1 ACCOUNTING POLICIES

Statement of accounting policies

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

Basis of preparation

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

Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

Going Concern

The activities of the college, together with the factors likely to affect its future development and performance are set out in the Operating & Financial Review. The financial position, cash flow, liquidity and borrowing are described in the financial statements and accompanying notes.

The College breached the covenants related to its loan facility in June 2015 and as a result payment of the outstanding loan facility could be requested in full by the lender with no notice. The College does not expect repayment to be demanded however no confirmation has been provided by the lender that they will not request repayment of the loan. The College has prepared cash flow forecasts, which include the repayment of its current loan facility, and these forecasts show that the College has sufficient cash to meet its liabilities as they fall due although these forecasts are underpinned by a cost reduction programme operating from 2015-2018. In addition, the College is exploring alternative working capital facilities to increase its cash headroom, although none of these additional facilities has yet been agreed. There is no certainty over the effectiveness of the cost reduction programme, the achievement of student recruitment, the continued access to the current loan facility nor the agreement of additional facilities. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the College' ability to continue as a going concern.

The College has implemented stringent cash management measures to mitigate the impact of potential cash outflows in 2015-16 and is confident in managing its working capital requirements. The College's forecasts indicate that it will be able to operate within its available cash resources for the foreseeable future.

Recognition of income

Income from grants, contracts and other services rendered is included to the extent the conditions of the funding have been met or the extent of the completion of the contract or service. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under achievement of the Adult Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body at the end of November following the year end, and the results of any funding audits.

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

1 ACCOUNTING POLICIES (continued)

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

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

Post retirement benefits
Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS).

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 27, the TPS is a multi employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

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

Enhanced pensions

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

Tangible fixed assets

Land and buildings acquired since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over 25 to 50 years depending on the nature of the property. Leasehold land and buildings are amortised over 50 years or, if shorter, the period of the lease.

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

1 ACCOUNTING POLICIES (continued)

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

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

- asset capacity increases.
- substantial improvement in the quality of output or reduction in operating costs.
- significant extension of the asset's life beyond that conferred by repairs and maintenance.

Equipment

The college's policy is to carry all assets at historical cost. Equipment costing less than £1,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost. All other equipment is depreciated on a straight line basis over its useful economic life as follows:

Motor vehicles	25% per annum
General equipment	25% per annum
Computer equipment	20% per annum
Fixtures & Fittings	10% per annum

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

Leased assets

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

Leasing agreements which transfer to the college substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. Assets held under finance leases are depreciated over the useful economic lives of equivalent owned assets.

Investments

Fixed asset investments are carried at historical cost less any provision for impairment in their value.

Maintenance of premises

The cost of routine corrective maintenance is charged to the income and expenditure account in the period it is incurred.

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2012 or Section 256

1 ACCOUNTING POLICIES (continued)

of the Taxation of Chargeable Gaines Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

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

Provisions

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

Liquid resources

Liquid resources include sums on short-term deposit with Barclays Bank plc.

Agency arrangements

The College acts as an agent in the collection and payment of Discretionary Support Funds. Related payments received from the LSC or its successor organisations and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in Note 31, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant. The College employs one member of staff dedicated to the administration of discretionary support fund applications and payments.

2 FUNDING BODY GRANTS

	Note	Year ended 31 July 2015 £'000	Year ended 31 July 2014 £'000
SFA / EFA Recurrent grant		6,007	7,500
Apprentices		5,596	5,433
Releases of deferred capital grants	19	66	116
SFA / EFA non recurrent grant		762	114
		12,431	**13,163**

The income shown above includes that earned by the college in its capacity as a provider (and as consortium lead). Total income claimed in the year under this arrangement and the related payments to partners were as follows:

	Note	Year ended 31 July 2015 £'000	Year ended 31 July 2014 £'000
Adult Skills Income		4,665	5,242
Payments to college partners		3,407	3,899
Net Adult Skills Income		**1,258**	**1,343**
16-18 Apprentices income		278	276
Payments to college partners		217	235
Net 16-18Apprentices income		**61**	**41**

16-18 Learner Responsive income	1,469	1,977
Payments to college partners	1,045	1,096
Net 16-18 Learner Responsive income	**424**	**881**

3 TUITION FEES AND EDUCATION CONTRACTS

	Year ended 31 July 2015 £'000	**Year ended 31 July 2014 £'000**
UK Further Education students	27	34
Full Cost Provision	54	45
Student Loan Income	217	184
	298	263
Higher Education contracts	-	-
Other contracts	-	6
	298	**269**

4 OTHER INCOME

	Note	**Year ended 31 July 2015 £'000**	**Year ended 31 July 2014 £'000**
Catering		120	79
Employer AGE grants		-	202
Other grant income		-	38
Local authority income		191	200
Releases from deferred capital grants (non Funding Body)	19	13	13
Other		29	43
		353	**575**

5 INVESTMENT INCOME

	Year ended 31 July 2015 £'000	**Year ended 31 July 2014 £'000**
Other interest receivable	8	7
Sale of Fixed Assets	91	-
	99	**7**

6 STAFF COSTS

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

	Year ended 31 July 2015 Number	Year ended 31 July 2014 Number
Teaching staff	78	74
Non teaching staff	67	70
	145	**144**

	Year ended 31 July 2015 £'000	Year ended 31 July 2014 £'000
Wages and salaries	4,046	4,112
Social security costs	293	302
Other pension costs excluding FRS17 charge	528	493
	4,867	4,907
Contracted out lecturing services	9	15
	4,876	4,922
Restructuring costs	29	40
FRS17 charge	30	110
	4,935	**5,072**

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

	Year ended 31 July 2015		Year ended 31 July 2014	
	Senior post-holders	Other Staff	Senior post-holders	Other Staff
£ 60,001 - £70,000	-	-	-	-
£ 70,001 - £80,000	-	2	-	1
£ 80,001 - £90,000	-	-	2	-
£100,001 - £110,000	1	-	-	-
	1	**2**	**2**	**1**

A flat rate general pay award of 1.0% was made with effect from 1 April 2015

7 SENIOR POST-HOLDERS' EMOLUMENTS

	Year ended 31 July 2015 Number	Year ended 31 July 2014 Number
The number of senior post-holders including the Principal was:	1	2

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

	Year ended 31 July 2015 £	Year ended 31 July 2014 £
Salaries	108,333	173,206
Benefits in kind	767	1,240
Pension contributions	14,733	23,694
Total emoluments	**123,833**	**198,140**

The above emoluments include amounts payable to the Principal to 31 July 2015 (who are also the highest paid senior post-holders) of:

	Year ended 31 July 2015 £	Year ended 31 July 2014 £
Salary	-	84,786
Benefits in kind	-	621
Salary	108,333	43,750
Benefits in kind	767	272
	109,100	**129,429**
Pension contributions	-	**11,616**
Pension contributions	**14,733**	**5,959**

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

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

Over the course of the 2103/14 college year, there was a change in the principal of the college with the retirement of A Croney, and appointment of K Redhead. Costs of both Principals are shown.

In 2013/14 an overpayment of bonus was made to A Croney, which was repaid over the remaining 9 months of the year. A benefit in kind of £34.02 is recognised in relation to this transaction.

8 OTHER OPERATING EXPENSES

	Year ended 31 July 2015 £'000	Year ended 31 July 2014 £'000
Partnership costs	4,968	5,841
Teaching costs	1,319	901
Non teaching costs	962	618
Premises costs	463	570
	7,713	**7,929**

Other operating expenses include:	**Year ended 31 July 2015 £'000**	**Year ended 31 July 2014 £'000**
Independent auditors' remuneration		
Financial statements & regularity audit	23	20
Internal audit	15	21
Other services provided: Teacher pension statement audit (provided by Baker Tilly LLP)	-	1
	38	**42**

Independent auditors' remuneration for 2015 and 2014 was wholly in respect of the college.

9 INTEREST PAYABLE

	Year ended 31 July 2015 £'000	Year ended 31 July 2014 £'000
On bank loans, overdrafts and other loans:		
Repayable wholly or partly in more than 5 years	122	141
FRS 17 interest charges	(20)	50
	102	**191**

10 TAXATION

The members do not believe the corporation was liable for any corporation tax arising out of its activities.

11 SURPLUS ON CONTINUING OPERATIONS FOR THE PERIOD

The surplus on continuing operations for the year is made up as follows:

	Year ended 31 July 2015 £'000	Year ended 31 July 2014 £'000
College surplus for the year	65	495
	65	**495**

12 TANGIBLE ASSETS

	Land and buildings			
	Freehold £'000	Long leasehold '£000	Equipment £'000	Total £'000
Cost				
At 1 August 2014	9,601	183	2,316	12,100
Additions	142	-	305	447
At 31 July 2015	9,743	183	2,621	12,547
Accumulated Depreciation				
At 1 August 2014	1,739	55	1,958	3,752
Charge for year	210	6	149	366
At 31 July 2015	1,949	61	2,107	4,117
Net book value at 31 July 2015	**7,794**	**122**	**514**	**8,430**
Net book value at 1 August 2014	7,862	128	358	8,348

Land and buildings with a net book value of £1,846,400 have been financed by exchequer funds through for example the receipt of capital grants. Should these assets be sold, the College may be liable under the terms of the Financial Memorandum with the Council, to surrender the proceeds.

13 INVESTMENTS

	31 July 2015 £	31 July 2014 £
Investments in subsidiary companies	-	-
	-	-

14 DEBTORS

	31 July 2015 £'000	31 July 2014 £'000
Amounts falling due within one year:		
Trade debtors	50	36
Prepayments and accrued income	114	66
Amounts owed by Skills Funding	-	-
Assets held for sale	0	18
	164	**120**

15 CREDITORS :- AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 July 2015 £'000	31 July 2014 £'000
Bank loans and overdrafts	1,700	281
Trade creditors	673	546
Other taxation and social security	90	88
Pension	71	68
Accruals	608	702
Amounts owed to Funding Bodies	1,126	1,944
Deferred income	14	52
	4,282	**3,681**

16 CREDITORS :- AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31 July 2015 £'000	31 July 2014 £'000
Bank loans	-	1,700
	-	**1,700**

17 BORROWINGS

	31 July 2015 £'000	31 July 2014 £'000
Bank loans and overdrafts are repayable as follows:		
In one year or less or on demand	1,700	281
Between one and two years	-	281
Between two and five years	-	843
In five years or more	-	576
	1,700	**1,981**

Bank loans and overdrafts are repayable at 6.24%, by installments falling due between August 2001 and April 2031 and are secured on the freehold land and buildings of the College.

18 PROVISIONS FOR LIABILITIES

	College Enhanced Pensions £'000
At 1 August 2014	656
Expenditure in the year	(45)
Charge to income and expenditure account	73
At 31 July 2015	684

The enhanced pension provision relates to the cost of staff who have already left the College's employ and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date. This provision has been recalculated in accordance with the guidance issued by the LSC and its successor organisations.

The principal assumptions for this calculation are:

	2015	2014	2013	2012	2011
Price inflation	3.46%	4.06%	4.28%	3.89%	5.36%
Discount rate (RPI)	n/a	n/a	n/a	n/a	n/a
Discount rate (CPI)	1.75%	2.25%	2.5%	2.5%	3.0%

19 DEFERRED CAPITAL GRANTS

	SFA Funding	Other Grants	Total
	£'000	£'000	£'000
At 1 August 2014			
Land and buildings	2,124	66	2,190
Equipment	19	75	94
Released to income and expenditure account			
Land and buildings	(64)	(2)	(66)
Equipment	(3)	(10)	(13)
At 31 July 2015	**2,076**	**129**	**2,205**
The year end balance comprising;			
Land and buildings	2,060	64	2,124
Equipment	16	65	81
At 31 July 2015	**2,076**	**129**	**2,205**

20 RESTRICTED RESERVE

	31 July 2015 £'000	31 July 2014 £'000
At 1 August	**19**	**19**
Depreciation	(19)	-
At 31 July	**-**	**19**

Restricted Reserve relates to Langley Park Firestation. As this was sold in 14/15 the restricted reserve has been released

21 MOVEMENT ON GENERAL RESERVES

	2015 £'000	2014 £'000
Income and Expenditure Account Reserve		
At 1 August	1,194	(231)
Surplus for the year	65	495
Actuarial (loss) / gain	(1,060)	930
At 31 July	**200**	**1,194**
Balance represented by:		
Pension reserve	(5,220)	(4,150)
Income and expenditure reserve excluding pension reserve	5,420	5,344
At 31 July	**200**	**1,194**

22 RECONCILIATION OF OPERATING SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Note	Year ended 31 July 2015 £'000	Year ended 31 July 2014 £'000
Surplus on continuing operations after depreciation of assets		65	495
Depreciation	12	366	327
Deferred capital grants released to income (note 19)	19	(79)	(129)
(Increase) / Decrease in debtors		(62)	433
(Decrease) / Increase in creditors		(816)	1,813
Increase in provisions		27	74
Interest receivable	5	(8)	(7)
Interest payable	9	102	191
Current service pension costs		480	510
Past service costs		0	0
Pension contributions paid		(450)	(400)
Net cash (outflow) / inflow from operating activities		**(377)**	**3,306**

23 RETURNS ON INVESTMENT AND SERVICING OF FINANCE

	Year ended 31 July 2015 £'000	Year ended 31 July 2014 £'000
Other Interest Received	8	7
Interest paid	(122)	(141)
Net cash outflow from returns on investment and servicing of finance	**(114)**	**(134)**

24 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	Year ended 31 July 2015 £'000	Year ended 31 July 2014 £'000
Purchase of tangible fixed assets	(447)	(208)
Deferred capital grants recognised	-	-
Net cash outflow from capital expenditure and financial investment	**(447)**	**(208)**

25 FINANCING

	Year ended 31 July 2015 £'000	Year ended 31 July 2014 £'000
Debt due beyond a year:		
Repayment of amounts borrowed	(281)	(281)
Net cash (outflow) from financing	**(281)**	**(281)**

26 ANALYSIS OF CHANGE IN NET FUNDS

	At 1 August 2014 £'000	Cashflows £'000	Other Changes £'000	At 31 July 2015 £'000
Cash in hand, and at bank	5,215	(1,219)	-	3,997
Debt due within 1 year	(281)	281	(1,700)	(1,700)
Debt due after 1 year	(1,700)	-	1,700	-
	3,235	(938)	-	2,297

27 PENSIONS AND SIMILAR OBLIGATONS

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

Total pension cost for the year

	31 July 2015 £'000	**31 July 2014 £'000**
Teachers Pension Scheme: contributions paid	168	170
Local Government Pension Scheme: Contributions paid	360	323
FRS 17 adjustments	30	110
Charge to the Income and Expenditure Account (staff costs)	558	603
Enhanced pension charge to Income and Expenditure Account (other operating expenses)	27	74
Total Pension Cost for Year	**585**	**677**

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2004 and of the LGPS 31 March 2010.

Teachers' Pension Scheme

The Teachers' Pensions Scheme ("TPS") is a statutory, contributory, defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pensions Regulations 2010. Retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay as-you-go' basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations require an annual account, the Teachers' Pensions Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001, the Account has been credited with a real rate of return (in excess of price increases and currently set at 3.5%), which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Valuation of the Teachers' Pensions Scheme

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. Many of these are being discussed in the context of the design for a reformed TPS, as set out in the Proposed Final Agreement, and scheme valuations are, therefore, currently suspended.

The contribution rate paid into the TPS is assessed in two parts. First, a standard contribution rate ("SCR") is determined. This is the contribution, expressed as a percentage of the salaries of

27 PENSION AND SIMILAR OBLIGATIONS (continued)

teachers and lecturers in service or entering service during the period over which the contribution rate applies, which if it were paid over the entire active service of these teachers and lecturers would broadly defray the cost of benefits payable in respect of that service. Secondly, a supplementary contribution is payable if, as a result of the actuarial investigation, it is found that accumulated liabilities of the Account for benefits to past and present teachers, are not fully covered by standard contributions to be paid in future and by the notional fund built up from past contributions. The total contribution rate payable is the sum of the SCR and the supplementary contribution rate.

The last valuation of the TPS related to the period 1 April 2001 - 31 March 2004. The GA's report of October 2006 revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £166,500 million. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £163,240 million. The assumed real rate of return is 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 1.5%. The assumed gross rate of return is 6.5%.

Employer and employee contribution rates

As from 1 January 2007, and as part of the cost-sharing agreement between employers' and teachers' representatives, the SCR was assessed at 19.75%, and the supplementary contribution rate was assessed to be 0.75% (to balance assets and liabilities as required by the regulations within 15 years).

From 1 April 2014 to 31 March 2015, the employee contribution rate will range between 6.4% and 12.4%, depending on a member's Full Time Equivalent salary.

From 1 April 2015 to 31 March 2016, the employee contribution rate will range between 7.4% and 11.7%, depending on a member's Full Time Equivalent salary.

Throughout the financial year employers contribution has remained at 14.1%

The Government, however, has set out a future process for determining the employer contribution rate under the new scheme, and this process will involve a full actuarial valuation.

The pension costs paid to TPS in the year amounted to £279,984 (2014: £276,670)

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

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

27 PENSION AND SIMILAR OBLIGATIONS (continued)

FRS 17

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution made for the year ended 31 July 2014 was £482,070 of which employers contributions totalled £323,419 and employees contributions totalled £158,651. The contribution rates for employers contributions is set to ensure the correct contribution to meet the liabilities of the scheme and for employees there is a sliding scale from 5.5% to 12.5% dependent on level of earnings.

FRS 17

The Financial Reporting Standard 17 "Retirement Benefits" (FRS17) requires that the following further disclosure is made about the defined benefit pension scheme. The actuarial valuation has been updated by the qualified scheme actuary to 31 July 2013. Assumptions used were:

	At 31 July 2015	At 31 July 2014	At 31 July 2013	At 31 July 2012	At 31 July 2011
Inflation (RPI)	-	3.2%	3.6%	3.0%	3.70%
Inflation (CPI)	2.0%	2.2%	2.7%	2.0%	2.80%
Rate of increase in salaries	3.5%	3.7%	4.6%	4.5%	5.20%
Rate of increase for pensions	2.0%	2.2%	2.7%	2.0%	2.80%
Discount rate for liabilities	3.5%	4.1%	4.4%	4.0%	5.30%

Principal demographic assumptions

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

Life expectancy from age 65 (years)

	2015	**2014**	**2013**	**2012**	**2011**
Retiring in 20 years:					
Males	24.8	24.7	23.9	23.8	23.7
Females	27.4	27.3	26.2	26.1	26.0
Retiring today:					
Males	22.6	22.5	22.1	22.0	21.9
Females	25.1	25.0	24.3	24.1	24.0

27. PENSION AND SIMILAR OBLIGATIONS (continued)

The amounts recognised in the balance sheet are as follows:

	31 July 2015 £'000	31 July 2014 £'000
Fair value of scheme assets	12,520	11,660
Present value of funded obligations	(17,700)	(15,770)
Present value of unfunded liabilities	(40)	(40)
Deficit in the scheme	**(5,220)**	**(4,150)**

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

	31 July 2015 £'000	31 July 2014 £'000
At 1 August	15,770	16,050
Service Cost (net of employee contributions)	480	510
Interest on scheme liabilities	650	710
Actuarial losses / (gains)	1,150	(1,220)
Benefits paid	(530)	(440)
Past service cost	-	-
Contributions by scheme participants	180	160
At 31 July	**17,700**	**15,770**

Changes in the fair value of the colleges share of scheme assets are as follows:

	31 July 2015 £'000	31 July 2014 £'000
At 1 August	11,660	11,170
Expected return on scheme assets	670	660
Actuarial gains / (losses)	90	(290)
Contributions by employer	450	400
Contributions by scheme participants	180	160
Benefits paid	(530)	(440)
At 31 July	**12,520**	**11,660**

27. PENSION AND SIMILAR OBLIGATIONS (continued)

The amounts recognised in income and expenditure are as follows:

	Year ended 31 July 2015 £'000	**Year ended 31 July 2014 £'000**
Current service cost net of employer contribution	480	510
Interest on obligation	650	710
Expected return on scheme assets	(670)	(660)
	460	**560**
Past service costs	0	0
	460	**560**

The actual 2015 return on scheme assets was £760k. (2014: £370k)

The College expects to contribute £450k to its defined benefit pension plan in the year to 31 July 2015.

The Amounts recognised in Statement of Recognised Gains and Losses are as follows:

	Year ended 31 July 2015 £'000	**Year ended 31 July 2014 £'000**
Actuarial (losses) / gains	(1,060)	930
Cumulative Actuarial (loss)	(3,340)	(2,280)

The major categories of plan assets as a percentage of total plan assets attributable to Derwentside College in the defined benefit scheme and their expected rates of return were:

	Expected return		Proportion of assets		Fair Value £'000	
	31 July 2015	31 July 2014	31 July 2015	31 July 2014	31 July 2015	31 July 2014
Equities	n/a	7.5%	47.2%	55.1%	5,909	6,425
Gilts	n/a	3.2%	29.1%	26.4%	3,643	3,078
Other bonds	n/a	3.7%	8.8%	8.6%	1,102	1,003
Property	n/a	6.8%	5.9%	6.6%	739	769
Cash	n/a	1.1%	9.0%	3.3%	1,127	385
Total market value of assets					12,520	11,660

27. PENSION AND SIMILAR OBLIGATIONS (continued)

The five year history of asset values, present value of liabilities and experience adjustments is as follows:

	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Present value of defined benefit obligation (funded)	(17,700)	(15,770)	(16,050)	(14,740)	(12,410)
Present value unfunded liabilities	(40)	(40)	(40)	(40)	(40)
Fair Value of scheme assets	12,520	11,660	11,170	9,730	9,030
Deficit in the scheme	**(5,220)**	**(4,150)**	**(4,920)**	**(5,050)**	**(3,420)**
Experience adjustments					
on scheme liabilities	90	610	(10)	(100)	510
on scheme assets	90	(290)	720	(220)	280

28 CAPITAL COMMITMENTS

At 31 July 2015 the college had contracted for, but not yet paid capital expenditure of £106k (2014: £nil)

29 FINANCIAL COMMITMENTS

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

	Year ended 31 July 2015 £'000	Year ended 31 July 2014 £'000
Expiring between two and five year inclusive	-	-
	-	-

30 RELATED PARTY TRANSACTIONS

Due to the nature of the college's operations and the composition of the board of governors (being drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving organisations in which a member of the board of governors may have an interest are conducted at arm's length and in accordance with the college's financial regulations and normal procurement procedures. No transactions were identified which should be disclosed under Financial Reporting Standard 8 related party disclosures.

31 AMOUNTS DISBURSED AS AGENT

	Year ended 31 July 2015 £'000	Year ended 31 July 2014 £'000
Discretionary Support Funds		
SFA / EFA support	358	307
	358	307
Disbursed to Students	(329)	(269)
Administration costs	(16)	(14)
Balance unspent at 31 July	**13**	**24**

SFA / EFA grants are available solely for students. In the majority of instances, the College acts only as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the Income and Expenditure Account. The income and expenditure consolidated in the College's financial statements relates to the payment of Childcare from the access fund paid by the College on the student's behalf.

32 CONTINGENT LIABILITY

In 2009/10 the College was in discussion with Durham County Council (DCC) regarding former leased premises at the Louisa Centre, Stanley regarding the potential part repayment of European grant funding amounting to £61,000. The College having complied with the terms of the lease will vigorously defend any claim for repayment. We feel therefore, that this claim is not valid, but disclose it as a contingent liability. There has been no further correspondence in the year 2014/15.

Independent Reporting Accountant's Assurance Report on Regularity to the Corporation of Derwentside College and the Secretary of State for Business, Innovation and Skills acting through Skills Funding Agency and Secretary of State for Education acting through Education Funding Agency

In accordance with the terms of our engagement letter and further to the requirements of the financial memorandum with Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Derwentside College during the period 1 August 2014 to 31 July 2015 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

This report is made solely to the corporation of Derwentside College and the Skills Funding Agency in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of Derwentside College and Skills Funding Agency those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the corporation of Derwentside College and Skills Funding Agency for our work, for this report, or for the conclusion we have formed, save where expressly agreed in writing.

Respective responsibilities of Derwentside College and the reporting accountant

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

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

Approach

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

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

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

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

Conclusion

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

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne

21 December 2015