

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

Post Retirement Benefits

Retirement benefits for most employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes which are externally funded and contracted out of the State Earnings Related Pension Scheme.

Contributions to the TPS are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. The TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The assets of the LGPS are measured using closing market values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised 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 funding bodies.

Tangible Fixed Assets

a. Land and Buildings

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement costs as the open market value for existing use is not readily obtainable. Land and buildings acquired since incorporation are included in the balance sheet at cost.

The College's policy is to carry all assets at historical cost, except for inherited assets. These are included on the balance sheet at a valuation existing when the College followed the transitional provisions of FRS 15 for the first time. The College has adopted a policy not to revalue these properties in the future. These values are retained subject to the requirement to test assets for impairment in accordance with FRS 11.

Other land and buildings are included in the Balance Sheet at cost.

Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the institution of 50 years.

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

Finance costs that are directly attributable to the construction of significant buildings are not capitalised as part of the cost of those assets.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

Tangible Fixed Assets (continued)

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July. They are not depreciated until they are brought into use. Any associated capital grants related to these assets are not released until the asset is brought into use.

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

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

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

b. Equipment

Equipment costing less than £1,000 per individual item, unless this forms part of a larger project, is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost. Equipment inherited from the Local Education Authority is included in the balance sheet at valuation less depreciation.

Inherited equipment is depreciated on a straight line basis over its remaining useful economic life to the College. All other equipment is depreciated on a straight line basis, over its useful economic life as follows:

General Equipment:	5 years
Computer Equipment:	3 and 5 years

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

Leased Assets

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

The College does not have any assets acquired under finance leases.

Investments

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

Current asset investments are included in the Balance Sheet at the lower of their original cost and net realisable value.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

Taxation

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

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

Liquid Resources

Liquid resources include sums on short-term deposits with recognised banks and building societies and government securities.

Provisions

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

Agency Arrangements

The College acts as an agent in the collection and payment of discretionary support related funds and bursaries received from funding bodies. Subsequent disbursements to students are excluded from the Income and Expenditure Account and are shown separately in note 28 except for the 5% of the grant received which is available to the College to cover administration costs relating to the grant.

Investments in Joint Ventures

The investment in the joint venture has been accounted for using the gross equity method as directed by FRS 9 and the relevant disclosures have been incorporated within the financial statements as shown in note 29.

INCOME AND EXPENDITURE ACCOUNT
For The Year Ended 31 July 2015

2014 £000		Notes	2015 £000
	Income		
10,709	Funding body grants	1	10,759
650	Education contracts	2	793
1,140	Tuition fees and charges	3	1,407
470	Other operating income	4	429
28	Investment income	5	28
12,997	Total Income		13,416
	Expenditure		
7,794	Staff costs	6	7,844
4,253	Other operating expenses	8	4,262
782	Depreciation	12	859
34	Interest and other finance costs	9	21
12,863	Total expenditure		12,986
134	Surplus on continuing operations after depreciation of assets at valuation and before tax		430
(106)	Exceptional Items	10	-
28	Surplus on continuing operations after depreciation of assets at valuation, exceptional items and tax	11	430

The income and expenditure account is in respect of continuing activities. There were no operations that were acquired or discontinued during the year.

NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS
For The Year Ended 31 July 2015

2014 £000		2015 £000
28	Surplus on continuing operations after depreciation of assets at valuation, disposal of assets, exceptional items and tax	430
28	Historical Cost Surplus for the Year	430

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STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For The Year Ended 31 July 2015

2014 £000		2015 £000
28	Surplus on continuing operations after depreciation of assets at valuation, disposal of assets, exceptional items and tax	430
(26)	Actuarial (loss) in respect of enhanced pensions	(12)
604	Actuarial gain/(loss) in respect of pension scheme	(414)
606	Total recognised gains since last report	4

Reconciliation of All Reserves

2014 £000		2015 £000
5,563	Opening Reserves	6,168
(1)	Movement on restricted reserves	-
606	Total recognised gains relating to the period	4
6,168	Closing Reserves	6,172

BALANCE SHEET
BALANCE SHEET AS AT 31 JULY 2015

2014 £000		Notes	2015 £000
	Fixed assets		
17,850	Tangible assets	12	17,980
3	Investment in joint venture	13	-
17,853	Total fixed assets		17,980
	Current assets		
952	Debtors	14	755
2,895	Investments	23	2,406
289	Cash at bank and in hand	23	919
4,136	Total current assets		4,080
1,159	Creditors: amounts falling due within one year	15	1,071
2,977	Net current assets		3,009
20,830	Total assets less current liabilities		20,989
342	Provisions for liabilities and charges	16	342
132	Loans payable after 1 year	17	28
20,356	Net assets excluding pension liability		20,619
2,047	Net pension liability	18	2,514
18,309	Net assets including pension liability		18,105
12,268	Deferred capital grants	19	12,060
377	Revaluation reserve	20	377
800	Designated reserve	20	800
62	Restricted reserves	20	62
4,802	General reserve	21	4,806
18,309	TOTAL FUNDS		18,105

The financial statements on pages 18 to 45 were approved by the Governing Body on 10 December 2015 and were signed on its behalf by:


Mark Stanger
Chairman


Chris Nattress
Principal

CASH FLOW STATEMENT
Year Ended 31 July 2015

2014 £000		Notes	2015 £000
(121)	Cash inflow / (outflow) from operating activities	22	1,127
18	Returns on investments and servicing of finance	24	4
(1,022)	Capital expenditure and financial investment	24	(888)
(101)	Financing		(102)
(1,226)	Increase/(decrease) in cash in the period		141

Reconciliation of net cash flow to movement in net funds

£000			£000
(1,226)	Increase/(decrease) in cash in the period		141
101	Net decrease in financing		102
(1,125)	Movement in net funds in period		243
4,014	Net funds at 1 August		2,889
2,889	Net funds at 31 July	24	3,132

NOTES TO THE ACCOUNTS

1. FUNDING BODY GRANTS

2014 £000		2015 £000
4,562	SFA Recurrent grant	4,300
5,385	EFA Recurrent Grant	5,656
392	HEFCE Recurrent Grant	455
128	Releases of deferred capital grants	125
242	Other Funds	223
10,709		10,759

2. EDUCATION CONTRACTS

2014 £000		2015 £000
71	Local Education Authority	215
34	Higher Education	-
545	Other Contracts	578
650		793

Education contract income represents fee income received which is not directly from SFA, EFA or HEFCE.

3. TUITION FEES AND CHARGES

2014 £000		2015 £000
380	Further Education	517
760	Higher Education	890
1,140		1,407

Tuition fees funded by bursaries

Included within the above amounts are tuition fees funded by bursaries of £18,633 (2013/14 : £12,996).

4. OTHER OPERATING INCOME

2014 £000		2015 £000
187	Releases from deferred capital grants (non SFA/HEFCE)	187
142	Other income generating activities	135
141	Other income	107
470		429

5. INVESTMENT INCOME

2014 £000		2015 £000
4	Investment income	-
24	Other interest receivable	28
28		28

6. STAFF NUMBERS

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

2014 Numbers		2015 Numbers
129	Teaching departments	119
36	Teaching support services	46
50	Administration and central services	50
8	Premises	8
5	Income Generation	3
228		226

Staff costs for the above persons:

2014 £000		2015 £000
4,761	Teaching departments (including Faculty Technicians and other support staff)	4,568
844	Teaching support services	1,003
1,812	Administration and central services	1,775
170	Premises	179
91	Income Generation Staff	79
10	Other costs	39
106	FRS 17 retirement benefit charge	70
-	Severance Payments	131
7,794		7,844
104	Exceptional Costs – severance payments	-
7,898		7,844
6,497	Wages and salaries	6,552
421	Social security costs	413
770	Other pension costs	809
106	FRS 17 retirement benefit charge	70
104	Exceptional Costs – severance payments	-
7,898		7,844
6879	Employment costs for staff on permanent contracts	6,965
809	Employment costs for staff on short-term and temporary contracts	809
106	FRS 17 retirement benefit charge	70
7,794		7,844
104	Exceptional Costs – severance payments	-
7,898		7,844

7. EMOLUMENTS OF SENIOR POST HOLDERS AND MEMBERS

Senior post holders are defined as the Principal and other senior managers who have been designated senior postholders by the governing body under the Articles of Government.

Senior post holders' emoluments are made up as follows:

2014 £000		2015 £000
262	Salaries	257
2	Benefits in kind	2
264	Sub Total	259
33	Pension contributions	36
297		295

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

2014 £000		2015 £000
105	Salaries	105
1	Benefits in kind	1
106	Sub Total	106
14	Pension contributions	15
120		121

The pension contributions in respect of the Principal and Senior Post holders are in respect of employer's contributions to the Teachers Pension Scheme and the Local Government Pension Scheme and are paid at the same rate as for other employees.

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:

2014 Senior Post Holders		Range	2015 Senior Post holders	
£00	No		£000	No
		£70,001 - £80,000		
147	2	Salaries	151	2
1	2	Benefits in Kind	1	2
148	2	Sub Total	153	2
		£100,000 - £110,000		
105	1	Salaries	105	1
1	1	Benefits in Kind	1	1
106	1	Sub Total	106	1
254	3	Total	259	3

The 2014 figures include the out-going Principal who retired in August 2013.

The members of the corporation other than the Principal and the staff members did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties. No other staff received emoluments over £60,000

8. OTHER OPERATING EXPENSES

2014 £000		2015 £000
536	Teaching departments	576
47	Teaching support services	142
195	Other support services	217
926	Administration and central services	994
706	General education expenditure	690
962	Premises costs	1,049
865	Sub-contracting	574
16	Other expenses	20
4,253		4,262

2014 £000	Other operating expenses include:	2015 £000
	Auditor's remuneration	
20	• Financial Statements Audit	21
2	• Other services provided by the financial statements auditors	2
16	• Internal Audit	17
-	• Other services provided by the internal auditors	8
4	• Hire of other assets – operating leases	15
-	Profit on disposal of tangible fixed assets	1

9. INTEREST PAYABLE

2014 £000		2015 £000
10	Pension finance cost	-
14	Enhanced pension provision	14
10	Interest Charges	7
34		21

10. EXCEPTIONAL ITEMS:

2014 £000		2015 £000
106	Staff Restructure Costs	-
106		-

11. SURPLUS ON CONTINUING OPERATIONS FOR THE YEAR

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

2014 £000		2015 £000
28	College's surplus for the period	430

12. TANGIBLE FIXED ASSETS

	<i>Freehold Land & Buildings £000</i>	<i>Equipment £000</i>	<i>Total £000</i>
Cost or Valuation			
At 1 August 2014	19,083	4,362	23,445
Additions	519	473	992
Disposals	-	(69)	(69)
At 31 July 2015	19,602	4,766	24,368
Depreciation			
At 1 August 2013	2,771	2,824	5,595
Charge for period	422	437	859
Eliminated on disposals	-	(66)	(66)
At 31 July 2015	3,193	3,195	6,388
Net Book Value As At 31 July 2015	16,409	1,571	17,980
Net Book Value As At 31 July 2014	16,312	1,538	17,850
Inherited	366	-	366
Financed by capital grant	11,940	120	12,060
Other	4,103	1,451	5,554
Net Book Value As At 31 July 2015	16,409	1,571	17,980

Land and buildings additions includes Stage 1 work on the development of a 3G pitch, partly funded from deferred grants.

If inherited land and buildings had not been re-valued they would have been included at the following historical cost amounts:

Cost
Aggregate depreciation based on cost
Net book value based on cost

2014 £	2015 £
-	-
-	-
£-	£-

The College enjoys the use of Distington Walled Garden for which it does not pay rent under a peppercorn lease agreement with Copeland Borough Council. No value is attributed to the use of the Garden in these accounts. The lease on the Garden ceased in September 2015.