REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016

NORTH
HERTFORDSHIRE
COLLEGE

KEY MANAGEMENT PERSONNEL, BOARD OF GOVERNORS AND PROFESSIONAL ADVISERS

KEY MANAGEMENT PERSONNEL

Key management personnel are members of the Senior Management Team, who in 2015/16 were:

- Matt Hamnett, Principal and CEO; Accounting Officer
- Kit Davies, Deputy Principal
- Paul Harte, Group Finance Director (from 16 November 2016)
- Lucy Hann, Managing Director, Hart Learning & Development
- Yvonne Laird, Group Finance Director (from 1 February until 10 October 2016)
- Andy Martyn, Director of Transformation (until 1 April 2016)
- Gary Phillips, Executive Director Quality & Innovation

BOARD OF GOVERNORS

A full list of the names of those who served as members of the Corporation during this period is given on page 18.

PROFESSIONAL ADVISERS

The professional advisors to the Corporation are:

Financial statements auditors and reporting accountants

KPMG LLP
58 Clarendon Road
Watford
WD17 1DE

Internal auditors

RSM UK Audit LLP
6th Floor
25 Farringdon Street
London
EC4A 4AB

Bankers

Lloyds Bank plc
249 Silbury Boulevard
Secklow Gate
West Milton Keynes
MK9 1NA

NatWest plc
Park Centre
210 Butterfield Grant Marlings
Luton
LU2 8DL

Solicitors

Eversheds LLP
Kett House
1 Station Road
Cambridge
CB1 2JY

Howes Percival LLP
Terrington House
13/15 Hills Road
Cambridge
CB2 1N

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MEMBERS' REPORT: CREATING ECONOMIC & SOCIAL VALUE THROUGH LEARNING

Nature, objectives and strategies

The members of North Hertfordshire College Further Education Corporation present their report and audited financial statements for the year ended 31 July 2016.

Members of the Governing Body, who are also trustees of the charity, are listed on page 18.

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting North Hertfordshire College (NHC).

Mission

Our mission is to create economic and social value for individuals, businesses and communities through learning.

Public benefit

North Hertfordshire College is an exempt charity within the meaning of Part 3 of the Charities Act 2011. It is regulated by the Secretary of State for Education as Principal Regulator for all FE Corporations in England.

In setting and reviewing strategic objectives, the Governing Body has had due regard to the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. This requires that all organisations wishing to be recognised as charities must show, explicitly, that their aims are for public benefit.

The Trustees believe that our mission is consistent with the guidance on providing public benefit. Students are drawn from the local community and provision is made to support those who are disadvantaged (through bursaries and grants to enable individuals to access resources and equipment).

In delivering our mission, we provide the following identifiable public benefits:

- Teaching, learning and assessment for young people and adults, through full-time, part-time and work-based courses in a wide range of sector and occupational areas.
- Strong working relationships with local businesses, who actively support and engage with the courses we deliver for our students – including through the provision of high quality work experience placements.
- Support to help students consider and secure progression opportunities, underpinned by the NHC Guarantee for full-time 16 to 18 year-old students.
- Wider pastoral care for students, underpinned by strong working relationships with relevant partner organisations across the public sector.
- A diverse training offer, including but not limited to apprenticeships, for businesses of all sizes locally, regionally and – increasingly – nationally.

The way in which we deliver such benefits is described throughout this report.

OPERATING STRUCTURE

We operate through a simple, customer-oriented, group structure under the banner of the Hart Learning Group. The Group includes:

- North Hertfordshire College (NHC): a general Further Education college with campuses in Stevenage, Hitchin and Letchworth.

- Hart Learning & Development (Hart L&D): a progressive learning and development business that works with employers of all sizes to help them engage with and invest in emerging talent. Hart L&D is a trading name of NHC, but not yet a separate legal entity.

- The Hart Schools Trust: a burgeoning multi-academy trust which currently sponsors a secondary academy and two studio schools. The Group sponsors the Trust, which is a separate legal entity, whose financial accounts are distinct from those of NHC and Hart L&D.

- Two wholly-owned subsidiaries, Protech Training Services Limited and Plaza Activity Limited.

Throughout this document we refer to ‘the Group’ as the overarching nomenclature, using NHC to refer more narrowly to the work of the college within the structure described above.

VALUES

Our values are important to us. They define how we work, and behave, in pursuit of our five-year strategy. They are strongly reflected in our performance management and reward policies. Our values are:

- **Quality**: we strive constantly to improve the quality of our teaching and learning. We are intolerant of poor quality and always aim for Outstanding.

- **Innovation**: we agitate for new and better ways of doing things. We will look within and beyond the education sector for transformational innovations.

- **Accountability**: we set clear, reasonable expectations and we expect people to deliver. We do not make excuses.

- **Integrity**: we have a strong moral compass and we do the right thing for our customers, our colleagues and for the group.

- **Sustainability**: we take decisions that work for the medium and long term. We care about the environment.

IMPLEMENTING OUR FIVE-YEAR STRATEGY

We agreed an ambitious new mission statement and five-year strategy in the summer of 2015. By 2020, we want to deliver real value for the customers we serve through NHC, Hart L&D and the Hart Schools Trust. Our strategic objectives are for:

- NHC and Hart L&D to be Ofsted Outstanding.
- Hart L&D to generate £25m revenue and £5m net surplus.
- The Hart Schools Trust to support 15-20 primary/secondary schools.
- The Group to be recognised as committed community partner.

Each of these objectives is underpinned by a bundle of critical success factors and measures which characterise what the realisation of our strategy will look like in each area.

For example, in becoming Ofsted Outstanding we will:

- Deliver Outstanding teaching, learning and assessment in the vast majority of our curriculum areas.
- Work with employers to engage them in the design and delivery of our courses, and to provide progression opportunities for our students.
- Deliver courses which prepare students for the reality of the world of work through the provision of a comprehensive employability and tutorial programme.
- Support students to substantially improve their Maths and English.
- Offer a rich, broadly defined, student experience.
- Keep our students safe.

PERFORMANCE INDICATORS

A series of performance indicators is used to monitor the successful implementation of these strategic objectives, and in 2015/16, we made real progress towards them.

We made tangible progress in improving the quality of teaching, learning and assessment in NHC. Though we have work to do in several areas, we are confident that action in hand to raise expectations and improve the quality of our provision is beginning to have the necessary impact. At inspection in June 2016, Ofsted judged our leadership and management to be Good - recognising the progress we have made, actions we have taken and have in hand to improve quality. We also saw positive trends in our student data:

- Overall achievement rates on apprenticeships are up 5% compared with 2014/15.
- Access to HE qualification achievement rates are strong, 8% above national averages.
- Achievement rates on education & training programmes are improving and are 1.7% better than in 2014/15.
- Particular improvement has been seen on level 2 education & training programmes which are 3% up compared with 2014/15.

- Our large level 3 diploma provision continues to be strong and is slightly above national averages.

For 2016/17, we launched the NHC guarantee for 16-18 year old full-time study programme students. We guarantee them progression into a job, apprenticeship or further learning if they consistently attend college, abide by our code of conduct and successfully complete their main qualification. If they don't progress within six months of the end of their course we will give them £1,000 to help them kick start their progress.

We completed a labour-market led review of the Group's curriculum offer to help us ensure that our courses meet the needs of our customers. From this work we identified six strategic priority sectors: business and financial services; creative industries; engineering, construction and manufacturing; health and social care; technology and digital; and sport. In 2016/17 we will develop five-year curriculum investment plans for each of these sectors.

We continued to extend our relationships with local businesses in 2015/16. For example we are working in partnership with Airbus Space & Defence to create an education visitor experience linked to their work on the ExoMars Rover projects. We are also working with a diverse group of engineering sector businesses to shape a new 'engineering innovation centre' at our Engineering & Construction Campus in Stevenage; this will enable us to deliver a wider range of engineering courses, including at higher levels.

Following its launch in August 2015, Hart L&D enjoyed a very strong first year of trading:

- Direct delivery apprenticeship learner starts increased by 21% compared to 2014/15.
- Direct delivery apprenticeship success rates increased by 11% to 76%.
- We successfully launched a new traineeship programme which supported over 397 students, and secured positive destinations for over 67%.
- Our apprenticeship provision was judged to be Good by Ofsted in June 2016.
- Like-for-like profitability improved substantially compared to 2014/15.
- We also built a strong pipeline of regional and national client opportunities which we expect will begin to crystallise in 2016/17.

We therefore remain confident that our five-year goals for Hart L&D can be achieved.

We have also taken important steps in progressing our strategy for the Hart Schools Trust. In 2015/16, we took the difficult but necessary decision to close the two Da Vinci Studio Schools. Both schools will close at the end of 2016/17, when NHC will assume responsibility for the buildings currently used by the schools.

The Thomas Alleyne Academy moved forward on its improvement journey in 2015/16. A Level results showed continuing progress, with 100% of students gaining a place at their first choice university or a higher level apprenticeship. In Key Stage 4, there was an improvement in attainment to 49% students achieving A*-C grades in English and Maths (46% in 2015). This was achieved by a group of students who had been significantly below national average levels of attainment on entry.

The Trust re-structured its senior leadership team to enable Mark Lewis to return to his Headteacher role at the Thomas Alleyne Academy alongside his management of the

Schools Trust. This has enabled a renewed focus at the school which is already showing improvement across a range of indicators.

We are confident that the Trust is well-positioned to make progress toward its five-year objectives in 2016/17.

We have also taken a number of important steps to transform our corporate spine, such that it can better support the work of NHC, Hart L&D and the Hart Schools Trust. We completed a comprehensive overhaul of our performance management and remuneration policies, in the context of a wider piece of work to bring our HR policies in line with our strategy. We have also begun to replace key corporate systems – starting with the implementation of a new finance system and first-wave implementation of a new MI system.

We are committed to observing the importance of sector measures and indicators and use the FE Choices data available on the GOV.UK website which looks at measures such as success rates.

We are required to complete the annual Finance Record for the Skills Funding Agency (SFA), and have been assessed by the SFA as having a "Satisfactory" financial health grading. We expect to secure an SFA grade of "Good" in the coming year.

Change in student numbers and achievement from 14/15 to 15/16

Student Numbers	2014/15 Actual	2015/16 Target	2015/16 Actual	2016/17 Target
16-18 F/T	2,507	2,091	1,932	2,129
19+ F/T	536	332	349	200

Student achievement rates (%)

	2014/15 Actual	2015/16 Target	2015/16 Actual
All	78	81	80
16-18 All	72	75	73
19+ All	85	84	86
16 - 18 Long	73	-	74
16 - 18 Short	56	-	65
19+ Long	79	-	76
19+ Short	88	-	91

Note: No target was set in 2015/16 in respect of duration as the focus for performance review is now qualification type.

Teacher qualifications

	2013/14 Actual		2014/15 Actual		2015/16 Actual	
Post type	Full time	Part time	Full time	Part time	Full time	Part time
Qualified %	83%	77%	85%	94%	86%	84%
Enrolled on qual. %	17%	23%	15%	6%	14%	16%

Student numbers and related funding

In 2015/16, NHC and Hart L&D supported 7,273 SFA-funded and 1,085 non-SFA-funded students, including 2,281 full time students, 248 traineeships and 3,682 apprentices.

To support this activity we drew down £19,037,000 in funding body main allocation funding (2014/15: £22,783,000) including £8,521,000 SFA and £10,515,000 EFA delivery funding.

RESOURCES

The Group has various resources that it can deploy in pursuit of its strategy.

Financial

The Group has £14.8m of net assets (including £11.9m pension liability) and £7.8m of external debt.

People

At 31 July 2016, NHC and Hart L&D employed 397 people (337.7 FTE) as shown below:

	2015/16			2014/15		
	Teaching Headcount (FTE)	Non-teaching Headcount (FTE)	Total	Teaching Headcount (FTE)	Non-teaching Headcount (FTE)	Total
Total	254	143	397	210	181	391
	(202.7)	(135.0)	337.7	(173.0)	(162.0)	(335.0)

In addition to teaching staff, classified within the teaching headcount are the following roles:

- Lecturer
- Learning Coach
- Trainer Assessor
- Learning Support Assistant
- Inclusion Assistant

Reputation

- The Group maintains a good reputation locally and nationally.
- Continuing to maintain and enhance the reputation of NHC as a provider of outstanding outcomes for its students, establishing Hart L&D as an innovative new brand in the local and national market, and enhancing the reputation of the Hart Schools Trust as an effective provider of education, with the aim of delivering from Early Years to Sixth Form are key priorities.

PRINCIPAL RISKS AND UNCERTAINTIES

Following action taken in 2014/15 to ensure that student performance and progress was being accurately and properly recorded, and to raise expectations of high performance and attendance, the principal risks and uncertainties facing NHC are:

- Our ability to improve outcomes for students such that it can be judged Good in 2017/18.
- The sustainability of government funding provision for students.
- Failing to sustain full time student numbers at broadly current levels, undermining our fixed cost base.
- Being unable to access a pool of suitably skilled and experienced staff to sustain and improve the quality of our provision (this risk is particularly acute in relation to English and Maths, engineering and construction, and pre-employment training delivery).
- A delayed reaction from employers to the introduction of the government's apprenticeship levy.
- That the Further Education area review process starting in November 2016 compels us to fundamentally change our organisational strategy and structure.
- That Hart L&D fails to identify and/or deliver commercial product/services offerings that meet current market demands.
- Failing to administer new internal controls to monitor and mitigate risk effectively.

In the context of our five-year strategy, the Corporation, Audit Committee and SMT has continued to keep under review the risks to which we are exposed. The SMT has identified systems and procedures including specific preventive actions which should mitigate the potential impact of identified risks. In addition to ongoing review, the SMT will also consider any risks which may arise as a result of a new area of work being undertaken.

A risk register is maintained which is reviewed by the Audit Committee at each meeting, and more frequently where necessary. This identifies the key risks, the likelihood of those risks occurring, their potential impact on the Group and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

Stakeholder relationships

We have a huge range of stakeholder and partner relationships, including:

- Our current and prospective new students and our growing pool of alumni.
- Employers, large and small, in Hertfordshire and – increasingly following the establishment of Hart L&D – nationally.
- Our current and potential new staff both locally and – to support Hart L&D's growth – nationally.
- Community partners in North Hertfordshire.
- The Hertfordshire Local Enterprise Partnership (LEP) and LEPs in adjacent areas.
- Local Authorities, particularly Stevenage, North Hertfordshire and Hertfordshire County.
- Other FE Colleges in Hertfordshire and adjacent areas e.g. Bedfordshire, London.
- Education (EFA, SFA), employment (DWP, Jobcentre Plus) and other relevant funding bodies.
- The FE Commissioner.

All of these and other relationships are key to the successful delivery of our new five year strategy and so we ensure that we are in regular contact with students and prospective students, their parents/carers and local employers. We have well-developed relationships with education policy-makers, both locally and nationally, and are working to enhance links with local authorities and other partners.

Transparency arrangements

The Corporation conducts its business through a number of committees. Each has terms of reference, which have been approved by the full Corporation. Minutes of meetings are available from the Clerk to the Corporation at:

Hitchin Centre
Cambridge Road
Hitchin
Herts
SG4 0JD

The Clerk to the Corporation maintains a register of financial and personal interests of the governors, which is published on our website.

FINANCIAL POSITION

FINANCIAL RESULTS

The Group generated a surplus in the year of £892,000 including £2,266,000 from profits on the sale of property (2014/15: deficit of £6,421,000).

The Group has accumulated reserves of £14,761,000 (2014/5:£16,969,000) and cash balances of £2,594,000. The Group wishes to continue to accumulate reserves and cash balances in order to create a contingency fund.

The Group has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2015/16 the FE funding bodies provided 55% of the Group's total income.

The College has two trading subsidiaries, Protech Training Services Limited and Plaza Activity Limited (trading as Fit4Less). The principal activity of Protech Training Services Limited is the provision of training, whilst Plaza Activity Limited is a learning company, acting in support of our charitable objects, in which students support the operation of a franchised gym.

In the current year, Protech Training Services Limited generated a surplus of £65,000 (2014/15: £10,000) and Plaza Activity Limited made a loss of £274,000 (2014/15: £127,000).

Three other subsidiary companies were dissolved in 2015:

- Clarity FE Limited (which was placed into members' voluntary liquidation and dissolved 23 April 2015).
- The Consortium for Business (dissolved 25 August 2015).
- The Big Student Takeover (dissolved 25 August 2015).

We also held an 11% shareholding in Gazelle Transform Limited (formerly Enterprise Through Innovation Limited) which was placed into members' voluntary liquidation on 7 August 2015.

The Group has a 32% interest in Hertvec, a consortium with Hertford Regional College and the Samama Holdings Group, a major Saudi Arabian company specialising in construction and facilities management, which is delivering vocational education in the Kingdom of Saudi Arabia. The value of this investment was written off in 2014/15. The operation in Saudi Arabia is now making an operating profit and the Group's liabilities have been minimised.

Treasury policies and objectives

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

NHC has a separate treasury management policy in place which will be renewed in 2016/17.

All borrowing undertaken has been authorised by the Corporation.

Cash flows and liquidity

Net cash flow from operating activities was £1,483,000 (2014/15: £1,642,000).

Reserves Policy

The Corporation recognises the importance of managing its financial resources to ensure the ongoing sustainability of its activity in support of education and training, and its obligations to its workforce. The Corporation currently manages its resources with this priority in mind and is not planning to develop material levels of unspent reserves. This policy is kept under review to reflect the changing needs of its business.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires businesses, 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.

It is the Group's policy to pay all of its suppliers on the last day of the month following the month of invoice, provided that the Group is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions.

With effect from 1 September 2016, the target set by HM Treasury for payment to suppliers within 30 days is 95%. The Group's policy has been payment by end of month following the supply of goods and services. During the accounting period 1 August 2015 to 31 July 2016, based on the number of invoices processed, the Group paid 34% within these terms. In August 2016 the Group implemented a new finance system with electronic workflow capability and refreshed its purchase ledger processes accordingly. This should significantly improve payment performance.

The Group incurred no interest charges in respect of late payments for this period.

FUTURE PROSPECTS

In 2016/17, we will continue working towards the five-year strategy agreed in the summer of 2015. Building on the progress made in 2015/16, we will:

- Continue to focus on quality improvement across NHC and Hart L&D. We are confident that action taken, and in hand, will deliver the required improvements in quality during 2016/17 and are confident that these improvements will be reflected in the outcome of our Ofsted re-inspection – likely in 2017/18.

- Continue to grow Hart Learning & Development through our work with businesses of all sizes locally, regionally and nationally. We expect to crystallise a number of larger, national, client contracts in 2016/17 in the context of the new apprenticeship levy and associated changes in business attitudes to emerging talent.

- Continue to support school improvement through the Hart Schools Trust. We will deliver a rich final year through the Da Vinci Studio Schools and support continued improvements at Thomas Alleyne's Academy in Stevenage. We will also consider embracing new schools within the Trust where there is mutual appetite and benefit.

- Launch a new 'engineering innovation centre' at our Engineering & Construction Campus in Stevenage, providing leading-edge facilities for our business clients, apprentices and other customers – including local SMEs who will be able to access our facilities to help them improve and innovate.

- Take action to transform our corporate services, ensuring that they are relentlessly focussed on our customers' needs, offer best value and have the capacity to support change and growth in the needs of NHC, Hart L&D and the Schools Trust.

- The government's Area Review programme of FE provision in Hertfordshire is under way and will be complete by March 2017. At this point, we do not expect radical change to result; any developments are unlikely to affect the Group's operations before 2017/18.

Events after the end of the reporting period

Since the end of the reporting period, an equipment lease associated with the operations of the Fit4Less gym (Plaza Activity Limited) has been renegotiated to improve the operating and cash flow position of the business.

Charitable and taxation status

NHC is an exempt charity for the purposes of the Charities Act 2011 and is not liable to corporation tax. The Group's subsidiary companies (Protech Training Services Limited and Plaza Activity Limited trading as Fit4Less) are registered under the Companies Act 2006.

Equal opportunities

We are committed to ensuring equality of opportunity for all who learn and work here. 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. Our Equal Opportunities Policy is resourced, implemented and monitored on a planned basis and is published on our website.

NHC publishes an Annual Equality Report and Equality Objectives to ensure compliance with all relevant equality legislation including the Single Equality Act 2010. We undertake equality impact assessments on all new policies and procedures and do the same for existing policies and procedures on a prioritised basis.

NHC is a 'Positive about Disabled' employer and has committed to the principles and objectives of the Positive about Disabled standard. We consider all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantee 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 can continue. Our 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.

NHC has achieved accreditation to the Committed to Equality (C2E) standard at the gold (highest) level. It has also implemented an updated Equality & Diversity training programme which all staff have attended. Refresher training and training for new starters is carried out on an ongoing basis.

Disability statement

The College seeks to achieve the objectives set down in the Equality Act 2010:

- NHC has an Additional Learning Support Manager and LDD Partnership Manager, who gives information, advice and arranges specialist support where necessary for students with disabilities to enable equal access to learning.

- NHC is a Disabled Students Allowance (DSA) Assessment Centre and undertakes assessments for students progressing to Higher Education.

- NHC makes specialist equipment available for use by students. A comprehensive range of assistive technology is provided in the DSA Centre where students can undertake detailed assessments in order to determine the most appropriate equipment needed to address individual learning needs.

- The admissions policy for all students is described in the NHC prospectus and website. Appeals against a decision not to offer a place are dealt with under the complaints policy.

- We have made a significant investment in the appointment of specialist staff to support students with learning difficulties and/or disabilities. We employ 23 (13.6 FTE) Learning Support Assistants to help students with specific learning difficulties, sensory impairments, general learning difficulties, physical disabilities and personal care. Support can be given within the classroom, in the workplace or in a community based setting. There is a continuing programme of staff development to ensure a high level of appropriate support for students who have learning difficulties and/or disabilities can be given.

- Specialist programmes are described in our prospectuses and on the website and achievements and destinations are recorded and published in the standard NHC format.

- Counselling, welfare services, complaints and disciplinary procedures are made available to all students during induction and additional details can be found on our website, in the prospectus and leaflets.

Disclosure of information to auditors

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

Approved by order of the members of Corporation on 5 December 2016 and signed on its behalf by:

Richard Alberg

Chair

STATEMENT ON CORPORATE GOVERNANCE AND INTERNAL CONTROL

The following statement is provided to enable readers of this annual report and accounts to obtain a better understanding of the Group's governance and legal structure. It 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 Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times and so endeavours to conduct its business:

- In accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- In full accordance with guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the Code"); and
- Having due regard to the UK Corporate Governance Code 2014 insofar as it is applicable to the Further Education sector.

We are committed to exhibiting best practice in all aspects of corporate governance and in particular NHC adopted the Code on 22 June 2015.

We have not adopted and so do not apply the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice, including those aspects of the UK Corporate Governance Code we consider relevant to the Further Education sector and best practice.

NHC 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 Corporation is responsible for setting policy and providing strategic direction to the business, and for monitoring and seeking assurance about progress and achievement.

As a body mainly composed of independent non-executive members, it is well-placed to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct. To help it do so, the Corporation receives regular and timely information about performance including regular reports on: quality assurance and improvement; student attendance, retention and attainment; safeguarding; student and business feedback; financial performance; people-related matters; and, health, safety and environmental issues.

In 2015/16, the Corporation's prime focus was on improving teaching and learning in NHC and Hart L&D. Members were actively engaged in the definition of the Group's quality assurance and improvement regime; the preparation of a clear plan to improve Maths and English provision and performance; and, in the delivery of those quality assurance processes through their own engagement in learning walks, lesson observations and quality assurance panels.

The Corporation also took the decision, following a thorough review of the local labour market, to identify six strategically important sectors for curriculum management and investment purposes.

The Corporation monitored the Group's financial position closely throughout the year and endorsed executive recommendation to pursue asset disposals that will reduce borrowings and operating costs; these disposals will likely come to fruition in 2016/17.

Members were positively engaged in Ofsted's inspection of NHC/Hart L&D in June 2016. The inspection judged leadership and management to be Good and said that the new team of governors and senior leaders had "developed a clear vision for the future of the college that focuses on the provision of high-quality learning linked explicitly to meeting the needs of employers and the aspirations of learners".

In addition, the report (published on 10 August 2016) said that the governors and senior leaders had "a good level of self-critical analysis and candour in reviewing performance" and that our self-assessment report gave "a detailed analysis of the key strengths and areas for improvement that match the findings of the inspection team closely".

Full minutes of all Corporation Board meetings, except those deemed confidential by the Corporation, are published on our website. Copies are also available from Robert Dale, Company Secretary at:

North Hertfordshire College
Cambridge Road
Hitchin
SG4 0JD

The Company Secretary maintains a register of financial and personal interests of the governors which is available for inspection at the above address.

All governors can take independent professional advice about their duties at the Group's expense and have access to the Clerk to the Corporation, who is responsible to the Board for ensuring compliance with all applicable procedures and regulations. The appointment, evaluation and removal of the Clerk are matters for the Corporation as a whole.

Agendas, papers and reports are issued in good time before Board meetings. Briefings are also given on an ad-hoc basis. The Corporation has a strong and independent non-executive majority and no individual or group dominates decision-making. 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. Finally, there is a clear division of responsibility between the roles of the Chair of the Corporation and NHC Accounting Officer.

The Corporation is supported by four Committees (Audit, Quality & Innovation, Remuneration and Search). Each has Terms of Reference and meets as required.

The members who served on the Corporation during the year and up to the date of signature of this report are listed in the table below.

Name	Role	Appointed	Term of office	Resigned	Board Meetings attended	Other committees supported
Richard Alberg	Corporation Chair	24/03/15	4 years		5/5 (100%)	Search
Lynne Ceeney	Corporation Vice-Chair	20/04/15	4 years		3/5 (60%)	Quality and Innovation Search
Jo Charles	Staff Governor	07/10/16	4 years		0/0	Quality and Innovation
Nick Chesher		01/04/12	4 years		4/5 (80%)	
David Green		01/04/13	4 years	30/11/15	1/1 (100%)	
Matt Hamnett	Principal	13/03/15			5/5 (100%)	Quality and Innovation
Paul Harrison	Student Governor	09/10/15	4 years	30/06/16	3/4 (75%)	Quality and Innovation
Adrian Hawkins	Chair, NHSST	01/12/14	4 years	05/10/16	4/5 (80%)	Remuneration
Paul Holgate	Safeguarding Governor	10/12/14	4 years		4/5 (80%)	Audit
Robert Irving		07/09/15	4 years		4/5 (80%)	Quality and Innovation Remuneration
Peter Johnston	Remuneration Chair (June 16)	01/03/16	4 years		1/2 (50%)	
Vernon McClure	Quality and Innovation Chair	04/12/14	4 years		3/5 (60%)	Audit
Jeremy Newman	Audit Chair (June 16)	01/03/16	4 years		2/2 (100%)	Remuneration
Ruth Orpwood	E&D Governor	07/09/15	4 years		5/5 (100%)	Audit
Karl Scott	Staff Governor	07/04/14	4 years	30/06/16	5/5 (100%)	Quality and Innovation

Name	Role	Appointed	Term of office	Resigned	Board Meetings attended	Other committees supported
David Williams	Audit Chair (December 15)	01/09/15	4 years	01/12/15	1/1 (100%)	
Sam Coath	Student Governor	18/10/16	4 years		0/0	Quality and Innovation

Attendance by Governors at Corporation Board meetings in 2015/16 was 83%. Lynne Bray acted as Clerk to the Corporation from August 2015 until January 2016. Robert Dale GradICSA was appointed Company Secretary and Clerk to the Corporation on 1 February 2016.

APPOINTMENTS TO THE CORPORATION

Any new appointments to the Corporation are a matter for consideration by the Corporation as a whole. The Corporation has a Search Committee comprising up to seven members responsible for selecting candidates for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided for Governors.

Members of the Corporation are appointed for a term of office not exceeding four years, but are eligible for re-appointment.

CORPORATION PERFORMANCE

Consistent with UK Corporate Governance Code best practice, the Corporation engaged with an externally-facilitated review of board effectiveness in May 2016. The review concluded that the Board was strong, independent and had a good variety of relevant skills and experiences to enable it to fulfil its role.

AUDIT COMMITTEE

The Audit Committee is made up of four non-executive members of the Board (neither the Chair nor Accounting Officer are members).

The Committee operates in accordance with written terms of reference approved by the Committee and the Corporation. Its purpose is to advise the Corporation on the adequacy and effectiveness of the system of internal control and its arrangements for risk management, control and governance processes.

The Audit Committee meets termly and provides a forum for reporting by the internal and financial statements auditors, who have access to the Committee for independent discussion, without the presence of management. The Committee also receives and considers reports from the main FE funding bodies as they affect the Group's business.

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

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

The Audit Committee also advises the Corporation on the appointment of internal and financial statements auditors and their remuneration for both audit and non-audit work as well as reporting annually to the Corporation. Attendance for the year was 91%.

QUALITY AND INNOVATION COMMITTEE

The Quality and Innovation Committee is made up of five non-executive members of the Board, together with the Principal and two Executive Directors.

The Committee operates in accordance with written terms of reference approved by the Committee and the Corporation and is responsible for reviewing the shape and structure of the curriculum, NHC and Hart L&D's quality assurance practices and the impact of its work to raise teaching and learning standards.

The Committee normally meets four times annually. Attendance for the year was 81%.

REMUNERATION COMMITTEE

The Remuneration Committee is made up of four non-executive members of the Board, and is responsible for approving reward arrangements for the Accounting Officer, for determining whether or not conditions for the receipt of performance-related pay by the Accounting Officer have been met, and for considering the affordability and balance of annual reward proposals for the organisation as a whole.

Details of remuneration for the year ended 31 July 2016 are set out in notes 7 and 8 to the financial statements.

The Committee did not meet in 2015/16; it was re-established in September 2016.

SEARCH COMMITTEE

The Committee met informally twice in 2015/16; there was no need for a formal meeting.

INTERNAL CONTROL

Scope of responsibility

The Corporation is ultimately responsible for the 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 to the Principal/CEO, as Accounting Officer, day-to-day responsibility for maintaining a sound system of internal control that supports the achievement of the Group's policies, aims and objectives whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with responsibilities assigned to him in the Financial Memorandum between NHC, Hart L&D and funding bodies. He is also responsible for reporting any material weaknesses or breakdowns in internal control to the Corporation.

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 Group 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 for the whole of the year ended 31 July 2016 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

The Corporation has reviewed the key risks to which the Group is exposed together with the operating, financial and compliance controls implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the Group'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, administration procedures, including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

- A robust approach to setting revenue and cost budgets for the forthcoming year, with final budgets agreed by Corporation.
- Regular finance reports at Corporation meetings, detailing year-to-date performance, and forecast outturn for the year plus any upside opportunities and downside risks.
- A clear link between finance and individual performance management, with clear finance objectives embedded in individual budget holders' personal objectives for the year.
- The increased deployment of formal project management approaches.
- Clearly defined capital investment guidance and controls.

We have an internal audit service (delivered by RSM UK Audit LLP) which operates in accordance with the requirements of the EFA and SFA Joint Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the Group 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.

As a minimum, the Internal Audit service provides the Corporation with an annual report on internal audit activity in NHC and Hart L&D. The report includes an independent opinion on the adequacy and effectiveness of the system of risk management, controls and governance processes.

Review of effectiveness

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

- The reports of the Audit Committee.
- The work of the internal auditors (RSM UK Audit LLP).
- The work of managers within the Group who have responsibility for the development and maintenance of the internal control framework including self-assessment against the Joint Audit Code of Practice (JACoP).
- Comments made by the financial statements auditors and the funding auditors in their management letters and other reports.

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 Audit Committee also receive regular reports from internal audit and other sources of assurance, 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 business 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.

Based on the advice of the Audit Committee and the Principal/CEO, the Corporation is of the opinion that the Group 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 College currently has £7.8m of loans outstanding with bankers on terms negotiated in March 2013. The loans are not currently secured.

The College is dependent on Government funding for the sector to support its operations and fund its bank loan obligations. The bank loans have covenant conditions and the College must ensure it operates within these covenants in order for this financial support to continue in its current form.

The College's forecasts and financial projections, including the sale of surplus property, indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

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

Approved by order of the members of the Corporation on 5 December 2016 and signed on its behalf by:

Richard Alberg	Matt Hamnett
Chair	Accounting Officer

GOVERNING BODY'S STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE WITH FUNDING BODY TERMS AND CONDITIONS OF FUNDING

The Corporation has considered its responsibility to notify the SFA/EFA of material irregularity, impropriety and non-compliance with SFA/EFA terms and conditions of funding, under the Financial Memorandum in place between NHC and the SFA/EFA. As part of its consideration the Corporation has had due regard to the requirements of this Financial Memorandum.

We confirm, on behalf of the Corporation, that after due enquiry, and to the best of its knowledge, the Corporation believes it is able to identify any material irregular or improper use of funds, or material non-compliance with the SFA/EFA terms and conditions of funding under the Financial Memorandum in place between NHC and the SFA/EFA.

We confirm that no instances of material irregularity, impropriety or funding non-compliance discovered to date have been notified to the SFA/EFA. If any instances are identified after the date of this statement, these will be notified to the SFA/EFA.

Richard Alberg	Matt Hamnett
Chair	Accounting Officer

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 SFA/EFA and NHC, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education 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.
- 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 information about 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 to 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 to safeguard its assets and to prevent and detect fraud and other irregularities.

The Corporation is responsible for the maintenance and integrity of the NHC website; 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 SFA/EFA are used only in accordance with the Financial Memorandum with the SFA/EFA and any other conditions may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of its resources and expenditure so that the benefits that should be derived from the application of public funds by the SFA/EFA are not put at risk.

Approved by order of the members of the Corporation on 5 December 2016 and signed on its behalf by:

Richard Alberg

Chair

INDEPENDENT AUDITOR’S REPORT TO THE CORPORATION OF NORTH HERTFORDSHIRE COLLEGE

We have audited the Group and College financial statements (“the financial statements”) of North Hertfordshire College for the year ended 31 July 2016 set out on pages 31 to 61. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

This report is made solely to the Corporation as a body. 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 HERTFORDSHIRE COLLEGE AND AUDITOR

As explained more fully in the Statement of the Responsibilities of the Members of the Corporation set out on pages 25 and 26, 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 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 Group’s and 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 Members’ Report to identify material inconsistencies with the audited financial statements and to identify any 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 of the state of the Group's and of the College's affairs as at 31 July 2016 and of the Group's and of the College's income and expenditure, gains and losses and changes in reserves and the Group's cash flows for the year then ended; and
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Joint Audit Code of Practice (June 2016) issued jointly by the Skills Funding Agency and the Education Funding Agency requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept by the College; or,
- The College financial statements are not in agreement with the accounting records; or,
- We have not received all the information and explanations we require for our audit.

Kelly Dunn

For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

58 Clarendon Road
Watford
Hertfordshire
WD17 1DE

REPORTING ACCOUNTANT'S REPORT ON REGULARITY TO THE CORPORATION OF NORTH HERTFORDSHIRE COLLEGE AND THE SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE SKILLS FUNDING AGENCY AND THE EDUCATION FUNDING AGENCY

In accordance with the terms of our engagement letter dated 28 November 2016 and further to the requirements of the Financial Memorandum with Skills Funding Agency (SFA) and Education Funding Agency (EFA) 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 Hertfordshire College during the period 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 the Skills Funding Agency (SFA) and Education Funding Agency (EFA). 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 SFA and EFA have other assurance arrangements in place.

This report is made solely to the corporation of North Hertfordshire College and the SFA and EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of North Hertfordshire College and the SFA and EFA 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 Hertfordshire College and SFA and EFA for our work, for this report, or for the conclusion we have formed.

RESPECTIVE RESPONSIBILITIES OF NORTH HERTFORDSHIRE COLLEGE AND THE REPORTING ACCOUNTANT

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

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

APPROACH

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 our conclusion included:

- Documenting the framework of authorities which govern the activities of the College;
- Undertaking a risk assessment based on our understanding of the general control environment and any weaknesses in internal controls identified by our audit of the financial statements;
- Reviewing the self-assessment questionnaire which supports the representations included in the Chair of Governors and Accounting Officer's statement on regularity, propriety and compliance with the framework of authorities;
- Testing transactions with related parties;
- Confirming through enquiry and sample testing that the College has complied with its procurement policies and that these policies comply with delegated authorities; and
- Reviewing any evidence of impropriety resulting from our work and determining whether it was significant enough to be referred to in our regularity report.

This list is not exhaustive and we performed additional procedures designed to provide us with sufficient appropriate evidence to express a limited assurance conclusion on regularity consistent with the requirements of the Joint Audit Code of Practice.

CONCLUSION

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 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.

Kelly Dunn

For and on behalf of KPMG LLP, Reporting Accountant

58 Clarendon Road
Watford
Hertfordshire
WD17 1DE

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Year ended 31 July 2016		Year ended 31 July 2015	
		Group £'000	**College £'000**	**Group £'000** Restated	**College £'000** Restated
INCOME					
Funding body grants	2	20,895	20,895	27,095	27,095
Tuition fees and education	3	3,141	3,141	2,538	2,538
Other grants and contracts	4	152	152	163	163
Other income	5	2,843	2,475	2,830	2,426
Investment income	6	4	4	5	5
Total income		27,035	26,667	32,631	32,227
EXPENDITURE					
Staff costs	7	14,665	14,755	16,615	16,469
Fundamental restructuring costs	7	-	-	634	634
Other operating expenses	8	11,223	10,673	17,242	17,068
Depreciation	12	1,912	1,809	2,142	2,114
Interest and other finance costs	9	609	593	586	586
Total expenditure		28,409	27,830	37,219	36,871
Deficit before other gains and losses		(1,374)	(1,163)	(4,588)	(4,644)
Profit/(loss) on disposal of assets	12	2,266	2,266	(1,831)	(1,831)
Surplus/(deficit) before tax		892	1,103	(6,419)	(6,475)
Taxation	11	-	-	(2)	-
Surplus/(deficit) for the year		892	1,103	(6,421)	(6,475)
Unrealised surplus on revaluation		-	-	-	-
Actuarial loss in respect of pensions schemes	23	(2,983)	(2,983)	(1,117)	(1,117)
Total Comprehensive Income for the year		(2,091)	(1,880)	(7,538)	(7,592)
Represented by:					
Unrestricted comprehensive income for the Group and College		(2,091)	(1,880)	(7,538)	(7,592)

CONSOLIDATED AND COLLEGE STATEMENT OF CHANGES IN RESERVES

Group	Income and expenditure account	Revaluation reserve	Pension reserve	Total
	£'000	£'000	£'000	£'000
Balance at 1 August 2014	28,500	2,773	(6,730)	24,543
FRS 102 transition adjustment (note	(153)	-	-	(153)
Restated balance at 1 August 2014	**28,347**	**2,773**	**(6,730)**	**24,390**
Deficit from the income and expenditure account	(5,943)	-	(478)	(6,421)
Actuarial losses in respect of pension scheme	-	-	(1,117)	(1,117)
Comprehensive income for the year	(5,943)	-	(1,595)	(7,538)
Transfers between revaluation and income and expenditure reserves	28	(28)	-	-
Total comprehensive income for the year	**(5,915)**	**(28)**	**(1,595)**	**(7,538)**
Balance at 31 July 2015	**22,432**	**2,745**	**(8,325)**	**16,852**
Surplus from the income and expenditure account	1,492	-	(600)	892
Actuarial losses in respect of pension scheme	-	-	(2,983)	(2,983)
Comprehensive income for the year	1,492		(3,583)	(2,091)
Transfers between revaluation and income and expenditure reserves	59	(59)	-	-
Total comprehensive income for the year	**1,551**	**(59)**	**(3,583)**	**(2,091)**
Balance at 31 July 2016	**23,983**	**2,686**	**(11,908)**	**14,761**

CONSOLIDATED AND COLLEGE STATEMENT OF CHANGES IN RESERVES (CONTINUED)

College	Income and expenditure account	Revaluation reserve	Pension reserve	Total
	£'000	£'000	£'000	£'000
Balance at 1 August 2014	28,671	2,773	(6,730)	24,714
FRS 102 transition adjustment (note 26)	(153)	-	-	(153)
Restated balance at 1 August 2014	**28,518**	**2,773**	**(6,730)**	**24,561**
Deficit from the income and expenditure account	(5,997)	-	(478)	(6,475)
Actuarial losses in respect of pension scheme	-	-	(1,117)	(1,117)
Other comprehensive income	-	-	-	-
Comprehensive income for the year	(5,997)	-	(1,595)	(7,592)
Transfers between revaluation and income and expenditure reserves	28	(28)	-	-
Total comprehensive income for the year	(5,969)	(28)	(1,595)	(7,592)
Balance at 31 July 2015	**22,549**	**2,745**	**(8,325)**	**16,969**
Surplus/(deficit) from the income and expenditure account	1,703	-	(600)	1,103
Actuarial losses in respect of pension scheme	-	-	(2,983)	(2,983)
Other comprehensive income	-	-	-	-
Comprehensive income for the year	1,703	-	(3,583)	(1,880)
Transfers between revaluation and income and expenditure reserves	59	(59)	-	-
Total comprehensive income for the year	1,762	(59)	(3,583)	(1,880)
Balance at 31 July 2016	**24,311**	**2,686**	**(11,908)**	**15,089**

BALANCE SHEETS AS AT 31 JULY

	Notes	Group 2016 £'000	College 2016 £'000	Group 2015 £'000 Restated	College 2015 £'000 Restated
Non-current assets					
Goodwill	11	-	-	1	-
Tangible fixed assets	12	39,411	39,338	42,581	42,466
Investments	13	-	91	-	90
		39,411	39,429	42,582	42,556
Current assets					
Trade and other receivables	14	1,744	1,866	1,698	1,970
Cash and cash equivalents		2,594	2,531	2,307	1,984
		4,338	4,397	4,005	3,954
Less: Creditors – amounts falling due within one year	15	(6,245)	(5,994)	(5,671)	(5,477)
Net current liabilities		(1,907)	(1,597)	(1,666)	(1,523)
Total assets less current liabilities		37,504	37,832	40,916	41,033
Creditors – amounts falling due after more than one year	16	(10,835)	(10,835)	(15,739)	(15,739)
Defined benefit obligations	23	(11,908)	(11,908)	(8,325)	(8,325)
Total net assets		14,761	15,089	16,852	16,969
Unrestricted Reserves					
Income and expenditure account		23,983	24,311	22,432	22,549
Revaluation reserve		2,686	2,686	2,745	2,745
Pension reserve		(11,908)	(11,908)	(8,325)	(8,325)
Total unrestricted reserves		14,761	15,089	16,852	16,969

The financial statements on pages 31 to 61 were approved and authorised for issue by the Corporation on 5 December 2016 and were signed on its behalf on that date by:

Richard Alberg	Matt Hamnett
Chair	Principal & CEO

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2016	2015 Restated
		£'000	£'000
Cash flow from operating activities			
Surplus/(deficit) for the year		892	(6,421)
Adjustment for non-cash items			
Amortisation of intangible assets		1	1
Depreciation		1,912	2,141
Decrease in stocks		-	7
(Increase)/decrease in debtors		(46)	1,531
Increase in creditors due within one year		574	2,001
Decrease in creditors due after one year		(145)	-
Pensions costs less contributions payable		295	205
Deferred capital grants released to profit and loss		(339)	(235)
Adjustment for investing or financing activities			
Investment income		(4)	(5)
Interest payable		609	586
(Profit)/loss on sale of fixed assets		(2,266)	1,831
Net cash flow from operating activities		1,483	1,642
Cash flows from investing activities			
Payments made to acquire fixed assets		(1,578)	(2,106)
Capital grants (repaid)/received		(500)	46
Proceeds from fixed asset sales		5,213	-
		3,135	(2,060)
Cash flows from financing activities			
Interest paid		(304)	(313)
Interest received		4	5
New unsecured bank loans		-	3,000
Repayments of amounts borrowed		(3,920)	(1,244)
Capital element of finance lease rental payments		(111)	-
		(4,331)	1,448
Increase in cash and cash equivalents in the year		287	1,030
Cash and cash equivalents at beginning of the year		2,307	1,277
Cash and cash equivalents at end of the year		2,594	2,307

NOTES TO THE ACCOUNTS

STATEMENT OF ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES

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

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2015 to 2016* and in accordance with Financial Reporting Standard 102 – *"The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland"* (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Transition to the 2015 FE HE SORP

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

An explanation of how the transition to the 2015 FE HE SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the College is provided in note 26.

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

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

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

- Lease incentives – the College has continued to recognise the residual benefits associated with lease incentives on the same basis as that applied at the date of transition. For leases entered into or renewed within the transition period lease incentives have been revised to comply with the requirements of the 2015 FE HE SORP; and,

- The College has taken advantage of the exemptions provided in FRS 102 1.12 and the 2015 FE HE SORP 3.3, and has not included a separate statement of its own cash flows. These cash flows are included within the Consolidated Statement of Cash Flows, and the College balance sheet discloses cash at both the current and preceding reporting dates.

Basis of accounting

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

Basis of consolidation

The consolidated financial statements include the College and its subsidiaries, Protech Training Services Limited and Plaza Activity Limited, both of which are controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation.

In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities.

All financial statements are made up to 31 July 2016.

Going concern

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

The College currently has £7.8m of loans outstanding with bankers on terms negotiated in March 2013. This facility is not currently secured on any of the College's assets.

The College is dependent on Government funding for the sector to support its operations and fund its bank loan obligations. The bank loans have covenant conditions and the College must ensure it operates within these covenants in order for this financial support to continue in its current form.

The College's forecasts and financial projections, including the sale of surplus property, indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

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

Recognition of income

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

The recurrent grant from HEFCE represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

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

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

Income from tuition fees and education contracts is stated gross of any expenditure which is not a discount and is recognised in the period for which it is received.

Donated facilities are recognised as income when the College has control over the item, any conditions associated with the donated item have been met, the receipt of economic benefit from the use by the College of the item is probable and that economic benefit can be measured reliably.

Other income is recognised when the College has entitlement to the funds, any performance conditions attached to the item(s) of income have been met, it is probable that the income will be received and the amount can be measured reliably.

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

Accounting for post-employment benefits

Post-employment benefits to employees of the College are principally provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit plans, which are externally funded and contracted out of the State Second Pension.

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method. The TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income.

Short term employment benefits

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

Non-current Assets - Tangible fixed assets

Tangible fixed assets are stated at cost or deemed cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation. Depreciation charges to the Statement of Comprehensive Income commence in the year following acquisition.

Land and buildings

Freehold buildings are depreciated on a straight line basis over their expected useful lives as follows:

- 50 years
- Refurbishments – Over the remaining life of the asset (of up to 50 years)

Freehold land is not depreciated.

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 income account within creditors, and are released to the income and expenditure account over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

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.

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued pre-2005, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

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. They are not depreciated until they are brought into use.

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets after initial purchase it is charged to income in the period it is incurred, unless it increases the future benefits to the College, in which case it is capitalised and depreciated on the relevant basis.

Equipment

Equipment costing less than £2,000 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost.

Capitalised equipment is depreciated on a straight-line basis over its remaining useful economic life ranging between 3 to 10 years.

Goodwill

Goodwill arose from the acquisition of Protech Training Services Limited. This is being amortised over a five year period from the date of acquisition. All intangible assets amortisation is considered on a case by case basis.

Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred.

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives relating to leases signed after 1 August 2014 are spread over the minimum lease term. The College has taken advantage of the transitional exemptions in FRS 102 and has retained the policy of spreading lease premiums and incentives to the date of the first market rent review for leases signed before 1 August 2014.

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

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

INVESTMENTS

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

Other investments

Listed investments held as non-current assets and current asset investments, which may include listed investments, are stated at fair value, with movements recognised in

Comprehensive Income. Investments comprising unquoted equity instruments are measured at fair value, estimated using a valuation technique.

Cash and cash equivalents

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

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

Financial liabilities and equity

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

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

Foreign currency translation

The Group financial statements are presented in pounds sterling. The Company's functional and presentational currency is pounds sterling.

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary measured at fair-value are measured using the exchange rate when fair-value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end of monetary assets and liabilities denominated in foreign currencies are recognised in the income.

TAXATION

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

The College and subsidiaries are partially exempt in respect of Value Added Tax, so that it can only recover approximately 1.3% of the 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 tax and VAT in the same way as any commercial organisation.

PROVISIONS AND CONTINGENT LIABILITIES

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

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the statement of comprehensive income in the period it arises.

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

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

AGENCY ARRANGEMENTS

The College acts as an agent in the collection and payment of discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

- Determine whether there are indicators of impairment of the group's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

- Determine whether there are indicators of impairment of the group's investments and any potential liability to meet future operating expenses.

OTHER KEY SOURCES OF ESTIMATION UNCERTAINTY

Tangible fixed assets

- Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Local Government Pension Scheme

- The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 23, will impact the carrying amount of the pension liability.

- Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 July 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 Funding body grants

	Year ended 31 July		Year ended 31 July	
	2016 Group £'000	**2016 College £'000**	**2015 Group £'000**	**2015 College £'000**
Recurrent grants				
Education Funding Agency – main funding	14,852	14,852	19,202	19,202
Specific grants				
Employer responsive	4,185	4,185	3,581	3,581
Releases of government capital grants	189	189	72	72
LL Difficulties and Disabilities	1,504	1,504	1,764	1,764
Workplace learning CE	47	47	1,914	1,914
Support for the unemployed	-	-	427	427
Other grants	118	118	135	135
Total	20,895	20,895	27,095	27,095

3 Tuition fees and education contracts

	Year ended 31 July		Year ended 31 July	
	2016 Group £'000	**2016 College £'000**	**2015 Group £'000**	**2015 College £'000**
Total tuition fees (UK Further Education students)	1,629	1,629	1,189	1,189
Higher Education (HE) income	1,361	1,361	1,227	1,227
Local Education Authority	151	151	122	122
Total	3,141	3,141	2,538	2,538

4 Other grants and contracts

	Year ended 31 July		Year ended 31 July	
	2016	2016	2015	2015
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other grants and contracts	152	152	163	163
Total	152	152	163	163

5 Other income

	Year ended 31 July		Year ended 31 July	
	2016	2016	2015	2015
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering and residences	312	312	416	416
Other income generating activities	2,531	2,163	2,414	2,010
Total	2,843	2,475	2,830	2,426

6 Investment income

	Year ended 31 July		Year ended 31 July	
	2016	2016	2015	2015
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Bank interest receivable	4	4	5	5
Total	4	4	5	5

7 Staff costs – Group

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

	2016	2015
	No.	No.
Teaching staff	230	205
Non-teaching staff	183	248
	413	453

Staff costs for the above persons

	2016	2015
	£'000	£'000
Wages and salaries	9,868	11,729
Social security costs	823	873
Other pension costs	1,952	2,032
Payroll sub total	12,643	14,634
Contracted out staffing services	2,022	1,981
Fundamental restructuring costs – Contractual	-	634
Total staff costs	14,665	17,249

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Leadership Team which comprises the Principal & CEO, Deputy Principal, Managing Director of Hart Learning & Development, Executive Director – Quality & Innovation, Director of Transformation (until 1 April 2016) and Group Finance Director. Staff costs include compensation paid to key management personnel for loss of office.

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 during the year was:	6	5

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 No.	2015 No.	2016 No.	2015 No.
£70,001 to £80,000 p.a.	1	-	-	-
£80,001 to £90,000 p.a.	2	2	-	-
£90,001 to £100,000 p.a.	1	2	-	-
£100,001 to £110,000 p.a.	1	-	-	-
£150,001 to £160,000 p.a.	-	1	-	-
£220,001 to £230,000 p.a.	1	-	-	-
	6	5	-	-

Key management personnel emoluments comprise the following:

	2016 £'000	2015 £'000
Salaries	618	432
Benefits in kind	6	6
	624	438
Pension contributions	108	85
Total emoluments	732	523

There were no amounts due to key management personnel that were waived in the year, nor any salary sacrifice arrangements in place. The above emoluments include the amounts payable to the Accounting Officer (who was also the highest paid senior post-holder):

	2016 £'000	2015 £'000
Salaries	227	134
Benefits in kind	1	1
	228	135
Pension contributions	40	17

	268	152

Pension contributions in respect of the Accounting Officer and senior post-holders relate to contributions to the Teachers' Pension Scheme or the Local Government Pension Scheme and are available as for other employees.

The members of the Corporation other than the Accounting Officer and the staff member did not receive any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

In accordance with best practice and the recommendations of the combined code, the Pay and Conditions of Service of the Principal and Senior Post Holders are set following advice by a Remuneration Committee consisting of the Chairman of Corporation, Vice-Chairman of the Corporation and three other Governors (who are neither a student nor staff member).

The Remuneration Committee uses outside professional consultants to advise them on performance-related pay levels in the sector and to ensure that performance-related bonuses are based on attainment of appropriate and measurable criteria.

8 Other operating expenses

	2016 Group £'000	**2016 College £'000**	**2015 Group £'000**	**2015 College £'000**
Teaching costs	5,386	5,386	9,427	9,457
Non-teaching costs	3,136	2,790	5,013	4,854
Premises costs	2,701	2,497	2,802	2,757
Total	11,223	10,673	17,242	17,068

Other operating expenses include:	**2016 £'000**	**2015 £'000**
Auditors' remuneration:		
– Financial statements audit	62	45
– Internal audit	35	32
Hire of assets under operating leases	794	461

Learner Support Fund expenditure is excluded from the above and is shown separately in note 25.

The College had other Operating expenses of £10,673,000 (2014/15: £17,068,000) included in the Group Other operating expenses shown above of £11,223,000 (2014/15: £17,242,000).

In 2014/15 management reviewed arrangements put in place by previous management and took steps to put the organisation on a sounder financial footing in the future. The provision for overpayment of Lennartz VAT £0.2 million remains unsettled.

9 Interest and other finance costs – Group and College

	2016		**2015**	
	Group £'000	**College £'000**	**Group £'000 restated**	**College £'000**
On bank loans, overdrafts and other loans:	304	288	313	313
Pension finance costs (note 23)	305	305	273	273

Total	**609**	**593**	**586**	**586**

10 Taxation – Group only

	2016 £'000	2015 £'000
United Kingdom corporation tax at 20 per cent	-	-
Provision for corporation tax in the accounts of the subsidiary company	-	2
Total	**-**	**2**

The members do not believe that the College was liable for any corporation tax arising out of its activities during either period. There is a tax liability of £Nil (2014/15: £1,619) for Protech Training Services Limited which is subject to a claim for mitigation under the group relief legislation.

11 Intangible assets (Group only)

Goodwill	**£'000**
Cost or valuation	
At 1 August 2015 and 31 July 2016	5
Amortisation	
At 1 August 2015	4
Charge for the year	1
At 31 July 2016	5
Net book value at 31 July 2016	-
Net book value at 31 July 2015	1

The directors consider each acquisition separately for the purpose of determining the amortisation period of any goodwill that arises. For the £5,000 goodwill in Protech Training Services Limited, it was estimated that the useful life of the goodwill was 5 years.

12 Tangible fixed assets (Group)

	Land and buildings		Equipment	Assets in the course of construction	Total
	Freehold	Long leasehold			
	£’000	£’000	£’000	£’000	£’000
Cost or valuation					
At 1 August 2015	28,793	6,679	8,806	14,958	59,236
Transfer from assets in the course of construction	14,698	-	(240)	(14,458)	-
Additions	649	157	852	90	1,748
Disposals	(4,057)	-	-	-	(4,057)
At 31 July 2016	40,083	6,836	9,418	590	56,927
Depreciation					
At 1 August 2015	8,026	2,579	6,050	-	16,655
Charge for the year	788	188	936	-	1,912
Elimination in respect of disposals	(1,051)	-	-	-	(1,051)
At 31 July 2016	7,763	2,767	6,986	-	17,516
Net book value at 31 July 2016	32,320	4,069	2,432	590	39,411
Net book value at 31 July 2015	20,767	4,100	2,756	14,958	42,581

12 Tangible fixed assets (College only)

	Land and buildings		Equipment	Assets in the course the course of construction	Total
	Freehold	Long leasehold			
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2015	28,793	6,679	8,644	14,958	59,074
Transfer from assets in the course of construction	14,698	-	(240)	(14,458)	-
Additions	649	157	788	90	1,684
Disposals	(4,057)	-	-	-	(4,057)
At 31 July 2016	40,083	6,836	9,192	590	56,701
Depreciation					
At 1 August 2015	8,026	2,579	6,003	-	16,608
Charge for the year	788	188	833	-	1,809
Elimination in respect of disposals	(1,054)	-	-	-	(1,054)
At 31 July 2016	7,760	2,767	6,836	-	17,363
Net book value at 31 July 2016	32,323	4,069	2,356	590	39,338
Net book value at 31 July 2015	20,767	4,100	2,641	14,958	42,466

The transitional rules set out in FRS 102 'The Financial Reporting Standard are applicable in the UK and the Republic of Ireland'. Accordingly the base values at the date of transition have been retained, including the revaluation as at that date where applicable.

Equipment inherited from the Local Education Authority at incorporation has been valued by the Corporation at estimated cost less estimated depreciation to date to reflect the remaining useful life of the equipment.

Land and buildings with a net book value of £2,745,000 (2014/15: £2,745,000) have been funded from Local Education Authority sources. Should these assets be sold, the College would either have to surrender the sale proceeds to the SFA and EFA or use them in accordance with the financial memorandum with the funding agencies. If inherited land and buildings had not been valued they would have been included at nil value and have a current net book value of zero.

Long leasehold land and buildings includes:

- Lease of land accommodating the Goldsmith Management Centre at Letchworth for 999 years from 2000.

13 Non-current investments

	College 2016 £'000	College 2015 £'000
Investments in subsidiary companies	91	90
Total	**91**	**90**

The College's subsidiary undertakings are as follows:

Subsidiary Company	Country of Incorporation	Principal Activity	Holding
Protech Training Services Limited	England and Wales	Provision of training	100%
Plaza Activity Limited	England and Wales	Commercial Gym	100%

The College has a 32% shareholding in Hertvec LLC over which the College has no control. The value of the investment was fully impaired in 2014/15.

14 Trade and other receivables

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Amounts falling due within one year:				
Trade receivables	937	929	656	649
Amounts owed by group undertakings:				
Subsidiary undertakings	-	301	-	373
Prepayments and accrued income	633	540	650	552
Other debtors	174	96	392	396
Total	1,744	1,866	1,698	1,970

15 Creditors: amounts falling due within one year

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Bank loans and overdrafts (note 17)	920	920	920	920
Obligations under finance leases (note 17)	117	-	-	-
Trade payables	442	437	(203)	(217)
Amounts owed to subsidiary companies	-	108	-	-
Other taxation and social security	485	433	482	458
Accruals	1,729	1,664	3,836	3,551
Recurrent grants repayable (net)	1,704	1,704	378	378
Deferred income – government capital grants	145	145	-	-
Other creditors	703	583	258	387
Total	6,245	5,994	5,671	5,477

Obligations under finance leases due in September 2016 (£113,000) were refinanced over a 3 year period from that date.

16 Creditors: amounts falling due after one year

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Bank loans (note 17)	6,916	6,916	10,836	10,836
Deferred income – government capital grants	3,919	3,919	4,903	4,903
Total	10,835	10,835	15,739	15,739

Deferred income comprises the amount of capital grants received from Government applicable to future periods. The deferred grants comprise:

	SFA £'000	Other £'000	Total £'000
At 1 August 2015	4,439	464	4,903
Net grants repaid	(500)	-	(500)
Released to profit and loss	(187)	(152)	(339)
At 31 July 2016	3,752	312	4,064

17 Maturity of debt

Bank loans

Bank loans are repayable as follows:

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
In one year or less	920	920	920	920
Between one and two years	920	920	3,920	3,920
Between two and five years	2,760	2,760	2,760	2,760
In five years or more	3,236	3,236	4,156	4,156
Total	7,836	7,836	11,756	11,756

The bank loans are repayable over a ten year period by quarterly instalments.

Obligations under finance leases due in September 2016 (£113,000) were refinanced over a 3 year period from that date.

18 Provisions

	Defined benefit obligations £'000
At 1 August 2015	(8,325)
Service cost	(1,286)
Employer contributions	991
Net interest	(305)
Changes in actuarial assumptions	(2,983)
At 31 July 2016	(11,908)

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in note 23.

19 Capital and other commitments

	Group and College 2016 £'000	2015 £'000
Commitments contracted for at 31 July	109	-

20 Lease obligations

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

	Group and College	
	2016	**2015**
	£'000	**£'000**
Future minimum lease payments due		
Land and buildings		
Not later than one year	441	427
Later than one year and not later than five years	1,762	993
Later than five years	2,956	1,738
	5,159	3,159
Other		
Not later than one year	145	84
Later than one year and not later than five years	15	153
	160	236

21 Contingent liabilities

The College had entered into two guarantee bonds in favour of Colleges of Excellence Company in Saudi Arabia for the sums of SAR 15 million (£2.7 million) with an expiry date of 31 August 2019 and SAR 3.7 million (£0.7 million) with an expiry date of 30 September 2016 which was extended to 30 September 2017 in an amount of SAR 3.3 million (£0.7 million).

22 Events after the reporting period

Obligations under finance leases due in September 2016 (£113,000) were refinanced over a 3 year period from that date.

23 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 Hertfordshire County Council. Both are multi-employer defined-benefit plans.

Total pension cost for the year		**2016** **£000**		**2015** **£000**
Teachers' Pension Scheme: contributions		666		635
Local Government Pension Scheme:				
- Contributions paid	991		1,192	
- Additional service cost (FRS 102 (28))	295		205	
- Interest charge in respect of defined benefit obligations net of interest income on plan assets	305	1,591	273	1,670
Charge to the Statement of Comprehensive Income		2,257		2,305
Total Pension Cost for Year within staff costs		**1,952**		**2,032**

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.

Contributions amounting to £171,000 (2014/15: £137,000) were payable to the schemes at 31 July and are included within 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 members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a ’pay as you go‘ basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act.

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

Valuation of the Teachers’ Pension Scheme

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

- New employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- 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 was implemented in September 2015. Members pay an average contribution rate of 9.6%.

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.

The pension costs paid to TPS in the year amounted to £666,000 (2014/2015: £635,000).

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Hertfordshire County Council. The total contributions made for the year ended 31 July 2016 were £1,316,000, of which employer's contributions totalled £991,000 and employees' contributions totalled £325,000. The agreed contribution rates for future years are 20.5% for employers and range from 5.5% to 12.5% for employees, depending on pensionable pay.

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**
Rate of increase in salaries	3.4%	4.0%
Future pensions increases	1.9%	2.6%
Discount rate for scheme liabilities	2.4%	3.6%
Inflation assumption (CPI)	1.9%	2.6%
Commutation of pensions to lump sums		
– pre-April 2008 service	50%	50%
– post-April 2008	75%	75%

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

	At 31 July 2016	**At 31 July 2015**
	Years	Years
Retiring today		
Males	22.3	22.3
Females	24.5	24.5
Future pensioners		
Males	24.3	24.3
Females	26.7	26.7

The College's share of the assets in the plan at the balance sheet date, of which the College's share is estimated at 0.68% (2014/15: 0.62%) and the estimated allocation in the Scheme were:

	Fair Value at 31 July 2016	**Fair Value at 31 July 2015**
Equities	64%	60%
Bonds	27%	27%
Property	7%	8%
Cash	2%	5%
	£'000	**£'000**
Share of total fair value of plan assets	**27,196**	**24,467**

	£'000	**£'000**
Actual return on plan assets	**1,111**	**1,020**

Actual returns of the Scheme for the year to 30 June 2016 were 5.3%.

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

	2016 £'000	**2015 £'000**
Fair value of plan assets	27,196	24,467
Present value of plan liabilities	(39,104)	(32,792)
Net pensions liability (note 18)	**(11,908)**	**(8,325)**

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

	2016 £'000	2015 £'000
Amounts included in staff costs		
Current service cost	1,273	1,384
Past service cost	13	13
Total	**1,286**	**1,397**
Amounts included in interest and other finance costs		
Net interest expense	305	273
	305	**273**
Amount recognised in Other Comprehensive Income		
Return on pension plan assets	1,111	1,020
Experience losses arising on defined benefit obligations	350	193
Changes in assumptions underlying the present value of plan liabilities	(4,444)	(2,330)
Amount recognised in Other Comprehensive Income	**(2,983)**	**(1,117)**

Movement in net defined benefit liability during year

	2016 £'000	2015 £'000
Net defined benefit liability in scheme at 1 August	(8,325)	(6,730)
Movement in year:		
Current service cost	(1,273)	(1,384)
Employer contributions	991	1,192
Past service cost	(13)	(13)
Net interest on the defined liability	(305)	(273)
Actuarial gain or loss	(2,983)	(1,117)
Net defined benefit liability at 31 July	**(11,908)**	**(8,325)**

Asset and Liability Reconciliation

	2016 £'000	2015 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	32,792	28,399
Current service cost	1,273	1,384
Interest cost	1,199	1,157
Contributions by Scheme participants	325	386
Experience gains and losses on defined benefit obligations	(350)	(193)
Changes in financial assumptions	4,444	2,330
Estimated benefits paid	(592)	(684)
Past service cost	13	13
Defined benefit obligations at end of period	**39,104**	**32,792**

Changes in fair value of plan assets

Fair value of plan assets at start of period	24,467	21,669
Interest on plan assets	894	884
Return on plan assets	1,111	1,020
Employee contributions	325	386
Employer contributions	991	1,192
Estimated benefits paid	(592)	(684)
Fair value of plan assets at end of period	**27,196**	**24,467**

24 Related party transactions

Related party	**Purchases**	**Sales**	**Amounts owing (to)/ from**
Protech Training Services Limited	1,706	-	(108)
Plaza Activity Limited	-	-	301
Airbus Defence & Space Limited	-	32	32
BT	71	-	-
Weldability	1	-	-
Jabbercomms	-	-	4
North Herts Studio School Trust	43	187	42
	1,821	219	271

25 Amounts disbursed as agent

	2016	**2015**
	£'000	**£'000**
Funding body grants – bursary support	720	692
Childcare	-	178
Funding body grants – residential bursaries	720	870
Disbursed to students		
Hardship and bursary	564	516
Childcare	169	106
Administration costs	31	44
Balance unspent as at 31 July, included in creditors	765	666

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.

26 Transition to FRS 102 and the 2015 FE HE SORP

The year ended 31 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 31 July 2015 and the date of transition to FRS 102 and the 2015 FE HE SORP was therefore 1 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.

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.

The transition to FRS 102 has required changes to the net assets for the years ended 31 July 2014 in respect of short-term employee benefits (holiday pay) and 31 July 2015 in respect of short-term employee benefits (holiday pay) and property lease incentives (rent free periods). Similarly net profit & loss for the year ended 31 July 2015 has changed in respect of accounting for holiday pay and lease incentives.

Interest charges in respect of defined benefit obligations, net of interest income on plan assets, are taken to profit and loss. Changes in actuarial assumptions are recorded as a separate line item in other comprehensive income.

	Notes	**1 August 2014**		**31 July 2015**	
Financial position		**Group £'000**	**College £'000**	**Group £'000**	**College £'000**
Total reserves under previous SORP		24,543	24,714	17,057	17,129
Employee leave accrual	(a)	(153)	(153)	(160)	(160)
Property lease incentive	(d)	-	-	(45)	-
Total reserves under 2015 FE HE SORP		24,390	24,701	16,852	16,969

Financial performance		Year ended 31 July	
		Group	College
		£'000	£'000
Loss for the year under previous SORP		**(6,233)**	**(6.332)**
Employee leave accrual	(a)	(7)	(7)
Property lease incentive	(d)	(45)	-
Changes to measurement of net finance cost on defined benefit plans	(b)	(136)	(136)
		(6,421)	(6,475)
Pensions provision – actuarial loss	(c)	(1,117)	(1,117)
Total comprehensive income for the year under 2015 FE HE SORP		**(7,538)**	**(7,592)**

a) Recognition of short term employment benefits

No provision for short term employment benefits such as holiday pay was made under the previous UK GAAP. Under FRS 102 the costs of short-term employee benefits are recognised as a liability and an expense. The annual leave year runs to 31 August each year for both teaching and non-teaching staff meaning that, at the reporting date, there was an average of 3.15 days unused leave for teaching staff and 4.4 days unused leave for non-teaching staff. In addition, certain non-teaching employees are entitled to carry forward up to 3 days of any unused holiday entitlement at the end of the leave year. The cost of any unused entitlement is recognised in the period in which the employee's services are received. An accrual of £153,000 was recognised at 1 August 2014, and £160,000 at 31 August 2015.

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

c) 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.

d) Change in recognition of property lease incentives

Under previous UK GAAP, property lease incentives (rent free periods) were recognised immediately. Under FRS 102 such incentives must be recognised over the period of the lease.