STOCKTON SIXTH FORM COLLEGE

REPORT AND FINANCIAL STATEMENTS
for the
PERIOD ENDED 30 APRIL 2016

Annual Report and Financial Statements
for the period ended 30th April 2016

Contents

Operating and Financial Review
for the period ended 30th April 2016

Dissolution

Stockton Sixth Form College dissolved on 1 May 2016 and its activities, assets, liabilities and staff transferred to Prior Pursglove and Stockton Sixth Form College. The Governing Body of Stockton Sixth Form College ceased to exist on 1 May 2016 and responsibility for producing its financial statements transferred to the Governing Body of Prior Pursglove and Stockton Sixth Form College.

Nature, Objectives and Strategies

The members present their report and the audited financial statements for the period ended 30th April 2016.

Legal status

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

Mission

The College's mission statement, as approved by the members of the Corporation, is:

All the staff at Stockton Sixth Form College are committed to extending educational opportunity in a challenging, responsive and safe environment. Everyone at the college has high expectations of success and all are actively assisted to achieve their full potential.

Public Benefit

Stockton Sixth Form College is an exempt charity under Part 3 of the Charities Act 2011 and is regulated by the secretary of State for Education. The members of the Governing Body, who are trustees of the charity are disclosed on page 10.

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

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

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

Operating and Financial Review
continued

Implementation of strategic plan

In July 2013 the College adopted a new strategic development plan. The vision of the strategic development plan is to be recognised as an outstanding provider of post 16 education. The Corporation monitors the performance of the College against the plan at each of its eight annual meetings via a corporate report. The College's strategic objectives are to:

- achieve outstanding student outcomes;
- be student-centred in all that we do;
- recruit, retain and support excellent teachers, support staff and governors;
- offer a curriculum which is responsive to the needs of the locality;
- gain and maintain a reputation with stakeholders as an outstanding college;
- regain outstanding financial health.

Financial Objectives

For 2015-16, the strategic financial objective set by the Corporation was to regain outstanding financial health.

Performance indicators

FE choices has two key performance indicators for sixth form colleges:
- Success rates
- Learner destinations

The College is committed to observing the importance of sector measures and indicators and uses the FE Choices data available on the GOV.UK website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the Education Funding Agency ("EFA"). The College is assessed by the Education Funding Agency as having a "Satisfactory" financial health grading. The current grading of Satisfactory is considered an acceptable outcome in light of the current year deficit.

Student outcomes

The college has used ALPS as its main measure for analysing value added in 2015/16. An improvement has been realised over the last year; AS now stands at 2 (above average for meeting or exceeding target grades) and A2 at 6 (average for meeting or exceeding target grades). Value added for vocational courses is consistently outstanding and continues to be so with an expanded curriculum. In January 2016 the key stage 5 performance tables were published which revealed that Stockton Sixth Form College is the best in the country for student progress.

Taxation status

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

Operating and Financial Review
continued

Financial Results

The College generated an operating deficit in the period of £148,000 (2014/15 deficit of £610,000).

The College has accumulated reserves of £6,856,000 (2014/15 £7,020,000) and cash balances of £1,824,000 (2014/15 £489,000). The College wishes to continue to accumulate reserves and cash balances in order to develop the estate and provide contingency funds.

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's treasury management policy forms part of it's Financial Regulations.

Borrowing arrangements are restricted by limits in the Financial Memorandum agreed with the EFA. The College has not needed to borrow during the course of 2015-16.

Cash flows and liquidity

Net cash flow from operating activities was negative £189,000 (2014/15 £484,000 negative). Details are set out in the Statement of Cash Flows on page 23.

During the year the College received capital funds from the EFA Building Condition Improvement Fund in respect of a boiler and drainage upgrade project.

Current and Future Developments and Performance

The College expects to increase its student numbers through improved links with local partner schools and enrolments in September 2016 indicate the strategies are bearing fruit as this site enrolled above the target enrolment number.

Student numbers

In 2015/16 the College has delivered activity that has produced £2,227,000 in funding body main allocation funding (2014/15 £2,904,000). The College enrolled 656 funded students.

Operating and Financial Review
continued

Curriculum developments

The College offers a broad range of linear A-level subjects, an increasing number of BTEC qualifications at Level 3 and a selection of GCSEs and BTECs at Level 2. The portfolio of subjects is reviewed regularly, and new courses will be introduced where there is a clear market demand.

Students are required to take a programme of at least three subjects at Level 3 or a combination of Level 2 and 3 according to their prior achievement and progression plans.

For Level 3 programmes, the minimum entry standard is normally 5 GCSE passes at Grades A*-C. In addition to their subjects, all full-time students are expected to participate in some form of enrichment or work experience.

To enrol on a Level 2 re-sit programme, students would normally be expected to have at least one pass at grade C and a majority of grade Ds from their year 11 results.

Resources

The College has various resources that it can deploy in pursuit of its strategic objectives. In addition to its staff and reputation, the College owns its site and buildings on Bishopton Road West.

Financial
The College has £6.856 (2015: £7.020) million of net assets (including £0.595 (2015: £0.561) million pension liability).

People
The College employs 48 (2015: 56) people (expressed as full time equivalents), of whom 36 (2015: 39) are teaching staff.

Reputation
The College has an good reputation in its local community. Maintaining this reputation is essential for the College's success at attracting students and building external relationships.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which an invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95%. By agreement with its suppliers, the College pays the majority of its invoices at the end of the month following the date of invoice. During the accounting period to 30 April 2016, the College paid 99% of invoices on this basis. The College incurred no interest or other charges in respect of late payment in the period.

Operating and Financial Review
continued

Principal risks and uncertainties

The College continues to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation.

Based on the strategic plan, the Senior Leadership Team 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 Senior Leadership Team 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 College level which is overseen by the Audit Committee. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

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

The principal risk factors which affect the College are related to a decline in government funding due to reduced student numbers; due to a demographic dip or increased competition. The College has considerable reliance on continued government funding through the education sector funding bodies. In 2015/16, 95% (2014/15 93%) of the College's total income was ultimately public funded and this level of requirement is expected to continue.

The College is exposed to a substantial level of competition for its principal target group of 16-19 year old students.

This risk is mitigated in a number of ways:
- Focus on maintaining high standards of teaching and facilities;
- Frequent contact with local schools at all levels;
- Regular opportunities for students and their parents to visit the College;
- Collection of and positive response to survey data from current and prospective students;
- Positive relationships with the local authority's Children Services;
- Regular dialogue with the funding bodies in due course.

Operating and Financial Review
continued

Stakeholder relationships

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

- Students;
- Education sector funding bodies;
- Sixth Form Commissioner;
- Staff;
- Local employers;
- Local authorities;
- Local Enterprise Partnerships (LEPs);
- The local community;
- Other FE institutions;
- Trade Unions;
- Professional bodies.

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

Equality and diversity and employment of disabled persons

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, religion, ability, class, offending background, age and responsibility for dependants. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. These endeavours will be resourced, implemented and monitored on a planned basis. The College's Single Equality Scheme is published on the College's website.

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

The College has committed to the ‘Mindful Employer’ initiative to assist the mental health wellbeing of staff.

Operating and Financial Review
continued

Disability statement

The College seeks to achieve the objectives set down in the Equality act 2010:

The Corporation has approved a Disability Equality Scheme and an associated Action Plan, which detail the College's policy and provisions for disabled students: copies are available on request from the College and on its website.

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.

Professional advisers

Financial Statements and Regularity auditors	Kenneth Easby Limited
Internal auditors	TIAA Ltd
Bankers	Co-operative Bank Plc

Approved by order of the members of the Corporation on 5th December 2016 and signed on its behalf by:

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P Gavens
Chair, Prior Pursglove and Stockton Sixth Form College

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period 1st August 2015 to 30th April 2016 and up to the date of approval of the annual report and financial statements.

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 Code of Good Governance for English Colleges ("the Code");
iii. having due regard to the UK Corporate Governance Code insofar as it is applicable to the further education sector.

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

In the opinion of the governors, the College complies with all the provisions of the Code, and it has complied throughout the period to 30th April 2016. 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 is responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015 and formally adopted on 1st August 2015.

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

The Corporation

All members are appointed with a term of office of 3 years. Governors may be reappointed if so recommended by the Search & Governance Committee, provided that they are still eligible to serve in the category for which they were appointed; it is anticipated that a governor would not serve continuously for more than 3 terms (9 years).

The members who served on the Corporation during the period and up to the date of signature of this report were as follows:

STOCKTON SIXTH FORM CORPORATION/COMMITTEE MEMBERSHIP 2015-16

Category	**Name**	**Date Appointed**	**Date of Resignation**	**Committee Membership**	**Attendance**
Independent	John Carson	16.10.2006	28.09.2015	S&G (Chair)	0%
	Marilyn Collins	28.04.2014		AU and SPH	88%
	Margaret Hirst	05.12.2011		Corp Chair, S&G, SPH (Chair)	100%
	Catherine Marshall	25.04.2005	28.09.2015	AU and SPH	100%
	John Monkhouse	25.02.2008	21.04.2016	SPH	88%
	Sue Reay	11.11.2013		AU	75%
	Michael Smith	28.09.2015		AU	100%
	Amanda Wright	10.11.2014		AU (Chair)	88%
Parent	Michael Smith	10.11.2014	28.09.2015		50%
Principal	Joanna Bailey	31.08.2013		S&G	100%
Staff	Samantha Hockney	25.05.2014			63%
	Alan Holborn	20.01.2012			100%
Student	Rachel Pearson	10.11.2014			75%
	Nathan Smith	08.02.2016			33%

COMMITTEES
Audit Committee AU
Search & Governance Committee S&G
Senior Post Holder & Employment Committee SPH

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. A total of 8 full Corporation meetings were held during the period.

The Corporation conducted most of its business directly from August 2015 to April 2016, but also has three committees and their terms of reference are stated in the Corporation's Standing Orders, which are reviewed and approved by the Corporation annually. These committees are:

- Audit Committee
- Search & Governance Committee
- Senior Post Holder & Employment Committee

Full minutes of all meetings, except those deemed to be confidential by the Corporation are available on the College's website at www.stocktonsfc.ac.uk or from the Clerk to the Corporation at *Stockton Sixth Form College*.

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 Corporation 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 Corporation 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 of the Corporation and Principal/Chief Executive Officer who is the accounting officer of the College are separate.

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search and Governance committee, comprised of three governors, 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 normally appointed for a term of office not exceeding three years.

Executive Remuneration

Recommendations to the Corporation on the remuneration and benefits of the Principal and other senior post holders are by the Senior Post Holder and Employment Committee. Details of remuneration for the nine months ended 30th April 2016 are set out in note 7 to the financial statements.

Audit Committee

The Audit Committee comprises five members (excluding the Principal and Chair). The committee operates in accordance with written terms of reference approved by the Corporation.

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

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

Management is responsible for the implementation of agreed 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 between the College and the funding bodies. The Principal is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal financial control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to an acceptable level rather than 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 at Stockton Sixth Form College for the nine months ended 30th April 2016 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the nine months to 30th April 2016 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.

Stockton Sixth Form 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 least annually the firm providing internal audit services provides the governing body with a report on internal audit activity in the College. The report includes the firm'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 senior managers within the College who have responsibility for the development and maintenance of the internal control framework; and
- comments made by the College's financial statements auditors and the regularity auditors in their management letters and other reports.

The Principal 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 faculties and departments. The 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 leadership team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance, not merely reporting by exception. At its December 2016 meeting, the Corporation carried out the annual assessment for the period ended 30 April 2016 by considering documentation from the senior management team and internal audit, and taking account of events since 30 April 2016.

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

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 Education Funding Agency of material irregularity, impropriety and non-compliance with Education Funding Agency terms and conditions of funding, under the financial memorandum in place between the College and the Education 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 its knowledge, the Corporation is able to identify any material irregular or improper use of funds by the College, or material non-compliance with the Education Funding Agency's terms and conditions of funding under the College's funding agreement.

We further 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 Education Funding Agency.

Going concern

During the period of these accounts, the Corporation went out to consultation on merger with Prior Pursglove College. Following publication of the results of the statutory consultation exercise (as required under The Sixth Form College Corporations (Publication of Proposals)(England) Regulations 2012); and the carrying out of legal and financial due diligence exercises in respect of Prior Pursglove College; and the incorporation of Prior Pursglove and Stockton Sixth Form College, by way of Order of the Secretary of State for Education SI 2016/302 under section 33C of the Further and Higher Education Act 1992, the Corporation of Stockton Sixth Form College hereby resolved at a meeting on 21st April 2016 to transfer all of its property, rights and liabilities to Prior Pursglove and Stockton Sixth Form College with effect from 1 May 2016, with the Corporation of Stockton Sixth Form College dissolving at one minute past midnight on 1 May 2016 and all of its property, rights and liabilities transferring immediately before that time to Prior Pursglove and Stockton Sixth Form College.

Approved by order of the members of the Corporation on 5th December 2016 and signed on its behalf by:

P Gavens	J Bailey
Chair	Principal

Prior Pursglove and Stockton Sixth Form College

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 Education Funding Agency (EFA) and the Corporation of the College, the Corporation, through its Principal, is required to prepare financial statements for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education and with the Accounts Direction for 2015 to 2016 issued jointly by the Skills Funding Agency and the EFA, and which give a true and fair view of the state of affairs of the College and the result for the nine months ended 30th April 2016.

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

Approved by order of the members of the Corporation on 5th December 2016 and signed on its behalf by:

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P Gavens, Chair, Prior Pursglove and Stockton Sixth Form College

Independent Auditor's Report to the Corporation of Stockton Sixth Form College

We have audited the financial statements of Stockton Sixth Form College ("the financial statements") for the period ended 30 April 2016, set out on pages 20 to 45. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including Financial Reporting Standard 102.

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

Respective responsibilities of the Corporation of Stockton Sixth Form College and Auditor

As explained more fully in the Statement of the Responsibilities of the Members of the Corporation set out on page 15, 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, Audit Code of Practice issued by the Learning and Skills Council and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Emphasis of matter

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in Note 1 - Accounting policies - Going concern, and Note 20 – Events after the reporting period, concerning the transfer of the activities, assets, liabilities and staff to Prior Pursglove and Stockton Sixth Form College on 1 May 2016. As a result of the transfer and subsequent dissolution of the College, the financial statements have been prepared on the basis the College was not a going concern at 30 April 2016.

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 30 April 2016, and of the College's deficit of income over expenditure for the period then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the revised Joint Audit Code of Practice (Part 1) issued jointly by the Skills Funding Agency and the Education Funding Agency and the Audit Code of Practice issued by the Learning and Skills Council requires us to report to you if, in our opinion:

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

Kenneth Easby Limited Date
Statutory Auditor
Oak House, Market Place
Bedale DL8 1AQ
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Independent Report on Regularity to the Corporation of Stockton Sixth Form College ("the Corporation") and the Education Funding Agency ("the EFA")

In accordance with the terms of our engagement letter and further to the requirements of the funding agreement with the EFA, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Stockton Sixth Form College ("the College") during the period 1 August 2015 to 30 April 2016 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

This report is made solely to the Corporation and the EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Corporation and the EFA 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 and the EFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of the Members of the Corporation of Stockton Sixth Form College and Reporting Accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Joint Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period ended 1 August 2015 to 30 April 2016 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

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

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

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

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2015 to 30 April 2016 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Kenneth Easby Limited
Statutory Auditor
Oak House, Market Place
Bedale DL8 1AQ

Date

Statement of Comprehensive Income

for the period ended 30th April 2016

	Notes	2016	2015 Restated
		£000s	£000s
Income			
Funding body grants	2	2,227	2,904
Tuition fees and education contracts	3	5	7
Other income	4	122	136
Investment income	5	15	28
Total income		**2,369**	**3,075**
Expenditure			
Staff costs	6	1,565	2,228
Exceptional restructuring costs	6	-	67
Other operating expenses	8	716	1,071
Depreciation	11	218	294
Interest and other finance costs	9	18	25
Total expenditure		**2,517**	**3,685**
Surplus/(deficit) before tax		(148)	(610)
Taxation	10	-	-
(Deficit)/Surplus for the period		**(148)**	**(610)**
Actuarial loss in respect of pensions schemes	16,17	(16)	(98)
Total Comprehensive Income for the period		**(164)**	**(708)**

All comprehensive income in the period and prior year is in respect of unrestricted reserves.

Statement of Changes in Reserves

for the period ended 30th April 2016

	Notes	Income & Expenditure Account	Revaluation Reserve	Total
		£000s	£000s	£000s
Restated balance at 1 August 2014	23	**5,143**	**2,585**	**7,728**
(Deficit)/ surplus from the income and expenditure account		(610)	-	(610)
Other comprehensive income		(98)	-	(98)
Transfers between revaluation and income and expenditure reserves		77	(77)	-
Total comprehensive income for the year		(631)	(77)	(708)
Restated balance at 31st July 2015	23	**4,512**	**2,508**	**7,020**
(Deficit)/ surplus from the income and expenditure account		(148)	-	(148)
Other comprehensive income		(16)	-	(16)
Transfers between revaluation and income and expenditure reserves		58	(58)	-
Total comprehensive income for the period		(106)	(58)	(164)
Balance at 30th April 2016		**4,406**	**2,450**	**6,856**

Balance Sheet
as at 30 April 2016

	Notes	2016 £000s	2015 Restated £000s
Non current assets			
Tangible fixed assets	11	7,612	7,818
Total non current assets		7,612	7,818
Current assets			
Debtors	12	201	84
Investments	13	-	1,500
Cash and cash equivalents		1,824	489
Total current assets		2,025	2,073
Less: Creditors – amounts falling due within one year	14	(431)	(526)
Net current assets		1,594	1,547
Total assets less current liabilities		**9,206**	**9,365**
Creditors – amounts falling due after more than one year	15	(1,512)	(1,546)
Provisions			
Defined benefit obligations	17	(595)	(561)
Other provisions	16	(243)	(238)
Total Net Assets		**6,856**	**7,020**
Unrestricted Reserves			
Income and expenditure account		4,406	4,512
Revaluation reserve		2,450	2,508
Total unrestricted reserves		**6,856**	**7,020**

The financial statements on pages 20 to 45 were approved by the Corporation on 5th December 2016 and were signed on its behalf on that date by:

P Gavens, Chair

J Bailey, Principal

Statement of Cash Flows
for the Period ended 30th April 2016

	Notes	2016 £000s	Restated 2015 £000s
Cash (outflow)/inflow from operating activities			
Surplus/(Deficit) for the year		(148)	(610)
Adjustment for non-cash items			
Depreciation		218	294
(Increase)/decrease in stocks		-	-
(Increase)/decrease in debtors	12	(138)	(27)
Increase/(decrease) in creditors due within one year	14	(95)	(93)
Increase/(decrease) in creditors due after one year	15	(34)	(51)
Increase/(decrease) in provisions	16	(12)	(16)
Pensions costs less contributions payable	17	17	22
Adjustment for investing or financing activities			
Investment income	5	(15)	(28)
Interest payable		18	25
Taxation paid		-	-
Loss on sale of fixed assets		-	-
Net cash flow from operating activities		(189)	(484)
Cash flows from investing activities			
Proceeds from sale of fixed assets		-	-
Disposal of non-current asset investments		-	-
Investment income	5	36	28
Withdrawal of deposits		1,500	1,000
New deposits		-	(1,500)
Payment made to acquire fixed assets	11	(12)	(68)
		1,524	(540)
Cash flows from financing activities			
Interest paid		-	-
Interest element of finance lease rental payments		-	-
New unsecured loans		-	-
Repayments of amounts borrowed		-	-
Capital element of finance lease rental payments		-	-
		-	-
Increase/(decrease) in cash and cash equivalents in the year		1,335	(1,024)
Cash and cash equivalents at beginning of the year	18	489	1,513
Cash and cash equivalents at end of the year	18	1,824	489

Notes to the Financial Statements

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 were prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2015/16 financial statements* and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the College's accounting policies.

Transition to the 2015 FE HE SORP

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

An explanation of how the transition to the 2015 FE HE SORP has affected the reported financial position and financial performance of the College is provided in note 23.

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

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

- Revaluation as deemed cost – at 1st August 2014, the College has retained the carrying values of freehold properties as being deemed cost and measured at fair value

Notes to the Financial Statements
continued

Basis of accounting

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

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.

As explained in the statement of corporate governance and internal control on page 2, the College has merged with Prior Pursglove College on 1 May 2016. Therefore, the College will not continue in its existing form. As required by FRS 102 – Accounting policies, the financial statements are prepared on the basis that the College was not a going concern. However, no material adjustments arose as a result of ceasing to apply the going concern basis, and the College's assets and liabilities have transferred to the merged college at their book value.

Recognition of income

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

The recurrent grant from the EFA represents the funding allocation attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

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

Income from tuition fees is stated gross of any expenditure which is not a discount and is recognised in the period for which it is received.

All income from short term deposits is credited to the income and expenditure account in the period in which it is earned on a receivable basis.

Post-retirement benefits

Post-employment benefits to employees of the College are principally provided by Teachers' Pensions Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit plans, which are externally funded and contracted out of the State Second Pension.

Notes to the Financial Statements
continued

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method. The TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

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

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

Short Term Employment Benefits

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

Enhanced pensions

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

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses, except for inherited assets which are measured on the basis of deemed cost, being the valuation existing at 31 July 1999 when the College implemented FRS 15 for the first time.

<u>Land and buildings</u>
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

Notes to the Financial Statements
continued

not readily obtainable. The associated credit is included in the revaluation reserve. The difference between depreciation charged in the historic cost of the 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 lives to the College of 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life 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 systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1996, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

Subsequent expenditure on existing fixed assets
Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it increases the future benefits to the College, in which case it is capitalised and depreciated on the relevant basis.

Equipment
Equipment costing less than £500 per individual item is recognised as expenditure in the period of acquisition. Equipment inherited from the local education authority is included in the balance sheet at depreciated replacement cost – these items are now fully depreciated. All other equipment is capitalised at cost.

Equipment is depreciated on a straight-line basis over its remaining useful economic life as follows:

- Motor vehicles, computers and light machinery, at between 20% and 33% per year
- Furniture, heavy machinery and non-mechanical equipment, at between 4% and 20% per year

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

Notes to the Financial Statements
Continued

Cash and cash equivalents

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

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

Financial assets

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

Agency arrangements

The College acts as an agent in the collection and payment of discretionary support funds (bursaries). Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the College and are shown separately in Note 22, except for 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant. Administration of Learner Support Fund applications and payments is shared amongst the College's staff.

Foreign currency translation

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

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College's activities are classed as non-trading for VAT purposes, so it is unable to recover any of the 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.

Notes to the Financial Statements
continued

Provisions

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

Judgments in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether there are indicators of impairment of the College's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

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

Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 17, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 30 April 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Notes to the Financial Statements
continued

	2016 £000s	2015 £000s
2. Funding body grants		
Recurrent grants	2,142	*2,629*
Releases of deferred capital grants	36	*49*
Building condition and other non-recurrent grants	49	*226*
	2,227	*2,904*
3. Tuition fees and education contracts		
Overseas students	5	*7*
	5	*7*
4. Other income		
Other grants	18	*3*
European and other language exchange grants	29	*47*
Other income	75	*86*
	122	*136*
5. Investment income		
Bank interest receivable	15	*28*
Pension finance income	-	*-*
	15	*28*

Notes to the Financial Statements
continued

6. Staff costs

The average number of persons (including key management personnel) employed by the College during the period, described as full-time equivalents, was:

	2016 number	2015 Number
Teaching staff	36	*39*
Non teaching staff	12	*17*
	48	*56*

Staff costs for the above persons:

	2016 £000s	2015 £000s
Wages and salaries	1,296	*1,833*
Social security costs	84	*123*
Other pension costs (including FRS 102 adjustments of £17,000 – 2015 £22,000)	185	*272*
Payroll sub total	1,565	*2,228*
Contracted out staffing services	-	-
	1,565	*2,228*
Exceptional restructuring costs	-	*67*
Total Staff costs	1,565	*2,295*

Notes to the Financial Statements
Continued

7. Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Principal, who is also the Accounting Officer.

	2016 Number	2015 Number
The number of key management personnel including the Accounting Officer was:	1	1

The number of key management personnel and other staff who received annual emoluments, excluding pension contributions but including benefits in kind, in the following ranges was:

	Key management personnel		**Other staff**	
	2016 Number	**2015** Number	**2016** Number	**2015** Number
£ 50,001 to £60,000 p.a.	1	-	1	-
£ 60,001 to £70,000 p.a.	-	-	-	-
£ 70,001 to £80,000 p.a.	-	-	-	1
£ 80,001 to £90,000 p.a.	-	-	-	-
£ 90,001 to £100,000 p.a.	-	1	-	-
	1	1	1	1

Key management personnel compensation is made up as follows:

	2016 £000s	2015 £000s
Salaries	50	*90*
Employers National Insurance	6	*10*
Benefits in kind	-	-
Pension contributions	8	*13*
Total key management personnel compensation	64	*113*

There were no amounts due to key management personnel that were waived in the period, nor any salary sacrifice arrangements in place.

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

	2016 £000s	2015 £000s
Salaries	50	*90*
Benefits in kind	-	-
Pension contributions	8	*13*

Notes to the Financial Statements
Continued

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

8. Other operating expenses

	2016 £000s	2015 £000s
Teaching departments	99	*125*
Teaching support services	64	*64*
Other support services	88	*106*
Administration and central services	133	*115*
General education expenditure	110	*182*
Premises running costs	155	*176*
Premises maintenance costs	33	*44*
Premises modification costs	27	*241*
Catering subsidies	7	*18*
Total	716	*1,071*
Other operating expenses include:		
Auditors' remuneration:		
- Financial statements audit, including regularity audit	10	*9*
- Internal audit	3	*4*

9. Interest and other finance costs

	2016	2015
Interest on enhanced pension provision (note 16)	4	*9*
Pension finance costs (note 17)	14	*16*
	18	*25*

10. Taxation

The members do not believe the College is liable for any corporation tax arising out of its activities during the period.

Notes to the Financial Statements
continued

11. Tangible fixed assets

	Freehold land & buildings £000s	Equipment £000s	Total £000s
Cost or valuation			
At 1st August 2015	10,092	1,398	11,490
Additions	-	12	12
Transfers	-	-	-
Disposals	-	-	-
At 30th April 2016	10,092	1,410	11,502
Depreciation			
At 1st August 2015	2,529	1,143	3,672
Charge for the period	146	72	218
Elimination in respect of disposals	-	-	-
At 30th April 2016	2,675	1,215	3,890
Net book value at 30th April 2016	**7,417**	**195**	**7,612**
Net book value at 31st July 2015	7,563	255	7,818

Included within freehold land and buildings is £382,000 of freehold land which is not depreciated.

Inherited land and buildings were valued as at 13 February 1993 at depreciated replacement cost by the property services department of Cleveland County Council. Other tangible fixed assets were valued on a depreciated replacement cost basis by employees of the Corporation.

Notes to the Financial Statements
continued

12. Debtors

	2016	2015
	£000s	£000s
Amounts falling due within one year:		
Trade debtors	18	*9*
Interest Receivable	-	*21*
Prepayments and accrued income	183	*54*
	201	*84*

13. Investments

	2016	2015
	£000s	£000s
Short term deposits	-	*1,500*
	-	*1,500*

Deposits are held with banks and building societies licensed by the Financial Conduct Authority with more than three months maturity at the balance sheet date.

14. Creditors: amounts falling due within one year

Trade creditors	97	*37*
Other taxation and social security	38	*40*
Accruals and deferred income	250	*401*
Deferred income – government capital grants	46	*48*
	431	*526*

Accrual and deferred income at 30 April 2016 includes £66,000 (2015: £101,000) relating to employee leave accruals.

15. Creditors: amounts falling due after more than one year

Deferred income – government capital grants	1,512	*1,546*
	1,512	*1,546*

Notes to the Financial Statements
Continued

16. Other Provisions for liabilities and charges

Provision for enhanced pensions resulting from early retirement

	2016 £000s	2015 £000s
At 1st August	238	*235*
Expenditure in the period	(12)	*(16)*
Interest charged in the period	4	*9*
Actuarial loss	13	*10*
At 30th April	243	*238*

The enhanced pensions provision relates to the cost of staff who have already left the Colleges employment and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date. The provision has been calculated in accordance with the guidance issued by the funding bodies.

17. Pension costs and similar obligations

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

Total pension cost for the year

		2016 £000s		2015 £000s
Teachers Pension Scheme: contributions paid		148		*191*
Local Government Pension Scheme:				
Contributions paid	25		*61*	
FRS 102 charge	17		*22*	
Charge to the Statement of Comprehensive Income		42		*83*
Total Pension Cost for Year		190		*274*

Notes to the Financial Statements
continued

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31st March 2012 and the LGPS 31st March 2013. Contributions amounting £Nil (2015: £33,000) were payable at 30th April 2016 and are included in creditors.

Teachers' Pension Scheme

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

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 1st April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Valuation of the Teachers' Pension Scheme

The latest actuarial review of the TPS was carried out as at 31st 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 and the subsequent consultation are:

- employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay.

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

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

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

Notes to the Financial Statements
continued

Scheme Changes

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

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

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

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

The pension costs paid to TPS in the period amounted to £148,000 (2015: £191,000).

FRS 102

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

Accordingly, the College has taken advantage of the exemption in FRS102 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 the Teesside Pension fund. The total contribution made for the period ended 30 April 2016 was £37,000 (2015: £81,000) of which employer's contributions totalled £25,000 (2015: £61,000) and employees' contributions totalled £12,000 (2015: £20,000). The agreed contribution rates for future years are 13.6% for employers and range from 5.5% to 12.5% for employees depending on salary.

Notes to the Financial Statements
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Principal Actuarial Assumptions

The following information is based on a full actuarial valuation of the fund at 31 March 2013 updated to 30 April 2016 by a qualified independent actuary.

Principal Actuarial Assumptions	At 30th April 2016	At 31st July 2015
Inflation assumption (CPI)	1.8%	2.1%
Rate of increase in salaries	3.3%	3.6%
Rate of increase for pensions in payment	1.8%	2.1%
Discount rate for scheme liabilities	3.4%	3.6%
Commutation of pensions to lump sums	50%	50%

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

		At 30th April 2016	At 31st July 2015
Retiring today:	Males	23.1	23.0
	Females	25.6	25.5
Retiring in 20 years:	Males	25.3	25.2
	Females	28.0	27.8

Notes to the Financial Statements
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The College's share of the assets in the scheme at the balance sheet date and the expected rates of return were:

	Long-term rate of return expected at 30 April 2016	Fair value at 30 April 2016	Long-term rate of return expected at 31 July 2015	Fair value at 31 July 2015
		£000s		£000s
Equity instruments	8.0%	1,800	8.0%	1,820
Debt instruments	5.9%	32	6.0%	36
Property	7.2%	162	7.2%	132
Cash	4.5%	107	4.5%	136
Total fair value of plan assets		**2,101**		**2,124**
Weighted average expected long term rate of return		**5.8%**		**5.5%**
Actual return on plan assets		**(19)**		**(329)**

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

	2016 £000s	2015 £000s
Fair value of scheme assets	2,101	2,124
Present value of scheme liabilities funded	2,696	2,685
Net pensions liability	(595)	(561)

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

	2016 £000s	2015 £000s
Amount included in staff costs		
Current service cost	42	68
Past service cost	30	15
Total	72	83
Amount included in interest and other finance costs		
Interest on pension liabilities	14	16
Total	14	16

Amount recognised in Other Comprehensive Income

Remeasurement gains/(losses) on assets	(76)	73
Actuarial gains/(losses) on scheme liabilities	73	(161)
Total	(3)	(88)

Movement in net defined benefit pension liability in the period

Deficit in scheme at 1st August	(561)	(435)
Movement in year:		
Current service cost	(42)	(68)
Employer contributions	55	61
Past service cost	(30)	(15)
Net interest on defined liability	(14)	(16)
Actuarial gain/(loss)	(3)	(88)
Deficit in scheme at 30th April / 31st July	(595)	(561)

Asset and liability reconciliation

Reconciliation of liabilities

Liabilities at start of period	2,685	2,411
Service cost	42	68
Interest cost	71	97
Employee contributions	12	21
Actuarial (gain)/loss	(73)	161
Benefits paid	(71)	(88)
Past service cost	30	15
Liabilities at end of period	2,696	2,685

	2016 £000s	2015 £000s
Reconciliation of assets		
Assets at start of period	2,124	1,976
Interest income on assets	57	81
Actuarial (loss)/gain	(76)	73
Employer contributions	55	61
Employee contributions	12	21
Benefits paid	(71)	(88)
Assets at end of period	2,101	2,124

Notes to the Financial Statements
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18. Cash and cash equivalents

	At 1st August 2015	Cash flows	Other changes	At 30th April 2016
	£000s	£000s	£000s	£000s
Cash and cash equivalents	489	1,335	-	1,824
Overdraft	-	-	-	-
Total	489	1,335	-	1,824

19. Lease obligations

At 30 April the College had minimum lease payments under non-cancellable leases as follows:

Other		
Not later than one year	4	5
Later than one year and not later than five years	-	3
Later than five years		-
	4	8

20. Events after the reporting period

Stockton Sixth Form College dissolved on 1 May 2016 and its activities, assets, liabilities and staff transferred to Prior Pursglove and Stockton Sixth Form College. The Governing Body of Stockton Sixth Form College ceased to exist on 1 May 2016 and responsibility for producing its financial statements transferred to the Governing Body of Prior Pursglove and Stockton Sixth Form College.

Notes to the Financial Statements
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21. Related party transactions

Due 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 period was £88 (2015: £nil). 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 period (2015: None).

22. Amounts disbursed as agent

	2016 £000s	2015 £000s
Balance unspent at 1st August	17	7
Funding body grants – hardship support	83	74
	100	81
Disbursed to students	(76)	(64)
Administration costs	-	-
Balance unspent as at 30th April, included in creditors	24	17

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 Statement of Comprehensive Income.

Notes to the Financial Statements
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23. Transition to FRS 102 and the 2015 FE HE SORP

The period ended 30th April 2016 is the first period that the College has presented its financial statements under FRS 102 and the 2015 FE HE SORP. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended 31st July 2015 and the date of transition to FRS 102 and the 2015 FE HE SORP was therefore 1st August 2014. As a consequence of adopting FRS 102 and the 2015 FE HE SORP, a number of accounting policies have changed to comply with those standards.

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

Financial Position	**Note**	**1st August 2014** £000s	**31st July 2015** £000s
Total reserves under previous SORP		**7,491**	***6,776***
Release of non-government capital grants	(b)	353	*345*
Changes to measurement of net finance cost on defined benefit pension schemes	(c)	-	-
Employee leave accrual	(a)	(116)	*(101)*
Total effect of transition to FRS 102 and 2015 FE HE SORP		237	*244*
Total reserves under 2015 FE HE SORP		**7,728**	***7,020***

Financial Performance	**Note**	**Year ended 31st July 2015** £000s
Deficit for the year under previous SORP		**(561)**
Reversal of capital grants amortisation	(b)	(8)
Pensions provision – actuarial losses	(d)	(98)
Changes to measurement of net finance cost on defined benefit pension schemes	(c)	(56)
Employee leave accrual	(a)	15
Total effect of transition to FRS 102 and 2015 FE HE SORP		(147)
Total comprehensive income under 2015 FE HE SORP		**(708)**

Notes to the Financial Statements
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a) Recognition of short term employment benefits

No provision for short term employment benefits such as holiday pay was made under the previous UK GAAP. Under FRS 102 the costs of short-term employee benefits are recognised as a liability and an expense. The annual leave year runs to 31st August each year for both teaching and term time only non-teaching staff and 31st March for whole year non-teaching staff meaning that, at the reporting date, there was an average of 11 unused leave for teaching staff and 7 unused leave for non-teaching staff. The cost of any unused entitlement is recognised in the period in which the employee's services are received. An accrual of £116,000 was recognised at 1 August 2014, and £101,000 at 31 July 2015. Following a re-measurement exercise in 2015/16, the movement on this provision of £35,000 has been charged to Comprehensive Income in the year ended 30 April 2016.

b) Non-government grants accounted for under performance model

The College has previously been in receipt of certain capital grants from sources other than those classified as "government" under FRS 102 and the 2015 FE HE SORP. Under the previous UK GAAP and 2007 SORP, these were able to be capitalised and amortised over the remaining useful economic life of the relevant fixed assets. This accounting treatment is no longer available for non-government grants and the grants have therefore been accounted for under the performance model and treated as if they had been credited to Comprehensive Income immediately that the performance conditions had been met. A corresponding adjustment has been made to the income recognised in the 2015 results that related to the annual amortisation of the capital grants involved.

c) Change in recognition of defined benefit pension scheme finance costs

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

d) Presentation of actuarial gains and losses within Total Comprehensive Income

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