Epsom's college of further and higher education

NESCOT CORPORATION

Report and Financial Statements for the Year Ended 31 July 2016

Nescot

Key Management Personnel, Board of Governors and Professional Advisers

Key management personnel

Key management personnel are defined as members of the College Senior Management Team (SMT) and were represented by the following in the year ended 31 July 2016:

Sunaina Mann	Principal and Group Chief Executive Officer (CEO) From 1 August 2015 to 31 May 2016
Cliff Hall	Acting Principal and Group Chief Executive Officer (CEO) From 1 June 2016 to 31 July 2016
Carol Martin	Deputy Principal
Maria Vetrone	Deputy Principal (Finance & Resources)
Fred Carter	Vice Principal (Curriculum)
Dario Stevens	Vice Principal (Planning & Information Services)
Anne Rapley	Vice Principal (Higher Education)
Mark Hillman	Assistant Principal (Teaching, Learning, Maths & English)

Board of Governors

A full list of Governors on the Corporation is given on pages 25 and 26 of these financial statements.

Professional advisers

External Auditors	**Internal Auditors**
MHA MacIntyre Hudson	RSM
New Bridge Street House	6th Floor
30-34 New Bridge Street	25 Farringdon Street
London	London
EC4V 6BJ	EC4A 4AB
Funding Auditors	**Bankers**
KPMG	HSBC Bank plc
1 Forest Gate	54 Clarence Street
Brighton Road	Kingston upon Thames
Crawley	Surrey
W Sussex	KT1 1NS
RH11 9PT	

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NATURE, OBJECTIVES AND STRATEGIES

The Members of the Corporation have great pleasure in presenting their annual report and audited financial statements for the year ended 31 July 2016.

Legal status

The Corporation was established under The Further and Higher Education Act 1992 for the purpose of conducting the business of North East Surrey College of Technology. The College is an exempt charity for the purposes Part 3 of the Charities Act 2011.

Corporation name

The Corporation was incorporated as the North East Surrey College of Technology (NESCOT).

Public Benefit

The College is an exempt charity under Part 3 of the Charities Act 2011, and during 2015-16 was regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all Further Education (FE) Corporations in England. The Members of the Corporation, who are trustees of the charity, are disclosed on pages 25 and 26.

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

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

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

The Corporation is aware of its responsibilities in relation to charitable purposes in making decisions on the College's educational and vocational character and mission and in relation to the effective and efficient use of resources.

To deliver its mission, NESCOT has developed as a comprehensive College, with a wide range of subjects taught at all levels and a diverse student body. The College is proud of its long history as a technical and vocational education institution, from which enduring commitments to widening participation and vocational and professional preparation are derived. It is ambitious for its future as a college with a growing reputation for vocational excellence and international presence.

Mission statement

The mission of the College as approved by the Governors is:

"To inspire our students to be the best that they can be."

At NESCOT, our **vision** is to:

- Be recognised as one of the top colleges of Further and Higher Education.
- Maintain a sustainable financial platform for continued success.
- Achieve exceptional levels of student success.
- Excite students with the quality of our teaching and our learning programmes.
- Innovate in our working methods, our approach to learning and our use of technologies.
- Provide an inspirational learning environment and learning resources.
- Be recognised for our sheer professionalism.
- Create a great place to work, with high levels of staff participation and satisfaction.
- Engage with the community as a trusted partner organisation.
- Be exceptionally well engaged with local and regional employers.
- Expand where we can and with care.

Our **values** are that we:

- Put students' success and wellbeing at the heart of everything we do.
- Have high expectations and aim for excellence.
- Are collaborative, striving to positively engage our students, staff and partners.
- Are committed to sharing good practice, entrepreneurship and innovation.
- Celebrate diversity and challenge bigotry.
- Are ethical and inclusive.

Implementation of the Strategic Plan NESCOT 2020

The Corporation and management have re-considered the educational character and size of the College to ensure that it best serves the needs of its students, and has a strong curriculum and financial base for the future. In order to make a sustainable contribution to national, regional and local targets, the College aims to continue to consolidate existing provision against a robust quality and financial framework.

In September 2015, the Corporation adopted a new Corporate Strategic Plan for the period 2015-2020, 'NESCOT 2020'. This Strategic Plan includes developments in the curriculum, quality, partnerships, human resources, property and financial plans. The Corporation monitors the performance of the College against these plans. The plans are reviewed and updated each year.

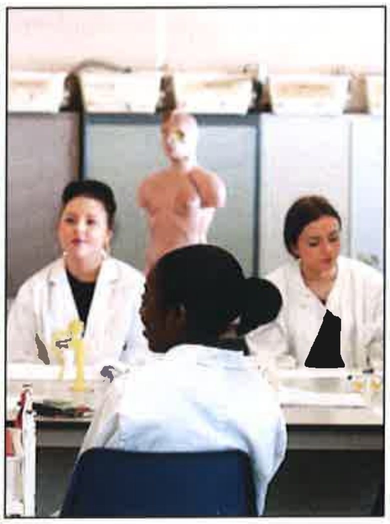
The College continues to provide a wide ranging technical and vocational curriculum offer to Level 3 and beyond. Apprenticeship provision has grown significantly. The College is well placed to respond to the curriculum change proposed in the Sainsbury Report.

Strategic goals

The College has nine strategic goals which underpin the delivery of the mission:

1. An outstanding learning experience for all of our students.
2. Financial stability.
3. A curriculum for employability, creativity and innovation.
4. Meaningful collaborative engagement with our students and staff.
5. A highly professional workforce, skilled and adept.
6. Dynamic and sustainable support services and infrastructure.
7. Continuous engagement with employers, partners and the local community.
8. A 21st century learning environment.
9. Sustainable international partnerships.

The achievement of these strategic goals will deliver high-quality, student centred and business focused education and training that responds to the cultural diversity of the community, enriches lives and contributes to economic prosperity. The overall College offer is regularly reviewed and realigned to meet national, regional and local needs. Any growth planned will be achieved within a streamlined and cost-efficient curriculum model that aims to maximise income and reduce cost through more effective design of the curriculum and more efficient utilisation of teaching hours.


The vocational areas in which the College has a competitive advantage and key strengths are Animal Studies, Business and Accounting, Teacher Training, Computing, Performing Arts, Hair and Beauty, Foundation Learning, Sport, Electrical, Public Services, and Travel & Tourism.

Each of the College's nine strategic goals (SG) is further underpinned by a number of annual and longer term objectives. These are summarised as follows:

SG1: An outstanding learning experience for all of our students

- Further developing our teaching staff's skills and knowledge to provide the most effective teaching strategies.
- Learning from our students on the best ways to help them succeed and adjusting our teaching strategies in the light of feedback from students and peer observers.
- Learning from research about the teaching strategies that make the most impact.
- Providing expert tutorial support and mentoring.
- Using learning technologies in engaging and interactive ways.
- Developing further our skills and expertise in using assessment to advance learning.
- Creating self-confident, resilient, self-reliant students.
- Encouraging students to stretch their horizons and their level of performance.

SG2: Financial stability

- Implementing a robust financial strategy over the 2015-2020 period.
- Reviewing the cost effectiveness of all aspects of the College's performance.
- Eliminating any wasteful expenditure.
- Maintaining a sound contribution to overhead from teaching departments.
- Ensuring that group sizes are viable.
- Generating additional income through external contracts, commercial activity and opportunities to bid for additional funding.
- Ensuring that the College is efficient in managing finances whilst providing the best facilities for students.



SG3: A curriculum for employability, creativity and innovation

- Designing learning programmes that develop employability skills.
- Offering leading edge qualifications that are endorsed by employers and industry partners.
- Enabling students to compete in skills competitions, including WorldSkills.
- Supporting students to achieve good levels of competence in English and mathematics.
- Encouraging all students to use technology creatively and responsibly.
- Providing meaningful and high quality work experience programmes.
- Enables students to engage with employers in their vocational fields.
- Designing a tutorial programme that extends employability skills and self-confidence.

SG4: Meaningful collaborative engagement with our students and staff

- Enhancing our student engagement strategy.
- Implementing a comprehensive communication strategy.
- Opening up new channels of communication with students and staff.
- Listening to students and staff and acting on feedback.
- Reviewing regularly the impact and effectiveness of communication strategies through surveys and face to face meetings.
- Consulting students and staff on key decisions.

SG5: A highly professional workforce, skilled and adept

- Providing professional development programmes and opportunities that extend knowledge and skills.
- Developing tailored programmes for staff at different levels of the organisation and different stages in their careers.
- Ensuring that all staff experience an effective induction programme with mentoring and support.
- Sharing best practice and drawing upon research in professional development.
- Enhancing coaching, mentoring and listening skills.
- Equipping staff with the skills, knowledge and confidence to operate confidently and independently in their roles.
- Ensuring that the appraisal process supports staff to fulfil their roles and responsibilities.

SG6: Dynamic and sustainable support services and infrastructure

- Investing in professional development of our staff delivering key support services.
- Optimising the use of technology to support key processes such as enrolment and admission to the College.
- Seeking out best practice in the use of technology for business support.
- Reviewing all of our support services to determine how to achieve best value from them.
- Improving our energy efficiency and care for the environment.

SG7: Continuous engagement with employers, partners and the local community

- Working with local and regional employers to increase the availability and quality of apprenticeships.
- Encouraging employers to use the College as a resource for engaging young people in the world of work.
- Ensuring our students leave Nescot prepared for work.
- Working where we can with local schools to promote vocational learning for their students and providing their staff with greater awareness of what Nescot offers.
- Where possible, creating strategic partnerships with neighbouring Further Education Colleges and training providers.
- Creating opportunities for our students to provide services to the local community.
- Raising community awareness of the College's range of provision and services.
- Developing a sense in the community of the College as a resource for the community.
- Maintaining strong relationships with our partner universities and joint opportunities for expansion of HE provision.
- Continuing to forge effective links to the Local Enterprise Partnerships in support of their priorities for skills and economic development.
- Exploring collaboration and federation with other learning providers.

SG8: A 21st century learning environment

- Completing the new build and refurbishment project for the Nescot campus by summer 2016.
- Continuing to invest significantly in learning technology and learning resources.
- Identifying and sharing best practice in the use of learning technology.
- Further developing the Learning Resource Centre as a hub for student research.
- Creating practical work spaces and salons for vocational learning that match best practice in industry.
- Using space flexibly.
- Optimising the use of the Virtual Learning Environment.

SG9: Sustainable international partnerships

- Completing the contract with the Kingdom of Saudi Arabia for the successful operation of the Jeddah/ Nescot College of Excellence.
- Continuing to develop the partnership with the Italian College of Osteopathic Medicine in Milan.
- Exploring further opportunities for the development of links with Colleges of Osteopathy in Italy.
- Exploring continued links with Palakad Polytechnic, Kerala, India.
- Exploring international collaborations that mutually benefit students, the College and partner institutions.
- Ensuring that all international partnerships will be overseen and governed by Nescot Business Services Ltd.

The achievement of targets is regularly monitored by College management and reviewed by the Corporation through the Annual Operating Plan and Key Performance Indicators (KPIs) using a variety of dashboards.

Performance Indicators

The College is committed to observing the importance of sector measures and indicators and uses the FE Choices data available on the GOV.UK website, which looks at measures such as success rates. The College adopts a wide range of measures and indicators to review the achievement of academic and financial objectives and targets, which are regularly reported to the Corporation.

The College's progress in achieving its key academic objectives is as follows:

- The College's qualification achievement rate has risen from 64% in 2004-05 to 86% in 2015-16. This is 4% above the national average of 82%.
- Achievement rates for Diplomas at Level 3 are excellent at 91% for 16-18 year olds (86% national average) and 93% for students aged over 19 (83% national average).
- Overall achievement rates for students on apprenticeship programmes are excellent at 83%, 13% above the national average of 70%.
- English and maths are mandatory components of study programmes for students who did not achieve GCSE Grade C or above at school. There were 1,194 students enrolled at the College on functional skills in 2015-16 and the overall achievement rate was 72%, an increase of 10% from the previous year of 62% (67% national average).
- 485 and 481 students were enrolled on GCSE English and maths respectively in 2015-16. 19% (29% national average) and 24% (30% national average) achieved A*-C passes.
- High grade achievement for Level 2 programmes has decreased from 47% in 2014-15 to 30% in 2015-16. For Level 3 programmes, high grade achievement has decreased from 61% in 2014-15 to 51%. At the 2010 Ofsted inspection, high grades for level 2 were 17% and level 3 was 36%.
- 98% of full time students had positive intended destinations on leaving the College in 2015-16.

The ALPs score for Level 3 vocational courses has been maintained as 4 or very good. Three subjects are classified as outstanding: Sport; Travel; and Music.

Methods of teaching and learning are under continuous review and development to ensure that the curriculum meets the needs of the local population and that targets for academic performance are met.

In January 2016, the College received a short inspection by Ofsted, the government inspectors of schools and colleges. Ofsted's independent assessment of the College was that it continues to be **good** and that safeguarding is **effective**.

The College is also required to complete the annual Finance Record for the Skills Funding Agency (SFA). The College is assessed by the SFA as having 'outstanding' financial health in 2015-16.

The College received government funding in 2015-16 from the SFA, the Education Funding Agency (EFA), and the Higher Education Funding Council for England (HEFCE). Performance in relation to funding targets and student numbers is as follows:

1. **Funding targets**

EFA - In 2015-16, due to a reduction in 16-18 year old student recruitment in 2014-15 and the effect of lagged funding, the College achieved 93.3% of its EFA funding target of £9,312,755 of grant income, excluding bursary funds.

SFA - In 2015-16, the College achieved 97.5% of its SFA Adult Skills Budget (ASB) funding target of £4,489,861 of grant income, excluding discretionary support funds

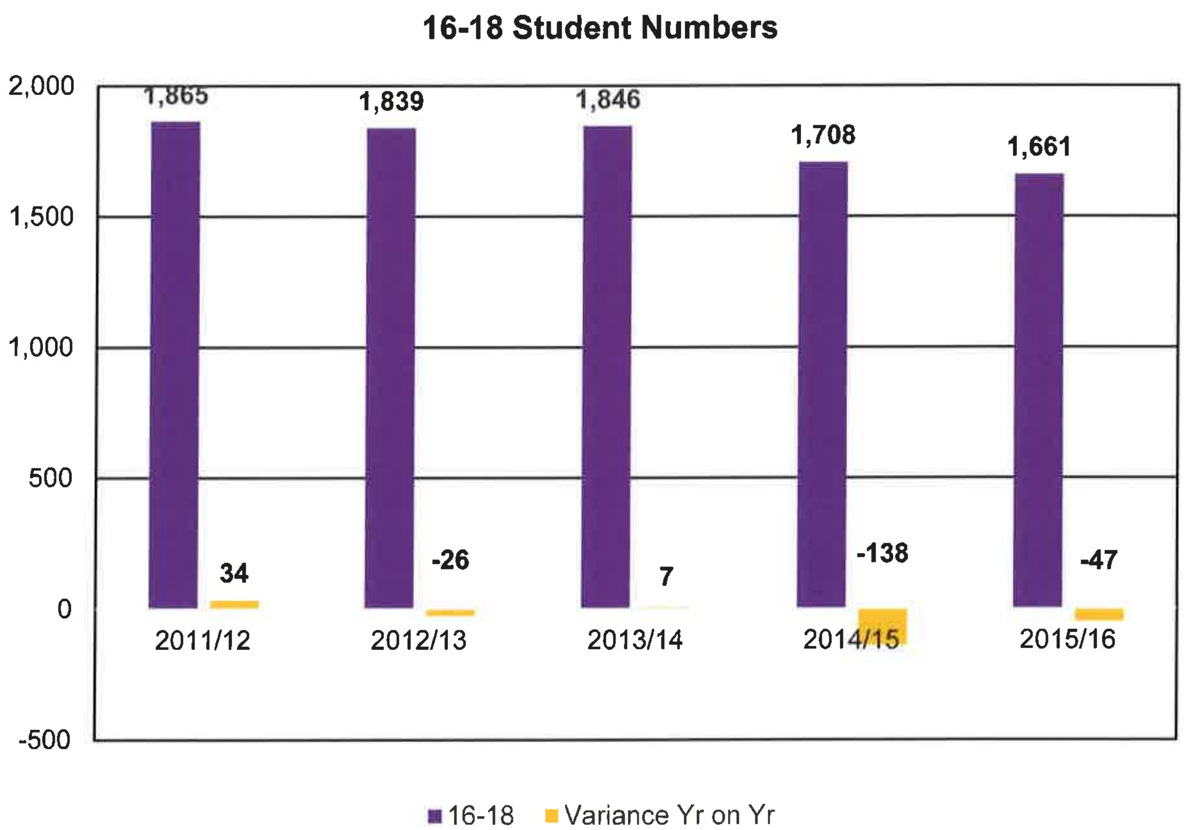
HEFCE - The College achieved 119% of its HEFCE funding target of £348,969.

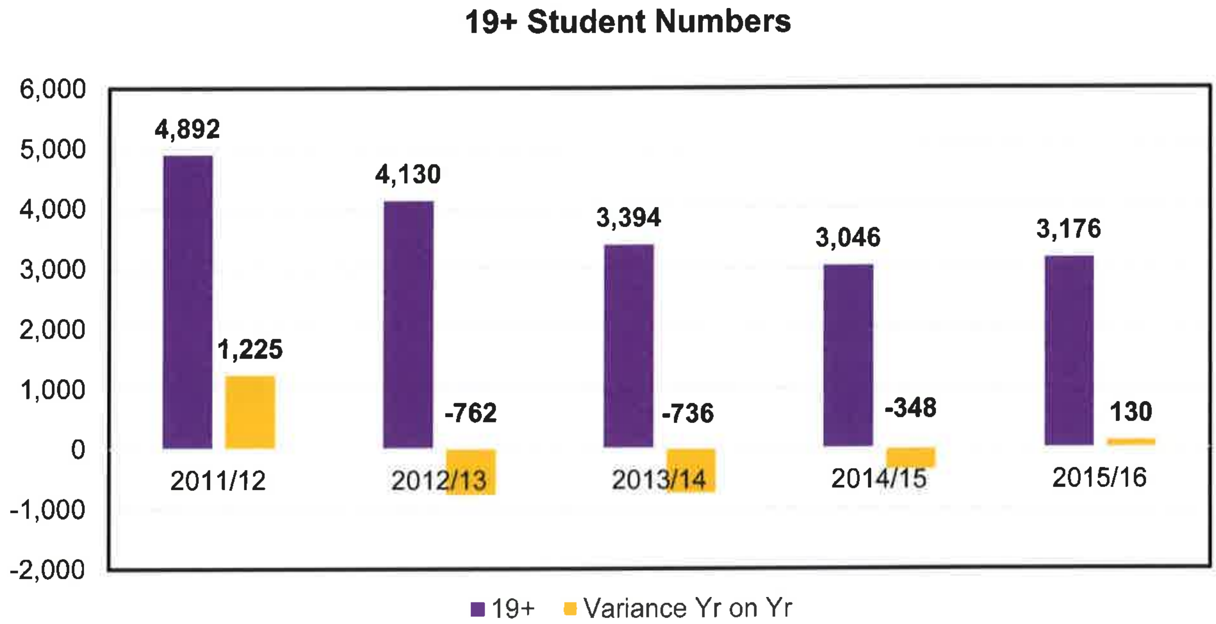
2. **Student numbers**

The College's 16-18 student numbers (headcount) decreased by 47 in 2015-16 due to under recruitment.

The headcount numbers increased by 130 for students aged 19+ due to additional funding allocations during the year from the SFA that the College was able to draw down.

The following graphs depict movement in FE student numbers since 2011-12:





The Jeddah/ NESCOT College of Excellence has on average 664 students, most of whom undertake associate diploma and foundation courses.

FINANCIAL POSITION

Financial results for the year ended 31 July 2016

The overall financial position of the NESCOT Group and of the UK College continues to be strong, with sustainable surpluses. The balance sheet and liquidity position remain strong despite the transition to FRS102 and the completion of a major capital investment scheme at the UK College.

The financial statements comprise the results of the activities channelled through the UK College as a legal entity and give the consolidated results of the UK College and its subsidiary companies. The College has five subsidiary companies, two of which are active: Nescot Business Services Ltd (100% owned by the College); and Nescot Consortium Limited (60% owned by Nescot Business Services Ltd). The results of these companies are included in the consolidated financial statements. NBS did not trade during 2015-16. NCL comprises of the College's share of educational interests in Saudi Arabia.

For the year ended 31 July 2016, total income for the NESCOT Group was £27,592,504 (£26,805,507 2014-15 restated). Total income for the UK College was £21,214,262 (£21,637,918 2014-15 restated), down from the previous year predominantly due to the under-recruitment of 16-18 year olds. The NESCOT Group generated a surplus before other gains and losses of £1,528,382 (£1,022,417 2014-15 restated). The UK College generated a surplus before other gains and losses of £243,786 (£868,462 2014-15 restated). The UK College had set a cautious balanced budget for the year, in anticipation of further funding cuts in-year from the Government's Comprehensive Spending Review (CSR) in November 2015. With a more positive outcome than expected for the FE sector, the CSR announced that funding for the core adult skills participation budgets (ie 16 to 19 budgets and the non-Apprenticeship budget) was protected in cash terms and additional funding was made available during the year by the SFA for growth in 19+ core provision, Apprenticeships and Traineeships, which the College took advantage of.

After gains from the disposal of assets and taxation, the NESCOT Group generated a surplus for the year of £2,361,989 (£765,812 2014-15 restated). The UK College generated a surplus for the year of £1,327,917 (£705,118 2014-15 restated).

The financial results for 2014-15 have been restated for the adoption of revised actuarial assumptions regarding the Local Government Pension Scheme (LGPS), of which the College is a scheduled body. The revised actuarial assumptions have been challenged and tailored for the UK College to better reflect the College's salary increase rate and discount rate. The combination of revisions to actuarial assumptions has resulted in past service costs (included in staff costs) increasing by £15,000 resulting in a reduction in the surplus before other gains and losses of the same amount. Actuarial gains of £4,169,000 resulted in an increase in total comprehensive income of £4,154,000.

The College has invested £43m in the redevelopment of its estate in Epsom over the last four years, which has transformed the College into a modern and up to date learning and teaching environment, as well as providing an opportunity to become a commercial hub for the local community. During the year, the College opened two new buildings: the Skills Park (accommodating a new main reception, a commercial/training hair salon and restaurant, board and committee rooms, and management offices); and the Built Environment Building (accommodating classrooms, workshops, and offices for the College's construction provision). The College has also made significant matched funded capital investment in new curriculum areas including catering and hospitality, and motor vehicle engineering, resulting in the development of new state of the art commercial training kitchens and a new Motor Vehicle Centre on campus. The College has also carried out a significant refurbishment programme of other parts of the estate during the year.

As a result, tangible fixed asset additions during the year amounted to £13,407,717 for the NESCOT Group (UK College £13,402,634). This was split between buildings acquired of £28,647,178 (UK College only), assets taken out of the course of construction of £16,471,236 (UK College only), and equipment purchased of £1,231,775 for the NESCOT Group (UK College £1,226,692). Equipment costs for the UK College have related predominantly to the fit out of the new buildings with up to date IT infrastructure and devices.

The UK College also sold land during the year to the value of £8,310,195 in January 2016, to provide the remaining funding for the acquisition of the new buildings and facilities. The redevelopment of the College estate was managed without any borrowing.

The College's land was revalued last year as at 1st August 2014 in preparation for FRS102 transition. The revaluation was undertaken by James Orr MRICS of Gerald Eve, with land revalued on a fair value basis. This resulted in an increase in the College's land values in the balance sheet and revaluation reserve of £31,852,005 with no impact on the income and expenditure account from depreciation charges.

The NESCOT Group has accumulated reserves of £49,414,701 after non-controlling interest of £637,725 (UK College £47,814,396) and after FRS102 pension adjustments. The Group has cash balances of £14,207,251 (UK College £9,966,798).

The UK College has significant reliance on the education sector funding bodies for its principal funding sources, largely from the EFA and the SFA, and some funding from HEFCE for higher education provision. In 2015-16, the FE funding bodies provided 73% of the UK College's total income.

Nescot Consortium Limited (NCL)

Nescot Consortium Limited ("the Company") is a company registered in the Kingdom of Saudi Arabia under Commercial Registration numbered 4030255268 dated 13 Dhul Qadah 1434H (corresponding to 19 September 2013). It is wholly owned by Nescot Business Services Ltd – 60%; Burton and South Derbyshire College – 20%; and Highbury College, Portsmouth – 20%.

The Company is licensed to engage in providing services of vocational and technical training according to the guidelines and conditions of the General Organization for Technical and Vocational training in accordance with the Saudi Arabian General Investment Authority ('SAGIA') Service Investment License No 69340933171 dated 22 Ramadan 1434 H (corresponding to 30 July 2013).

In accordance with the Company's Articles of Association, the Company's third fiscal period commenced from 1 August 2015 and ended on 31 July 2016. The Company's results are consolidated into these financial statements.

Treasury policies and objectives

Treasury management is the management of the College's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The College has a separate treasury management policy in place, adopting the key recommendations of CIPFA's 'Treasury Management in the Public Services: Code of Practice' (the Code), as described in Section 4 of that Code. The College delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Finance & General Purposes (F&GP) Committee, and for the execution and administration of treasury management decisions to the Deputy Principal (Finance & Resources), who acts in accordance with the College's policy, if they are a CIPFA member, CIPFA's 'Standard of Professional Practice on Treasury Management'.

The College regards its investment priorities to be security and liquidity in its overall Treasury Management Policy. It balances risk and return within these priorities to achieve optimum income on its investments. The College also adopts an ethical investment policy based on the premise that the College's choice of where to make equity investments should reflect the ethical values it espouses in public life. The College will not knowingly invest in companies whose activities include practices which directly pose a risk of serious harm to individuals or groups, or whose activities are inconsistent with the mission and values of the College.

The College's Treasury Management Policy states that the College's performance will be measured against the Bank of England base rate as follows:

Value of investments	Benchmark target for return on investments
£ under £0.5m	Base rate + 0.25%
£ over £0.5m	Base rate + 0.50%

The College's treasury performance to 31 July 2016, using the Bank of England base rate of 0.5% at this date, is as follows:

	Benchmark target %	College funds Average balances £	Benchmark target return £	Actual return £
£ under £0.5m	0.75%	NIL	NIL	NIL
£ over £0.5m	1.00%	£8,850,800	£88,508	£47,000

The College is currently underperforming against treasury management targets. This will be addressed in due course by transferring additional cash reserves to higher interest bearing cash deposit accounts and by looking to invest in other financial and non-financial instruments.

The College does not adopt a policy of short term borrowing for temporary revenue purposes. The College has no borrowing.

Cash flows and liquidity

At £3,521,515 (2014/15 £2,566,458), consolidated net cash flow from operating activities was reasonably strong. The net cashflow resulted from a good cash generation performance from the UK College, boosted by a 13% increase in turnover from NCL, with no accompanying increase in costs and the strengthening of the SAR against the British Pound.

Reserves Policy

The College aims to maintain a level of cash reserves that enables it to fulfil its future commitment to existing students, notwithstanding unforeseen adverse events. The College's Treasury Management Policy requires that the College ensures that adequate cash resources are available to fund daily activities from the College's cash balances or from any designated borrowing facilities. This policy is operated to ensure compliance with the minimum liquidity levels as defined in the College's Finance Strategy and in the Treasury Management Policy.

The College maintains a cash flow forecast updated on a rolling basis to the end of the current academic year and into the following academic year to ensure that future cash requirements are identified and that investments and any borrowings that may be required are managed accordingly. The College invests surplus funds in a mix of financial instruments to include readily available funds and term deposits whilst ensuring optimum returns. The College monitors and forecasts cash flows and reports routinely to the F&GP Committee and to the Corporation, highlighting any significant variances.

The College's policy is to maintain cash facilities of at least two months of operating and payroll costs to allow for unforeseen liquidity requirements, and up to five months of operating and payroll costs as a maximum for investment purposes. At 31 July 2016, these parameters required cash reserves of between £5.1m and £12.8m to be maintained. An average throughout the year would equate to the maintenance of cash reserves of between £3.2m and £8m.

The UK College's current 'house' bankers are HSBC plc, with whom the College deposits cash reserves in a current account and overnight money markets. The UK College also holds cash reserves with Metro Bank at higher interest rates. A total of £6.5m was placed with Metro Bank in an Instant Access account in March 2016. Of this, £5.5m was transferred into a Metro Bank deposit account paying 1% on 100 day notice.

At 31 July 2016, the UK College held a total of £9,967k in cash reserves analysed as follows:

Account	Balance	Interest Rate	Comment
HSBC Current	£10k	0%	Sweep facility
HSBC Money Market	£3,430k	0.3%	Instant access
Metrobank Instant	£1,027k	0.75%	Instant access
Metrobank Deposit	£5,500k	1%	100 day notice

The Bank of England base rate reduced from 0.5% to 0.25% in recent weeks. Metro Bank confirm that their interest rates will reduce accordingly as follows:

- 10 October 2016 - Instant Access 0.75% to 0.50%
- 21 November 2016 - l00 day notice 1% to 0.75%

The UK College earned a total of £47k in interest from cash balances in the year ended 31 July 2016. Since early March 2016, the UK College earned approximately £34k from cash balances held with Metro Bank.

For 2015-16, interest earned was budgeted at £79k on the basis of an assumption of a rate of return 1% of average cash balances throughout the year. This has not been achievable because of the Coast to Capital (C2C) building projects agreed after completion of the 2015-16 budget and which have resulted in an additional £3m outlay in cash of which only £1.3m is funded by C2C. However, the College's cash days in hand of 174 days cash at 31 July 2016 compares favourably with the sector average of 57 days.

Annual capital expenditure and planned maintenance programme

The cost of the College's planned maintenance programme over a period of 10 years from 2010, was originally estimated to be £4.1m. However, the College has received SFA and EFA grant funding of £11.7m to update and improve its campus. The SFA and EFA funding has been matched by £30m of College funding. The impact of these works has significantly reduced the College's backlog maintenance. The College now has an annual programme of £3m capital expenditure for further refurbishment of the estate, and £300k per annum in planned maintenance.

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 (VAT), 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.

The College's subsidiary companies are subject to corporation taxes and VAT in the same way as any commercial organisation.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Financial performance

The UK College has generated an operating surplus of £243,786 in 2015-16 (equivalent to 1.1% of total income of £21.2m), exceeding budget targets for the year. For the NESCOT Group, an operating surplus of £1.528m was generated (equivalent to 5.5% of total income of £27.6m). The College's financial forecasting during the year was accurate.

Pay expenditure for the UK College is under control, with total pay of £12.136m remaining around budget at year end. Pay expenditure as a percentage of income was 57.2% for 2015-16. However, after excluding the College's sub-contracted provision from the calculations, pay costs are closer to 67% of total income. Based on this measure, the College's pay costs are slightly higher than sector averages.

Total non-pay expenditure of £8.8m (including £1.857m depreciation charges), was behind budget by approximately £1m predominantly as a result of additional subcontracting costs.

The performance ratio for 2015-16 was 10.69%, contributing to the College's outstanding financial health grade. This performance is almost exactly on budget and well ahead of sector averages, indicating that the College is efficient and effective in generating cash from operations.

The balance sheet is strong with significant cash reserves of £14.2m for the Group and nearly £10m for the UK College. Cash days in hand of 182 are significantly ahead of the sector average. The adjusted current ratio of 1:3.69 indicates a healthy level of net current assets and ability to discharge current liabilities easily.

The College's land was revalued in 2014-15 to boost the strength of the balance sheet in advance of the implementation of FRS102, resulting in an increase in the values in the balance sheet and revaluation reserve by £31.9m. The College has rationalised its estate over the last two years by selling two parcels of land generating £30m in sales receipts. These receipts have been used in the College's £43m upgrade of the remaining estate, which is now complete. No borrowing was required. The College's UK gearing ratio is 0% (excluding some small financial lease commitments) and the College does not anticipate any borrowing requirement throughout the period of the financial plan to 2020.

NCL has a £1.9m loan from Colleges of Excellence in respect of the Saudi Arabia contract. However, the College expects this liability to be fully offset by income from the remaining two years of the contract, with no net impact on the Group's overall finances.

The SFA automated financial health grade was 'outstanding' at 31 July 2016 and forecast to be 'outstanding' throughout 2016-17 and throughout the period of the financial plan.

Student numbers

For the year ended 31 July 2016, the UK College has delivered activity that has produced £14,669,071 in funding body main allocations (2014/15 – £15,730,924). The College had 6,386 funded and 1,629 non-funded students, as detailed below:

	Headcount
EFA funded students	1,661
SFA funded classroom students	3,176
SFA funded apprentices	1,182
HEFCE funded students	367
Total funded students	**6,386**
Total non-funded students	**1,629**

Student achievements

Students continue to prosper at the College. Success rates have remained above the sector average for the past three years, rising from 82% in 2013/14 to 86% in 2014/15 and 2015/16.

Achievements at Level 3 are a particular strength and have been above the national average for the past three years. High grades and value added have significantly improved since the last inspection. The ALPS score has been 'very good' for the past three years.

In the 2016 Ofsted inspection report, inspectors commented that the vast majority of the College's students and apprentices achieve their qualifications successfully. It was noted that adult learners achieve particularly well and that students on study programmes make very good progress in their main qualifications. Achievement rates for vocational programmes were above national averages in 2016, and well above national averages for apprenticeships. The College delivers a range of vocational provision to a high standard, including a number of BTEC courses. In the past three years, the College has won the BTEC student of the year in Animal Studies and in Computing, and Overall Student of the Year at the annual Pearson Awards.

The College continues to encourage students to enter for skills competitions, and in 2016 won gold and silver medals in the UK World Skills competitions. The College has been very successful in national competitions such as World Skills, where media and computing students have consistently demonstrated high levels of skills whilst competing with their peers (the College has won more medals than any college in England).

In November 2016, FE Week compiled a league table of colleges using four measures: employer satisfaction, learner satisfaction, positive destinations and apprenticeship funding. The College achieved joint 5th ranking nationally out of 213 colleges, along with several other colleges who scored 14 out of a maximum of 16.

Curriculum developments

The College has a national reputation for curriculum innovation and change. It has introduced new courses in many areas of the curriculum in order to better meet student needs. A particular strength is in making students ready for the next stage in their lives.

Many of the College's students have low levels of prior educational achievement. The College is growing the range of courses aimed at students who are returning to education. These include a range of courses in the Foundation Learning department and new provision in a number of areas including motor vehicle, electrical, catering, and art and design.

Courses have been designed to ensure that students are able to move securely into the labour market. Learners complete work experience placements as part of their study programmes, and the College is the most successful in England at the annual World Skills event. Several curriculum areas have strong links with industry, and this has led to a number of new initiatives such as the introduction of higher level apprenticeships and new employer-endorsed courses in computing and media.

Other courses prepare students for university. These include:

- Access courses for adults.
- Development of Level 4/5 courses including HNCs and degrees where they clearly fit the needs of our students.
- A wide range of Level 3 provision, which accounts for the majority of 16-18 enrolments, consistently achieves high success rates and provides good progression rates to further study or employment.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which 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 96.4 per cent of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

Events after the end of the reporting period

The College's Corporation is aware of the progression of the sale of NBS' interest in NCL.

The College has participated in the Surrey Area Based Review, which concluded that the College can remain independent but to also explore options for partnership that will deliver greater financial resilience in the longer term.

Future prospects

The College is a capital and people intensive operation. It has identified the need to grow to achieve critical mass. At the same time, in recent years there has been a recognition of the need to refresh the existing capital base. The College also places a high premium on the importance of investing in its people, courses and infrastructure. This preserves its attraction for the best staff and students, and sustains the College's reputation for excellent teaching and learning.

The College's investment in its human resources and infrastructure is met by College reserves and government capital grants. It is the intention to maintain and strengthen these by combining improvements to the College's resource planning processes with effective exploitation of newly enhanced opportunities for income generation. The College has already invested £43m over the last four years in updating the estate, which is now complete. Thereafter, over £1m per annum will be a minimum requirement both to refresh and replace assets and to support growth.

To create the headroom to accommodate further development and the investment required to meet the physical demands of the College, attention will focus on the efficiency and effectiveness with which the College uses its existing resources. Improvement will arise both by refocusing existing programmes and, where appropriate, by redeploying some existing spending streams. In other cases, development will require new funding sources and income streams. As well as improving sustainable cash flow, the College will seek to maintain its operating surpluses, which will be challenging in the current sector operating environment.

In the longer term, and in the context of the outcome of the recently conducted Area Reviews in Surrey, the College expects its financial resources to strengthen. This will rely heavily on the College achieving its ambitious Academic Strategy for growth in student recruitment. Any additional funds will be used both to accelerate the programme of capital renewal and to strengthen teaching and learning operations. Attention will be paid to managing the risks inherent in the College's financial and development strategies. Growing dependence on non-government funding, particularly in full cost income and online programmes, with emphasis on increasing take up of Advanced Learner Loans, commercial income, overseas fee income, and fundraising will strengthen net revenues but will also introduce new elements of uncertainty whilst the College continues to be exposed to cost pressures – salaries, pensions, other employer pay costs, capital depreciation charges – over which the College has predominantly limited control.

Finally, the College is continuing to face the uncertainties attendant upon potentially further reductions in government revenue funding and capital replacement and renewal, particularly after the UK referendum result in June 2016 to leave the European Union, and around the proposed new arrangements for devolved funding and the impact of the introduction of the Apprenticeship

Levy. To meet these various challenges, the College's financial strategy has been designed to deliver against a number of new objectives. The College has adopted an ambitious Strategic Plan, NESCOT 2020. Major initiatives during the period to 2020 will support the College's long-term sustainability:

- Development and innovation of the curriculum to generate student number growth.
- Marketing and communications will be reviewed and resources increased to maximise the College's impact at local, national and international level, maintaining and enhancing the College's profile and appeal.
- The College will place increasingly less reliance on government funding and develop new income sources, especially from commercial activities, full cost and online programmes, overseas income, and fundraising.
- The development of the commercial restaurant, hair salon, and motor vehicle centre on campus.
- Increased focus on Apprenticeships and a new model of delivery to achieve higher contribution levels.
- Further development and refurbishment of the estate will take place in the next four years. This will be funded from cash reserves and additional capital grants should these be made available by the Local Enterprise Partnership (LEP).
- Capital infrastructure strategies will be funded based on assessment of life-cycles. The replacement of key ICT systems will be considered and implemented as necessary.
- Cash will remain critical to the College's operating model and it will continue to invest in the estate and other infrastructure to ensure that it is fit for purpose.
- Surpluses which generate cash will remain mission critical to the College's operating model.
- New strategies for investing in alternative financial and non-financial instruments that can generate greater returns whilst aligning with the College's treasury management objectives for financial risk management.
- Increased collaboration with the other Surrey FE colleges, particularly in Apprenticeships and HE.

RESOURCES

The College has various resources that it can deploy in pursuit of its strategic objectives.

Financial

The College has £49.4m of Group net assets (£47.8m UK College), including £8.863m pension liability, and no debt.

People

The College employs 399 people (expressed as full time equivalents including sessional and casual staff), of whom 240 are teaching staff.

Reputation

The College has an excellent reputation locally and nationally. Maintaining a quality brand is essential for the College's success in attracting students and external relationships.

PRINCIPAL RISKS AND UNCERTAINTIES

The College has undertaken further work during the year to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation.

A strategic risk register is maintained at the College level, which is updated regularly by the SMT and reviewed at each meeting of the Audit Committee. The risk register identifies key risks, the likelihood of those risks occurring and preventing the College's strategic objectives from being achieved, their potential impact on the College, and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

The College's most significant strategic risks as recorded in the most recent strategic risk register relate to:

1. The achievement of funding body recruitment targets.
2. Sustaining 'good' or better teaching, learning and assessment.
3. Recruiting and/or retaining suitably qualified professional and teaching staff.
4. Developing and implementing effective and robust business plans for international business.
5. Achieving and maintaining a fit for purpose estate and facilities, IT infrastructure and learning resources.
6. Managing the effects of adverse changes in government policy and the external economic environment.
7. Managing the College's commercial activities.
8. Manage the risks associated with the Jeddah College within the NESCOT Group.
9. Media interest.
10. Failure to properly manage the Government's reform of Apprenticeship provision may lead to loss of funding for the College on a significant scale.

The College also maintains an operational risk register at departmental level. The College has a Risk Management Action Group, which undertakes a comprehensive review of operational risks to which the College is exposed. The Group meets termly and identifies systems and procedures, including specific actions, which should prevent identified risks materialising and adversely impacting on the College. The internal controls are then implemented and subsequent termly appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the termly reviews, the Risk Management Action Group will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

STAKEHOLDER RELATIONSHIPS

In line with other colleges and with universities, NESCOT has many stakeholders. These include:

- Students
- Education sector funding bodies
- FE Commissioner
- Staff
- Local employers (with specific links)
- Local authorities
- Local Enterprise Partnerships (LEPs)
- The local community
- Other FE and HE institutions
- Trade unions
- Professional bodies

The College recognises the importance of these relationships and engages in regular communication with them through the College internet and intranet sites and through meetings and events.

The College considers good communication with its staff to be very important, and to this end has an electronic newsletter which managers use to keep all staff informed of activity in their area or any essential updates, and each term there is a Core Brief meeting of the College Management Team (CMT). The College encourages staff and student involvement through membership of formal committees. There is a Staff Consultative Committee with representatives meeting with the Principal twice a term. The 'Student Voice' has regular meetings at which staff and management are present. Four student representatives attend Corporation meetings.

Equality and Diversity and Employment of Disabled Persons

The College is committed to ensuring equality of opportunity for all who learn and work at NESCOT. We respect and value positively differences in race, gender, sexual orientation, disability, religion or belief and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy is resourced, implemented and monitored on a planned basis. The College's Equal Opportunities Policy is published on the College's internet and intranet sites.

The College seeks to achieve the objective set out in the Equality Act 2010 and to this end has agreed a single equality scheme and associated action plan, which sets out the planned actions it proposes in support of each of the protected characteristics, including disability:

a) The College aims to comply with its general and specific duties as set out in the Equality Act 2010, which recognises that all have a right to equality of opportunity irrespective of race, disability, gender, gender reassignment, age, nationality, sexual orientation, religion or belief, marital or civil partnership status, or socio-economic status, background or class. The College has prepared appropriate polices, schemes and action plans, which are monitored by the Equality and Diversity Working Group. An Equality and Diversity Policy has been developed which meets the requirements of the Equalities Act 2010.

b) The College is a 'Disability Confident Employer' and has committed to the principles and objectives of the Disability Confident scheme. The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. 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, as far as possible, provide identical opportunities to those of non-disabled employees. The College was awarded the 'Two Ticks' symbol ("Positive about Disabled People") in October 2004 which has now transferred to the new Disability Confident scheme. This is in recognition of the support that is provided for disabled job applicants, and for staff with disabilities, and is regularly reassessed against this standard and was last assessed in September 2016. As part of this commitment, the College has agreed the following commitments:

(i) Actively looking to attract and recruit disabled people.

(ii) Providing a fully inclusive and accessible recruitment process.

(iii) Offering an interview to disabled people who meet the minimum criteria for the job.

(iv) Flexibility when assessing people so disabled job applicants have the best opportunity to demonstrate that they can do the job.

(v) Proactively offering and making reasonable adjustments as required.

(vi) Encouraging our suppliers and partner firms to be Disability Confident.

c) The College has also signed up to the Disability Equality Commitment, which has been developed by the Disability Equality Implementation Group in FE whose aim is to drive forward the 11 key recommendations of the Commission for Disabled Staff in Lifelong Learning. These commitments are considered as part of the annual review of the College's Equality and Diversity Action Plan.

The Equality and Diversity Task Group reviews the College's Equality and Diversity Impact Measures (EDIMs) annually to assess whether each EDIM is still appropriate, whether there has been an improvement in student performance in the particular measure being assessed as a result of action taken, or whether to amend any of them in order to enable other possible areas of inequality to be addressed.

The College publishes an Annual Equality Report and Equality Objectives to ensure compliance with all relevant equality legislation including the Equality Act 2010. The College undertakes equality impact assessments on all new policies and procedures and publishes the results. Equality impact assessments are also undertaken for existing policies and procedures on a prioritised basis.

Disability statement

The College seeks to achieve the general and specific duties set down in the Equality Act 2010, and in particular makes the following commitments:

a) There is specialist equipment, such as electronic note pads, adjustable height furniture, hearing loop, and other physical aids which can be used by students with learning difficulties/disabilities.

b) The admissions policy for all students is advertised on the Nescot website and will be clearly displayed on the wall in our Advice and Recruitment area. Appeals against a decision not to offer a place are dealt with under the Complaints Policy.

c) There are a number of learning support assistants who provide in-class support. Specialist Support Tutors are also employed who support learners with specific difficulties and/or disabilities on a 1:1 or small group basis in addition to class times.

d) There is a programme of staff development to ensure the provision of a high level of appropriate support for learners who have learning difficulties and/or disabilities.

e) Appropriate courses are described in programme information guides, and achievements and destinations are recorded and published in the standard college format.

f) Counselling and welfare services are described in the College Prospectus.

Disclosure of information to auditors

The Governors 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 Governor 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 Governors of the Corporation on 9 December 2016 signed on its behalf by:

Sam Luke

Professor Sam Luke
Chair of NESCOT Corporation

NESCOT Corporation
Statement of Corporate Governance and Internal Control

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

The College endeavours to conduct its business:

i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
ii. in full accordance with the guidance to colleges from the Association of Colleges in 'The Code of Good Governance for English Colleges' ("the Code"); and
iii. having due regard to the UK Corporate Governance Code 2016 insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in the UK Corporate Governance Code (formerly known as the *Combined Code on Corporate Governance).* Its purpose is to help the reader of the accounts understand how the principles have been applied. The College has adopted the 'English Colleges' Foundation Code of Governance' issued by the Association of Colleges in December 2011. The Corporation also adopted the Audit and Accountability Annex to the Foundation Code of Governance as part of its commitment to the Financial Reporting Council's UK Corporate Governance Code. The Corporation therefore now reports the attendance of Members of the Corporation in the Annual Report and Financial Statements.

In the opinion of the Governors, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2016. The Corporation 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, which it formally adopted on 10 July 2015.

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



The Corporation

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

FE CORPORATION 2015 – 2016

NAME	ELIGIBILITY	COMMITTEES	ELECTED	RE-ELECTED	TERM OF OFFICE EXPIRES / RESIGNED	ATTENDANCE RECORD[1]
Mr L Finn	Teaching Staff	C&QC	01/09/15		2017	10/11
Mr J Morris	Student Governor (HE)		28/03/15		Resigned: 28/03/16	2/4
Mr M Broadbent	Student Governor (HE)	C&QC	13/05/16		2017	3/3
Professor M Hunt	External	Corporation (Chair); NBS Ltd (Chair)[2]; Search & Governance (Chair); SSPRC (Chair)	26/02/10	2013 2015	Term of Office expired: 08/07/16;	16/17
Mr E Laird	External	Audit	06/12/13		Term of Office expired: 31/07/16	8/11
Ms A Lawrence	External	C&Q; NBS Ltd	01/09/13	2015	2019	12/17
Professor S Luke	External	Corporation (Vice Chair to 08/07/16; Chair 09/07/16); F&GP; NBS Ltd; Search & Governance (Chair); SSPRC (Chair)	01/09/13	2015	2019	27/27
Mrs S Mann	Group CEO & Principal	F&GP; NBS Ltd; Search & Governance; C&QC	N/A	N/A	Resigned: 31/05/16	13/16
Mr C Hall	Group CEO & Principal	F&GP; NBS Ltd; Search & Governance; C&QC	01/06/16		N/A	12/13
Mr C Muller	External	C&QC	05/04/11	2013; 2016	2018	20/21
Mr C Shortt	External	F&G: Search & Governance	10/07/09	2012 2014 2015	2017	14/18

[1] Shown as actual attendances versus possible attendances
[2] Independent director and Chair of NBS Ltd with effect from 09/07/16.

NAME	ELIGIBILITY	COMMITTEES	ELECTED	RE-ELECTED	TERM OF OFFICE EXPIRES / RESIGNED	ATTENDANCE RECORD[1]
Mr P Stamps	External	F&GP; NBS Ltd (from 23/05/16); SSPRC; Search and Governance	06/12/13	2016	2020	21/21
Ms M Kilminster	External	Audit (from 01/08/16)	01/08/16		2018	0/1
Mr T Willington	External	Audit (Chair)	06/12/13		Term of Office expired: 31/07/16	9/12
Ms C Biscoe	External	Audit (Chair from 01/08/16)	15/05/15		2017	11/13
Ms J Lloyd	Support Staff Governor	Audit (from 05/06/15)	15/05/15		2017	11/11
Ms Y Malik	External	Audit (from 01/08/16)	01/08/16		2018	0/1
Ms M Ashby	Student Governor (FE)		02/12/14		Resigned: 02/02/16	1/3
Mr J Spooner[3]	Student Governor (FE)	CQC	13/05/16		2017	5/5
Mr M Stone[4]	Student Support Governor (FE)		13/05/16		2017	3/3
Ms D Appiah[5]	Student Support Governor (FE)		13/05/16		2017	2/3
Dr M West	External		07/10/16		2018	0/1
Ms L Reddick	External	QCQ	01/08/16		2018	1/2

Mr David Round was Clerk to the Corporation in 2015-16.

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

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Corporation meets three times per academic year.

The Corporation conducts its business through a number of committees. Each committee has documented terms of reference, which have been approved by the full Corporation. These committees are: Finance and General Purposes; Curriculum and Quality; Senior Staff Performance and Remuneration; Search and Governance; and Audit.

[3] Student Governor with voting powers
[4] Student Governor without voting powers
[5] Student Governor without voting powers

Full minutes of all meetings, except those deemed to be confidential, are posted on the College's website and are available from the Clerk to the Corporation at:

North East Surrey College of Technology (NESCOT)
Reigate Road
Ewell
Epsom
Surrey
KT17 3DS

The Clerk to the Corporation maintains a register of financial and personal interests of the Governors. The register is available for inspection at the above address.

All Governors are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Clerk to the Corporation, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Corporation as a whole.

Formal agendas, papers and reports are supplied to Governors in a timely manner, prior to Board meetings. Briefings are provided on an ad hoc basis as and when required.

The Corporation has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Corporation considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

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

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search Committee comprised: the Chair; the Vice-Chair; one member of the Corporation; the Principal; and one member of senior management. The Committee is responsible for advising the Corporation on the appointment of Members (other than staff or student Members), and such other matters relating to membership and appointments as requested by the Corporation. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for terms of office not exceeding four years with the exception of Staff Governors who are appointed for two years and Student Governors who are appointed for one year.

Corporation performance

It is good governance practice that the Corporation reviews its own performance on a regular basis. It is also a recommendation in the Code. Following review at the Search and Governance Committee, the Corporation approved the implementation of a Governor appraisal system as part of the Board effectiveness strategy and in compliance with the Code. Other components of the strategy are:

- a self-assessment questionnaire to be completed by Governors; and
- an independent review of Board performance.

The Governor appraisal system was launched on 16 February 2016 including copies of the templates for collating feedback. The online Board self-evaluation questionnaire was issued at the end of January 2016. All external Governors and Staff Governors completed the questionnaire. The May 2016 meeting of the Corporation was observed by an external consultant who is a National Leader of Governance consultant appointed by the AoC/EFTL. The resulting report was both positive with a number of useful recommendations which were:

1. Assess Governors' training needs to ensure all governors are up to date on current developments within the sector.
2. Ensure that the new Chair is provided with support.
3. Consider engaging a range of Governors in Area Reviews.
4. Consider ways of building relationships with other colleges, at Board level, if there are plans to collaborate/federate or merge with other colleges.

These recommendations are being taken forward.

Senior Staff Performance and Remuneration Committee

Throughout the year ending 31 July 2016, the College's Remuneration Committee comprised: the Chair of the Corporation; the Vice Chair of the Corporation; and Chairs of the Finance and General Purposes, Curriculum Standards and Student Services and Audit Committees. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal and other senior post holders.

Details of remuneration for the year ended 31 July 2016 are set out in Note 7 to the financial statements.

Audit Committee

The Audit Committee comprises up to five members of the Corporation (excluding the Accounting Officer and the Chair). The Committee has authority to appoint additional external co-opted members as necessary. The Committee operates in accordance with documented terms of reference approved by the Corporation. Its purpose is to advise the Corporation on the adequacy and effectiveness of the College's systems of internal control and its arrangements for risk management, control and governance.

The Audit Committee meets on a termly basis and provides a forum for reporting by the College's internal auditors, reporting accountants 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.

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

Management is responsible for the implementation of agreed audit recommendations and internal audit undertakes periodic follow-up reviews to ensure such recommendations have been implemented.

The Audit Committee also advises the Corporation on the appointment of the internal auditors, the reporting accountants and financial statements auditors and their remuneration for audit and non-audit work as well as reporting annually to the Corporation.

Internal control

Scope of responsibility

The Corporation is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which he or she is personally responsible, in accordance with the responsibilities assigned to them in the Financial Memorandum between the College and the SFA and EFA. They are also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place at the College for the year ended 31 July 2016 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2016 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

The system of internal control is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

- comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the governing body;
- regular reviews by the governing body of periodic and annual financial reports which indicate financial performance against forecasts;
- setting targets to measure financial and other performance;
- clearly defined capital investment control guidelines; and
- the adoption of formal project management disciplines, where appropriate.

The College has an internal audit service, which operates in accordance with the EFA and SFA's Joint Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis.

The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. At minimum annually, the Head of Internal Audit (HIA) provides the Corporation with a report on internal audit activity at the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

As the Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. The Principal's review of the effectiveness of the system of internal control is informed by:

- the work of the internal auditors;
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework; and
- comments made by the College's external/ financial statements auditors and the SFA/EFA - appointed ILR auditors in their management letters and other reports.

The Accounting Officer has been advised on the implications of the result of their review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditor and other sources of assurance, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team 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 Corporation carried out the annual assessment for the year ended 31 July 2016 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2016.

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

Going concern

The current update of the Finance Strategy indicates that the College has met the majority of its high level and operational KPIs for 2015-16 and that it is capable of further increasing its income targets up to 2020, with total income expected to be generated reaching £28.96m. The cost base is expected to reach £27.3m in 2020 to support growth in the business, realising a planned surplus after interest, tax, depreciation and amortisation (ITDA) of £1.66m.

The College's financial health remains 'outstanding' throughout the remainder of the financial plan with positive SFA key performance indicators. Where KPIs are adverse, management action is taken to address the underlying underperformance.

A Finance Strategy was been developed and approved by Corporation in December 2015, which includes a five year financial plan to 2020 intended to support the delivery of the NESCOT Corporate Strategy 2020. The five year financial plan is being regularly updated from current year forecasts and projections to 2020. The financial plan is driven by the College's Academic Strategy and student number targets, which incorporates growth assumptions over the planning period. The Finance Strategy also has a number of other assumptions and variables built in, including increasing costs (inflation, pension schemes, and national insurance contributions) and further funding cuts and reconfiguration of funding. Assumptions to increase other non-government income streams are also developed within the five year financial planning model.

Performance against the five year financial plan is being managed and reported using a comprehensive Financial KPI Dashboard. The current Dashboard indicates strong financial performance each year through to 2020 and an SFA automated financial health grade of 'outstanding' throughout. The year 2016-17 will be the most challenging with a forecast operating surplus of only £20k as a result of significantly increased pay costs (arising from increasing pension costs and NICs, and additional staffing posts for growth purposes) and depreciation charges from bringing new buildings into full use. The College will be reviewing options for increasing income and/or reducing costs.

On this basis, the Finance Strategy and five year financial plan demonstrate that the College, as a single stand-alone entity, remains financially sustainable over the period of the plan and is a longer term going concern.

The College has participated in the Surrey Area Based Review, which concluded that the College can remain as an independent FE college but to also explore options for partnership that will deliver greater financial resilience in the longer term. The Corporation has carried out a robust assessment of the principal risks facing the College, which have included solvency and liquidity risks.

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Approved by order of the Governors of the Corporation on 9 December 2016 and signed on its behalf by:

Signed: Sam Luke

Professor Sam Luke
Chair of NESCOT Corporation

Signed:

Cliff Hall
Acting Principal & Group Chief Executive

The Corporation has considered its responsibility to notify the Skills Funding Agency (SFA) of material irregularity, impropriety and non-compliance with SFA terms and conditions of funding, under the financial memorandum/funding agreement in place between the College and the SFA. As part of our consideration we have had due regard to the requirements of the financial memorandum/funding agreement.

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 SFA.

Signed:

Professor Sam Luke
Chair of NESCOT Corporation

Signed:

Cliff Hall
Acting Principal & Group Chief Executive

NESCOT Corporation
Statement of Responsibilities of the Members of the Corporation

The Members of the Corporation are required to present audited financial statements for each financial year. Within the terms and conditions of the Financial Memorandum agreed between the Skills Funding Agency and Education Funding Agency and the Corporation of the College, the Corporation, through its Principal, is required to prepare financial statements for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions and with the *College Accounts Direction 2015 to 2016* issued jointly by the Skills Funding Agency and the Education Funding Agency, and which give a true and fair view of the state of affairs of the College and the result for that year.

In preparing the financial statements, the Corporation is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation.

The Corporation is also required to 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.

The Corporation is responsible for keeping proper accounting records, which disclose with reasonable accuracy, at any time, the financial position of the College, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

The maintenance and integrity of the College website is the responsibility of the Corporation of the College; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

Approved by order of the Governors of the Corporation on 9 December 2016 and signed on its behalf by:

Signed: Sam Luke

Professor Sam Luke
Chair of NESCOT Corporation

Nescot

Independent auditor's report to the Corporation of North East Surrey College of Technology (NESCOT)

We have audited the financial statements of NESCOT set out on pages 37 to 67. The financial reporting framework that has been applied in their preparation is the applicable law and United Kingdom accounting standards (UK Generally Accepted Accounting Practice).

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

Respective Responsibilities of the Corporation of North East Surrey College of Technology and Auditor

As explained more fully in the Statement of Responsibilities of Members of the Corporation, set out on page 33, the Corporation is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, in accordance with the United Kingdom Generally Accepted Accounting Practice, of the state of the College's affairs as at 31 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 the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education.

Opinion on other matters prescribed by the revised Joint Audit Code of Practice issued jointly by the Skills Funding Agency and the Education Funding Agency (August 2016)

In our opinion:

- proper accounting records have been kept; and
- the financial statements are in agreement with the accounting records.

MHA MacIntyre Hudson

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

Date: 15/12/16

Reporting accountants' assurance report on regularity to the Corporation of North East Surrey College of Technology (NESCOT) and the Secretary of State for Business Innovation and Skills acting through the Skills Funding Agency (SFA).

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 North East Surrey College of Technology during the year 1 August 2015 to 31 July 2016 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Joint Audit Code of Practice issued jointly by 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 the Skills Funding Agency has other assurance arrangements in place.

This report is made solely to the Corporation of North East Surrey College of Technology 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 North East Surrey College of Technology and the 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 North East Surrey College of Technology and the Skills Funding Agency for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of North East Surrey College of Technology and the reporting accountant

The Corporation of North East Surrey College of Technology 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 year 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

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.

The work undertaken to draw to our conclusion includes:

- Reviewing the Minutes of the meetings of the Governing Body and other evidence made available to us.

- Review of the objectives and activities of the College, with reference to the income streams and other information available to us as auditors of the College.
- Testing of a sample of payroll payments to staff.
- Testing of a sample of payments to suppliers and other third parties.
- Testing of a sample of grants received and other income streams.

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 year 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.

Signed:

MHA MacIntyre Hudson

MHA MacIntyre Hudson
Chartered Accountants
Registered Auditors

Date: 15/12/16

Nescot Corporation
Consolidated Statement of Comprehensive Income

	Notes	Year ended 31 July 2016 Group £'000	2016 College £'000	Year ended 31 July 2015 Group restated £'000	2015 College restated £'000	Year ended 31 July 2015 Group filed £'000	2015 College filed £'000
INCOME							
Funding body grants	2	15,417	15,417	16,580	16,580	16,580	16,580
Tuition fees and education contracts	3	10,184	3,968	8,464	3,341	8,464	3,341
Other grants and contracts	4	579	579	379	379	379	379
Other income	5	1,367	1,204	1,351	1,306	1,351	1,306
Endowment and investment income	6	47	47	31	31	31	31
Total income		**27,593**	**21,214**	**26,806**	**21,638**	**26,806**	**21,638**
EXPENDITURE							
Staff costs	7	14,755	12,136	14,815	12,196	14,800	12,181
Fundamental restructuring costs	7	55	55	7	7	7	7
Other operating expenses	8	8,542	6,683	8,180	6,321	8,180	6,321
Depreciation	14	2,099	1,857	2,060	1,851	2,060	1,851
Interest and other finance costs	9	613	238	721	394	721	394
Total expenditure		**26,064**	**20,970**	**25,783**	**20,769**	**25,768**	**20,754**
(Deficit)/surplus before other gains and losses		**1,528**	**244**	**1,022**	**868**	**1,037**	**883**
Gain/(Loss) on disposal of assets	14	1,084	1,084	(163)	(163)	(163)	(163)
(Deficit)/surplus before tax		**2,613**	**1,328**	**859**	**705**	**874**	**720**
Taxation	10	(251)	-	(93)	-	(93)	-
(Deficit)/surplus for the year		**2,362**	**1,328**	**766**	**705**	**781**	**720**
Transfer (to)/from revaluation reserve	13	8,839	8,839	19,580	19,580	19,580	19,580
Actuarial loss in respect of pensions schemes	21	(2,378)	(2,378)	3,542	3,542	(627)	(627)
Foreign exchange gains	11	175	-	25	-	25	-
Total Comprehensive Income for the year		**8,997**	**7,788**	**23,912**	**23,827**	**19,758**	**19,673**
Represented by:							
Unrestricted comprehensive income		-	-	-	-	-	-
Restricted comprehensive income		8,997	7,788	23,912	23,827	19,758	19,673
		8,997	7,788	23,912	23,827	19,758	19,673
Surplus for the year attributable to:							
Non controlling interest	11	**414**	-	**24**	-	**24**	-
Group		**1,948**	**1,328**	**742**	**705**	**757**	**720**
Total Comprehensive Income for the year attributable to:							
Non controlling interest	11	**484**	-	**34**	-	**34**	-
Group		**8,514**	**7,788**	**23,878**	**23,827**	**19,724**	**19,673**

Upon receipt of the Local Government Pension Scheme results schedule for 2016, the College challenged the actuarial assumptions therein, and received revised calculations for 2015 and 2016, necessitating restatement of the 2015 financial statements. Past service costs, included in Staff costs, increased by £15k resulting in a reduction to the surplus of the same amount. Actuarial gains of £4,169k resulted in an increase in total comprehensive income of £4,154k.

Nescot Corporation
Consolidated and College Statement of Changes in Reserves

	Income and Expenditure account	Revaluation reserve	Total excluding Non controlling interest	Non Contolling interest	Total
	£'000	£'000	£'000	£'000	£'000
Group					
Restated balance at 1st August 2014	2,324	10,628	12,952	120	13,072
Surplus/(deficit) from the income and expenditure account	742	-	742	24	766
Other comprehensive income	3,557	31,852	35,409	10	35,419
Transfers between revaluation and income and expenditure reserves	19,580	(19,580)	-	-	-
	23,878	12,272	36,150	34	36,184
Balance at 31st July 2015	26,202	22,900	49,102	154	49,256
Surplus/(deficit) from the income and expenditure account	1,948	-	1,948	414	2,362
Other comprehensive income	(2,273)	-	(2,273)	70	-2,203
Transfers between revaluation and income and expenditure reserves	8,839	(8,839)	-	-	-
Total comprehensive income for the year	8,514	(8,839)	(325)	484	159
Balance at 31st July 2016	34,716	14,061	48,777	638	49,415
College					
Restated balance at 1st August 2014	2,138	10,628	12,766	-	12,766
Surplus/(deficit) from the income and expenditure account	705	-	705	-	705
Other comprehensive income	3,542	31,852	35,394	-	35,394
Transfers between revaluation and income and expenditure reserves	19,580	(19,580)	-	-	0
	23,827	12,272	36,099	-	36,099
Balance at 31st July 2015	25,965	22,900	48,865	-	48,865
Surplus/(deficit) from the income and expenditure account	1,328	-	1,328	-	1,328
Other comprehensive income	(2,378)	-	(2,378)	-	(2,378)
Transfers between revaluation and income and expenditure reserves	8,839	(8,839)	-	-	-
Total comprehensive income for the year	7,788	(8,839)	(1,051)	-	(1,051)
Balance at 31st July 2016	33,753	14,061	47,814	-	47,814

Nescot Corporation
Consolidated Balance sheets as at 31 July

	Notes	Group 2016 £'000	College 2016 £'000	Group restated 2015 £'000	College restated 2015 £'000	Group filed 2015 £'000	College filed 2015 £'000
Non current assets							
Non current assets	14	62,753	62,171	59,642	58,925	59,642	58,925
Total Non current assets		62,753	62,171	59,642	58,925	59,642	58,925
Current assets							
Assets held for resale	15	-	-	267	267	267	267
Stocks		26	26	58	36	58	36
Deferred tax asset	10	67	-	14	-	14	-
Trade and other receivables	17	2,172	1,649	1,630	978	1,630	978
Investments	16	-	-	-	-	-	-
Cash and cash equivalents	22	14,207	9,967	14,741	12,841	14,741	12,841
		16,472	11,641	16,711	14,122	16,711	14,122
Less: Creditors – amounts falling due within one year	18	(6,408)	(4,127)	(5,815)	(4,819)	(5,815)	(4,819)
Net current assets		10,063	7,514	10,896	9,304	10,896	9,304
Total assets less current liabilities		72,816	69,685	70,538	68,229	70,538	68,229
Less: Creditors – amounts falling due after more than one year	19	(14,349)	(12,818)	(14,621)	(12,703)	(14,621)	(12,703)
Provisions							
Defined benefit obligations	27	(8,863)	(8,863)	(6,499)	(6,499)	(10,653)	(10,653)
Other provisions	21	(190)	(190)	(161)	(161)	(161)	(161)
Total net assets		49,414	47,814	49,256	48,865	45,102	44,711
Restricted reserves							
Income and expenditure account - statutory reserve		50	-	30	-	30	-
		50	-	30	-	30	-
Unrestricted reserves							
Income and expenditure account		34,665	33,753	26,172	25,965	22,018	21,811
Revaluation reserve	13	14,061	14,061	22,900	22,900	22,900	22,900
		48,726	47,814	49,072	48,865	44,918	44,711
Non controlling interest	12	638	-	154	-	154	-
Total unrestricted reserves		49,414	47,814	49,256	48,865	45,102	44,711

Upon receipt of the Local Government Pension Scheme results schedule for 2016, the College challenged the actuarial assumptions therein, and received revised calculations for 2015 and 2016, necessitating restatement of the 2015 financial statements. The provision for defined benefit obligations reduced from £10,653k to £6,499k, with a corresponding increase in reserves.

The financial statements on pages 37 to 40 were approved and authorised for issue by the Corporation on 9th December 2016 and were signed on its behalf on that date by:

Sam Luke
Chair

Sam Luke

Cliff Hall
Accounting Officer

CHall

Nescot Corporation
Consolidated Statement of Cash Flows

	Notes	2016 £'000	2015 £'000
Cash inflow from operating activities			
Surplus/(deficit) for the year		2,362	766
Adjustment for non cash items			
Depreciation		1,857	2,060
(Increase)/decrease in stocks		33	(8)
(Increase)/decrease in debtors		(594)	808
Increase/(decrease) in creditors		322	(736)
Increase/(decrease) in provisions		28	(423)
Pensions costs less contributions payable		(263)	(177)
Taxation		251	93
Foreign exchange gains/(losses)		295	(578)
Adjustment for investing or financing activities			
Investment income		(47)	(31)
Interest payable		613	721
Taxation paid		(251)	(93)
Profit/(Loss on sale of fixed assets)		(1,084)	163
Net cash flow from operating activities		**3,522**	**2,566**
Cash flows from investing activities			
Proceeds from sale of fixed assets		9,260	19,579
Disposal of non-current asset investments		445	-
Investment income		47	31
Payments made to acquire fixed assets		(13,408)	(15,143)
		(3,657)	4,467
Cash flows from financing activities			
Interest paid		(375)	(328)
Interest element of finance lease rental payments		(3)	(5)
Capital element of finance lease rental payments		(20)	(20)
		(399)	(352)
Increase / (decrease) in cash and cash equivalents in the year		**(534)**	**6,681**
Cash and cash equivalents at beginning of the year	22	14,741	8,060
Cash and cash equivalents at end of the year	22	14,207	14,741

Nescot

NESCOT Corporation
Notes to the Financial Statements for the Period from 1 August 2015 to 31 July 2016

1 Statement of Principal Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to these 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 SORP), the Accounts Direction for 2015/16 financial statements and in accordance with applicable Accounting Standards. They conform to the guidance published by the College Finance Directors Group (CFDG), the Association of Colleges (AoC), the Skills Funding Agency (SFA), and the Education Funding Agency (EFA) in consultation with financial statements auditors.

Basis of Accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

Basis of consolidation

The consolidated financial statements include the College and all its subsidiaries for the financial year to 31 July 2016. The results of subsidiaries acquired or disposed of during the period are included in the Statement of Comprehensive Income from the date of acquisition or up to the date of disposal. Intra-group transactions are eliminated fully on consolidation.

Associated companies and joint ventures are accounted for using the equity method. All financial statements are made up to 31 July 2016.

Going concern

The financial statements are prepared on a going concern basis. The College is reliant on the continuing support of the external funding bodies and its banks in order to continue to operate on this basis.

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Report of the Members of the Corporation. The financial position of the College, its cashflow, liquidity and borrowings are described in the financial statements and accompanying Notes.

The College currently has around £10m of cash balances and around £48m of reserves. The College's forecasts and financial projections indicate that it will be able to operate 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.

Income recognition

Income from the sale of goods or services is recognised within the Statement of Comprehensive Income when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Fee income is stated gross of any expenditure which is not a discount and recognised within the Statement of Comprehensive Income over the period in which students are studying. Where the amount of the tuition fee is reduced, by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

NESCOT Corporation
Notes to the Financial Statements for the Period from 1 August 2015 to 31 July 2016

Income recognition (continued)

The recurrent grant from HEFCE represents the funding allocation attributable to the current financial year and is recognised within the Statement of Comprehensive Income.

Recurrent grants from the SFA and EFA are recognised in line with the latest estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Skills Budget (ASB) is adjusted for and reflected in the level of recurrent grant recognised in the Statement of Comprehensive Income. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body at the beginning of December following the year end, and the results of the funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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

All income from short-term deposits is recognised in the Statement of Comprehensive Income in the period in which it is earned.

Investment income is recognised within the Statement of Comprehensive Income on a receivable basis.

Donations and endowments

Donations with restrictions are recorded within the Statement of Comprehensive Income under donations and endowments on entitlement to the income. The restricted income received is held in the temporarily restricted reserve until such time that expenditure is incurred in accordance with the restrictions.

Donations with no restrictions are recorded within the Statement of Comprehensive Income under donations on entitlement to the income.

Where a donor establishes an endowment, there will be no performance-related conditions. Any conditions required by the donor are restrictions on the use of these funds. Therefore new endowments will be recorded within the Statement of Comprehensive Income, under donations and endowments, on entitlement to the income. The restricted income received is held in the temporarily (expendable) or permanently restricted reserve until such time that expenditure is incurred in accordance with the restrictions.

The gain or loss on the value of any investments held by the endowment fund is recorded within the Statement of Comprehensive Income under the gain or loss on investments. The gain or loss should normally be retained in the capital element of the fund to which it relates.

Investment income received from the endowment fund's investments is recorded within investment income and held within the temporarily or permanently restricted reserve to the extent that it has not been spent in line with the restrictions of the donation.

Where endowment funds are invested for the longer term in order to generate an income and maintain or grow the capital value of the fund, investment gains and losses will be credited / charged to the endowment based on periodic valuations. These will generally be attributable to the capital segment of the fund, as the accumulated income segment is, by definition, held for spending in the short term.

Discretionary support funds

The College acts as an agent in the collection and payment of Discretionary Support Funds. Related payments received from the EFA or SFA and subsequent disbursements to students are excluded from the Statement of Comprehensive Income and are shown separately in Note 29, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant.

Capital grants

The SORP identifies three types of Government grant as being capital grants for land, other capital grants and revenue grants. It also allows a choice of accounting policy for these grants, namely the accrual model or the performance model, although it specifies that grants for land must be accounted for under the performance model.

Under the accrual method, income and other capital grants are recognised in income on a systematic basis over the period in which the related costs are recognised (income) or over the expected useful life of the asset (capital).

Under the performance method, income and capital grants are recognised in income when performance-related conditions are met.

The College has adopted the accrual method of accounting for capital grants.

Pension schemes

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

Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of 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 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 deficit. 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.

The College's net obligation in respect of the LGPS defined benefit pension plan (and other post-employment benefits) is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) and any unrecognised past service costs are dedicated.

The liability discount rate is the yield at the balance sheet date on credit rated bonds denominated in the currency of, and having that have maturity dates approximating to the terms of the College's obligations. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the College, the recognised asset is limited to the total of any unrecognised past service costs and the present value of benefits available in the form of any future refunds from the plan, reductions in future contributions to the plan or on settlement of the plan and takes into account the adverse effect of any minimum funding requirements.

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 Statement of Comprehensive 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.

Employment benefits

Short term employment benefits such as salaries and compensated absences 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.

Finance leases

Leases in which the College assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses.

Lease payments are accounted for as described below.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

Foreign currency translation

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while still retaining control, the relevant proportion of the accumulated amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while still retaining significant Influence or joint control, the relevant proportion of the cumulative amount is recycled to the Statement of Comprehensive Income.

Exchange differences arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity.

Non current assets

Fixed assets are stated at deemed cost less accumulated depreciation and accumulated impairment losses.

Land and buildings

Land and buildings inherited from the Local Education Authority (LEA) and buildings acquired since incorporation are stated in the balance sheet at valuation on the basis of depreciated replacement cost, as the open market value for existing use is not readily obtainable. Land and building acquired, and building improvements made, since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of between 5 and 60 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life.

The College land was revalued as at 1st August 2014 in preparation for FRS102, which has been taken as 'deemed cost' and frozen. This now removes the need for any future revaluations.

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 Statement of Comprehensive Income over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

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.

Assets under construction

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July 2016. They are not depreciated until they are brought into use.

Equipment

Non-computer equipment costing less than £1,000 per individual item is written off to the Statement of Comprehensive Income in the period of acquisition. Computer equipment costing less than £500 per individual item is written off to the Statement of Comprehensive Income in the period of acquisition. All other equipment is capitalised at cost. Equipment inherited from the Local Education Authority (LEA) is included in the balance sheet at valuation.

Inherited equipment has been depreciated on a straight-line basis over its remaining useful economic life to the College of between one and three years from incorporation and is now fully depreciated. All other equipment is depreciated over its useful economic life as follows:

- Computer equipment 3 years.
- Other equipment 5 years.
- Furniture and fittings 10 to 15 years.

Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each Balance Sheet.

Where equipment is acquired with the aid of grants designated for capital purposes, it is capitalised and depreciated in accordance with the above policy, with the related grant being treated as a liability in the Balance Sheet and released to the Statement of Comprehensive Income over the expected useful economic life of the related equipment.

Maintenance of premises

The costs of routine corrective maintenance is recognised in the Statement of Comprehensive Income in the period that it is incurred.

Investment properties

Investment property is land and buildings held for rental income or capital appreciation rather than for use in delivering services.

Investment properties are measured initially at cost and subsequently at fair value where these can be publicly traded or their value can otherwise be reliably measured, with movements recognised in the Statement of Comprehensive Income. If this is not possible, investment properties will be measured at cost less impairment.

Properties are not depreciated but are revalued or reviewed annually according to market conditions as at 31 July each year.

Investments

Non-current investments are held on the Balance Sheet at amortised cost less impairment.

Investments in jointly controlled entities, associates and subsidiaries are carried at cost less impairment in the College's accounts.

Current asset investments are held at fair value with movements recognised in the Statement of Comprehensive Income.

Stock

Stock is held at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stock.

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.

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

Application of first time adoption grants certain exemption from the full requirements of 2015 SORP in the transition period. No exemptions have been taken into these financial statements.

Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

(a) the College has a present obligation (legal or constructive) as a result of a past event;
(b) it is probable that a transfer of economic benefits will be required to settle the obligation; and
(c) 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.

Provisions, contingent liabilities and contingent assets (continued)

A contingent asset arises where an event has taken place that gives the College a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College.

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the notes.

Taxation

The College is an exempt charity within the meaning of Part 3 of the Charities Act 2011, as such, is a charity within the meaning of Section 506 (1) of the Income and Corporation Taxes Act 1988. It is therefore a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The College receives no similar exemption in respect of Value Added Tax. For this reason the College is generally unable to recover input VAT it suffers on goods and services purchased. Non-pay expenditure is therefore shown inclusive of VAT with any partial recovery netted off against these figures. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to fixed assets is included in their cost.

The College's subsidiaries are liable to Corporation Tax in the same way as any other commercial organisation.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are more likely than not to be recovered. Deferred tax assets and liabilities are not discounted.

Nescot Corporation
Notes to the Accounts (continued)

2 Funding body grants

	Year ended 31 July 2016 Group	Year ended 31 July 2016 College	Year ended 31 July 2015 Group	Year ended 31 July 2015 College
	£'000	£'000	£'000	£'000
Recurrent grants				
Education Funding Agency (EFA)	8,686	8,686	9,313	9,313
Skills Funding Agency (SFA)	5,569	5,569	5,941	5,941
Higher Education Funding Council (HEFCE)	414	414	477	477
Specific Grants				
EFA/SFA/HEFCE	409	409	531	531
Releases of government capital grants	339	339	318	318
Total	**15,417**	**15,417**	**16,580**	**16,580**

3 Tuition fees and education contracts

	Year ended 31 July 2016 Group	Year ended 31 July 2016 College	Year ended 31 July 2015 Group	Year ended 31 July 2015 College
	£'000	£'000	£'000	£'000
Adult education fees	266	266	226	226
Apprenticeship fees and contracts	38	38	30	30
Fees for FE loan supported courses	680	680	292	292
Fees for HE loan supported courses	1,689	1,689	1,600	1,600
Full cost recovery	1,143	1,143	1,060	1,060
Total tuition fees	3,816	3,816	3,210	3,210
Education contracts	6,368	152	5,255	132
Total	**10,184**	**3,968**	**8,464**	**3,341**

4 Other grants and contracts

	Year ended 31 July 2016 Group	Year ended 31 July 2016 College	Year ended 31 July 2015 Group	Year ended 31 July 2015 College
	£'000	£'000	£'000	£'000
Local authority high needs	280	280	211	211
European Social Fund (ESF)	79	79	95	95
Other grants and contracts	220	220	73	73
Total	**579**	**579**	**379**	**379**

Nescot Corporation
Notes to the Accounts (continued)

5 Other income

	Year ended 31 July 2016 Group	2016 College	Year ended 31 July 2015 Group	2015 College
	£'000	£'000	£'000	£'000
Catering and residences	402	402	376	376
Other income generating activities	692	692	689	689
Other grant income	-	-	-	-
Non government capital grants	-	-	-	-
Miscellaneous income	272	110	286	241
Total	1,367	1,204	1,351	1,306

6 Investment income

	Year ended 31 July 2016 Group	2016 College	Year ended 31 July 2015 Group	2015 College
	£'000	£'000	£'000	£'000
Other investment income	-	-	-	-
Other interest receivable	47	47	31	31
	47	**47**	**31**	**31**
Pension finance income (note 27)	-	-	-	-
	47	**47**	**31**	**31**

Nescot Corporation
Notes to the Accounts (continued)

7 Staff costs - Group and College

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

	2016	2015
	Group No.	Group No.
Teaching staff	126	128
Non teaching staff	218	216
	344	**344**

Staff costs for the above persons

		2016 Group £'000	2015 Group £'000
Wages and salaries		10,269	10,353
Social security costs		721	685
Other pension costs		1,632	1,576
Payroll sub total		**12,621**	**12,613**
Contracted out staffing services		2,134	2,202
		14,755	**14,815**
Fundamental restructuring costs -	contractual	55	7
	non contractual	-	-
		14,810	**14,822**

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College. NESCOT deems this to be the Principal, Head of College and two Deputy Principals.

Emoluments of Key management personnel, Accounting Officer and other higher paid staff

	2016 No.	2015 No.
The number of key management personnel including the Accounting Officer was:	4	4

Nescot Corporation
Notes to the Accounts (continued)

7 Staff costs - Group and College

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

	Key management personnel		Other staff	
	2016	2015	2016	2015
	No.	No.	No.	No.
£60,001 to £70,000	-	-	2	2
£70,001 to £80,000	-	-	-	-
£80,001 to £90,000	1	1	-	-
£90,001 to £100,000	-	-	-	-
£101,000 and over	3	2	-	-
	4	3	2	2

Key management personnel emoluments are made up as follows:

	2016	2015
	£'000	£'000
Salaries	543	418
Allowances	50	50
Paid holiday	-	70
Benefits in kind	2	5
	594	**543**
Pension contributions	52	40
Total emoluments	**646**	**582**

The above emoluments include amounts payable to the Accounting Officer (who is also the highest paid officer). The role was undertaken by the Principal, until their resignation on 31st May 2016. An Acting Principal took up the role for the remainder of the year. The figures below therefore represent the combined payments made to both postholders.

	Former Accounting Officer		Current Accounting Officer	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Salaries	251	238	25	n/a
Allowances	50	50	-	
Paid holiday	-	70	-	
Benefits in kind	2	5	-	
	302	363	25	
Pension contributions	16	21	-	

Compensation for loss of office paid to former key management personnel

The Accounting Officer resigned on 31st May 2016. Compensation was neither due nor paid.

The members of the Corporation other than the Accounting Officer 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.

Nescot Corporation
Notes to the Accounts (continued)

8 Other operating expenses

	Year ended 31 July 2016 Group £'000	Year ended 31 July 2016 College £'000	Year ended 31 July 2015 Group £'000	Year ended 31 July 2015 College £'000
Teaching costs	2,441	2,441	2,367	2,367
Non teaching costs	3,958	3,235	3,921	2,956
Premises costs	2,143	1,008	1,892	998
Total	**8,542**	**6,683**	**8,180**	**6,321**

Other operating expenses include:	**2016 £'000**	**2015 £'000**
Auditors' remuneration:		
Financial statements audit	50	45
Internal audit	36	27
Hire of assets under operating leases	136	127

9 Interest payable - Group and College

	2016 Group £'000	2016 College £'000	2015 Group restated £'000	2015 College restated £'000
On bank loans, overdrafts and other loans:	-	-	-	-
On provision of bonds	375	-	328	
	375	-	328	-
On finance leases	3	3	5	5
Pension finance costs (note 27)	235	235	389	389
Total	**613**	**238**	**721**	**394**

10 Taxation - Group only

	2016 £'000	2015 £'000
Tax liability included in creditors - amounts falling due within one year		
Provided in previous year	50	123
Provided during the reporting period	296	44
Payments during the year	(61)	(124)
Foreign exchange differences, average v closing rates	24	(0)
Liability as at 31st July	**309**	**42**
Charge for the year		
Provided during the reporting period	296	44
Deferred tax charge/(credit)	(46)	49
Charge for the year in statement of consolidated income	**251**	**93**
Deferred tax asset		
Bought forward from previous year	16	64
Credit/(charge) for the reporting perios	46	(49)
Foreign exchange differences, average v closing rates	5	(0)
Deferred tax asset as at 31st July	**67**	**14**

All taxation relates to the subsidiary Nescot Consortium Ltd, registered in Saudi Arabia

Nescot Corporation
Notes to the Accounts (continued)

11 Foreign exchange gains for the year - NCL subsidiary

	SAR		Rate	£'000	Parent £'000	NCI £'000
Opening net assets of subsidiary	2,257,107	@ closing rate	4.9755	454	272	181
		@ opening rate	5.8594	385	231	154
			Gain	68	41	27
Profit for the year	5,675,394	@ closing rate	4.9755	1,141	684	456
		@ average rate	**5.4884**	**1,034**	**620**	**414**
			Gain	107	64	43
Other comprehensive income			Gain	175	105	70
Total comprehensive income				**1,209**	**725**	**484**

12 Non-controlling interest - NCL subsidiary

Net assets of subsidiary	**Acquisition date SAR**	**Reporting date SAR**	**NCI 40% SAR**	**£'000**
Share Capital	500,000	500,000	200,000	
Reserves	0	7,432,501	2,973,000	
	500,000	7,932,501	3,173,000	638

13 Revaluation reserve

	2016 Group and College £'000	2016 Group and College £'000	2015 Group and College £'000	2015 Group and College £'000
Balance as at 1st August previous year		22,900		10,628
plus revaluation of land				31,852
less charges to comprehensive income				
Sale of land	(8,300)		(19,300)	
Sale of bungalow	(267)			
Release in respect of depreciation in year	(272)		(280)	
		(8,839)		(19,580)
Balance as at 31st July		14,061		22,900

Nescot Corporation
Notes to the Accounts (continued)

14 Non current assets (Group)

	Land and buildings Freehold £'000	Equipment £'000	Assets in the Course of Construction	Total £'000
Cost or valuation				
At 1 August 2015	48,248	6,937	18,379	73,563
Additions	28,647	1,232	(16,471)	13,408
Foreign exchange gains	-	186		186
Disposals	(8,310)	-	-	(8,310)
At 31 July 2016	**68,585**	**8,354**	**1,908**	**78,847**
Depreciation				
At 1 August 2015	9,502	4,419	-	13,922
Charge for the year	1,133	965	-	2,099
Foreign exchange losses	-	84		84
Elimination in respect of disposals	(10)	-	-	(10)
At 31 July 2016	**10,626**	**5,469**	-	**16,094**
Net book value at 31 July 2016	**57,959**	**2,886**	**1,908**	**62,753**
Net book value at 31 July 2015	38,746	2,517	18,379	59,642

Nescot Corporation
Notes to the Accounts (continued)

14 Non current assets (College only)

	Land and buildings Freehold	Equipment	Assets in the Course of Construction	Total
	£'000	£'000		£'000
Cost or valuation				
At 1 August 2015	48,248	5,889	18,379	72,516
Additions	28,647	1,227	(16,471)	13,403
Disposals	(8,310)	-	-	(8,310)
At 31 July 2016	**68,585**	**7,115**	**1,908**	**77,608**
Depreciation				
At 1 August 2015	9,502	4,088	0	13,591
Charge for the year	1,133	724	0	1,857
Elimination in respect of disposals	(10)	-	-	(10)
At 31 July 2016	**10,626**	**4,812**	**0**	**15,437**
Net book value at 31 July 2016	**57,959**	**2,304**	**1,908**	**62,171**
Net book value at 31 July 2015	38,746	1,800	18,379	58,925

College land previously revalued at £8,300,000 was sold during the year to The Goodman Group for £8,648,000. Additionally, £611,519 was released from escrow in respect of the 2015 sale of land to Circle Hill, and a caretakers bungalow transferred in 2015 to current assets held for sale, and with a net book value of £266,855 was sold for £444,550. The legal fees associated with these sales amounted to £53,083, resulting in a profit on sales of £1,084,131.

The net book value of equipment includes an amount of £50,645 (2014/15 – £71,601) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £20,956 (2014/15 – £20,956).

Nescot Corporation
Notes to the Accounts (continued)

15 Assets held for resale

	Group	College	Group	College
	2016	2016	2015	2015
	£'000	£'000	£'000	£'000
Land	-	-	151	151
Buildings	-	-	116	116
	-	-	267	267

A bungalow owned by the College became vacant in 2015 and met the criteria for classification as an asset held for resale. The bungalow was subsequently sold for £444,550 in the reporting period.

16 Investments

	Group	College	Group	College
	2016	2016	2015	2015
	£'000	£'000	£'000	£'000
Investments in subsidiary companies	-	-	-	-
Investments in associate companies	-	-	-	-
Total	-	-	-	-

Nescot Business Services Limited, a 100% owned subsidiary of the College, has a 60% shareholding in Nescot Consortium Limited, a company registered in Saudi Arabia. The investment is eliminated on consolidation and therefore appears in neither the College nor the Group Financial Statements.

17 Debtors

	Group	College	Group	College
	2016	2016	2015	2015
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade receivables	759	759	321	321
Other receivables	4	4	2	2
Amounts owed by group undertakings:	-		-	
Subsidiary undertakings	-	136	-	194
Associate undertakings	-		-	-
Prepayments and accrued income	1,078	419	1,207	361
Amounts owed by the [Skills Funding Agency/EFA]	330	330	100	100
Total	2,172	1,649	1,630	978

Nescot Corporation
Notes to the Accounts (continued)

18 Creditors: amounts falling due within one year

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Bank loans and overdrafts	771	-	-	-
Obligations under finance leases	22	22	20	20
Trade payables	415	415	277	277
Amounts owed to group undertakings:	-	-	-	-
Non-controlling interests	97	-	158	-
Subsidiary undertakings	-	-	-	-
Corporation tax	309	-	42	-
Other taxation and social security	456	456	379	379
Accruals and deferred income	3,837	2,733	4,504	3,708
Deferred income - government capital grants	486	486	318	318
Deferred income - government revenue grants	14	14	-	-
Amounts owed to the Skills Funding Agency	-	-	116	116
Total	6,408	4,127	5,815	4,819

19 Creditors: amounts falling due after one year

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Loans from subsidiaries or associates	-	58	-	58
Other loans	1,543	-	1,965	-
Obligations under finance leases	33	33	54	54
Employee terminal benefits	47	-	11	-
Deferred funding grants	-	-	573	573
Deferred income - government capital grants	12,727	12,727	12,018	12,018
Total	14,349	12,818	14,621	12,703

Nescot Corporation
Notes to the Accounts (continued)

20 Maturity of debt

Finance leases

The net finance lease obligations to which the institution is committed are:

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
In one year or less	24	24	24	24
Between two and five years	34	34	58	58
In five years or more	-	-	-	-
Total	**58**	**58**	**81**	**81**

Finance lease obligations are secured on the assets to which they relate.

21 Provisions

			Group and College		
	Defined benefit obligations	**Restructuring**	**Enhanced pensions**	**Other**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
At 1 August 2015	6,499	5	146	10	6,660
Expenditure in the period	-	(5)	-	(10)	(15)
Transferred to other comprehensive income	2,392		(14)	-	2,378
Transferred from income and expenditure	(28)	44	13	-	29
At 31 July 2016	**8,863**	**44**	**146**	**-**	**9,053**

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 27.

The enhanced pension provision relates to the cost of staff who have already left the College's employ. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:

	2016	2015
Price inflation	1.3%	1.7%
Discount rate	2.3%	3.5%

Nescot Corporation
Notes to the Accounts (continued)

22 Cash and cash equivalents

	At 1 August 2015 £'000	Cash flows £'000	Other changes £'000	At 31 July 2016 £'000
Cash and cash equivalents	14,741	(534)	-	14,207
Overdrafts	-	-	-	-
Total	**14,741**	**(534)**	**-**	**14,207**

23 Capital commitments

	Group and College 2016 £'000	2015 £'000
Commitments contracted for at 31 July	849	1,547

24 Lease Obligations

At 31 July the College had minimum lease payments under non-cancellable operating leases as follows:

	Group and College 2016 £'000	Group and College 2015 £'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	-	-
Later than one year and not later than five years	-	-
later than five years	-	-
	-	-
Other		
Not later than one year	29	132
Later than one year and not later than five years	97	102
later than five years	2	14
	127	248

Nescot Corporation
Notes to the Accounts (continued)

25 Contingent liabilities

At the 31st July 2016 the College had in place a performance guarantee of SR (Saudi Riyals) 28,455,000 (sterling equivalent £5,719,023 at 31 July 2016) and an advanced payment guarantee of SR 10,200,000 (sterling equivalent £2,050,045 at 31 July 2016 issued on behalf of Nescot Consortium Ltd, a limited liability company, in favour of Colleges of Excellence of Saudi Arabia, in respect of the Nescot Jeddah Female College, for which it has a five year contract to operate, from August 2013.

26 Events after the reporting period

The College is in negotiations which may result in it divesting itself of its 60% share in its Saudi subsidiary, Nescot Consortium Ltd, whose results are included in the consolidated numbers disclosed in these financial statements. The group surplus of £2,613k includes £1,285k relating to Nescot Consortium Limited of which 40% is attributable to the minority shareholders. The group net assets of £49,414k include £1,600k relating to Nescot Consortium Limited of which 40% is attributable to the minority shareholders.

As at the date of signing these accounts, the terms of any disposal had not been agreed or finalised.

Nescot Corporation
Notes to the Accounts (continued)

27 Defined benefit obligations

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; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Surrey County Council. Both are multi-employer defined-benefit plans.

Upon receipt of the LGPS results schedule for 2016, the College challenged the actuarial assumptions therein, and received revised calculations for 2015 and 2016, necessitating restatement of the 2015 figures. The rate of pension increase as at 31st July 2015 was reduced from 2.6% to 2.4%, the rate of salary increase was reduced from 4.0% to 2.0% and the discount rate was increased from 3.6% to 3.7%. The net effect was a reduction in the funding deficit from £10,653,000 to £6,499,000.

Total pension cost for the year		**2016**		**2015 restated**		**2015 filed**
		£'000		**£'000**		**£'000**
Teachers Pension Scheme: contributions paid		742		669		669
Local Government Pension Scheme:						
Contributions paid	1,152		916		916	
FRS 102 (28) charge	(263)		(177)		(192)	
Charge to the Statement of Comprehensive Income		889		739		724
Enhanced pension charge to Statement of Comprehensive Income		13		15		15
Total Pension Cost for Year		1,645		1,423		1,408

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2013.
Employer and employee contributions amounting to £98,000 (2015:£ 96,000) payable to the TPS and £131,000 (2015:£ 113,000) payable to the LGPS are included in creditors.

Teachers' Pension Scheme

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

The Teachers' Pension Budgeting and Valuation Account

Although teachers and lecturers are employed by various bodies, their 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' Pension 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 which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Valuation of the Teachers' Pension Scheme

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

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

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

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:
https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx

Scheme Changes

Following the Hutton report in March 2011 and the subsequent consultations with trade unions and other representative bodies on reform of the TPS, the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.
The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.
In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection.
Regulations giving effect to a reformed Teachers' Pension Scheme came into force on 1 April 2014 and the reformed scheme commenced on 1 April 2015.

27 Defined benefit obligations (continued)

FRS 102 (28)

Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme.

Accordingly, the College has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The College has set out above the information available on the plan and the implications for the College in terms of the anticipated contribution rates.

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds adminstered by Surrey County Council. The total contribution made for the year ended 31 July 2016 was £1,366,000, of which employer's contributions totalled £1,152,000 and employees' contributions totalled £214,000. The agreed contribution rates for future years are 21.4 % for employers and range from 5.5% to 12.5% cent for employees, depending on salary.

Principal Actuarial Assumptions

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

	At 31 July 2016	At 31 July 2015 restated	At 31 July 2015 filed
Rate of increase in salaries	2.00%	2.00%	4.00%
Future pensions increases	1.70%	2.40%	2.60%
Discount rate for scheme liabilities	2.50%	3.70%	3.60%
Inflation assumption (CPI)	2.90%	2.60%	2.60%
Commutation of pensions to lump sums (pre-April 2008 service)	25%	25%	25%
Commutation of pensions to lump sums (post-April 2008 service)	63%	63%	63%

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

	At 31 July 2016	At 31 July 2015
Retiring today		
Males	22.50	22.50
Females	24.60	24.60
Retiring in 20 years		
Males	24.50	24.50
Females	24.50	26.90

Nescot Corporation
Notes to the Accounts (continued)

27 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

The amount included in the balance sheet in respect of the defined benefit pension plan [and enhanced pensions benefits] is as follows:

	2016 £'000	2015 £'000 restated	2015 £'000 filed
Fair value of plan assets	26,695	24,046	24,046
Present value of plan liabilities	(35,435)	(30,422)	(34,573)
[Present value of unfunded liabilities]	(123)	(123)	(126)
Net pensions (liability)/asset (Note 19)	**(8,863)**	**(6,499)**	**(10,653)**

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

	2016 £'000	2015 £'000 restated	2015 £'000 filed
Amounts included in staff costs			
Current service cost	887	870	870
Past service cost	-	35	20
Total	**887**	**905**	**890**
Amounts included in interest and other finance costs			
Net interest cost	235	389	389
	235	**389**	**389**
Amounts recognised in Other Comprehensive Income			
Return on pension plan assets	1,257	1,167	1,167
Experience losses arising on defined benefit obligations	429	273	271
Changes in assumptions underlying the present value of plan liabilities	(4,078)	2,102	(2,065)
Amount recognised in Other Comprehensive Income	(2,392)	3,542	(627)

Nescot Corporation
Notes to the Accounts (continued)

27 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

Movement in net defined benefit (liability/asset during the year)

	2016 £'000	2015 £'000 restated £'000	2015 £'000 filed £'000
Surplus/(deficit) in scheme at 1 August	(6,499)	(9,829)	(9,829)
Movement in year:			
Current service cost	(887)	(870)	(870)
Employer contributions	1,150	1,082	1,082
Past service cost	-	(35)	(20)
Net interest on the defined (liability)/asset	(235)	(389)	(389)
Actuarial gain or loss	(2,392)	3,542	(627)
Net defined benefit (liability)/asset at 31 July	**(8,863)**	**(6,499)**	**(10,653)**

Asset and Liability Reconciliation

Changes in the present value of defined benefit obligations

Defined benefit obligations at start of period	30,545	31,487	31,487
Current Service cost	887	870	870
Interest cost	1,134	1,262	1,262
Contributions by Scheme participants	212	211	211
Experience gains and losses on defined benefit obligations	(429)	(273)	(271)
Changes in financial assumptions	4,078	(2,102)	2,065
Estimated benefits paid	(869)	(945)	(945)
Past Service cost	-	35	20
Curtailments and settlements	-	-	-
Defined benefit obligations at end of period	**35,558**	**30,545**	**34,699**

Reconciliation of Assets

Fair value of plan assets at start of period	24,046	21,658	21,658
Interest on plan assets	899	873	873
Return on plan assets	1,257	1,167	1,167
Employer contributions	1,150	1,082	1,082
Contributions by Scheme participants	212	211	211
Estimated benefits paid	(869)	(945)	(945)
Assets at end of period	**26,695**	**24,046**	**24,046**

Nescot Corporation
Notes to the Accounts (continued)

28 Related party transactions

Related party transactions are undertaken at mutually agreed terms ai

Position or entity	Nature of relationship
Nescot Trust	Subsidiary
Nescot Business Services Ltd	Subsidiary
Nescot Consortium Ltd (NCL)	Subsidiary
Point Nemo Ltd	Company under control of the husband of the former Principal and Chief Executive, Nescot Group
Chair of Governors, Nescot Group	Significant control, Nescot College and all subsidiaries
Principal and Chief Executive, Nescot Group	Significant control, Nescot College and all subsidiaries

Balance sheet	Nature of transaction	2016 £'000	2015 £'000
Nescot Trust	Creditor - Loaned to Nescot College	(58)	(58)
Nescot Business Services Ltd	Debtor - Loaned by Nescot College for purchase of shares in NCL	52	52
Nescot Consortium Ltd (NCL)	Debtor - General costs incurred during the reporting period	16	110
Nescot Consortium Ltd (NCL)	Debtor - Costs of providing bonds on behalf of NCL	68	32
Point Nemo Ltd	Creditor - Accrual for uninvoiced earnings to NCL	124	-
		202	136

Income statement	Nature of transaction	2016	2015
Nescot Consortium Ltd (NCL)	Recharge of costs of providing bonds and general expenses	341	239
Point Nemo Ltd	Payments and accruals for provision of management information services	70	106
Chair of Governors, Nescot Group	Reimbursement of travel and telephone expenses	1	-
Principal and Chief Executive, Nescot Group	Salary at NCL	125	88
Principal and Chief Executive, Nescot Group	Travel Provision per contract	8	49
Deputy Chief Accounting Officer, Finance & Resources	Consultancy recharged by College to NCL	-	37
Deputy Chief Accounting Officer, Finance & Resources	Flights, accommodation and subsistence recharged by Nescot to NCL	-	1
		545	520

29 Amounts disbursed as agent

Learner support funds

	2016 £'000	2015 £'000
Funding body grants – hardship support	571	466
Funding body grants – childcare	-	53
Other Funding body grants	-	70
Interest earned	-	-
	571	589
Disbursed to students	(346)	(290)
Staffing	(24)	(58)
Administration costs	(17)	(20)
Returned to funding agencies	(14)	(61)
Balance unspent as at 31 July, included in creditors	170	161

Funding body grants are available solely for students. In the majority of instances, the College only acts as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the Statement of Comprehensive Income.

AGE grants

	2016 £'000	2015 £'000
Funding body grants	281	256
Disbursed to employers	(223)	(206)
Balance unspent as at 31 July, included in creditors	58	50

Nescot Corporation
Notes to the Accounts (continued)

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. The figures for 2015 are the restated figures, containing a revised LGPS deficit as explained in the fianancial statements.

	Note	1st August 2014		31st July 2015	
		Group	College	Group restated	College restated
		£'000	£'000	£'000	£'000
Financial Position					
Total reserves under previous SORP		13,072	12,766	45,102	44,711
Employee leave accrual		-	-	-	-
Release of non-government capital grants		-	-	-	-
Changes to measurement of net finance cost on defined benefit plans		-	-	-	-
Total effect of transition to FRS 102 and 2015 FE HE SORP		-	-	-	-
Total reserves under 2015 FE HE SORP		13,072	12,766	45,102	44,711

	Year ended 31st July 2015	
	Group	College
	£'000	£'000
Financial Performance		
Surplus for the year after tax under previous SORP	23,878	23,827
Release of non-government grants received	-	-
Reversal of capital grants amortisation	-	-
Pensions provision – actuarial loss	431	431
Changes to measurement of net finance cost on defined benefit plans	(431)	(431)
Total effect of transition to FRS 102 and 2015 FE HE SORP	-	-
Total comprehensive income for the year under 2015 FE HE SORP	23,878	23,827

30 Transition to FRS 102 and the 2015 FE HE SORP

a) Recognition of short term employment benefits

An accrual for holiday pay was made by the College under the previous UK GAAP. The annual leave year runs to 31st August each year for both teaching and non-teaching staff and at the reporting date, the cost of any unused entitlement is recognised in the period in which the employee's services are received. An accrual of £242k was recognised and reported at 31 July 2015. Following a re-measurement exercise in 2015/16, the movement on this provision of £27k has been charged to Comprehensive Income in the year ended 31 July 2016.

b) Non-government grants accounted for under performance model

The College has not previously been in receipt of capital grants from any sources other than those classified as "government" under FRS 102 and the 2015 FE HE SORP, therefore no adjustments have been necessary in the transition from UKGAAP.

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 an increase in the actuarial gains presented within Other Comprehensive Income

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

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