



Financial Statements for the Year Ended 31st July 2015

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A. Operating and Financial Review

NATURE, OBJECTIVES AND STRATEGIES

Introduction

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

Legal status

2. Luton Sixth Form College (the College) opened in 1966 as the first Local Education Authority sixth form college in the country. It became open access in 1974 and under the Further and Higher Education Act 1992 was made independent of the local authority.

3. **Public Benefit**

Luton Sixth Form College Public Value Statement

Luton 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 for Sixth Form Colleges. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 13-14.

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, as demonstrated by our mission and values, our inclusivity and our excellent teaching, learning and assessment.

Our mission:

"We will provide an outstanding education for young people at the College, and we will work with other local providers to ensure that there are opportunities for all young people to succeed and progress."

Our values:

Students: as the focus for the work of everyone at the College

Mutual Respect: caring for and valuing students, staff, governors and our community

Integrity: honesty, working hard, taking personal responsibility and promoting equity and fairness

Learning: a passion for learning and its capacity to change lives

Excellence: high aspirations, high standards and high achievement

Our inclusivity:

The College offers a wide range of academic and general vocational programmes and operates an inclusive admissions policy. It serves a diverse community in which around 70% of the College's students are from minority ethnic groups. The vast majority of these are Pakistani and Bangladeshi. Over half of the students are female. Over 700 students were required to resit GCSE English and/or GCSE maths. Approximately 10% of students consider themselves to have a learning disability, difficulty or health problem. Many students come from households without a tradition of either post-16 or higher education. Around 70% of students live within the 5 most deprived districts of Luton (*Source: EFA Data Report and MIDES Deprivation Profile Analysis*).

Our excellent teaching, learning and assessment:

The hard work of our staff and students, coupled with a relentless drive for improvement, has led to the achievement of high overall Level 3 success rates of 86.9% in 2014-15. Retention has also remained excellent at 96.9% - placing the College in the top 25% of sixth form colleges

for both performance measures. Our students can be assured of an excellent learning experience and, when they leave the College, 94.8% go on to higher/further education, training or employment.

Our core objectives:

1. To ensure that the students at this College enjoy, achieve and progress to destinations that will enable them to fulfil their career aspirations.
2. To ensure that the effectiveness and wellbeing of staff is maintained and improved to enable achievement of the College objectives.
3. To maintain the College's cost-effectiveness and solvency, to enable the delivery of the Strategic Plan.

Our strategic objectives:

1. To embed a culture of leadership throughout the College, harnessing leadership skills at all levels, to drive forward positive change that will improve student outcomes.
2. Leaders and managers will, working with other organisations where appropriate, seek to develop a curriculum in order to ensure that the young people of Luton are able to participate, succeed and progress.
3. Leaders and managers will promote collaboration and joint working between staff at the College and those at other local organisations, in order to improve the educational achievement of 14-19 year olds in Luton and increase efficiency in the use of resources.

4. Implementation of the Strategic Plan

The College reviewed and updated its Strategic Plan and Vision for 2014-19 in July 2014. The Strategic Plan sets out the objectives for the five year period (as noted above) and is supported by the College Improvement Plan (CIP), departmental plans and cross-College plans including the Financial Plan. The Corporation monitors the performance of the College against these plans.

The College Improvement Plan 2014-15 identified actions to move forward key strategic objectives and highlighted priorities for the year. Very challenging targets were set, with the following results on key objectives:

<p>Improve success rates at AS and A2</p>	<p>Success rates at AS dipped from 84% to 80.2% - slightly below the benchmark of 81.6%. Success rates at A2 dipped marginally from 95.8% to 95.5%.</p>
<p>Ensure there are no significant achievement gaps between different groups of students.</p>	<p>Achievement gaps have remained narrow for most groups but those for Pakistani males at AS and White British males at A2 re-opened.</p>
<p>Increase the pass rates in GCSE Maths and English</p>	<p>Success rates for GCSE English improved by over 16% from 40.5% to 56.8%, whilst success rates in maths rose from 14.5% to 36.5%.</p>

FINANCIAL PERFORMANCE

Financial Objectives

5. The College's financial objective is to ensure the solvency and financial stability of the College and the optimum use of resources by:
 - Maximising core funding and opportunities for income from sources other than 16-18 student participation funding.
 - Investing to ensure an appropriately qualified, skilled and experienced workforce.
 - Increasing the capability, flexibility and motivation of staff, within a supportive culture of high performance.
 - Increasing efficiency and cost-effectiveness, including by improving business processes and by exploiting the potential of modern technology.
 - Managing the campus to maximise cost effectiveness and sustainability, to promote health and to ensure safety for staff, students and visitors.
 - Managing cash reserves to ensure solvency during a period of continued financial uncertainty.

6. A series of performance indicators has been agreed to monitor the successful implementation of these objectives.

Performance Indicators

7. The College's key performance indicators are based on:
 - Success rates
 - Student progress
 - Learner destinations

The financial Indicators for Financial Health continued to be graded by the funding body

The College is committed to observing the importance of the measures and indicators and is monitoring these through the completion of the annual Finance Record for the Education Funding Agency (EFA). The current rating of Outstanding is considered a very acceptable outcome.

FINANCIAL POSITION

Financial Results

8. The College generated an operating surplus for the year of £6,000 (2013-14: £597,000). This was an excellent result, taking into account the decrease in funding of £400k, compared with 2013-14 and the 7% increase in student numbers.

9. At 31 July 2015, the College had accumulated reserves of £5,845,000 (excluding the pension liability) and cash balances of £3,205,000. The College wishes to accumulate reserves and cash balances in order to create a contingency fund.

Premises and Equipment

10. Tangible fixed asset additions during the year amounted to £562,000, including £6,000 on Land and Buildings, £360,000 on Assets Under Construction and £196,000 on Equipment.

11. In the Autumn Term 2014, following an increase in enrolments of 7%, leaders and governors agreed that additional accommodation was urgently required both for teaching & learning and for student social space. In December 2014, the College submitted an application to the

EFA's Building Condition Improvement Fund, to support the construction of 5 new classrooms. Although the EFA accepted that the business case was sound, no funding was awarded. Governors agreed that the College should go ahead with the project, using funding from its own resources. A second smaller project was approved for the construction of an extension to the College restaurant, Westside, and this was opened in September. The classroom project is due for completion in November 2015. Total costs for both projects, including fit-out, are estimated at £1.2 million.

12. The College places significant reliance on the funding body for its principal funding source, both for recurrent and capital support grants. In 2014-15 the EFA provided 94% of the College's total recurrent income.

Treasury policies and objectives

13. Treasury management is defined as the management of the College's cash flows, 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 the management of those risks.
14. The College has a separate treasury management policy in place. Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Funding Agreement with the EFA.

Cash flow

15. Operating cash inflow, at £36,000, was better than forecast, given the £400k cut in funding, (2013-14: inflow £630,000) and reflects the small surplus achieved for the year, with capital expenditure balanced by depreciation charges and the release of deferred capital grants.

Liquidity

16. During the year, the College held an unsecured long-term loan of £3.84 million taken out in 2008, to help finance the New College Project. The balance of the £56 million capital cost of the project was met from the capital support grant awarded by the funding body and from the College's own cash resources.
17. The size of the College's total borrowing and its approach to interest rates has been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cash flow. During the year, this margin was comfortably exceeded.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Overall Performance

18. 2014-15 has been another successful year. The self-assessment report (SAR) 2014-15 concluded that the overall effectiveness of the College was Good. In the 2015 SAR the Grades awarded for each area were as follows:

Overall Effectiveness	Good: Grade 2
Outcomes for Learners	Good: Grade 2
Quality of Teaching, Learning & Assessment	Good: Grade 2
Effectiveness of Leadership and Management	Good: Grade 2
Personal Development, Behaviour & Welfare	Good: Grade 2

19. In 2014-15, the College made excellent educational provision for its students and the local community, which has significant areas of educational and social deprivation. Students achieved very high levels of success. "Value Added" at advanced level was very good, both overall and for the vast majority of subjects and courses. Approximately 750 students progressed to higher education in 2015, despite the high fees and the high proportion of students from disadvantaged backgrounds. Overall, 94.8% of students progressed to *positive* destinations – a pleasing increase of 2.2% compared with the previous year.
20. Educational and social inclusion was outstanding and the College continued to employ effective strategies to ensure compliance with equality legislation. When contextualised for prior attainment and subject choices, all the main ethnic groups performed above national averages. Black and minority ethnic (BME) students at AS and A2 were 0.6% and 0.8% above the national benchmark respectively.
21. Leadership and management were good. Leaders led by example and in line with the College values and British values of democracy, mutual respect, integrity and the pursuit of excellence. There was a relentless focus on improving student achievement and improving the progress of all students.
22. All support service departments operated efficiently, effectively and collaboratively to ensure an excellent level of service to students, staff and external stakeholders. The management of financial and other resources was excellent. It ensured continued investment to support further improvements for students and delivered very good value for money. The contribution of governors and the effectiveness of governance was a major strength.
23. Risk management processes have continued to operate effectively and are regarded as good practice by the internal auditors. Each of the major risks was monitored carefully throughout the year; the success of the College meant that none of the events highlighted as risks in the Risk Register came to pass in 2014-15, but many remain as continuing risks for 2015-16.

Student Numbers

24. In 2014-15 the College had 2,741 full-time students, but was funded for 2,554. This generated funding of £11,184,000 in EFA main allocation funding (2013-14: £11,595,000).

Student Achievements

25. College success rates are good, both in absolute terms and, in the context of this College. Retention is significantly above the sixth form college benchmark. The overall success rate for 2015 at Level 3 remained high at 86.9% (2013-14: 87.6%).
26. During 2014-15, success rates at AS dipped from 84% to 80.2%, compared to a sixth form college benchmark of 81.6%. At A2, the College success rate of 95.5% was just below the sixth form college benchmark of 95.8%. The success rate for BTEC level 3 Diploma rose from 82.8% to 96%.
27. The level 2 BTEC programme success rate rose from 95.4% to 97.8%, well above the sixth form college benchmark of 89.2%. The success rate for GCSE English rose from 40.5% to 56.8%, whilst that for GCSE maths rose from 14.5% to 36.5%.
28. Students at all levels made good progress compared with their prior attainment. This is formally measured and described as "value added". ALPs grades by subject at AS was grade 3 (excellent) and at A2 was grade 5 (satisfactory to good) with the BTEC Level 3 provision at grade 4 (very good).

Curriculum Developments

29. Every year there is review and development of the curriculum in order to provide students with appropriate choice, flexibility and prospect of success. There are 39 AS/A2 qualifications and 23 level 3 BTEC qualifications. There are 7 level 2 BTEC qualifications and 3 GCSEs including English and maths. The College provides a broad range of academic and semi-vocational qualifications at all levels and so meets the needs of the full range of young people in Luton. The curriculum was described as excellent in the October 2008 Ofsted report.

Payment Performance

30. The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2014 to 31 July 2015, the College paid all of its invoices within 30 days, unless they were in dispute. The College incurred no interest charges in respect of late payment for this period.

Future Developments

31. The College is funded on the basis of lagged student numbers, and hence income for 2015-16 has been confirmed at £12,375,000.
32. Demand for places continues to be very strong and the College expects at least to maintain its market share of students locally over the next three years.

Post Balance Sheet Events

33. There were no significant post balance sheet events.

RESOURCES

34. Tangible resources include the main college site, with £51 million invested in the construction and fitting out of the College building.

Financial

35. The College has £46,082,000 of net assets (including £3,837,000 pension liability and long-term debt of £3,597,000).

People

36. The College employs 205 people (expressed as full-time equivalents) of whom 120 are teaching staff.

Reputation

37. The College has held Beacon status since 2004 and was judged "outstanding" by Ofsted in its most recent inspection in October 2008. It has an excellent reputation locally and nationally, and has achieved significant growth in student numbers in recent years.

PRINCIPAL RISKS AND UNCERTAINTIES

38. The College has a well-embedded system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation.

39. The Senior Leadership Team undertakes a comprehensive termly review of the risks to which the College is exposed, and identifies systems and procedures, including specific actions which have been implemented to mitigate any potential impact on the College.
40. The College Risk Register identifies the key risks, the likelihood of these occurring, their potential impact on the College, and the actions taken to reduce and mitigate their effect. Risks are prioritised using a "traffic light" system designed to bring to the fore those risks which represent the greatest threat to the College. Key risks are included in the College Improvement Plan. Following review by the Senior Leadership Team, the Register and College Improvement Plan are taken to the Audit Committee, Finance & General Purposes Committee and the Corporation. The College Improvement Plan is also taken to the Review & Standards Committee.
41. The College has also developed a Board Assurance Framework, which is cross-referenced to the Risk Register and the College Improvement Plan and sets out the monitoring procedures for each individual risk. Outlined below is a description of some of the principal risks factors that may affect the College together with the controls in place to mitigate their effect.

<i>Risk</i>	<i>Existing Control</i>
<p>Student success at AS and A2 level does not reach target</p>	<ul style="list-style-type: none"> ● Student tracking and At Risk identification process in place ● Trial exams for all AS and A2 students ● Systematic follow up of At Risk and failing students, including contact with parents ● Intervention fund available to support subjects most in need of improvement ● Parents' consultation event targeted towards At Risk students ● More robust enrolment processes ensure appropriate entry requirement are met for AS courses
<p>Failure to maintain cost effectiveness</p>	<ul style="list-style-type: none"> ● Regular Senior Leadership Team workshops to agree budget for forthcoming year ● Salary budgets for temporary staffing delegated to, and monitored by, SLT ● Monthly management accounts and bids for capital expenditure reviewed by SLT ● Short-term contracts on some posts allow flexibility in staffing establishment ● Purchasing consortia used where advantageous to do so. ● Competitive quotes/tenders obtained for all major purchases ● Joint procurement initiative with CENBASE colleges for exams

Funded learner target of for 2016 of c2750 is not achieved

- In-year monitoring of key data e.g. internal progression
- Excellent reputation locally based on high standards of teaching & learning
- High quality promotion campaign, including revised prospectus, website, DVD, billboard advertising
- Well managed Tasters, Open Evenings, applicant interviews

Funding of Pension Liabilities

42. The financial statements report the share of the pension scheme deficit on the College's balance sheet in line with the requirements of FRS17.

STAKEHOLDER RELATIONSHIPS

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

- Students
- Parents
- Funding bodies
- Staff
- Governors
- Local employers (with specific links)
- Local authorities
- Government Offices/Regional Development Agencies/LEPs
- Sixth Form Commissioner
- The local community
- Other FE institutions
- Trade Unions
- Professional bodies

44. The College recognises the importance of these relationships and engages in regular communication with its stakeholders through letters, emails and meetings.

Equal Opportunities and Employment of Disabled Persons

Equal Opportunities

45. Promotion of equality and diversity features prominently in college life. A much higher percentage of students of minority ethnic heritage attend the College compared to the ethnic composition of the local population. Policies are detailed and cover legislative requirements. There is a continuing focus on maintaining the diverse community of the College as a harmonious, calm, safe environment where diversity is fully recognised and regularly celebrated. The College's Equal Opportunities Policy is published on the College's intranet. The College also publishes an Annual Equality Report and ensures compliance with all relevant equality legislation, including the Equality Act 2010.

Employment of disabled persons

46. The College considers all applications from disabled persons, bearing in mind the aptitudes of the individuals concerned. It has a policy of enabling flexible working wherever possible and, 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.

Site Accessibility

47. The new College building has been designed to maximise disabled access. This has increased utilisation of College facilities, ensuring compliance with the Disability Discrimination Act and enabling disabled persons to fully participate in College life.

Disability statement

48. The College seeks to achieve the objectives set down in the Equality Act 2010. The latest Ofsted inspection recognised that "Students with learning difficulties and/or disabilities receive excellent support and achieve well".

- The prospectus describes the requirements for all courses and the admissions policy is published on the College website.
- The College arranges specialist assessment of individual needs prior to enrolment.
- The support available is actively promoted by the College Disability & Learning Support Co-ordinator, who provides information and advice and arranges support, wherever necessary.
- During their time at the College, all students have access to a Student Counsellor, Student Welfare Advisers and specialist impartial career guidance.
- The College provides specialist equipment, course material in a variety of formats, the assistance of British sign language interpreters and the support of the College's own Academic and Additional Learning Support Team.
- Independent and confidential counselling is also available to staff from a fully qualified counsellor.
- There is a continuing programme of staff training to ensure the provision of high quality services for students with learning difficulties or disabilities.

Staff and Student Involvement

49. As Ofsted commented in their 2008 report, "The views of students are taken extremely seriously by the college, and acted upon". The College considers good communications with all College members a priority and has an active Student Council to take this forward for students. Students receive regular information through Blackboard, the College's Virtual Learning Environment. The College encourages students to manage their own learning, and to play an active part in influencing the College's development, through the Student Council, which is elected annually by all students. Both students and staff are represented on the Equality and Health and Safety Committees and on the Corporation.
50. Staff receive regular information through the College intranet, attend regular briefing and training sessions and are consulted on major strategic and policy issues, such as the design of the College buildings and grounds. Students and staff share the College restaurant area, Westside, and other common resources, such as the fitness suite and LRC.

Disclosure of Information to Auditors

51. 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 statement and regularity auditors:

RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP)
Chartered Accountants
Highfield Court
Tollgate
Chandlers Ford
Eastleigh
Hampshire
SO53 3TY

Internal auditors:

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

Bankers:

Lloyds TSB Bank plc
3rd Floor
25 Gresham Street
London
EC2V 7HN

Solicitors:

Mills & Reeve LLP
Francis House
112 Hills Road
Cambridge
CB2 1PH

Approved by order of the members of the Corporation on 17th December 2015 and signed on its behalf by:


.....
Cherry Newbery
Chair


.....
Chris Nicholls
Principal

B. Statement of Corporate Governance and Internal Control

52. 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.
53. The College endeavours to conduct its business:
- In accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership); and
 - Having due regard to the UK Corporate Governance Code ("the Code") insofar as it is applicable to the further education sector.
54. The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in the UK Corporate Governance Code ("the Code") issued by the FRC in June 2010. Its purpose is to help the reader of the accounts understand how the principles have been applied. In the opinion of the governors, the College complies with all the provisions of the Code in so far as they apply to the Further Education Sector, 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.
55. 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

56. It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.
57. The Corporation meets four times per year and 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.
58. 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 Search and Governance, Finance and General Purposes, Review & Standards, Remuneration and Audit. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available through the College website (www.lutonsfc.ac.uk) and from the Clerk to the Corporation at:

Luton Sixth Form College
Bradgers Hill Road,
Luton LU2 7EW

Appointments to the Corporation

59. Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. Members of the Corporation are appointed for a term of office not exceeding 4 years. The Corporation is responsible for ensuring that appropriate training is provided as required.

60. The Corporation itself meets twice in the Autumn term and once in the Spring and Summer terms. Its various Committees are:

Search & Governance Committee

61. The Search and Governance Committee is responsible for the identification of potential new members of the Corporation, and their subsequent nomination for appointment by the Corporation. The Committee has five members and meets termly, with further meetings as and when required.

Finance & General Purposes Committee

62. This Committee has a membership of five governors and one senior postholder. It met five times in 2014-15. The Committee considers the appropriateness of the College's budgets and financial plans and makes recommendations to the Corporation. It also considers the College's performance against budgets, plans and other agreed objectives. It receives the College's Financial Statements and recommends their adoption to the Corporation. It also had delegated powers from the Corporation for monitoring the New College Project, including financial performance against budget.

Review & Standards Committee

63. With a membership of eleven governors and two senior postholders, it assesses the quality of the College's provision and performance against agreed targets. It met five times in 2014-15.

Remuneration Committee

64. Throughout the year ended 31 July 2015, the College's Remuneration Committee comprised four members of the Corporation. The Committee's responsibilities are to make recommendations to the Corporation on the remuneration and benefits of the Accounting Officer and other senior postholders.

65. Details of remuneration for the year ended 31 July 2015 are set out in note 7e to the Financial Statements.

Audit Committee

66. The Audit Committee comprises four members of the Corporation (excluding the Accounting Officer and Chair) and three co-optees with relevant experience. The Committee operates in accordance with written terms of reference approved by the Corporation. It 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, 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.

67. 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.

68. Management is responsible for the implementation of agreed audit recommendations and for reporting to Audit Committee on their implementation.

69. 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.

Corporation Members

70. The Governors, and the Committees on which they served during the year, were as follows:

Member	Governor status	Dates of appointment	Term	Committee membership	Attendance
Mrs N Abubacker	Co-opted; Associate; Independent	January 2012 April 2013 – April 2015 May 2015	2 yrs 2 yrs 4 yrs	Audit (Chair from May 2015)	86%
Mr A Azam	Associate; Independent	April 2013 April 2015	2 yrs 4 yrs	F&GP	78%
Mrs J Chapman	Parent	October 2014	3 yrs	Review	87%
Mr T Choudhury	Independent	May 2011, Retired April 2015	4 yrs	Audit (Chair from Sept 2012)	40%
Mr C Dean	Independent	September 2012	4 yrs	Review (Chair)	67%
Ms S Dar	Student	March 2014, Retired October 2015	1 yr	Review	100%
Mr D Fudge	Associate Independent	January 2012 – January 2014 January 2014	2 yrs 4 yrs	F&GP F&GP	100%
Ms S Gara	Student	November 2014	1 yr	Review	57%
Mr T Gawtreay	Support Staff	June 2015	3 yrs	F&GP; Search	100%
Ms P Griffin	Associate Independent	June 2012 January 2013	6 mths 4 yrs	Review	67%
Mr K Hopkins MP (Vice Chair)	Independent	At incorporation Reappointed Apr 97, Apr 00, May 03, May 06, May 09, May 12	4 yrs, 3 yrs, 3 yrs, 3 yrs, 3 yrs, 3yrs, 4 yrs	Remuneration, Review, Search	92%
Cllr R Hopkins	Associate	April 2014	2 yrs	Audit	100%
Mr Z Khan	Independent	Feb 2003 Reappointed May 06, May 08, May 11, May 13, Retired April 15	3 yrs, 3 yrs, 3 yrs, 2 yrs 2 yrs	Audit	100%
Prof M Malcolm	Independent	Sept 2010 Reappointed Sept 2014	4 yrs 4 yrs	Audit until Jan 2012; F&GP from Jan 2012; Audit from Sept 2012	86%
Ms M Mathiyalagan	Student	November 2014	1 yr	Review	86%
Mr S Miah	Associate; Independent	April 2013 April 2015	2 yrs 4 yrs	Review	44%

Ms C Newbery (Chair from Sept 2012)	Independent	May 2007 Reappointed May 11, May 15	4 yrs, 4 yrs, 4 yrs	Audit (Chair from May 2011 – August 2012) and Remuneration Chair (from Sept 2012)	94%
Mr C Nicholls	Principal	June 2012	Ex officio	F&GP, Review, Search	100%
Mr J Patel	Parent Independent	April 2011 – March 2014 April 2014	3 yrs 4 yrs	Review Review	78%
Ms D Pointer	Teaching Staff	April 2013	3 yrs	Review	100%
Mrs N Roberts	Support Staff	Jan 2006 Reappointed May 09, May 12. Retired April 2015	3 yrs, 3 yrs, 3 yrs	F&GP, Search	87%
Mr G Ryan	Independent	July 2004 Reappointed July 08, Aug 10, Aug 12, Aug 14	4 yrs, 2 yrs, 2 yrs, 2 yrs, 2 yrs	Review, Remuneration (Chair until Sept 2012)	85%
Mr Z Uddin	Co-opted	April 2013. Retired January 2015	2 yrs	Audit	100%

71. The Clerk to the Corporation maintains a register of financial and personal interests of the governors. The register is available for inspection at the College.
72. 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.
73. 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.
74. 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.
75. There is a clear division of responsibility in that the roles of the Chair and Accounting Officer are separate.

Internal Control

Scope of Responsibility

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

The purpose of the system of internal control

79. 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.
80. This system of internal control has been in place in the College since the beginning of the financial year 2014-15 and continues to be in place at the date of approval of the annual report and accounts.

Capacity to handle risk

81. The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The

Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ended 31 July 2015 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

82. 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.
83. The College did not appoint an internal audit service for the year ended 31st July 2015. For that year, the College Leaders and Governors assessed the internal controls and reviewed and updated Board Assurance Framework, which clearly showed the mapping of assurance sources against the risk identified.
84. The College analysed the risks to which it was exposed and a programme of assurance based on a 3-year Internal Audit Plan was agreed with the Audit Committee. The Committee was provided with regular reports on this assurance activity in the College which included:
- Targeted internal audits in accordance with the 3-year Plan, which for 2014-15, included Payroll, Risk Management, Student Enrolment and ILR funding.
 - Regular updates on the College Improvement Plan.
 - Termly reviews of the Risk Register.
 - An annual review of the Board Assurance Framework.
85. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee.
86. The targeted internal audits each produce a report for consideration by the Audit Committee, and include the auditor or consultant's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes. These opinions are reported to, and considered by, the Corporation.

Review of effectiveness


87. As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. His review of the effectiveness of the system of internal control is informed by:
- The targeted audits carried out in accordance with the 3-year Internal Audit Plan.
 - The work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework.
 - Comments made by the College's Financial Statements and Regularity Auditors in their management letters and other reports.


88. The Accounting Officer has been advised on the implications of the result of his review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditors and other sources of assurance, and a plan to address weaknesses and ensure continuous improvement of the system is in place.
89. The College maintains a College Risk Register which is reviewed termly by the Accounting Officer and Senior Leadership Team (SLT). The Risk Register is then submitted to the Audit Committee for consideration, and to the Finance & General Purposes Committee for information.
90. The Accounting Officer and SLT receive reports setting out key performance and risk indicators and also consider possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training.
91. The Accounting Officer, SLT and the Audit Committee also receive regular reports on the targeted internal audits (which include recommendations for improvement) and other sources of assurance. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control.
92. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the SLT 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 of the risk management process for the year ended 31 July 2015 by considering documentation from the SLT and internal audit, and taking account of events since 31 July 2015.
93. 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 safeguarding of its assets".

Going concern

94. 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 continued to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 17th December 2015 and signed on its behalf by:


.....
Cherry Newbery, Chair


.....
Chris Nicholls, Principal

C. Governing Body's statement on the College's regularity propriety and compliance with Funding body Terms and Conditions of Funding

95. 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 funding agreement in place between the College and the Education Funding Agency. As part of our consideration we have had due regard to the requirements of the funding agreement.
96. 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 Education Funding Agency's terms and conditions of funding under the College's funding agreement.
97. 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 Education Funding Agency.

Approved by order of the members of the Corporation on 17th December 2015 and signed on its behalf by:


.....
Cherry Newbery, Chair

D. Statement of Responsibilities of the Members of the Corporation

98. The members of the Corporation are required to present audited Financial Statements for each financial year.
99. Within the terms and conditions of the Financial Memorandum agreed between the 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 2007 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions with the Accounts Direction issued jointly by the Skills Funding Agency and the EFA and which give a true and fair view of the state of affairs of the College and the result for that year.
100. 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.
101. The Corporation is also required to prepare an Operating and Financial Review, which describes what it is trying to do, and how it is going about it, including the legal and administrative status of the College.
102. 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.
103. 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.
104. 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 Funding Agreement with the EFA and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the EFA are not put at risk.

Approved by order of the members of the Corporation on 17th December 2015 and signed on its behalf by:

.....C. P. Newbery.....
Cherry Newbery, Chair

E. Independent Auditor's Report to the Corporation of Luton Sixth Form College

105. We have audited the College financial statements ("the financial statements") set out on pages 22 to 45. 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 19 November 2015.
106. This report is made solely to the Corporation, as a body, in accordance with the Funding Agreement published by the Education Funding Agency and our engagement letter dated 19 November 2015. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are required under our engagement letter dated 19 November 2015 to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Corporation of Luton Sixth Form College and Auditor

107. As explained more fully in the Statement of the Corporation's Responsibilities set out on pages 19, the Corporation is responsible for the preparation of financial statements which give a true and fair view.
108. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with the terms of our engagement letter dated 19 November 2015, Joint Audit Code of Practice issued by the Skills Funding Agency and Education Funding Agency and International Standards on Auditing (UK and Ireland). The International Standards on Auditing (UK and Ireland) require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

109. 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

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

Matters on which we are required to report by exception

111. We have nothing to report in respect of the following matters where the revised Joint Audit Code of Practice issued jointly by the Skills Funding Agency and the Education Funding Agency requires us to report to you if, in our opinion:
- adequate accounting records have not been kept;
 - the financial statements are not in agreement with the accounting records; or
 - we have not received all the information and explanations required for our audit.

RSM UK Audit LLP

RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP)
Chartered Accountants
Highfield Court
Tollgate
Chandlers Ford
Eastleigh
Hampshire
SO53 3TY

Date: *17/12/15*

F. Income and Expenditure Account

	Notes	2015 £000s	2014 £000s
INCOME			
Funding council income	2	12,820	13,135
Tuition fees and education contracts	3	3	2
Other grants and contracts	4	179	111
Other income	5	708	711
Investment income	6	21	16
Total Income		<u>13,731</u>	<u>13,975</u>
EXPENDITURE			
Staff costs	7	8,949	8,498
Other operating expenses	8	2,506	2,597
Interest and other finance costs	9	208	250
Depreciation	11	2,062	2,029
Total Expenditure		<u>13,725</u>	<u>13,374</u>
Surplus on continuing operations after depreciation of assets at valuation and disposal of assets		6	601
Loss on Disposal of Assets		0	(4)
Taxation	10	0	0
Surplus on continuing operations retained within General Reserves		<u>6</u>	<u>597</u>

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

G. Statement of Historical Cost Surpluses and Deficits

	Notes	2015 £000s	2014 £000s
Surplus on continuing operations		6	597
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	21	0	0
Historical cost surplus for the year		<u>6</u>	<u>597</u>

H. Statement of Total Recognised Gains and Losses

	Notes	2015 £000s	2014 £000s
Surplus on continuing operations after depreciation of assets		6	597
Actuarial (loss) in respect of the Local Government Pension Scheme (re: FRS17)	28b	(537)	(719)
Total recognised (loss) for the year		<u>(531)</u>	<u>(122)</u>

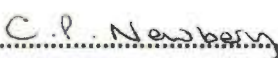
I. Reconciliation of Total Reserves


	Notes	2015 £000s	2014 £000s
Opening General Reserve		2,539	2,661
Opening Revaluation Reserve		<u>2,200</u>	<u>2,200</u>
Opening Total Reserves		4,739	4,861
Total recognised (loss) for the year		<u>(531)</u>	<u>(122)</u>
Closing Total Reserves		<u>4,208</u>	<u>4,739</u>
Represented by:			
General Reserve	20	2,008	2,539
Revaluation Reserve	21	<u>2,200</u>	<u>2,200</u>
Total Expenditure		<u>4,208</u>	<u>4,739</u>

J. Balance Sheet as at 31 July

	Notes	2015 £000s	2014 £000s
Fixed Assets			
Tangible assets	11	51,187	52,687
Investments	11a	<u>0</u>	<u>0</u>
Current Assets			
Stocks	12	39	38
Debtors	13	221	245
Cash at bank and in hand	14	<u>3,205</u>	<u>3,169</u>
Total current assets		3,465	3,452
Creditors – amounts falling due within one year	15	<u>(1,136)</u>	<u>(1,133)</u>
Net Current Assets		<u>2,329</u>	<u>2,319</u>
Total Assets less current liabilities		53,516	55,006
Creditors – amounts falling due after more than one year	16	(3,597)	(3,721)
Provisions for liabilities and charges	18	<u>0</u>	<u>0</u>
Net assets excluding pensions liability		49,919	51,285
Net pensions liability (re: FRS17)	28b	<u>(3,837)</u>	<u>(3,183)</u>
Net Assets including pensions liability		46,082	48,102
General Reserve excluding pensions reserve	20	5,845	5,722
Pensions Reserve (re: FRS17)	28b	<u>(3,837)</u>	<u>(3,183)</u>
General Reserve including pensions reserve	20	2,008	2,539
Revaluation Reserve	21	<u>2,200</u>	<u>2,200</u>
Total Reserves		4,208	4,739
Deferred Capital Grants	19	<u>41,874</u>	<u>43,363</u>
Total Funds		<u>46,082</u>	<u>48,102</u>

The Financial Statements on pages 22-45 were approved by the Corporation and authorised for issue on 17th December 2015 and were signed on its behalf on that date by:

.....

Cherry Newbery
Chair

.....

Chris Nicholls
Accounting Officer

K. Cash Flow Statement

	Notes	2015 £000s	2014 £000s
Cash inflow from operating activities	22	899	1,536
Returns on investments and servicing of finance	23	(178)	(194)
Capital expenditure	24	<u>(562)</u>	<u>(596)</u>
Cash inflow before use of liquid resources and financing		159	746
Financing	25	<u>(123)</u>	<u>(116)</u>
Increase in cash in the year	26	<u>36</u>	<u>630</u>
Reconciliation of net cash flow to movement In net debt			
Increase in cash in the period		36	630
Cash outflow from loans	25	<u>123</u>	<u>116</u>
Movement in net debt in year		159	746
Net debt at 1 August	26	<u>(675)</u>	<u>(1,421)</u>
Net debt at 31 July	26	<u>(516)</u>	<u>(675)</u>

L. Notes to the Accounts

1. Accounting Policies

Statement of Accounting Policies

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

Basis of preparation

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

Basis of accounting

The Financial Statements are prepared in accordance with the historical cost convention as modified by the revaluation of certain fixed assets and investments 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 currently has £3.7m of loans outstanding with bankers on terms negotiated in 2008. The terms of the existing agreement are for another 18 years (2033). 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.

Recognition of income

Income from tuition fees is recognised in the period for which it is received and includes all fees chargeable to 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.

All income from short-term deposits is credited to the Income and Expenditure Account in the period in which it is earned.

The 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 Skills 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. 16-18 learner responsive funding is not normally subject to a reconciliation and is therefore not subject to contract adjustments, the income recognised is the allocation for the year.

Non-recurrent grants from the Funding 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.

Pension schemes

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) and the assets are held separately from those of the College.

The TPS is an unfunded scheme. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method for the TPS. As stated in note 28a, the TPS is a multi-employer scheme and the College is unable to identify its share of underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The LGPS is a funded scheme and the assets are held separately from those of the College in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the income and expenditure account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The expected return on assets and the interest cost are shown as a net finance amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Enhanced Pensions

The actual cost of any enhanced on-going pension to former members of staff is paid annually. An estimate of the expected future cost of any enhancement to the on-going pension of former members of staff is charged in full to the College's Income and Expenditure Account in the year that a member of staff retires. In subsequent years, a charge is made to provisions within the Balance Sheet using the enhanced pension spreadsheet provided by the FE Funding bodies.

Tangible Fixed Assets

Land and Buildings

Inherited Assets

Land and Buildings inherited from the Local Education Authority (LEA) are stated in the Balance Sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. The associated credit is included in the revaluation reserve.

Acquired Assets

Land and Buildings acquired since incorporation are included in the Balance Sheet at cost.

Land and Buildings Depreciation

On Inherited Assets

Freehold Land is not depreciated.

On Acquired Assets

Freehold Land is not depreciated.

Acquired Buildings are assumed to have a useful economic life of 50 years unless specific conditions dictate a shorter life.

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

Assets under Construction

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs incurred up to 31 July 2015 in the year in question. They are not depreciated until they are brought into use.

Equipment

Acquired Assets

Non IT equipment costing less than £1,000 per individual item, and IT equipment of less than, £500 per individual item, are written off to the Income and Expenditure Account in the period of acquisition unless they form part of a larger investment project. All other items are capitalised at cost.

Equipment Depreciation

On Acquired Assets

Acquired equipment is depreciated on a straight line basis over its assessed useful economic life as follows:-

Fixtures and Fittings	Between 10-20 years
General Equipment	5 years
Motor Vehicles	3 years
Computer Equipment	3 years

Capital Grants

Where any assets are acquired with the aid of specific grants, then they are capitalised and depreciated in accordance with the above policy. The related grant is credited to the Deferred Capital Grant Account, and released to the Income and Expenditure Account over the same expected useful economic life as that over which the asset is to be depreciated.

Capital grants received towards Assets under Construction are treated in the same way, but release will not start until those assets are brought into use.

Leased assets

The College has neither Finance Leases nor Hire Purchase agreements in force.

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

Stocks

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

Taxation

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

The College receives no similar exemption in respect of Value Added Tax.

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 Student Support Funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the Income and Expenditure Account, except for 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant. A summary of the receipt and use of these funds is shown in Note 33.

2. Funding Body Income

	2015 £000s	2014 £000s
Main funding body recurrent grant	11,184	11,595
Releases of Deferred Capital Grants	1,488	1,478
Devolved Capital Funding Grant	62	62
Free Meals Funding – Catering Income	86	0
Total	12,820	13,135

3. Tuition fees and education contracts

	2015 £000s	2014 £000s
Tuition fees	3	2
Education contracts	0	0
Total	3	2

4. Grants and Donations

	2015 £000s	2014 £000s
Sundry grants and donations	179	111
Total	179	111

5. Other Income

	2015	2014
	£000s	£000s
Catering (excluding free meals income)	450	452
Other income generating activities: Lettings	22	28
Other income	235	218
Releases from deferred capital grants (non-Funding Body)	1	13
Total	<u>708</u>	<u>711</u>

6. Investment Income

	2015	2014
	£000s	£000s
Bank interest receivable	<u>21</u>	<u>16</u>
Total	<u>21</u>	<u>16</u>

7a. Analysis of Staff Costs by payroll category

	2015	2014
	£000s	£000s
Wages and salaries	7,126	6,891
Social Security costs	528	507
Other pension costs (including FRS17 adjustment of £108,000 – 2014: £73,000)	<u>1,128</u>	<u>1,015</u>
Payroll Sub Total	8,782	8,413
Contracted out Staffing Services	<u>167</u>	<u>85</u>
Total	<u>8,949</u>	<u>8,498</u>

7b. Staff Costs

	2015	2014
	£000s	£000s
Teaching staff	5,491	5,182
Non-teaching staff	3,183	3,158
FRS17 retirement benefit charge	<u>108</u>	<u>73</u>
Payroll Sub Total	8,782	8,413
Contracted out Staffing Services	<u>167</u>	<u>85</u>
Total	<u>8,949</u>	<u>8,498</u>

7c. Numbers of staff by department

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

	2015	2014
	FTE No	FTE No
Teaching staff	120	116
Non-teaching staff	<u>85</u>	<u>85</u>
Total Number	<u>205</u>	<u>201</u>

7d. Number of Senior Postholders

The number of senior postholders, including the Accounting Officer and other staff who received emoluments, excluding Pension Contributions but including benefits in kind, in excess of £60,000 can be summarised as follows:

	Senior Postholders		Other Staff	
	2015	2014	2015	2014
			No	No
£60,001 to £70,000	0	0	0	0
£70,001 to £80,000	2	2	0	0
£90,001 to £100,000	<u>1</u>	<u>1</u>	<u>0</u>	<u>0</u>
Total Number	<u>3</u>	<u>3</u>	<u>0</u>	<u>0</u>

7e. Senior Postholders and other staff emoluments

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

	2015	2014
The number of senior postholders including the Principal was:	4	4

Senior postholders' emoluments are made up as follows:

	2015	2014
	£000s	£000s
Salaries	253	251
Pension contributions	<u>45</u>	<u>40</u>
Total emoluments	<u>298</u>	<u>291</u>

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

	2015 £000s	2014 £000s
Salaries	93	92
Pension contributions	13	13
Total emoluments	106	105

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 Local Government Pension Scheme and are paid at the same rate as for other employees.

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

8. Other operating expenses

	2015 £000s	2014 £000s
Teaching costs	704	839
Non-teaching costs	862	802
Premises costs	616	683
Catering (including Free Meals Expenditure)	324	273
Total	2506	2,597

Other operating expenses include:

	2015 £000s	2014 £000s
Auditors' remuneration:		
Internal audit	6	3
internal audit related Assurance Services	0	5
Financial Statements and Regularity Audit	16	16
Other Assurance Services provided by the		
Financial Statements Auditors	1	3
Hire of plant and machinery – operating leases	40	41

9. Interest and other finance costs

	2015 £000s	2014 £000s
On bank loans, overdrafts and other loans:		
Repayable within five years, not by instalments	0	0
Repayable within five years, by instalments	0	0
Repayable wholly or partly in more than five years	199	210
	<u>199</u>	<u>210</u>
Pension finance costs (FRS17 – see also note 28b)	9	40
	<u>9</u>	<u>40</u>
Total	<u>208</u>	<u>250</u>

10. Taxation

The members do not believe that the College is liable for any Corporation Tax arising out of its activities during the current and preceding year.

11. Tangible Fixed Assets

	Land and Buildings Freehold £000s	Assets Under Construction £000s	Equipment £000s	Motor Vehicles £000s	Total £000s
Cost or valuation					
At 1 August 2014	53,355	0	7,485	36	60,876
Transfers	0	0	0	0	0
Additions	6	360	196	0	562
Elimination in respect of disposals	0	0	(150)	(18)	(168)
	<u>53,361</u>	<u>360</u>	<u>7,531</u>	<u>18</u>	<u>61,270</u>
At 31 July 2015	53,361	360	7,531	18	61,270
Depreciation					
At 1 August 2014	3,979	0	4,174	36	8,189
Charge for the year	1,024	0	1,038	0	2,062
Elimination in respect of disposals	0	0	(150)	(18)	(168)
	<u>5,003</u>	<u>0</u>	<u>5,062</u>	<u>18</u>	<u>10,083</u>
At 31 July 2015	5,003	0	5,062	18	10,083
Net Book Value at 31 July 2015	<u>48,358</u>	<u>360</u>	<u>2,469</u>	<u>0</u>	<u>51,187</u>
Net Book Value at 31 July 2014	49,376	0	3,311	0	52,687

Land and buildings with a net book value of £48,358,000 have been partly financed by exchequer funds, through the receipt of capital grants. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum with the funding body, to surrender the proceeds.

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

11a. Investments

The College held no investments in any subsidiary or associate company during the year to 31 July 2015.

12. Stock

	2015 £000s	2014 £000s
Catering consumables	14	14
Stationery & IT consumables	25	24
Total	39	38

13. Debtors

	2015 £000s	2014 £000s
Amounts falling due within one year		
Trade debtors	16	17
Other debtors	13	13
EFA Capital Project Support debtor	0	42
Prepayments	192	173
Total	221	245

14. Cash at bank and in hand

	2015 £000s	2014 £000s
Cash on account with Lloyds TSB	3,198	3,162
Cash in hand	7	7
Total	3,205	3,169

15. Creditors: Amounts falling due within one year

	2015 £000s	2014 £000s
Bank loans and overdrafts	129	123
Payments received in advance	218	129
Trade creditors	390	501
Other creditors	26	33
Accruals	46	58
Taxation and social security	327	283
Retention on Building Work	0	6
Total	1,136	1,133

16. Creditors: Amounts falling due after one year

	2015 £000s	2014 £000s
Bank loans	3,592	3,721
Retention on Building Works	5	0
Total	<u>3,597</u>	<u>3,721</u>

17. Borrowings

	2015 £000s	2014 £000s
Bank loans are repayable as follows:		
In one year or less	129	123
Between one and two years	136	129
Between two and five years	458	591
In five years or more	2,998	3,001
Total	<u>3,721</u>	<u>3,844</u>

The College currently has one long term loan which was taken out on 2 January 2009 to fund the New College Project. It carries a fixed interest rate of 5.37% and is unsecured. Repayments commenced in July 2011 and finish in April 2033. The outstanding balance at 31 July 2015 was £3,721,018.

18. Provisions for liabilities and charges

In respect of enhanced pensions for past retirees.

	2015 £000s	2014 £000s
At 1 August	0	0
Expenditure in the period	0	0
At 31 July	<u>0</u>	<u>0</u>

Note 28 gives details of the two pension schemes used by College employees.

19. Deferred Capital Grants

	Funding body grants £000s	Other grants £000s	Total grants £000s
At 1 August 2014			
Land and buildings	41,325	0	41,325
Equipment	2,034	4	2,038
Sub Total	43,359	4	43,363
Movement during the year			
Cash received:			
Land and buildings	0	0	0
Equipment	0	0	0
	0	0	0
Sub Total			
Released to Income and Expenditure Account:			
Land and buildings	(897)	0	(897)
Equipment	(591)	(1)	(592)
Total	41,871	3	41,874
At 31 July 2015			
Land and buildings	40,428	0	40,428
Equipment	1,443	3	1,446
Total	41,871	3	41,874

20. General Reserves

	2015 £000s	2014 £000s
At 1 August	2,539	2,661
Surplus for the year	6	597
Transfer from Revaluation Reserve in respect of Depreciation on revalued assets	0	0
Actuarial (loss) in respect of the Local Government Pension Scheme (re: FRS 17 – see also Note 28b)	(537)	(719)
At 31 July	2,008	2,539

Balance represented:

	2015 £000s	2014 £000s
Pension Reserve (re: FRS 17 – see also Note 28b)	(3,837)	(3,183)
Income and Expenditure Account excluding Pension Reserve	<u>5,845</u>	<u>5,722</u>
At 31 July	<u>2,008</u>	<u>2,539</u>

21. Revaluation Reserve

	2015 £000s	2014 £000s
At 1 August	2,200	2,200
Transfer to General Reserve in respect of: Depreciation on revalued assets	<u>0</u>	<u>0</u>
At 31 July	<u>2,200</u>	<u>2,200</u>

22. Reconciliation of operating surplus to net cash inflow from operating activities

	Notes	2015 £000s	2014 £000s
Surplus on continuing operations after depreciation of assets, disposal of assets and tax for the year		6	597
Pension service cost less contributions (re. FRS 17)	28b	117	113
Past service costs		-	0
Depreciation	11	2,062	2,029
Loss on disposal of tangible fixed assets	11	-	4
Deferred Capital Grants released to Income	2, 5, 19	(1,489)	(1,491)
(Increase)/Decrease in Stocks	12	(1)	(11)
Decrease/(Increase) in Debtors	13	24	88
Increase/(Decrease) in Creditors	15	2	13
Decrease in provisions	18	-	-
Interest receivable	6	(21)	(16)
Interest payable	9	<u>199</u>	<u>210</u>
Net cash inflow from operating activities		<u>899</u>	<u>1,536</u>

23. Returns on investments and servicing of finance

	2015 £000s	2014 £000s
Bank interest received	21	16
Interest paid	<u>(199)</u>	<u>(210)</u>
Net cash outflow from returns on investment and servicing of finance	<u>(178)</u>	<u>(194)</u>

24. Capital expenditure and financial investment

	2015	2014
	£000s	£000s
Purchase of tangible fixed assets	(562)	(738)
Deferred Capital Grants received	-	142
Net cash outflow from capital expenditure	<u>(562)</u>	<u>(596)</u>

25. Financing

	2015	2014
	£000s	£000s
Bank loan at 1 August	(3,844)	(3,960)
Bank loan at 31 July	3,721	3,844
Net cash outflow from financing	<u>(123)</u>	<u>(116)</u>

26. Analysis of changes in net funds

	At 1 August 2014	Cash flows	Other changes	At 31 July 2015
	£000s	£000s	£000s	£000s
Cash in hand, and at bank	3,169	36	-	3,205
Debt due within 1 year	(123)	123	(129)	(129)
Debt due after 1 year	(3721)	-	129	(3592)
Total	<u>(675)</u>	<u>159</u>	<u>0</u>	<u>(516)</u>

27. Major non-cash transactions**Property strategy costs**

	2015	2014
	£000s	£000s
Accelerated depreciation charges	0	0
Release of capital grants related to the accelerated depreciation charges	0	0
Net charge for the year	<u>0</u>	<u>0</u>

28. Pension and similar obligations

Most of the College's employees belong to one of two principal pension schemes:

- The Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; or
- The Local Government Pension Scheme (LGPS) for non-teaching staff, which is administered by Bedfordshire Borough Council.

Both are defined-benefit schemes.

Total pension costs for the year

	2015	2014
	£000s	£000s
Teachers' Pension Scheme:		
Contributions paid	660	622
Local Government Pension Scheme:		
Contributions paid (inc lump sum £17,000 - 2015)	358	318
FRS 17 charge	108	73
Charge to the Income and Expenditure Account (staff costs)	466	391
Added years pension payments	2	2
Total pension cost for the year	<u>1,128</u>	<u>1,015</u>

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

Contributions amounting to £52,253 (TPS) and £27,742 (LGPS) (2014: £52,544 (TPS) and £27,742 (LGPS)) were outstanding at 31 July 2015 and are included in creditors.

28a. Pension and similar obligations – the Teachers' Pension Scheme

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

The Teachers' Pension Budgeting and Valuation Account

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

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

Valuation of the Teachers' Pension Scheme

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

- Employer contribution rates were set at 16.48% 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

From 1 April 2014 to 31 March 2015, the employee contribution rate ranged between 7.2% and 11.6%, depending on a member's Full Time Equivalent salary with Employer contributions set at 14.1%. Changes to the employee contribution rate were applied in 2015-16 within a range from 7.4% to 11.7% with Employer contributions set to increase to 16.48% from September 2015.

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 commence on 1 April 2015.

The pension costs paid to TPS in the year amounted to £660,226 (2014: £621,892).

FRS 17

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

Accordingly, the College has taken advantage of the exemption in FRS 17 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.

28b. Pension and similar obligations – the Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with assets held in separate trustee-administered funds. The total contributions made for the year ended 31 July 2015 was £455,000, of which employer's contributions totalled £341,000 and employees' contributions totalled £114,000.

The agreed contribution rates for future years are 19.8% for the employer and range from 5.5% to 10.5% for employees, depending on salary.

Principal Actuarial Assumptions

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

	31 July 2015	31 July 2014
Rate of increase in salaries	3.5%	3.5%
Rate of increase for pensions in payment / inflation	2.6%	2.7%
Discount rate for liabilities	3.6%	4.0%
Commutation of pensions to lump sums		
- for service pre-April 2008	50%	50%
- for service post-April 2008	75%	75%

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

	31 July 2015	31 July 2014
<i>Retiring today</i>		
Males	22.4yrs	22.4yrs
Females	24.3yrs	24.3yrs
<i>Retiring in 20 years</i>		
Males	24.4yrs	24.4yrs
Females	26.8yrs	26.8yrs

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

	31 July 2015		31 July 2014	
	Long-term return expected	Value £000s	Long-term return expected	Value £000s
Equities	3.6%	5,085	6.6%	4,728
Bonds	3.6%	1,271	3.7%	1,216
Property	3.6%	822	4.7%	608
Cash	3.6%	306	3.6%	210
Total market value of assets		7,484		6,762
Present value of scheme liabilities				
- Funded		(11,285)		(9,908)
- Unfunded		(36)		(37)
Related deferred tax liability		0		0
Deficit in the scheme		(3,837)		(3,183)

Analysis of the amount charged to Income and Expenditure Account :

	2015 £000s	2014 £000s
Employer service cost (net of employee contributions)	469	391
Past service cost	0	0
Total Operating Charge	469	391

Analysis of pension finance costs :

	2015 £000s	2014 £000s
Expected return on pension scheme assets	395	357
Interest on pension liabilities	404	(397)
Pension finance costs	(9)	(40)

Amount recognised in the Statement of Total Recognised Gains and Losses (STRGL)

	2015 £000s	2014 £000s
Actual less expected return on pension scheme assets	122	69
Experience gains and losses arising on the scheme liabilities	54	(409)
Change in financial and demographic assumptions underlying the scheme liabilities	(713)	(379)
Actuarial loss recognised in STRGL	(537)	(719)

Movement in deficit during year

	2015	2014
	£000s	£000s
Deficit in scheme at 1 August	(3,183)	(2,351)
Movement in year:		
Employer service cost (net of employee contributions)	(469)	(394)
Employer contributions	358	318
Past service costs for unfunded benefits	3	3
Net interest cost	(9)	(40)
Actuarial (loss)	(537)	(719)
Deficit in scheme at 31 July	<u>(3,837)</u>	<u>(3,183)</u>

Asset and Liability Reconciliation

	2015	2014
	£000s	£000s
Reconciliation of Liabilities		
Liabilities at start of period	9,945	8,535
Service cost	469	394
Interest cost	404	397
Employee contributions	117	107
Experience losses on scheme liabilities	-	0
Actuarial loss/(gain)	659	788
Benefits paid	(270)	(273)
Unfunded benefits paid	(3)	(3)
Past service cost	0	0
Curtailments and settlements	0	0
Liabilities at end of period	<u>11,321</u>	<u>9,945</u>

Deficit Contributions

In 2010, the College entered into an agreement with the LGPS to make a lump sum contribution in addition to normal funding levels. In 2014-15 this amounted to £17,000. The sum payable for 2015-16 is £67,000, and for the period up until 31 March 2017 it is also £67,000. At 31 March 2017, the position will be reviewed again.

	2015	2014
	£000s	£000s
Reconciliation of Assets		
Assets at start of period	6,762	6,184
Expected return on assets	395	357
Actuarial (loss)/gain	122	69
Employer contributions	358	318
Employee contributions	117	107
Contributions in respect of unfunded benefits	3	3
Benefits paid	(270)	(273)
Unfunded benefits paid	(3)	(3)
Assets at end of period	<u>7,484</u>	<u>6,762</u>

The estimated value of employer contributions for the year ending 31 July 2016 is £400,000.

History of experience gains and losses

	2015	2014	2013	2012	2011
	£000s	£000s	£000s	£000s	£000s
Difference between the expected and actual return on assets: Amount £'000	122	69	523	(151)	264
Experience (losses)/gains on scheme liabilities: Amount £'000	54	(409)	(1)	(60)	385
Total amount recognised in STRGL: Amount £'000	(537)	(719)	343	(955)	944

29. Post-balance sheet events

There are no post-balance sheet events.

30. Capital commitments

	2015 £000s	2014 £000s
Commitments contracted for at 31 July	<u>854</u>	<u>27</u>

31. Financial commitments

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

	2015 £000s	2014 £000s
Equipment expiring within one year	0	16
Equipment expiring within two and five years inclusive	38	10
Equipment expiring in over five years	<u>0</u>	<u>0</u>
	<u>38</u>	<u>26</u>

32. Contingent liability

The College is not aware of any contingent liabilities.

33. Learner support funds

	2015	2014
	£000s	£000s
Amount disbursed as agent:		
Opening balance as at 1 August	10	54
Funding Body Grant	431	421
Interest earned	0	0
	<u>441</u>	<u>475</u>
Disbursed to students	(377)	(445)
Administration costs	(20)	(20)
Sum repaid to the Funding Body	0	0
	<u>0</u>	<u>0</u>
Balance unspent as at 31 July, included in Creditors	<u>44</u>	<u>10</u>

Funding body grants are available solely for students.

The College only acts as a paying agent and so the grants and related disbursements are excluded from the Income and Expenditure Account.

34. 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.

No governor has received any remuneration or waived any payment from the College during the year (2014: none).

Transactions with the Funding Bodies are detailed in notes 2, 15 and 19.

M. Independent Reporting Accountant's Report on Regularity to the Corporation of Luton Sixth Form College and the Secretary of State for Education acting through the Education Funding Agency

112. In accordance with the terms of our engagement letter dated 19 November 2015 and further to the requirements of the funding agreement with the Education Funding Agency we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Luton Sixth Form 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.
113. 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 Education Funding Agency has other assurance arrangements in place.
114. This report is made solely to the corporation of Luton Sixth Form College and the Secretary of State for Education acting through the Education Funding Agency in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of Luton Sixth Form College and the Secretary of State for Education acting through the Education Funding Agency those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the corporation of Luton Sixth Form College and the Secretary of State for Education acting through the Education Funding Agency for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Luton Sixth Form College and the reporting accountant

115. The corporation of Luton Sixth Form College is responsible, under the funding agreement 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.
116. 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

117. 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
118. 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.

119. Our engagement includes examination, on a test basis, of evidence relevant to the regularity of the college's income and expenditure.
120. Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities including high level financial control areas where we identified areas where a material irregularity is likely to arise. We undertook detailed testing, based on our identification of the areas where a material irregularity is likely to arise where such areas are in respect of controls, policies and procedures that apply to classes of transactions. This work was integrated with our audit on the financial statements to the extent evidence from the conduct of that audit supports the regularity conclusion.

Conclusion

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

RSM UK Audit LLP

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

Chartered Accountants

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17/12/15

