	<u>          </u>
<b>Total recognised loss since last report</b>		<u><b>(3,294)</b></u>	<u><b>(3,178)</b></u>

**Reconciliation**

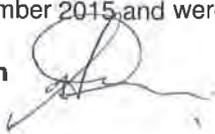
Opening reserves		25,806	28,984
Total recognised losses for the year		(3,294)	(3,178)
		<u>          </u>	<u>          </u>
<b>Closing reserves</b>		<u><b>22,512</b></u>	<u><b>25,806</b></u>

**East Berkshire College**  
**Balance sheet as at 31 July**

	Notes	College 2015 £'000	College 2014 £'000
<b>Fixed assets</b>			
Tangible assets	12	52,313	46,406
<b>Total fixed assets</b>		<b>52,313</b>	<b>46,406</b>
<b>Current assets</b>			
Debtors	13	832	691
Cash investment assets		-	-
Cash at bank and in hand		5,410	6,012
Total current assets		6,242	6,703
<b>Less: Creditors – amounts falling due within one year</b>	14	<b>(3,781)</b>	<b>(3,553)</b>
<b>Net current assets</b>		<b>2,461</b>	<b>3,150</b>
<b>Total assets less current liabilities</b>		<b>54,774</b>	<b>49,556</b>
Less: Creditors – amounts falling due after more than one year	15	(5,137)	(148)
Less: Provisions for liabilities	17	(430)	(406)
<b>Net assets excluding pension liability</b>		<b>49,207</b>	<b>49,002</b>
Net pension liability	27	(14,956)	(12,259)
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>		<b>34,251</b>	<b>36,743</b>
<b>Deferred capital grants</b>	18	<b>11,739</b>	<b>10,937</b>
<b>Reserves</b>			
Income and expenditure account excluding pension reserve	20	34,396	34,927
Pension reserve	27	(14,956)	(12,259)
Income and expenditure account including pension reserve		19,440	22,668
Revaluation reserve	19	3,072	3,138
<b>Total reserves</b>		<b>22,512</b>	<b>25,806</b>
<b>TOTAL FUNDS</b>		<b>34,251</b>	<b>36,743</b>

The financial statements on pages 22 - 45 were approved and authorised for issue by the Corporation on 9 December 2015, and were signed on its behalf on that date by:

**A Dixon**  
**Chair**



**Kate Webb**  
**Accounting Officer**



**East Berkshire College  
Cash Flow Statement**

	<b>Notes</b>	<b>2015 £'000</b>	<b>2014 £'000</b>
<b>Cash inflow from operating activities</b>	21	<b>495</b>	<b>1,163</b>
Returns on investments and servicing of finance	21	18	58
Capital expenditure and financial investment	23	(6,484)	(7,375)
Management of liquid resources		-	8,505
Financing	25	5,369	-
		<hr/>	<hr/>
<b>Increase in cash in the year</b>		<b><u>(602)</u></b>	<b><u>2,351</u></b>
 <b>Reconciliation of net cash flow to movement in net funds</b>			
Increase in cash in the period		(602)	2,351
Cash inflow from unsecured loan		(5,369)	-
Cash outflow from liquid resources		<hr/> -	<hr/> (8,505)
Movement in net funds in the period		(5,971)	(6,154)
Net funds at 1 August		6,012	12,166
		<hr/>	<hr/>
<b>Net funds at 31 July</b>		<b><u>41</u></b>	<b><u>6,012</u></b>

## **Notes to the Accounts**

### **1. Accounting policies**

#### **Statement of accounting policies**

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

#### **Basis of preparation**

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

#### **Basis of accounting**

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

#### **Going concern**

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

The college has a history of generating annual surpluses each year and the College's forecasts and financial projections indicate that it will continue to generate future surpluses for the foreseeable future.

The College currently has a £5.3m loan outstanding with Santander on terms negotiated in 2014. This agreement is a fixed interest rate for a duration of 15 years. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

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

#### **Recognition of income**

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

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

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

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

Income from grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned.

## **Notes to the Accounts (continued)**

### **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 Earnings-Related Pension Scheme (SERPS) (until April 2106) and the assets are held separately from those of the college. The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 27, the TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme and the contributions recognised as they are paid each year.

The LGPS is a funded scheme and the assets are held separately from those of the college in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent term and current 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 / deficit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the income and expenditure account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The expected return on assets and the interest costs are shown as a net finance amount of the finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

#### **Enhanced Pensions**

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

#### **Tangible fixed assets**

##### *Land and buildings*

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account reserve on an annual basis. Building improvements made since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of between 20 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 20 and 50 years.

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

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

## Notes to the Accounts (continued)

### 1. Accounting policies (continued)

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairment. Impairment losses are recognised in the income and expenditure account.

On adoption of FRS 15, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1996, but not to adopt a policy of revaluations of these properties in the future. These values are retained subject to the requirement to test assets for impairment in accordance with FRS 11.

#### *Assets under construction*

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

#### *Subsequent expenditure on existing fixed assets*

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

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

#### *Equipment*

Equipment costing less than £5,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost. Equipment inherited from the local education authority is included in the balance sheet at valuation.

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

Plant and machinery	-	5 to 15 years
Office equipment and computers	-	5 years
Motor vehicles	-	5 years
Computers	-	3 years

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

#### **Leased assets**

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

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright and are capitalised at their fair value at the inception of the lease and depreciated over the shorter of the lease term or the useful economic lives of equivalently owned assets. The capital element outstanding is shown as obligations under finance leases.

## **Notes to the Accounts (continued)**

### **1. Accounting policies (continued)**

The finance charges are allocated over the period of the lease in proportion to the capital element outstanding. Where finance lease payments are funded in full from funding council capital equipment grants, the associated assets are designated as grant-funded assets.

#### **Taxation**

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

The College is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

#### **Liquid resources**

Liquid resources include sums on short-term deposits with recognised banks.

#### **Provisions**

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

#### **Agency arrangements**

The College acts as an agent in the collection and payment of Discretionary Learner Support Funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in Note 32, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant. The College employs two members of staff whose responsibilities include the administration of Learner Support Fund applications and payments.

**East Berkshire College**  
**Notes to the Accounts (continued)**

**2 Funding council grants**

	<b>2015</b> <b>£'000</b>	<b>2014</b> <b>£'000</b>
Funding bodies recurrent grant	16,663	18,253
Funding bodies non recurrent grants	952	159
Releases of deferred capital grants on retained assets (note 18)	578	390
<b>Total</b>	<b><u>18,193</u></b>	<b><u>18,802</u></b>

The College is the lead partner in a consortium to deliver ESF 2007-13 Schedule, Skills Support for the Workforce SE-33489 in the Berkshire region. The income shown under Funding bodies non recurrent grants includes that earned by the College in its capacity both as a provider and as the consortium lead. Total income claimed in the year under this arrangement and the related payments to partners was as follows:

East Berkshire College £191,000; Bracknell and Wokingham College £133,000; Learning Curve £1,000; New Directions £57,000; Newbury College £80,000; WBTC £191,000, the TESS Group £140,000.

**3 Tuition fees and education contracts**

	<b>2015</b> <b>£'000</b>	<b>2014</b> <b>£'000</b>
Tuition fees	2,570	2,038
Education contracts	327	266
<b>Total</b>	<b><u>2,897</u></b>	<b><u>2,304</u></b>

**4 Other Income**

	<b>2015</b> <b>£'000</b>	<b>2014</b> <b>£'000</b>
Release of deferred capital grants - non funding body (note 18)	4	4
Other Income	322	201
	<b><u>326</u></b>	<b><u>205</u></b>

**5 Investment income**

	<b>2015</b> <b>£'000</b>	<b>2014</b> <b>£'000</b>
Interest from bank balances	18	58
	<b><u>18</u></b>	<b><u>58</u></b>

**East Berkshire College**  
**Notes to the Accounts (continued)**

**6 Staff costs**

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

	<b>2015</b>	<b>2014</b>
	<b>No.</b>	<b>No.</b>
Teaching staff	243	248
Non teaching staff	129	138
	<u><b>372</b></u>	<u><b>386</b></u>

**Staff costs for the above persons**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	10,614	11,043
Social security costs	804	852
Other pension costs (including FRS 17 adjustments of £172,000 (2014 £143,000))	1,632	1,562
	<u><b>13,050</b></u>	<u><b>13,457</b></u>
<b>Payroll sub total</b>	<b>13,050</b>	<b>13,457</b>
Contracted out staffing services	1,107	474
	<u><b>14,157</b></u>	<u><b>13,931</b></u>
Exceptional restructuring costs	19	158
	<u><b>14,176</b></u>	<u><b>14,089</b></u>

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

	<b>Senior post-holders</b>		<b>Other staff</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
£60,001 to £70,000	-	-	2	1
£70,001 to £80,000	-	-	-	-
£80,001 to £90,000	-	-	-	-
£90,001 to £100,000	1	1	-	-
£100,001 to £110,000	-	1	-	-
£110,001 to £120,000	1	-	-	-
£120,001 to £130,000	-	-	-	-
£130,001 to £140,000	-	-	-	-
£140,001 to £150,000	1	1	-	-
	<u><b>3</b></u>	<u><b>3</b></u>	<u><b>2</b></u>	<u><b>1</b></u>

**East Berkshire College**  
**Notes to the Accounts (continued)**

**7 Senior post-holders' emoluments**

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

	<b>2015 No.</b>	<b>2014 No.</b>
The number of senior post-holders including the Accounting Officer was:	3	3
	<u>          </u>	<u>          </u>

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

	<b>2015 £'000</b>	<b>2014 £'000</b>
Salaries	348	348
Pension contributions	<u>53</u>	<u>50</u>
<b>Total emoluments</b>	<u><b>401</b></u>	<u><b>398</b></u>

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

	<b>2015 £'000</b>	<b>2014 £'000</b>
Salaries	<u>141</u>	<u>141</u>
	<u>141</u>	<u>141</u>
Pension contributions	<u>19</u>	<u>19</u>

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

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

**East Berkshire College**  
**Notes to the Accounts (continued)**

**8 Other operating expenses**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Teaching costs	1,587	1,436
Non teaching costs	2,332	2,151
Premises costs	<u>1,970</u>	<u>1,919</u>
<b>Total</b>	<b><u>5,889</u></b>	<b><u>5,506</u></b>

**Other operating expenses include:**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Auditors' remuneration:		
Financial statements audit	23	21
Internal audit	22	21
Other assurance services provided by the financial statements auditors	34	-
Hire of other assets - operating leases	8	37

**9 Interest and other finance costs**

Bank Loan Interest	177	-
Pension finance costs (note 27)	<u>295</u>	<u>320</u>
<b>Total</b>	<b><u>472</u></b>	<b><u>320</u></b>

**10 Taxation**

The members do not believe the college was liable for any corporation tax arising out of its activities during either the current or prior year.

**11 The Deficit on continuing operations for the period**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
The Deficit on continuing operations for the year is made up as follows:		
Colleges deficit for the period	<u>(1,064)</u>	<u>(151)</u>
<b>Total</b>	<b><u>(1,064)</u></b>	<b><u>(151)</u></b>

**East Berkshire College**  
**Notes to the Accounts (continued)**

**12 Tangible fixed assets**

	Land and Buildings		Assets under Construction	Equipment	Total
	Long Leasehold	Freehold			
	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>					
At 1 August 2014	180	46,879	8,093	3,400	58,552
Additions	-	-	6,911	957	7,868
Transfer from Assets under construction	-	8,819	(9,639)	820	-
<b>At 31 July 2015</b>	<b>180</b>	<b>55,698</b>	<b>5,365</b>	<b>5,177</b>	<b>66,420</b>
<b>Depreciation</b>					
At 1 August 2014	136	10,254	-	1,756	12,146
Charge for the year	34	1,139	-	788	1,961
<b>At 31 July 2015</b>	<b>170</b>	<b>11,393</b>	<b>-</b>	<b>2,544</b>	<b>14,107</b>
<b>Net book value at 31 July 2015</b>	<b>10</b>	<b>44,305</b>	<b>5,365</b>	<b>2,633</b>	<b>52,313</b>
Net book value at 31 July 2014	44	36,625	8,093	1,644	46,406

The transitional rules set out in FRS 15 Tangible Fixed Assets have been applied on implementing FRS 15. Accordingly the book values at implementation have been retained.

Land and buildings were valued in 1997 at depreciated replacement cost by a firm of independent chartered surveyors. Other tangible fixed assets inherited from the LEA at incorporation have been valued by the College on a depreciated replacement cost basis with the assistance of independent professional advice. If fixed assets had not been re-valued they would have been included at the following historical amounts: Cost £nil, Aggregate depreciation based on cost £nil.

During the 2014/15 financial year, there were no property transactions.

Land and buildings include assets that have been partly financed by exchequer funds with a net book value of £11,739,000. The receipt in the current year was £1,384,000 . Should these assets be sold, the College may be liable, under the terms of its' Financial Memorandum, to surrender the proceeds.

**East Berkshire College**  
**Notes to the Accounts (continued)**

**13 Debtors**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Amounts falling due within one year:		
Trade debtors	295	313
Prepayments and accrued income	343	221
Amounts owed by the Skills Funding Agency	194	157
<b>Total</b>	<b><u>832</u></b>	<b><u>691</u></b>

**14 Creditors: amounts falling due within one year**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Bank Loan	272	0
Trade Creditors	617	213
Other taxation and social security	575	662
Accruals and sundry creditors	1,628	2,321
Amounts owed to the Skills Funding Agency	689	357
<b>Total</b>	<b><u>3,781</u></b>	<b><u>3,553</u></b>

**15 Creditor: amounts falling due after one year**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Bank Loan	5,097	0
Payments received in advance - Lennartz	40	148
<b>Total</b>	<b><u>5,137</u></b>	<b><u>148</u></b>

**16 Borrowings**

**Bank loans and overdrafts**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
In one year or less	272	0
Between one and two years	286	0
Between two and five years	940	0
In five years or more	3,871	0
<b>Total</b>	<b><u>5,369</u></b>	<b><u>0</u></b>

Bank loan fixed rate of 2.77% per annum repayable by instalments falling due between 1 December 2014 and 29 August 2029, totalling £5,500,000 is unsecured .

**East Berkshire College**  
**Notes to the Accounts (continued)**

**17 Provisions for liabilities and charges**

	<b>Enhanced Pensions £'000</b>	<b>2015 £'000</b>
At 1 August 2014	406	406
Expenditure in the period	(29)	(29)
Transferred from income and expenditure account	53	53
<b>At 31 July 2015</b>	<b><u>430</u></b>	<b><u>430</u></b>

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

The principal assumption for this calculation are:

	<b>2015</b>	<b>2014</b>
Price inflation	3.46%	4.06%
Discount rate	1.75%	2.25%

**18 Deferred capital grants**

	<b>Funding Body Grants £'000</b>	<b>Other Grants £'000</b>	<b>Total £'000</b>
<b>At 1 August 2014</b>	10,892	45	10,937
Cash received	1,384	-	1,384
Released to income and expenditure account	(578)	(4)	(582)
<b>At 31 July 2015</b>	<b><u>11,698</u></b>	<b><u>41</u></b>	<b><u>11,739</u></b>

**19 Revaluation reserve**

	<b>2015 £'000</b>	<b>2014 £'000</b>
<b>At 1 August 2014</b>	3,138	3,323
Transfer from revaluation reserve to general reserve in respect of:		
Depreciation on re-valued assets	(66)	(185)
Accelerated release of revaluation reserves	-	-
<b>At 31 July 2015</b>	<b><u>3,072</u></b>	<b><u>3,138</u></b>

**East Berkshire College**  
**Notes to the Accounts (continued)**

**20 Movement on general reserves**

	2015 £'000	2014 £'000
<b>At 1 August 2014</b>	22,668	25,661
Deficit on continuing operations after depreciation of assets and tax	(1,064)	(151)
Transfer from revaluation reserve	66	185
Actuarial (loss)/gain in respect of pension scheme	(2,230)	(3,027)
<b>At 31 July 2015</b>	<b><u>19,440</u></b>	<b><u>22,668</u></b>
Balance represented by:		
Pension Reserve	(14,956)	(12,259)
Income and expenditure account reserve excluding pension reserve	34,396	34,927
<b>At 31 July 2015</b>	<b><u>19,440</u></b>	<b><u>22,668</u></b>

**21 Reconciliation of operating (deficit) / surplus to net cash inflow from operating activities**

	2015 £'000	2014 £'000
Deficit on continuing operations after depreciation of assets at valuation	(1,064)	(151)
Depreciation (notes 1 and 12)	1,961	1,605
Deferred capital grants released to income (note 17)	(582)	(394)
Interest receivable (note 5)	(18)	(58)
FRS 17 pension cost less contributions payable (note 6 and 27)	172	143
FRS 17 pension finance costs (note 27)	295	320
(Increase) / Decrease in debtors	(141)	55
Decrease in creditors	(152)	(349)
Increase / (Decrease) in provisions	24	(8)
<b>Net cash inflow from operating activities</b>	<b><u>495</u></b>	<b><u>1,163</u></b>

**22 Returns on investments and servicing of finance**

	2015 £'000	2014 £'000
Investment interest received (note 5)	18	58
<b>Net cash inflow from returns on investments and finance servicing</b>	<b><u>18</u></b>	<b><u>58</u></b>

**East Berkshire College**  
**Notes to the Accounts (continued)**

**23 Capital expenditure**

	2015 £'000	2014 £'000
Purchase of tangible fixed	(7,868)	(10,514)
Deferred capital grants	1,384	3,139
<b>Net cash outflow from</b>	<b>(6,484)</b>	<b>(7,375)</b>

**24 Analysis of changes in net funds**

	At 1 August 2014 £'000	Cash Flows £'000	At 31 July 2015 £'000
Cash in hand, and at bank	6,012	(602)	5,410
Cash investment assets	-	-	-
<b>Total</b>	<b>6,012</b>	<b>(602)</b>	<b>5,410</b>

**25 Financing**

	2015 £'000	2014 £'000
Debt due beyond a year:		
New Unsecured loans repayable by 2029	5,500	-
Repayment of amounts borrowed	(131)	-
<b>Net Cash inflow from financing</b>	<b>5,369</b>	<b>-</b>

**26 Analysis of changes in net funds**

	At 1 August 2014 £'000	Cash flows £'000	Other Changes £'000	At 31 July 2015 £'000
Cash in hand, and at bank	6,012	(603)	-	5,409
Overdrafts	-	-	-	-
	<b>6,012</b>	<b>(603)</b>	<b>-</b>	<b>5,409</b>
Debt due within 1 year	-	(272)	-	(272)
Debt due after 1 year	-	(5,097)	-	(5,097)
<b>Total</b>	<b>6,012</b>	<b>(5,972)</b>	<b>-</b>	<b>40</b>

## East Berkshire College Notes to the Accounts (continued)

### 27 Pensions

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

<b>Total pension cost for the year</b>	<b>2015 £'000</b>	<b>2014 £'000</b>
Teachers Pension Scheme: contributions paid	868	856
Local Government Pension Scheme:		
Contributions paid	538	523
FRS 17 charge	172	143
Charge to the Income and Expenditure Account (staff costs)	710	666
Enhanced pension charge to Income and Expenditure Account (staff costs)	54	40
<b>Total Pension Cost for Year</b>	<b>1,632</b>	<b>1,562</b>

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

There were no outstanding or prepaid contributions at either the beginning or the end of the financial year. Contributions amounting to £191,466 (2014 £168,415) were payable to the schemes at 31st July and are included within creditors.

#### Teachers' Pension Scheme

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

#### The Teachers' Pension Budgeting and Valuation Account

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

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

## **East Berkshire College**

### **Notes to the Accounts (continued)**

#### **Valuation of the Teachers' Pension Scheme**

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

- employer contribution rates were set at 16.4% of pensionable pay;
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay.

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

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

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

#### **Scheme Changes**

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

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

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

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

The pension costs paid to TPS in the year amounted to £868,000 (2014: £856,000)

## East Berkshire College Notes to the Accounts (continued)

### 27 Pension and similar obligations (continued)

#### FRS 17

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

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

#### Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate funds administered by RBWM Local Authority. The total contributions made for the year ended 31 July 2015 were £740,000, of which employer's contributions totalled £538,000 and employees' contributions totalled £202,000. The agreed contribution rates for future years are 19.4% (2015/16) and 20.9% (2016/17) for employers and range from 5.5% to 12.5% for employees, depending on salary.

#### FRS 17

##### Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2013 updated to 31 July 2015

	At 31 July 2015	At 31 July 2014
Rate of increase in salaries	4.40%	4.50%
Rate of increase for pensions in payment / inflation	2.60%	2.70%
Discount rate for scheme liabilities	3.80%	4.30%
Inflation assumptions CPI	2.60%	2.70%

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

	At 31 July 2015	At 31 July 2014
<i>Retiring today</i>		
Males	22.8	22.7
Females	26.1	26.0
<i>Retiring in 20 years</i>		
Males	25.1	24.9
Females	28.4	28.3

**East Berkshire College**  
**Notes to the Accounts (continued)**

**27 Pension and similar obligations (continued)**

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

	Long-term rate of return expected at 31 July 2015	Value at 31 July 2015  £'000	Long-term rate of return expected at 31 July 2014	Value at 31 July 2014  £'000
Gilts	3.40%	190	3.40%	138
Equities	6.80%	6,375	6.80%	5,580
Bonds	4.00%	1,778	4.00%	1,894
Property	5.70%	1,898	5.70%	1,595
Cash	3.20%	597	3.20%	457
Target return portfolio	6.80%	2,529	6.80%	2,248
Longevity insurance	3.20%	(561)	3.20%	- 455
Commodities	6.80%	541	6.80%	1,124
Infrastructure	4.00%	599	4.00%	568
Alternative Assets	n/a	n/a	n/a	n/a
<b>Total market value of assets</b>		<b>13,946</b>		<b>13,149</b>
Present value of scheme liabilities				
- Funded		(28,894)		(25,400)
- Unfunded		(8)		(8)
<b>Deficit in the scheme</b>		<b>(14,956)</b>		<b>(12,259)</b>

**Analysis of the amount charged to income and expenditure account**

	2015 £'000	2,014 £'000
Employer service cost (net of employee contributions)	690	674
FRS 17 Past service cost	41	34
<b>Total operating charge</b>	<b>731</b>	<b>708</b>

**Analysis of pension finance costs**

	2015 £'000	2,014 £'000
Expected return on pension scheme assets	804	778
Interest on pension liabilities	(1,099)	(1,098)
<b>Pension finance costs</b>	<b>(295)</b>	<b>(320)</b>

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

	2015 £'000	2,014 £'000
Actuarial (loss)/gain on pension scheme assets	(69)	(158)
Experience gains and losses	-	(1,831)
Actuarial (losses)/gains on scheme liabilities	(2,161)	(1,038)
<b>Actuarial(losses)/gains recognised in STRGL</b>	<b>(2,230)</b>	<b>(3,027)</b>

**Movement in deficit during year**

	2015 £'000	2014 £'000
Deficit in scheme at 1 August	(12,259)	(8,769)
Movement in year:		
Employer service cost (net of employee contributions)	(690)	(674)
Employer contributions	559	564
Curtailments and settlements	(42)	(34)
Unfunded pension payments	1	1
Other finance costs	(295)	(320)
Actuarial gain/(loss)	(2,230)	(3,027)
<b>Deficit in scheme at 31 July</b>	<b>(14,956)</b>	<b>(12,259)</b>

**East Berkshire College**  
**Notes to the Accounts (continued)**

**27 Pension and similar obligations (continued)**

**Local Government Pension Scheme (Continued)**  
**Asset and Liability Reconciliation**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
<b>Reconciliation of Liabilities</b>		
<b>Liabilities at start of period</b>	25,408	22,739
Service cost	690	674
Interest cost	1,099	1,098
Employee contributions	211	214
Actuarial (gain)/loss	2,161	1,292
Benefits paid	(708)	(642)
Curtailments and settlements	(1)	(1)
Losses (gains) on curtailments	42	34
<b>Liabilities at end of period</b>	<b><u>28,902</u></b>	<b><u>25,408</u></b>
<b>Reconciliation of Assets</b>		
<b>Assets at start of period</b>	13,149	13,970
Expected return on assets	804	778
Actuarial gain/(loss)	(69)	(1,735)
Employer contributions	560	565
Employee contributions	211	214
Benefits paid	(709)	(643)
<b>Assets at end of period</b>	<b><u>13,946</u></b>	<b><u>13,149</u></b>

The estimated value of employer contributions for the year ended 31st July 2015 is £825,000.

**History of experience gains and losses**

	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Difference between the expected and actual Amount £'000	(69)	(1,735)	577	(640)	1,248	576
Experience gains and losses on scheme Amount £'000	(2,161)	(1,292)	528	(2,313)	1,088	(1)
Total amount recognised in STRGL: Amount £'000	(2,230)	(3,027)	1,105	(2,953)	2,336	575

**28 Capital commitments**

	<b>2,015</b>	<b>2,014</b>
	<b>£'000</b>	<b>£'000</b>
Commitments contracted for at 31 July	<u>96</u>	<u>1,692</u>
Authorised but not contracted at 31 July	<u>-</u>	<u>460</u>

**East Berkshire College**  
**Notes to the Accounts (continued)**

**29 Financial commitments**

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

	2,015 £'000	2,014 £'000
Land and buildings		
Expiring within one year	-	-
Expiring within two and five years inclusive	-	105
Expiring in over five years	-	-
	<u>-</u>	<u>105</u>
Other		
Expiring within one year	4	14
Expiring within two and five years inclusive	4	23
Expiring in over five years	-	-
	<u>8</u>	<u>37</u>

**30 Contingent liability**

There are no known contingent liabilities.

**31 Related party transactions**

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

The total expenses paid to or on behalf of the Governors during the year was £1,645; 3 governors (2014: £909; 3 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the College during the year (2014: None).

**East Berkshire College**  
**Notes to the Accounts (continued)**

**32 Amounts disbursed as agent Discretionary Learner Support**

	<b>2,015</b>	<b>2,014</b>
	<b>£'000</b>	<b>£'000</b>
Funding SFA – Discretionary Learner Support	314	503
Funding EFA - Bursary	259	163
Funding SFA - 24+ Advanced Learner Loans Bursary	177	105
Funding EFA - Vulnerable Learners Bursary	<u>42</u>	<u>42</u>
	792	813
Disbursed to students	(787)	(742)
Administration costs	(34)	(32)
College's contribution towards Hardship and Childcare Support	29	23
Balance unspent as at 31 July, included in creditors	<u><u>-</u></u>	<u><u>62</u></u>

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

## **Independent auditor's report on Regularity to the Corporation of East Berkshire College ('the Corporation') and the Secretary of State for Business, Innovation and Skills acting through the Skills Funding Agency**

In accordance with the terms of our engagement letter dated 1 April 2015 and further to the requirements of the financial memorandum with Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by East Berkshire College during the period 1 August 2014 to 31 July 2015 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

This report is made solely to the corporation of East Berkshire College 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 East Berkshire College 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 East Berkshire College 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 East Berkshire College and the reporting accountant**

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

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

### **Approach**

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

**Independent auditor's report on Regularity to the Corporation of East Berkshire College ('the Corporation') and the Secretary of State for Business, Innovation and Skills acting through the Skills Funding Agency (continued)**

areas where a material irregularity is likely to arise where such areas are in respect of controls, policies and procedures that apply to classes of transactions. This work was integrated with our audit on the financial statements to the extent evidence from the conduct of that audit supports the regularity conclusion.

**Conclusion**

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2014 to 31 July 2015 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

  
**RSM UK AUDIT LLP (formerly Baker Tilly UK Audit LLP)**

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21/12/15