Luton
SIXTH FORM
COLLEGE

Financial Statements for the Year Ended 31st July 2016

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Key Management Personnel, Board of Governors and Professional Advisers

Key Management Personnel

Chris Nicholls	Principal and CEO; Accounting Officer
Altaf Hussain	Vice Principal Students & Quality
Ann Rowswell	Vice Principal Finance & Resources
Tony Divey	Director of Curriculum
Marc Hulbert	Director of Teaching & Learning
Steve Kelby	Director of Information and Technical Services
Sayeda Meghjee	Director of Human Resources

Board of Governors

A full list of Governors is given on page 15 of these financial statements.
Mrs Kuljinder Smith acted as Clerk to the Governing Body throughout the period.

Professional advisers

Financial statements Auditors and regularity assurance:
RSM 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

A. Members' Report

NATURE, OBJECTIVES AND STRATEGIES

Introduction

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

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 14 and 15.

In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education, 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 89% in 2015-16. Retention has also remained excellent at 97.2% - 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, approximately 95% 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 its Strategic Plan and Vision for 2014-19 in July 2016. 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 Governing Body monitors the performance of the College against these plans.

The College Improvement Plan 2015-16 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:

Offer a reformed curriculum that is attractive to the young people of Luton and at which they will be successful and progress, within funding and other resource constraints.	*The impact of the reformed curriculum was well managed, resulting in improved success rates for main programmes.*
Increase the number and proportion of high grades at A2, for students with an incoming GCSE score of 6.7 -8.0	*High grades improved from 35.2% to 39.2% (target: 40%)*

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 (see paragraphs 26-28)
   - Student progress (see paragraph 29)
   - Learner destinations (see paragraph 20)

   The financial Indicators for Financial Health continued to be graded by the funding body. In a letter dated 11th November 2016, the EFA confirmed the College's Financial Health Grade for 2015-16 and 2016-17 as Outstanding.

   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 £195,000 (2014-15: (£137,000) as restated). This was an excellent result.

9. At 31 July 2016, the College had accumulated income and expenditure reserves of £5,678,000 (excluding the pension liability) and cash balances of £2,878,000. The College wishes to accumulate reserves and cash balances in order to create a contingency fund, in a time of uncertainty over funding.

Premises and Equipment

10. Tangible fixed asset additions during the year amounted to £1,207,000, including £684,000 on Land and Buildings, and £523,000 on Equipment.

11. In the Autumn Term 2014, following an increase in enrolments of 7%, leaders and governors agreed that additional teaching accommodation was urgently required. As no financial support was available from the EFA, a budget of £1.2 million was set aside from the College's own resources. The project was successfully completed in November 2015, on time and within budget.

12. The College places significant reliance on the funding body for its principal funding source, both for recurrent and capital support grants. In 2015-16 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 Governing Body and shall comply with the requirements of the Funding Agreement with the EFA.

Cash flow

15. Cash flow showed a net decrease of £326,000 (2014-15: inflow £36,000) and was better than forecast, reflecting the increased surplus achieved for the year, set against exceptional capital expenditure of £1.2million, including £684k on the build costs of the new 5-classroom extension.

Liquidity

16. During the year, the College held an unsecured long-term loan of £3.592 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.

Reserves Policy

18. The College has no formal Reserves Policy, but recognises the importance of maintaining strong reserves to achieve financial stability, whilst ensuring that adequate resources are provided for the College's core business. The College currently holds a small restricted reserve of £32k, representing donations to a fund to purchase a new grand piano. As at the balance sheet date, the Income and Expenditure account reserve, including the Restricted Reserve of £32,000, stands at £5,678,000 (2015: £5,269,000). It is the Governing Body's intention to maintain or increase reserves over the life of the Strategic Plan by the generation of small annual operating surpluses.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Overall Performance

19. 2015-16 has been another successful year. The self-assessment report (SAR) 2015-16 concluded that the overall effectiveness of the College was Good. In the 2016 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

20. In 2015-16, 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. Overall 95% of students progressed to *positive* destinations, including higher and further education and employment.

21. 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.

22. 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.

23. 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.

24. Risk management processes have continued to operate effectively and have been commended 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 2015-16, but many remain as continuing risks for 2016-17.

Student Numbers

25. In 2015-16 the College had 2,737 full-time students, and was funded for 2,741. This generated funding of £12,394,000 in EFA main allocation funding (2014-15: £11,184,000).

Student Achievements

26. College success rates were good, both in absolute terms and, in the context of this College. Retention was significantly above the sixth form college benchmark. The overall success rate for 2016 at Level 3 rose to 89% (2014-15: 86.9%).

27. During 2015-16, success rates at AS rose from 80.2% to 83%, compared to a sixth form college benchmark of 81.6%. At A2, the College success rate of 96.3% was also above the sixth form college benchmark of 95.8%. The success rate for BTEC level 3 Diploma remained very high at 97.6%, against a sixth form college benchmark of 92%.

28. The level 2 BTEC programme success rate rose from 97.8% to 92.8%, well above the sixth form college benchmark of 71.9%. The success rate for GCSE English rose from 56.8% to 61.9%, whilst that for GCSE maths remained stable at 32.9% (2015: 36.5%).

29. 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 A level was grade 6 (satisfactory) with the BTEC Level 3 provision at grade 5 (satisfactory to good).

Curriculum Developments

30. In addition to the annual review of the curriculum we are moving through a period of external curriculum reform where the number and nature of qualifications is being changed for all providers. Our aim is always to respond positively to these changes, and our own internal needs, so as to provide our students with choice, flexibility and an enhanced prospect of success. As such the College continues to provide a broad range of academic and general vocational qualifications at levels 2 and 3. As a result of both external change and considerations of value for money the number of GCE A/AS subjects has fallen from 39 in 2015-16 to 37 in 2016-17, and is expected to fall further. Similarly 22 L3 BTEC qualifications in 2015-16 has become 21 in 2016-17. We continue to offer four main BTEC L2 programmes and GCSEs in English Language, Mathematics and a Science.

Payment Performance

31. The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2015 to 31 July 2016, the College paid 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

32. The College is funded on the basis of lagged student numbers, and hence income for 2016-17 has been confirmed at £12,361,000.

33. 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

34. There were no significant post balance sheet events.

RESOURCES

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

Financial

36. The College has £3,092,000 of net assets (including £4,818,000 pension liability and long-term debt of £3,456,000).

People

37. The College employs 208 people (expressed as full-time equivalents) of whom 124 are teaching staff.

Reputation

38. 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

39. 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.

40. The Senior Leadership Team (SLT) 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.

41. 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 Governing Body. The College Improvement Plan is also taken to the Review & Standards Committee.

42. 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.

Risk	*Existing Control*
Student success at AS and A2 level does not reach target	• 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 • Resources available to support students with mental health issues • Intervention fund available to support subjects most in need of improvement • Demanding Key Performance Indicators set and regularly monitored • Parents' consultation event targeted towards At Risk students • More robust enrolment processes ensure appropriate entry requirements are met for A level courses
Failure to maintain cost effectiveness	• 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 for 2016 of c2741 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

Government Funding

43. The College has considerable reliance on continued government funding through the Education Funding Agency. In 2015-16 94% of the College's revenue was received from the funding body and this level of requirement is expected to continue.

Funding of Pension Liabilities

44. The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS 102.

STAKEHOLDER RELATIONSHIPS

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

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

46. 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

47. Promotion of equality and diversity features prominently in college life. A much higher percentage of students from a minority ethnic background 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 Single Equality Scheme 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

48. 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 of non-disabled employees.

Site Accessibility

49. The College building has been designed to maximise disabled access. This has increased utilisation of College facilities, ensuring compliance with the Equality Act 2010 and enabling disabled persons to fully participate in College life.

Disability statement

50. 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

51. As Ofsted commented in their 2008 report, "The views of students are taken extremely seriously by the college, and acted upon". This continues to be the case. 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 Governing Body.

52. 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

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

Approved by order of the members of the Governing Body on 16th December 2016 and signed on its behalf by:

........C. Newbery..................

Cherry Newbery
Chair

B. Statement of Corporate Governance and Internal Control

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

55. 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);
    - in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the Code"); and
    - having due regard to the UK Corporate Governance Code 2014 insofar as it is applicable to the further education sector.

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

57. In the opinion of Governors, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31st July 2016. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted on 10th July 2015.

58. 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 Governing Body

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

60. The Governing Body 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.

61. The Governing Body conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Governing Body. 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 Governing Body, are available through the College website (www.lutonsfc.ac.uk) and from the Clerk to the Governing Body at:

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

Appointments to the Governing Body

62. Any new appointments to the Governing Body are a matter for the consideration of the Governing Body as a whole. Members of the Governing Body are appointed for a term of office not exceeding 4 years.

63. The Governing Body is responsible for ensuring that appropriate training is provided as required. Its various Committees are:

Search & Governance Committee

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

Finance & General Purposes Committee

65. This Committee has a membership of five governors and two senior post holders. It met four times in 2015-16. The Committee considers the appropriateness of the College's budgets and financial plans and makes recommendations to the Governing Body. 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 Governing Body.

Review & Standards Committee

66. With a membership of twelve governors and two senior post holders, this Committee assesses the quality of the College's provision and performance against agreed targets. It met four times in 2015-16.

Remuneration Committee

67. Throughout the year ended 31st July 2016, the College's Remuneration Committee comprised four members of the Governing Body. The Committee's responsibilities are to make recommendations to the Governing Body on the remuneration and benefits of the Accounting Officer and other senior post holders.

68. Details of remuneration for the year ended 31 July 2016 are set out in note 8 to the Financial Statements.

Audit Committee

69. The Audit Committee comprises four members of the Governing Body (excluding the Accounting Officer and Chair) and one co-optee with relevant experience. The Committee operates in accordance with written terms of reference approved by the Governing Body. 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.

70. 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.

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

72. The Audit Committee also advises the Governing Body 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 Governing Body.

Governing Body Members

73. 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)	100%
Ms J Als-Mcclean	Student	November 2015, Retired October 2015	1 yr	Review	87%
Mr A Azam	Associate; Independent	April 2013 April 2015	2 yrs 4 yrs	F&GP	100%
Mrs J Chapman	Parent	October 2014	3 yrs	Review	100%
Mr C Dean	Independent	September 2012, Retired July 2016	4 yrs	Review (Chair)	67%
Mr D Fudge	Associate Independent	January 2012 – January 2014 January 2014, Retired July 2016	2 yrs 4 yrs	F&GP F&GP	60%
Ms S Gara	Student	November 2014, Retired October 2015	1 yr	Review	100%
Mr T Gawtrey	Support Staff	June 2015	3 yrs	F&GP; Search	100%
Ms P Griffin	Associate Independent	June 2012 January 2013	6 mths 4 yrs	Review	56%
Mr K Hopkins MP (Vice Chair)	Independent	At incorporation Reappointed Apr 97, Apr 00, May 03, May 06, May 09, May 12, May 16	4 yrs, 3 yrs, 3 yrs, 3 yrs, 3 yrs, 3yrs, 4 yrs, 4 yrs	Remuneration, Review, Search	92%
Cllr R Hopkins	Associate Independent	April 2014 April 2016	2 yrs 4 yrs	Audit Audit	87%
Ms S Hussain	Student	November 2015, Retired October 2016	1 yr	Review	75%
Mr J Kingham	Associate	September 2016	2 yrs	F&GP	89%
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, Retired October 2015	1 yr	Review	0%
Mr S Miah	Associate; Independent	April 2013 April 2015	2 yrs 4 yrs	Review	78%

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)	100%
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	89%
Ms D Pointer	Teaching Staff	April 2013, April 2016	3 yrs, 3 yrs	Review	100%
Mr G Ryan	Independent	July 2004 Reappointed July 08, Aug 10, Aug 12, Aug 14, Retired July 2016	4 yrs, 2 yrs, 2 yrs, 2 yrs, 2 yrs	Review, Search, Remuneration (Chair until Sept 2012)	92%
Ms T Shah	Associate	September 2016	2 yrs	Review	78%
Mr S Pryor	Co-opted	September 2016	4 yrs	Audit	100%

74. The Clerk to the Governing Body maintains a register of financial and personal interests of the governors. The register is available for inspection at the College.

75. 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 Governing Body, who is responsible to the Governing Body for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Governing Body as a whole.

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

77. The Governing Body has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Governing Body 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.

78. There is a clear division of responsibility in that the roles of the Chair and Accounting Officer are separate.

Governing Body Performance

79. Governors held senior leaders to account for all aspects of the College's performance, ensuring that the skilful and effective deployment of staff and resources delivered good or improving outcomes for students. Attendance by Governors at meetings was 88%, which is well above the national average and higher than in 2014-15. The quality of Governance was very high and improved due to effective leadership by the Chair and effective clerking. There was a clear and strong focus on improving student outcomes through regular monitoring of key performance indicators against agreed targets. Governors received regular reports about the progress towards the challenging targets included in the College Improvement Plan. Senior and middle leaders presented updates on progress to governors' meetings at regular intervals. Individual governors asked challenging and perceptive questions to ascertain that good decisions were made about the use of resources to bring about improvement, as evidenced in the minutes of governors' meetings, published on the College website. The Governing Body's performance for 2015-16 was reviewed at the November meeting of the Search & Governance Committee as part of the annual self-assessment review, taking into consideration the governance self-assessment questionnaires. It was agreed that governance was robust and was appropriately structured to support delivery of the strategic plan and continued improvements at the College.

Internal Control

Scope of Responsibility

80. The Governing Body 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.

81. The Governing Body 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.

82. The Accounting Officer is also responsible for reporting to the Governing Body any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

83. 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 provide only 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.

84. This system of internal control has been in place in the College since the beginning of the financial year 2015-16 and continues to be in place at the date of approval of the annual report and accounts.

Capacity to handle risk

85. The Governing Body 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 Governing Body 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 31st July 2016 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Governing Body.

The risk and control framework

86. 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.

87. The College did not appoint an internal audit service for the year ended 31st July 2016. For that year, the College Leaders and Governors assessed the internal controls and reviewed and updated the Board Assurance Framework, which clearly showed the mapping of assurance sources against the risk identified.

88. 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 2015-16, included Bank and Cash; Procurement and Suppliers.
- Regular updates on the College Improvement Plan.
- Termly reviews of the Risk Register.
- An annual review of the Board Assurance Framework.

89. The analysis of risks and the internal audit plans are endorsed by the Governing Body on the recommendation of the Audit Committee.

90. 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 Governing Body.

Review of effectiveness

91. 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 Auditors and the reporting accountant for regularity assurance in their management letters and other reports.

92. 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.

93. 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, before it is taken to Governing Body for approval.

94. 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.

95. 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.

96. The Governing Body'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 2016 meeting, the Governing Body carried out the annual assessment of the risk management process for the year ended 31st July 2016 by considering documentation from the SLT and internal audit, and taking account of events since 31st July 2016. In 2015-16, internal audit was carried out by MacIntyre Hudson, and included key financial controls in relation to bank and cash, and suppliers and procurement.

97. Based on the advice of the Audit Committee and the Accounting Officer, the Governing Body 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

98. After making appropriate enquiries, the Governing Body considers that the College has adequate resources to continue in operational existence for the foreseeable future. This is based on the 2-year Financial Plan 2016-17 to 2017-18 which was considered by the Governing Body on 11th July 2016, together with details assumptions and a full sensitivity analysis, as updated by a 3-year cash flow forecast to 31st July 2019 and management accounts to 31st October 2016, which were circulated to all governors in November 2016. The Funding Body confirmed in its letter to the Chair of the Governing Body dated 11th November 2016 that it assessed the College's Financial Health Grading as *Outstanding*. For this reason, the Corporation continued to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Governing Body on 16th December 2016 and signed on its behalf by:

....	....
Cherry Newbery, Chair	**Chris Nicholls, Accounting Officer**

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

99. The Governing Body 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.

100. We confirm, on behalf of the Governing Body, 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.

101. 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 Governing Body on 16th December 2016 and signed on its behalf by:

C Newbery .... **Cherry Newbery, Chair**

.... **Chris Nicholls, Accounting Officer**

D. Statement of Responsibilities of the Members of the Governing Body

102. The members of the Governing Body are required to present audited Financial Statements for each financial year.

103. Within the terms and conditions of the Funding Agreement between the EFA and the Governing Body of the College, the Governing Body, through its Accounting Officer, is required to prepare Financial Statements for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions with the Accounts Direction 2015-16 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.

104. In preparing the Financial Statements, the Governing Body 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.

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

106. The Governing Body 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.

107. The maintenance and integrity of the College website is the responsibility of the Governing Body 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.

108. Members of the Governing Body 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 Governing Body 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 Governing Body 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 Governing Body on 16th December 2016 and signed on its behalf by:

C. Newbery

Cherry Newbery, Chair

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

109. We have audited the College financial statements ("the financial statements") set out on pages 25 to 48. 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 19th November 2015.

110. This report is made solely to the Governing Body, as a body, in accordance with the Funding Agreement published by the Education Funding Agency and our engagement letter dated 19th November 2015. Our audit work has been undertaken so that we might state to the Governing Body, as a body, those matters we are required under our engagement letter dated 19th 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 Governing Body, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Governing Body of Luton Sixth Form College and Auditor

111. As explained more fully in the Statement of the Governing Body's Responsibilities set out on page 22, the Governing Body is responsible for the preparation of financial statements which give a true and fair view.

112. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with the terms of our engagement letter dated 19th 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

113. 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

114. In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31st July 2016 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

115. We have nothing to report in respect of the following matters where the revised Joint Audit Code of Practice issued jointly by the Skills Funding Agency and the Education Funding Agency requires us to report to you if, in our opinion:

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

RSM UK Audit LLP

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

Date: 19 December 2016

F. Statement of Comprehensive Income

	Notes	2016	2015 restated
		£000s	£000s
INCOME			
Funding body grants	2	13,646	12,821
Tuition fees and education contracts	3	8	3
Other grants and contracts	4	159	177
Other income	5	843	707
Investment income	6	20	21
Donations	7	37	2
Total Income		**14,713**	**13,731**
EXPENDITURE			
Staff costs	8	9,664	8,971
Other operating expenses	8	2,746	2,506
Depreciation	12	1,774	2,062
Interest and other finance costs	9	334	329
Total Expenditure		**14,518**	**13,868**
Surplus/(Deficit) before other gains and losses		195	(137)
Loss on Disposal of Assets	12	0	0
Surplus/(Deficit) before tax		195	(137)
Taxation	11	0	0
Surplus/(Deficit) for the year		195	(137)
Unrealised surplus on revaluation of assets		0	0
Actuarial loss in respect of pension schemes		(735)	(416)
Total Comprehensive Income for the year		(540)	(553)
Represented by			
Restricted comprehensive income		32	0
Unrestricted comprehensive income		(572)	(553)
		(540)	(553)

G. Balance Sheet as at 31 July 2016

	Notes	2016 £000s	2015 Restated £000s
Non current Assets			
Tangible Fixed assets	12	50,620	51,187
		50,620	51,187
Current Assets			
Stocks	13	29	39
Trade and other receivables	14	264	221
Investments	15	750	750
Cash and cash equivalents	20	2,128	2,455
Total current assets		3,171	3,465
Less: Creditors – amounts falling due within one year	16	(2,901)	(2,902)
Net Current Assets		**270**	**563**
Total assets less current liabilities		50,890	51,750
Creditors – amounts falling due after more than one year	17	(42,980)	(44,281)
Provisions			
Defined benefit obligations	19	(4,818)	(3,837)
Other provisions	19	0	0
Total Net Assets		**3,092**	**3,632**
Restricted Reserves (see Section H)		32	0
Unrestricted Reserves			
Income and expenditure account		860	1,432
Revaluation reserve		2,200	2,200
Total Unrestricted reserves		**3,060**	**3,632**
Total Reserves		**3,092**	**3,632**

The Financial Statements on pages 25-48 were approved by the Governing Body and authorised for issue on 16th December 2016 and were signed on its behalf on that date by:

C. Newbery ....

Cherry Newbery
Chair

....

Chris Nicholls
Accounting Officer

H. College Statement of Changes in Reserves

	General Reserves	Pension Reserves	Income & Expenditure Account	Restricted Reserve *	Revaluation Reserve	Total
Restated Balance at 1st August 2014	5,168	(3,183)	1,985	0	2,200	4,185
Surplus/(Deficit) from the income and expenditure account	101	(238)	(137)	0	0	(137)
Other comprehensive income	0	(416)	(416)	0	0	(416)
Transfers between revaluation and income and expenditure reserves	0	0	0	0	0	0
	101	(654)	(553)	0	0	(553)
Balance at 31st July 2015	5.269	(3,837)	1,432	0	2,200	3,632
Surplus/(Deficit) from the income and expenditure account	409	(246)	163	32	0	195
Other comprehensive income	0	(735)	(735)	0	0	(735)
Transfers between revaluation and income and expenditure reserves	0	0	0	0	0	0
Total comprehensive income for the year	409	(981)	(572)	32	0	(540)
Balance at 31st July 2016	5,678	(4,818)	860	32	2,200	3,092

** Represents donations towards the purchase of a grand piano, to be bought in 2017*

I. Statement of Cash flows

	Notes	2016 £000s	2015 £000s
Cash flow from operating activities			
Surplus/(Deficit) for the year		195	(137)
Adjustment for non-cash items			
Depreciation		1,774	2,062
(Increase)/Decrease in stocks		10	(1)
(Increase)/Decrease in debtors		(43)	24
Increase/(Decrease) in creditors due within one year		(8)	24
Increase/(Decrease) in creditors due after one year		(1,165)	(1,489)
Pensions costs less contribution payable		105	108
Adjustment for investing or financing activities			
Investment income		(20)	(21)
Interest payable		334	329
Net cash flow from operating activities		**1,182**	**899**
Cash flows from investing activities			
Investment income		20	21
Payments made to acquire fixed assets		(1,207)	(562)
		(1,187)	**(541)**
Cash flows from financing activities			
Interest paid		(193)	(199)
Repayments of amounts borrowed		(129)	(123)
		(322)	**(322)**
(Decrease)/Increase in cash and cash equivalents in the year		**(327)**	**36**
Cash and cash equivalents at beginning of the year	20	2,455	2,389
Cash and cash equivalents at the end of the year	20	2,128	2,425

J. Notes to the Accounts

1. Accounting Policies

Statement of Accounting Policies and estimation techniques
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 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2015 to 2016* and in accordance with Financial Reporting Standard 102 – *The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland* (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

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

An explanation of how the transition to the 2015 FE HE SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the College is provided in note 30.

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

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

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

Basis of accounting
The Financial Statements are prepared in accordance with the historical cost convention as modified by the use of previous valuations as deemed cost at transition for certain non-current assets.

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

The College currently has £3.592m of loans outstanding with bankers on terms negotiated in 2008. The terms of the existing agreement are for another 17 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.

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

Recognition of income

Grants – government and non-government
Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not formally subject to reconciliation and is therefore not subject to contract adjustments.

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

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

Other 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 the supply of services rendered is included at fair value to the extent of the completion of the contract or service concerned.

All income from short-term deposits is accrued in the period in which it is earned on a receivable basis.

Retirement benefits
Post-employment benefits to employees of the College are principally provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS), which are multi-employer defined benefit plans.

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of valuations using a projected unit method. The TPS is a multi-employer scheme but sufficient information is not available to use defined benefit accounting and therefore it is accounted for as a defined contribution scheme, with the amount charged to the statement of comprehensive income being the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

The LGPS is a funded scheme, and the assets of the scheme are held separately. Pension schemes are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability/asset is charged to comprehensive income and included within finance costs. Re-measurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on net defined benefit liability) are recognised immediately in other comprehensive income.

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

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

Non-current Assets - Tangible Fixed Assets
Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

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 20-50 years unless specific conditions dictate a shorter life. In 2015-16, the College added a new conservatory to the Westside Restaurant, which has been depreciated in line with its estimated useful life of 20 years. In November 2016, the SE Extension, with five new classrooms and a Sports Reception Office was completed. This extension will be depreciated over 44.5 years, in line with the residual life of the main College building.

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 in the year in question. They are not depreciated until they are brought into use.

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings (the land having been revalued on incorporation at deemed cost) and not to adopt a policy of revaluations of these properties in the future.

Equipment

Acquired Assets
Non IT equipment costing less than £1,000 per individual item, and IT equipment costing less than £500 per individual item, is recognised as an expense 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 accounted for as noted under "Recognition of Income" above. Where income is deferred, it is allocated between creditors due within one year and those due after more than one year.

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

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

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives relating to leases signed after 1st August 2014 are spread over the minimum lease term.

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

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.

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

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

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

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

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

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

Provisions and contingent liabilities
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.

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

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

Agency Arrangements
The College acts as an agent in the collection and payment of 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 28.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

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

Other key sources of estimation uncertainty

- *Tangible Fixed Assets*
  Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- *Local Government Pension Scheme*
  The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumption. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 23, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31st March 2013 has been used by the actuary in valuing the pensions liability at 31st July 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2. Funding Body Grants

	2016 £000s	2015 £000s
Recurrent Grants		
Education Funding Agency	12,394	11,184
Releases of Government capital grants	1,191	1,489
Devolved Capital Funding Grant	61	62
Free Meals Funding – Catering Income (2016: See Note 28)	0	86
Total	**13,646**	**12,821**

3. Tuition fees and education contracts

	2016 £000s	2015 £000s
Tuition fees	8	3
Education contracts	0	0
Total	**8**	**3**

4. Other Grants and Contracts

	2016 £000s	2015 £000s
Other grants and contracts	159	177
Total	**159**	**177**

5. Other Income

	2016 £000s	2015 £000s
Catering (2015 excluding free meals income)	554	450
Other income generating activities: Lettings	18	22
Other income	271	235
Total	**843**	**707**

6. Investment Income

	2016 £000s	2015 £000s
Bank interest receivable	20	21
Total	**20**	**21**

7. Donations

	2016 £000s	2015 £000s
Unrestricted	5	2
Restricted	32	0
Total	**37**	**2**

8a. Analysis of Staff Costs by payroll category

	2016 £000s	2015 £000s
Wages and salaries	7,536	7,148
Social Security costs	609	528
Other pension costs (including FRS102 adjustment of £105,000 – 2015: £108,000)	1,330	1,128
Payroll Sub Total	**9,475**	**8,804**
Contracted out Staffing Services	189	167
Total	**9,664**	**8,971**

8b. Staff Costs

	2016 £000s	2015 £000s
Teaching staff	5,965	5,521
Non-teaching staff	3,405	3,175
FRS 102 retirement benefit charge	105	108
Payroll Sub Total	**9,475**	**8,804**
Contracted out Staffing Services	189	167
Total	**9,664**	**8,971**

8c. Numbers of staff by department

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

	2016 FTE No	2015 FTE No
Teaching staff	124	120
Non-teaching staff	84	85
Total Number	**208**	**205**

8d. Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Senior Leadership Team, comprising the Principal, Vice Principal Finance & Resources, Vice Principal Students & Quality, Director of Curriculum, Director of Teaching & Learning, Director of Information & Technical Services and Director of Human Resources.

The number of key management personnel, including the Accounting Officer and other staff who received emoluments, excluding Pension Contributions but including benefits in kind, in the following ranges was:

	Key Management Personnel		Other Staff	
	2016 No	2015 No	2016 No	2015 No
£50,001 to £60,000	4	4	0	0
£60,001 to £70,000	0	0	0	0
£70,001 to £80,000	2	2	0	0
£80,001 to £90,000	0	0	0	0
£90,001 to £100,000	0	1	0	0
£100,001 to £110,000	0	0	0	0
£110,001 to 120,000	1	0	0	0
Total Number	7	7	0	0

Key management personnel emoluments are made up as follows:

	2016 £000s	2015 £000s Restated
Salaries	512	482
Benefits in kind	0	0
Employer's National Insurance	56	49
Pension costs	91	77
Total emoluments	**659**	**608**

There were no amounts due to key management personnel that were waived in the year. Salary sacrifice arrangements were in place for 1 member of staff.

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

	2016 £000s	2015 £000s
Salary	112	93
Benefits in kind	0	0
Employer's National Insurance	14	11
Pension contributions	18	13
Total emoluments	**144**	**117**

There was no compensation for loss of office paid to any key management personnel.

The pension contributions in respect of the Accounting Officer and key management personnel 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.

No member of the Governing Body other than the Accounting Officer and the staff member received any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

9. Other operating expenses

	2016	2015 restated
	£000s	£000s
Teaching costs	673	687
Non-teaching costs	1,002	879
Premises costs	728	616
Catering (including Free Meals Expenditure)	343	324
Total	**2,746**	**2,506**

Other operating expenses include:

	2016	2015
	£000s	£000s
Auditors' remuneration:		
Internal audit	3	6
Internal audit related Assurance Services	0	0
Financial Statements Audit and Regularity Assurance	14	16
Other Services provided by the Financial Statements Auditors	1	1
Hire of plant and machinery – operating leases	38	40

10. Interest and other finance costs

	2016	2015
	£000s	£000s
On bank loans, overdrafts and other loans:	193	199
	193	199
Pension finance costs (FRS 102 – see also note 23)	141	130
Total	**334**	**329**

11. 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.

12. Tangible Fixed Assets

	Land and Buildings Freehold	Assets Under Construction	Equipment	Motor Vehicles	Total
	£000s	£000s	£000s	£000s	£000s
Cost or valuation					
At 1 August 2015	53,361	360	7,531	18	61,270
Transfers	360	(360)	0	0	0
Additions	684	0	523	0	1,207
Disposals	0	0	(153)	0	(153)
At 31 July 2016	54,405	0	7,901	18	62,324
Depreciation					
At 1 August 2015	5,003	0	5,062	18	10,083
Charge for the year	1,038	0	736	0	1,774
Elimination in respect of disposals	0	0	(153)	0	(153)
At 31 July 2016	6,041	0	5,645	18	11,704
Net Book Value at 31 July 2016	**48,364**	**0**	**2,256**	**0**	**50,620**
Net Book Value at 31 July 2015	**48,358**	**360**	**2,469**	**0**	**51,187**

Land and Buildings includes land valued at £2.2 million inherited from the Local Education Authority on incorporation in 1992. Buildings are shown at cost less depreciation.

Land and buildings with a net book value of £48,364,000 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 Funding Agreement with the funding body, to surrender part of the proceeds.

13. Stock

	2016	2015
	£000s	£000s
Catering consumables	14	14
Stationery & IT consumables	15	25
Total	**29**	**39**

14. Debtors

	2016	2015
	£000s	£000s
Amounts falling due within one year		
Trade receivables	0	16
Prepayments and accrued income	264	205
Total	**264**	**221**

15. Current investments

	2016 £000s	2015 £000s
Short term deposits	750	750
Total	**750**	**750**

Deposits are held with banks and building societies operating in the London market and licensed by the Financial Conduct Authority with more than three months maturity at the balance sheet date. The interest rates for these deposits are fixed for the duration of the deposit at time of placement.

16. Creditors: Amounts falling due within one year

	2016 £000s	2015 £000s
Bank loans and overdrafts	136	129
Trade payables	266	390
Employee leave accruals	610	576
Accruals and deferred income	110	117
Taxation and social security	410	327
Retention on Building Work	27	0
Deferred income – government capital grants	1,159	1,190
Deferred income – government revenue grants	183	173
Total	**2,901**	**2,902**

17. Creditors: Amounts falling due after one year

	2016 £000s	2015 £000s
Bank loans	3,456	3,592
Retention on Building Works	0	5
Deferred income – government capital grants	39,524	40,684
Total	**42,980**	**44,281**

18. Maturity of debt

	2016 £000s	2015 £000s
Bank loans and overdrafts		
Bank loans are repayable as follows:		
In one year or less	136	129
Between one and two years	145	136
Between two and five years	483	458
In five years or more	2,828	2,998
Total	**3,592**	**3,721**

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 2016 was £3,591,606. The College's financial instruments have been reviewed and the College is satisfied that all should be classified as "basic" within the terms of FRS 102.

19. Provision for liabilities

The only provision is for defined benefit obligations relating to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Note 23.

	2016 £000s	2015 £000s
At 1 August 2015	3,837	3,190
Expenditure in the period	(240)	(273)
Additions in the period	1,221	920
At 31 July 2016	**4,818**	**3,837**

20. Cash and cash equivalents

	At 1 August 2015 £000s	Cash flows £000s	Other changes £000s	At 31 July 2016 £000s
Cash and cash equivalents	2,455	(327)	0	2,128
Overdrafts	0	0	0	0
Total	**2,455**	**(327)**	**0**	**2,128**

21. Retirement Benefits

The College's employees belong to two principal post-employment benefit plans:

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

Both are multi-employer defined-benefit plans.

Total pension costs for the year

		2016		2015
		£000s		**£000s**
Teachers' Pension Scheme:				
Contributions paid		806		660
Local Government Pension Scheme:				
Contributions paid (inc lump sum £64,000 (2015: £17,000))	416		358	
FRS 102 charge	105		108	
Charge to the Statement of Comprehensive Income		521		466
Enhanced pension charge to Statement of Comprehensive Income		3		2
Total pension cost for the year within staff costs		**1,330**		**1,128**

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

Contributions amounting to £69,125 (TPS) and £38,352 (LGPS) (2015: £52,253 (TPS) and £27,742 (LGPS)) were outstanding at 31 July 2016 and are included in creditors.

22. Teachers' Pension Scheme

The Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. 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.

Valuation of the Teachers' Pension Scheme

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

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

- Total scheme liabilities for service (pensions currently payable and the estimated cost of future benefits) of £191.5 billion
- Value of notional assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) of £176.6 billion
- Notional past service deficit of £14.9 billion
- Assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings
- Rate of real earnings growth is assumed to be 2.75%
- Assumed nominal rate of return is 5.06%.

The new employer contribution rate was 14.1% until 1st September 2015, when it increased to 16.48% (including a 0.08% administration fee), with an employer cost cap of 10.9% of pensionable pay. The employer contribution rate will be payable until the next valuation as at March 2016, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1st April 2019. The pension costs paid to TPS in the year amounted to £805,436 (2015: £660,226).

The TPS is a multi-employer pension plan and there is insufficient information to account for the scheme as a defined benefit plan so it is accounted for as a defined contribution plan.

23. Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with assets held in separate trustee-administered funds, administered by Bedford Borough Council. The total contributions made for the year ended 31st July 2016 were £537,000, of which employer's contributions totalled £419,000 and employees' contributions totalled £118,000

The currently agreed contribution rates are 19.8% for the employer and range from 5.5% to 10.5% for employees, depending on salary. These rates are likely to change, following the triennial valuation at 31st March 2016.

Principal Actuarial Assumptions

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

	31 July 2016	31 July 2015
Rate of increase in salaries	2.9%	3.5%
Future pensions increases	1.9%	2.6%
Discount rate for liabilities	2.4%	3.6%
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 2016	31 July 2015
Retiring today		
Males	22.4yrs	22.4yrs
Females	24.3yrs	24.3yrs
Retiring in 20 years		
Males	24.4yrs	24.4yrs
Females	26.8yrs	26.8yrs

The College's share of assets in the plan at the balance sheet date and the expected rates of return were:

	31 July 2016 Long-term return expected	Fair Value £000s	31 July 2015 Long-term return expected	Fair Value £000s
Equity instruments	2.4%	6,683	3.6%	5,085
Debt instruments	2.4%	771	3.6%	1,271
Property	2.4%	857	3.6%	822
Cash	2.4%	263	3.6%	306
Total fair value of plan assets		**8,574**		**7,484**
Weighted average expected long term rate of return	2.4%		3.6%	
Actual return on plan assets		519		243

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

	2016 £000s	2015 £000s
Fair value of plan assets	8,574	7,484
Present value of plan liabilities	(13,392)	(11,321)
Net pensions (liability) (Note 19)	**(4,818)**	**(3,837)**

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

	2016 £000s	2015 £000s
Amounts included in staff costs		
Current service cost	524	469
Past service cost	0	0
Total	**524**	**469**
Amounts included in Interest and Other Finance Costs		
Net interest cost	141	130
	141	**130**
Amounts included in Other Comprehensive Income		
Return on pension plan assets	519	243
Experience losses arising on defined benefit obligations	96	54
Changes in assumptions underlying the present value of plan liabilities	(1,350)	(713)
Amount recognised in Other Comprehensive Income	**(735)**	**(416)**

Movement in net deficit benefit (liability) during year

	2016 £000s	2015 £000s
Net defined benefit (liability) in scheme at 1 August	(3,837)	(3,183)
Movement in year:		
Current service cost	(524)	(469)
Employer contributions	419	358
Past service costs	0	3
Interest cost	(141)	(130)
Actuarial (loss)	(735)	(416)
Net deficit benefit liability at 31 July	**(4,818)**	**(3,837)**

Asset and Liability Reconciliation

	2016 £000s	2015 £000s
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	11,321	9,945
Current service cost	524	469
Interest cost	415	404
Contributions by Scheme participants	118	117
Experience gains and losses on defined benefit obligations	(96)	(54)
Changes in financial assumptions	1,350	713
Estimated benefits paid	(240)	(273)
Past service cost	0	0
Curtailments and settlements	0	0
Defined benefit obligations at end of period	**13,392**	**11,321**
Changes in fair value of plan assets		
Fair value of plan assets at start of period	7,484	6,762
Interest on plan assets	274	274
Return on plan assets	519	243
Employer contributions	419	361
Contributions by Scheme participants	118	117
Estimated benefits paid	(240)	(273)
Fair value of plan assets at end of period	**8,574**	**7,484**

24. Post-balance sheet events

There are no post balance sheet events.

25. Capital commitments

	2016 £000s	2015 £000s
Commitments contracted for at 31 July	222	854

26. Financial commitments

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

	2016 £000s	2015 £000s
Payable within one year	1	0
Payable within two and five years inclusive	34	38
Payable in over five years	0	0
	35	38

27. Contingent liability

The College is not aware of any contingent liabilities.

28. Learner support funds

	2016 £000s	2015 £000s
Amount disbursed as agent:		
Opening balance as at 1 August	44	10
Funding Body Grant - Bursary	460	431
Funding Body Grant – Free Meals	135	0
Interest earned	1	0
	640	441
Disbursed to students - Bursary	(419)	(377)
Disbursed to students – Free Meals	(103)	0
Administration costs	(22)	(20)
Sum repaid to the Funding Body	0	0
Balance unspent as at 31 July, included in Creditors	96	44

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 Statement of Comprehensive Income.

29. 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. In accordance with the College's financial regulations and normal procurement procedures, governors are required to keep the

College informed of any circumstances that may give rise to a conflict of interest in their dealings with the College.

No governor has received any remuneration or waived any payment from the College during the year (2015: none).

Transactions with the Funding Bodies are detailed in notes 2, 16 and 17.

30. Transition to FRS 102 and the 2015 FE HE SORP

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

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

	Notes	1st August 2014 £000s	31st July 2015 £000s
Financial Position			
Total reserves under previous SORP		4,739	4,208
Employee leave accrual	(a)	(554)	(576)
Release of non-government capital grants	(b)	0	0
Changes to measurement of net financial cost on defined benefit plans	(c)	0	0
Total effect of transition to FRS 102 and 2015 FE HE SORP		**(554)**	**(576)**
Total reserves under 2015 FE HE SORP		**4,185**	**3,632**

	Notes	31st July 2015 £000s
Financial performance		
Surplus for the year after tax under previous SORP		6
Increase in employee leave accrual		(22)
Release of non-government grants received		0
Reversal of capital grants amortisation	(b)	0
Pensions provision – actuarial loss	(c)	(416)
Changes to measurement of net finance cost on defined benefit plans	(d)	(121)
Total effect of transition to FRS 102 and 2015 FE HE SORP		**(559)**
Total comprehensive income for the year under 2015 FE HE SORP		**(553)**

(a) Recognition of short term employment benefits
No provision for short term employment benefits such as holiday pay was made under the previous UK GAAP. Under FRS 102 the costs of short-term employee benefits are recognised as a liability and an expense. The annual leave year runs to 31st August each year for both teaching and non-teaching staff, meaning that, at the reporting date, there was an average of 19 days unused leave for teaching staff and 14 days unused leave for non-teaching staff. Certain non-teaching employees are entitled to carry forward up to 5 days of any unused holiday entitlement at the end of the leave year. The cost of any unused entitlement is recognised in the period in which the employee's services are received. An accrual of £554k was recognised on 1st August 2014 increased to £576k at 31st August 2015. Following a re-measurement exercise in 2015-16, the movement on this provision of £34k has been charged to Comprehensive Income in the year ended 31st July 2016.

(b) Non-government grants accounted for under performance model
The College had no capital grants from sources other than those classified as "government" under FRS 102 and the 2015 FE HE SORP, and has made no adjustments to the restated figures for 2015 in this respect.

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

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

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

116. 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 2015 to 31 July 2016 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

117. 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.

118. This report is made solely to the Governing Body 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 Governing Body 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 Governing Body 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

119. The Governing Body 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.

120. Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Joint Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2015 to 31 July 2016 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

121. 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

122. 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.

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

124. 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

125. In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2015 to 31 July 2016 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

RSM UK Audit LLP 19 December 2016

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