

EAST RIDING COLLEGE

REPORT AND

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2016

KEY MANAGEMENT PERSONNEL, BOARD OF GOVERNORS AND PROFESSIONAL ADVISERS

Key Management Personnel

Key management personnel are defined as members of the College Leadership Team and were represented by the following in 2015-16:

Derek Branton	Principal and CEO; Accounting Officer
John Doris	Vice Principal Finance and Resources
Rhys Davies	Vice Principal Curriculum and Quality
Barbara Collinson	Director of Human Resources
Helen Wooldridge	Director of Learner Services Planning and Diversity

Board of Governors

A full list of Governors is given in the Statement of Corporate Governance and Internal Control.

Mrs. J. Mylrea acted as Clerk to the Corporation to 31 March 2016 and Mrs. J Sunderland acted as Clerk for the remainder of the period.

Professional Advisers

Financial statement auditors and reporting accountants:

Grant Thornton UK LLP
No. 1 Whitehall
Riverside
Leeds
LS1 4BN

Internal Auditors:

East Coast Audit Consortium
Crosskill House
Mill Lane
Beverley
HU17 9JB

Bankers:

Barclays Plc.
1st Floor, 3 Hardman Street
Spinningfields
Manchester
M3 3HF

Solicitors:

Rollits
Citadel House
58 High Street
Hull
HU1 1QE

Eversheds
115 Colmore Row
Birmingham
B3 3AL

CONTENTS

	Page number
Report of the Governing Body	5
Statement of Corporate Governance and Internal Control	15
Governing Body's statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding	23
Statement of Responsibilities of the Members of the Corporation	24
Independent Auditors' Report to the Governing Body of East Riding College	25
Reporting Accountant's Assurance Report on Regularity	26
Consolidated Statement of Comprehensive Income	28
Consolidated and College Statement of Changes in Reserves	29
Balance Sheet as at 31 July	30
Consolidated Statement of Cash Flows	31
Notes to the Accounts	32

East Riding College

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 July 2016

REPORT OF THE GOVERNING BODY

NATURE, OBJECTIVES AND STRATEGIES

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

Legal Status

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

The Corporation was incorporated as Beverley College of Further Education in 1992. On the 1st March 2002 Beverley College of Further Education merged with East Yorkshire College of Further Education, Bridlington. At that date the Secretary of State approved the dissolution of East Yorkshire College of Further Education along with the transfer of its property, rights and liabilities to Beverley College of Further Education. On the 1st March 2002 the Secretary of State further approved the change of name from Beverley College of Further Education to East Riding College.

Mission

The College's mission as approved by its members is:

"East Riding College will be a leader in the economic and social development of the region, working in partnership to provide access to the highest quality education and skills training to meet the needs of individuals, employers and the communities it serves."

Public Benefit

East Riding College is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed in the Statement of Corporate Governance and Internal Control.

In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit. The College's Public Value Statement can be found on the College website: www.eastridingcollege.ac.uk.

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

- High quality teaching;
- Widening participation and tackling social exclusion;
- Excellent progression record into employment and further studies for students;
- Strong student support systems; and
- Strong links with employers, industry and commerce.

East Riding College

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 July 2016

REPORT OF THE GOVERNING BODY (CONTINUED)

NATURE, OBJECTIVES AND STRATEGIES (CONTINUED)

Implementation of strategic plan

The members of the Corporation approve on an annual basis the College's strategic Development Plan and Financial Plan, the latter including a detailed budget for the forthcoming year. Following the successful delivery of the College's Property Strategy covering the years 2010-2015 a new Property Strategy for the years 2016-2021 is being formulated. The Corporation regularly monitors and assesses the performance of the College against these plans.

The College's Development Plan for 2016 – 2019 outlines the College's priorities as:

1. Maintain responsiveness and learner choice
2. Continuously improve quality and standards
3. Support the growth of the regional economy
4. Improve our effectiveness and efficiency

Progress against these objectives is monitored through the assessment of Key Performance Indicators which are agreed annually by the Corporation and reported termly by management to governors.

Financial Objectives

The College has clear financial objectives as stated in its Financial Plan and its annual Budget. Progress against these financial targets is monitored through monthly management accounts and forecasts.

The College's financial objectives are:

- To achieve "Good" Financial Health;
- To continue to diversify sources of income consistent with the wider strategic objectives and the need for a contribution to the College's overall finances;
- To continue to pursue efficiencies and to seek value for money;
- To further improve the College's short term liquidity; and
- To fund continued capital investment.

At the end of the year the College's Financial Health grade was "Good", as had been planned, though has been re-graded to "Satisfactory" under a new calculation methodology which was introduced during the year by the SFA. The main driver for the lower grade under the new methodology is the revised gearing ratio which now is expressed as "borrowing as a percentage of income" and which at the end of the year was above the sector benchmark of 40%. This ratio is planned to fall below the 40% level in 2016-17 through a planned sale of surplus property assets. Progress was made during the year to further diversify income sources away from recurrent Further Education funding streams, and there was an increase in both Higher Education and Further Education fee/loan income as well as very strong growth in income from Apprenticeships. Disappointingly, European Social Infrastructure Fund (ESIF) income was delayed in being made available by government agencies and no income was earned in-year, compared to £654k in the prior year. Savings through delivering planned efficiencies in non-pay costs as well as staff reductions through natural turnover helped achieve a reduction in operating expenses. Cash generation from operations was used to fund £274k of capital expenditure (excluding the Beverley campus relocation project).

East Riding College

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 July 2016

REPORT OF THE GOVERNING BODY (CONTINUED)

NATURE, OBJECTIVES AND STRATEGIES (CONTINUED)

Performance Indicators

The College has established Key Performance Indicators (KPIs) to assess its progress in meeting its objectives. These KPIs relate to the strategic objectives of the College which, in-turn, are aligned with objectives of the funding agencies at local, regional and national levels. The College KPIs are set at the whole College level but also are disaggregated by curriculum areas and/or budget centres to achieve delegated ownership and responsibility throughout the College organisation. The KPIs with comparatives against targets and prior years' performance are reported at Corporation meetings.

The College is committed to observing the importance of sector measures and indicators and provides information for FE Choices on key performance indicators such as Learner Satisfaction and Employer Satisfaction.

Teaching standards within the College remained very high in 2015-16 with 94% of lesson observations graded as "good" or "outstanding" (2014-15: 90%). The latest available information on Learner Satisfaction showed a 90% overall satisfaction rate for teaching, learning and assessment. An independent survey of employers, in July 2016, concluded that 92% of employers considered that the College provided the training they required and 93% felt the staff were highly professional and had the right experience and qualifications to meet their training needs.

The College is required to complete an annual Finance Record for the Skills Funding Agency. The Finance Record produces a financial health grading. The 2015-16 rating of "Satisfactory" under the new calculation methodology is considered an acceptable outcome.

FINANCIAL POSITION

Financial Results

The financial results of the College, for the 12 months ending 31 July 2016, show a surplus before other gains and losses of £25k (2015: £647k). After adding in the gains arising from the disposal of assets, which largely relate to the sale of the College's Gallows Lane site in Beverley, the surplus for the year is £5,287k (2015: £655k). After deducting actuarial losses in respect of the pension schemes the total Comprehensive Income for the Year is £4,218k (2015: £230k).

Total College income reduced by 16.8% or £2,448k to £12,132k (2015: £14,580k). The reduction in income was largely due to the loss, in May 2015, of a sub-contract to deliver Offender Learning and Skills to prisons which had an income value of £2,414k in 2015 as well as the absence of European and other grant income which had been budgeted at £400k and in 2015 was £655k. Income in 2016 includes £785k of endowment income relating to the gift of land and buildings received from Deflog VQ Trust Ltd, a local charity in Beverley which was in the process of being wound up. Staff and other operating costs before depreciation and interest were reduced in-year by £2,136k to compensate for the reduction in income. At 31 July 2016, the College has accumulated unrestricted reserves of £5,739k (2015: £1,521k) and cash balances of £970k (2015: £1,546k).

East Riding College

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 July 2016

REPORT OF THE GOVERNING BODY (CONTINUED)

FINANCIAL POSITION (CONTINUED)

Financial Results (continued)

The College has a subsidiary company, East Riding College Limited, which was incorporated on 9th January 2014. The principal activity of the company is the design and build of property. Any surpluses generated by the subsidiary are gift aided to the College. The Financial Statements of the company have been consolidated within those of the College.

Treasury Policy and Objectives

Treasury management is the management of the College's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks. The College has a separate treasury management policy in place. Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation and complies with the requirements of the Financial Memorandum.

Cash Flows and Liquidity

Cash inflow from operating activities in the year was £989k (2015 £2,173k). This performance along with borrowings was used to support £3,362k of capital expenditure, the majority of which related to payments for the construction of the College's new Beverley campus.

The College holds a loan agreement with Barclays Plc., dated 1st August 2008, which provides a 25 year long-term facility of £4.5m used for the Bridlington campus rebuild project. The interest rate on this facility was fixed at the time at a rate of 5.39% and a "ratchet" of +0.25% was applied by Barclays in 2014 as a condition of providing additional loans to fund the Beverley campus relocation project. These additional loans included a £2.0m 10-year loan with a variable interest rate of 1.8% over LIBOR and a Revolving Credit Facility of £3.5m with an interest rate of 1.5% over LIBOR, to support the development phase of the project. In addition to the new Barclays' facilities the College had arranged a further £2.0m of short term loan funding through a private pension fund with an interest rate of 6.0% over base.

Following the opening of the new Flemingate campus at the start of the 2015-16 academic year, the College completed its contract to sell its previous site at Gallows Lane, in December 2015. The £6,976k of proceeds enabled the repayment of all the short term facilities including the £2.0m private pension fund loan as well as the residual balances on the Barclays' Revolving Credit Facility. As a condition of the loans for the Beverley campus relocation project, the College granted security to Barclays Plc. through legal charges on its sites at St Mary's Walk in Bridlington and Flemingate in Beverley. The Department of Communities and Local Government has taken a second charge, after Barclays, over the Flemingate site as a condition of its ERDF grant. During 2015-16, and following the anticipated breach of the Net Operational Gearing loan covenant, Barclays required as a condition of issuing a waiver that the loan term on the £2.0m 10-year loan be reduced to 6 years (i.e. 28th May 2020), though the loan itself remains as being amortised over 20 years so there is no impact on the planned repayment schedule.

East Riding College

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 July 2016

REPORT OF THE GOVERNING BODY (CONTINUED)

FINANCIAL POSITION (CONTINUED)

Reserves Policy

The College recognises that it has two major sources of income and these are not guaranteed. It is crucial, therefore, to ensure there are sufficient reserves to support the College while other sources of income are secured and fundraising is considered or to allow the College to wind up while meeting its obligation to staff and service users, if existing sources of income are lost.

The College is dependent on both EFA and SFA funding to sustain its activities, as other streams of income alone would not allow the College to continue operating. This means that if there were to be a significant fall in these funding sources it is likely that the College would have to restructure or close.

To avoid closure, if funding difficulties were to occur, the College aims to keep a certain level of financial reserves to ensure that main operations can continue for an appropriate period of time to allow it to respond and seek alternative sources of funding.

The main concerns of the Board of Governors are to ensure:

- That staff can continue working
- That there is time to secure new funding
- That students are supported
- That it has sufficient resources to meet its liabilities

Funding is determined annually and this has exposed the College to quite significant falls in income in the past. It has been calculated that reserves in the region of £5m would be needed to continue running for at least 6 months.

Minimum reserves of this level already exist but will be built up further from unrestricted (earned) income to ensure that the College can operate beyond a minimum of 6 months in the event of funding difficulties.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student Numbers

In 2015-16 the total number of learners was 3,931 (2015 4,031). This included:-

16-18 Classroom	1,102 (1,142)
Apprentices	594 (468)
HE	228 (233)
Other Funded Adults	2,007 (2,188)

There was a reduction in the number of 16-18 learners due to declining demographics for this age group in the East Riding. The reduction in HE is due to lower part-time learners, however the full-time numbers increased. A decrease in Adult Classroom funding accounts for the reduction in "other funded adults" when compared with learners recruited in 2014-15.

East Riding College

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 July 2016

REPORT OF THE GOVERNING BODY (CONTINUED)

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE (CONTINUED)

Student Achievements

The College's overall achievement rate (excluding functional skills) remained at 87.1% - staying above the national rate of 85.7%. Functional Skills achievement rates increased from 69% to 74.2% - above the national rate of 66.5%.

Curriculum Developments

The College analyses closely the destinations of its learners to ensure that the curriculum offer results in positive outcomes. The annual market analysis ensures that the courses meet national, regional and local priorities and needs, with learners completing their studies ready for work or progression to further study, including Higher Education. Learners can study from entry level to level 3 in all curriculum areas through an inclusive curriculum offer which ensures that everyone with varying levels of previous educational attainment has access to an appropriate course. High priority is given to the essential underpinning of English and Mathematics for all 16-18 year olds. Those who do not hold a GCSE A*- C grade on entry to the College work towards achieving this level of attainment as an integral part of their programme; this ensures that learners leaving the College have the best possible chance of progressing to and succeeding in their chosen career. The learners who hold a grade D at GCSE English and/or maths are required to retake this qualification. The College has developed the work experience programme and last year 87% of 16-18 year olds participated in external placement. The College has continued to develop its curriculum, working closely with employers and Local Enterprise Partnerships (LEPs) and during the year has developed and adapted a number of courses to meet the growing demands from the fast growing sustainability and renewable energy sectors in our region.

Estates Developments

The College operates from two main campuses in Beverley and Bridlington with a third smaller facility in Hull. The Bridlington campus was completely rebuilt in 2009 and now provides 'state of the art' facilities in the north of the East Riding. The new town centre Flemingate campus in Beverley was successfully completed and open for enrolments at the start of the 2015-16 academic year and similarly offers very modern and 'state of the art' facilities. The previous Beverley campus site at Gallows Lane was decommissioned in the Autumn of 2015 and was sold to Peter Ward Homes Ltd. in December 2015.

On 29th July 2016, the College received a gift of a property situated at Riverview, Beverley. The gift was from the charity Deflog VQ Trust Ltd which was in the process of winding-up and wished to dispose of its assets. After careful consideration of the possible uses for the site, it was decided that the College could not use the property for its own purposes and that it should be put up for sale, with the receipts to be used to further the College's education objectives.

Since the rebuilding of the St Mary's Walk campus in Bridlington in 2009, the College has sought to either rent out or sell two workshops that it owns outside the town on the Carnaby industrial estate and had been previously used for its Construction and Engineering provision. At 31st July 2016, both workshops were rented out on a lease expiring in September 2017. Though the tenant has now left they are obliged to continue paying the rent through to the expiry of the lease. The College, with agreement of the tenant, has been actively marketing the site for sale and will release the tenant from the lease if and when it finds a suitable purchaser.

East Riding College

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 July 2016

REPORT OF THE GOVERNING BODY (CONTINUED)

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE (CONTINUED)

Future Prospects

The College has prepared a detailed Financial Plan through to 2017/18 and a strategic 5-Year Financial Plan through to 2019/20 demonstrating how it will deliver strong financial performance to ensure financial sustainability. Building on the high quality of the College's provision and its reputation, as demonstrated by successive "Good" grades from Ofsted, and the excellent facilities the College now has, following the rebuilding of the principal campuses, the financial plans show a sustained growth in income and a tight control of costs providing on-going surpluses and positive cash generation. Only modest growth in 16-18 volumes is expected against flat demographics through to the end of the decade. Funded adult provision is expected to remain flat as determined by government statements on funding. Income growth is expected in Apprenticeships, fee and loan income in both Further Education and Higher Education and increased working with employers. Costs will continue to be contained through efficiencies in delivery and increased use of e-Learning taking advantage of the College's investments in IT and the curriculum.

The Financial plans have taken into consideration the College's assessment of the strategic risks faced by the wider Further Education sector as well as local influences both in education and the economy. During 2016/17 the College is actively participating in a government-led Area Based Review which has the stated aim of creating stronger and more sustainable institutions that meet each area's educational and economic needs. The Area Based Review is a process being undertaken involving all colleges in England on a rolling programme of areas with the College being part of the York, North Yorkshire, East Riding and Hull area. The College has been preparing for its review since the national programme of Area Based Reviews was announced in July 2015 and work so far is demonstrating the benefits from increased collaboration with like-minded neighbouring colleges. The College's Area Based Review is expected to be completed during the Spring of 2017. The College is confident that it can deliver its future plans, meeting its liabilities and being able to prosper, and therefore believes that the "going concern" assumption is appropriate and should be adopted.

PRINCIPAL RISKS AND UNCERTAINTIES

The College has a formal structure embedded to identify, assess and manage the strategic risks it faces. A risk management policy is in place and is regularly reviewed and approved by the Corporation. A detailed register of the key risks is considered at least once a term to assess the likelihood of the identified risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are considered in all the key planning and decision making processes in the College including strategic and operational planning, budgeting and project/capital approvals.

Outlined below are the key strategic inherent risks that the College has identified:

- Failure to diversify and grow income sources outside of recurrent funding streams including ESIF;
- 16-18 Funding – Continuing reduction in funding in real terms and the impact of additional capacity opening in Hull;
- Adult Skills Funding – Failure to adapt to the move to diversified sources of funding including Apprenticeships and the impact of the Apprenticeship levy;
- Failure to deliver efficiencies to compensate for continuing reductions in gross and unit funding levels;
- Failure to take advantage of the opportunities arising from the Area Reviews of Post-16 education and training institutions;
- HE – Failure to deliver the strategic growth objectives in Higher Education;
- Failure to provide accurate, regular, timely and relevant MIS output;

East Riding College

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 July 2016

REPORT OF THE GOVERNING BODY (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

- Failure to manage safeguarding effectively throughout the College's operations and the potential adverse impact on the College's reputation;
- Adverse impact on College's finances of an increase in pension costs;
- Failure to attract and retain staff and managers of sufficient quality with the required qualifications;
- Failure to amend the Curricula sufficiently quickly to meet funding priorities, changing learner and employer demand and the need for enterprise;
- Failure to meet teaching quality standards and expectations of learners;
- Failure to effectively manage 14-16 age groups in College; and
- Adverse Ofsted Inspection;
- Total or partial loss of IT networks.

STAKEHOLDER RELATIONSHIPS

In line with other colleges and with universities, East Riding College has many stakeholders. These include:

- Students
- Education sector funding bodies
- Staff
- Employers
- Local Enterprise Partnerships (LEPs)
- Local authorities
- Government Offices
- The local community
- Other FE institutions
- Trade unions
- Professional bodies.

The College recognises the importance of relationships with these stakeholders and engages in regular communication with them.

Equal Opportunities

The College is fully committed to the active promotion of equality of opportunity in the provision of all its services and to the principle that all learners, members of staff and the community are entitled to equality of opportunity. The College's Equality and Diversity Committee is a sub-committee of the Academic Board and includes learner representation as well as support and academic staff. The College is compliant with the general and specific duties of the Equality Act 2010. The College considers all applications for employment from disabled persons, bearing in mind the aptitudes of the individuals concerned, short listing those who meet the essential criteria. It holds the "Positive About Disabled People" Jobcentre Plus Award. Where an existing employee becomes disabled, every effort is made to ensure that employment in the College continues. The College's policy is to provide training, career development and opportunities for promotion, which are, as far as possible, identical to those for other employees. The College monitors relevant data to ensure equality of opportunity for all staff.

East Riding College

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 July 2016

REPORT OF THE GOVERNING BODY (CONTINUED)

STAKEHOLDER RELATIONSHIPS (CONTINUED)

Disability Statement

The College is an inclusive College. It welcomes learners with additional needs and it will make reasonable adjustments to accommodate the needs of all its learners ensuring that learners with disabilities are not treated less favourably. It recognises that all staff in the College, both academic and support, must ensure that the individual needs of learners are met.

The College is committed to:

- Eliminating discrimination.
- Promoting awareness of disability issues to staff and learners.
- Consulting with learners with disabilities to ensure that it is responsive to their needs.

Safeguarding

The College ensures that it fulfils its statutory duties in this area, the most important of which are:

- Statutory Guidance for Schools and Colleges updated by the Department for Education in September 2016.
- Section 175 of the Education Act 2002 which requires that “The governing body of an institution within the further education sector shall make arrangements for ensuring that their functions relating to the conduct of the institution are exercised with a view to safeguarding and promoting the welfare of children receiving education or training at the institution”.
- Children’s Act 2004 which requires providers of services under the Learning and Skills Act 2000 to make arrangements to safeguard and promote the welfare of children, both in their own functions and in those of any services subcontracted to others.
- The Safeguarding Vulnerable Groups Act 2006.
- Statutory Guidance issued under section 29 of the Counter-Terrorism Act 2015 (Prevent Duty Guidance: for England and Wales, and Prevent Duty Guidance: for Further Education institutions in England and Wales).

Staff and Student Involvement

The College encourages staff and student involvement through membership of the Corporation and there are two staff and two student governors. Learners participate in course team meetings, curriculum area and college focus group meetings and are encouraged to participate in the activities of the Student Association. Staff are kept abreast of developments through regular staff meetings, training events, the delivery of core briefings as well as regular newsletters and bulletins including an email from the Secretary to the Corporation following scheduled Corporation meetings briefing staff on what was discussed and key decisions.

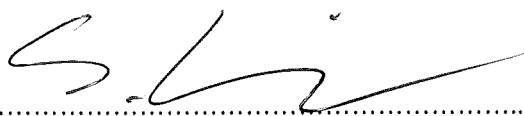
East Riding College
REPORT AND FINANCIAL STATEMENTS
for the year ended 31 July 2016

REPORT OF THE GOVERNING BODY (CONTINUED)

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 College's auditors are unaware; and each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditors are aware of that information.

Approved by order of the members of the Corporation on7/12/16..... and signed on its behalf by:



S Wright

Chair

East Riding College

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 July 2016

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

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

The College endeavours to conduct its business:

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

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

In the opinion of the governors, the College complies with all the provisions of the Code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31 July 2016. The Corporation recognises that, as a body entrusted with public funds and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted on 14 October 2015.

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

East Riding College
REPORT AND FINANCIAL STATEMENTS
for the year ended 31 July 2016

**STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL
(CONTINUED)**

The Corporation

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

Name	Date of Appointment	Term of Office	Date of Resignation	Status of Appointment*	Committees Served	Attendance
Miss L Archer	01.09.13	4 years		Business Member	Audit; Search, Governance & Development	82%
Mr D Branton	01.09.04			Principal	Remuneration, Finance & Human Resources; Search, Governance & Development;	100%
Mr R Burton	14.10.15	4 years	13.7.16	Local Authority Member	Search, Governance & Development	20%
Mr S Datta	23.04.08 Re-appointed 12.10.11, Re-appointed 01.08.16	4 years		Co-opted Member	Remuneration, Finance & Human Resources; Quality Standards	90%
Miss K Guest	28.04.10 Reappointed 31.07.14	4 years		Business Member	Remuneration, Finance & Human Resources, Chair of Search, Governance & Development	100%
Dr E Hall	01.09.13	4 years		Business Member	Chair of Quality Standards	86%
Miss J Hall	08.10.14	2 years	31.3.16	Student Member		50%
Mr K Hall	06.01.14	4 years		Local Authority Member	Quality Standards	71%
Ms E Latimer	01.08.15	4 years		Business Member	Quality Standards	57%
Ms T Murray	1.8.15	4 years		Staff Member		100%
Ms V Parker	25.04.07 Re-appointed 08.12.10 Re-appointed 10.12.14	4 years		Co-opted Member	Quality Standards	100%
Mr W Tariq	1.8.15	4 years		Local Community Member	Remuneration, Finance & Human Resources	100%

East Riding College

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 July 2016

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

The Corporation (continued)

Name	Date of Appointment	Term of Office	Date of Resignation	Status of Appointment*	Committees Served	Attendance
Mr B Teal	14.10.15	2 years	13.7.16	Student Member		50%
Ms S Timms	15.09.14	4 years		Staff Member		100%
Mr N Waterhouse	11.07.12	4 years		Business Member	Chair of Audit; Search, Governance & Development	82%
Mr J Winepress	08.10.14	4 years		Local Community Member	Audit	86%
Mr S Wright	05.10.05 Re-appointed 25.02.09 Re-appointed 01.08.13	4 years		Business Member	Chair of Remuneration, Finance & Human Resources	86%

* The categories of membership of business, local authority, local community and co-opted were removed by the 2008 Instrument. Whilst welcoming the flexibility in recruitment that this enabled, the Corporation agreed to retain these titles within the new framework.

Attendance at meetings of the Corporation

The average attendance at Corporation meetings was 81% with the average attendance at Committee meetings (including co-opted external members) at 82% for the year ending 31 July 2016. Attendance at individual committees was as below:

Search, Governance and Development	88%
Remuneration, Finance & Human Resources	86%
Quality Standards	82%
Audit	73%

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

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

East Riding College

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 July 2016

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

The Corporation (continued)

The Corporation conducts its business through a number of committees which meet at least once a term. Each committee has terms of reference, which have been reviewed by the committees and approved by the Corporation. These committees are:

- Search, Governance and Development,
- Remuneration, Finance & Human Resources,
- Quality Standards
- Audit.

The Property Projects Group, a sub-committee of the Remuneration, Finance and Human Resources committee, which monitored progress against the College's Property Strategy was stood down during the year following the successful completion of the project to relocate the College's campus in Beverley to a new site at Flemingate and sell the previous site at Gallows Lane.

Full minutes of all meetings except those deemed to be confidential by the Corporation are available from the Secretary to the Corporation at:

East Riding College
Flemingate Centre
Armstrong Way
BEVERLEY
HU17 0GH

Approved minutes – except those deemed to be confidential by the Corporation – are published on the College's website, in accordance with Instrument 8 of Government.

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

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

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

The Corporation has a strong and independent non-executive element and no individual or group dominates its decision making process. The Corporation considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. There is a clear division of responsibility in that the roles of the Chairman and Accounting Officer are separate.

East Riding College

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 July 2016

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search, Governance and Development Committee consisting of five members of the Corporation and a co-opted external member, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding four years.

Remuneration Finance & Human Resources Committee

Throughout the year ending 31 July 2016, the College's Remuneration, Finance & Human Resources Committee comprised seven members of the Corporation (plus one vacancy). The broad role of the committee is to advise the Corporation on the financial health and solvency of the College, the remuneration, pay and conditions of the Principal and other senior post-holders and matters affecting the framework of pay and conditions of all other staff in the College. The committee also advises the Corporation on the College's health and safety policy, structure and management arrangements, and the effectiveness of health and safety systems of control in the College. The committee has delegated authority from the Corporation to approve human resources policies that do not affect this framework.

Details of remuneration for the year are set out in the notes to the financial statements.

Audit Committee

The Audit Committee comprises a Chairman and two other members of the Corporation (excluding the Principal, the Chair of Corporation and members of the Remuneration, Finance and Human Resources committee) and two co-opted external members. The Committee operates in accordance with written terms of reference approved by the Corporation, which are compliant with the Skills Funding Agency's Joint Audit Code of Practice.

The Audit Committee meets on a termly basis and provides a forum for reporting by the College's internal, reporting accountants and financial statements auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the Skills Funding Agency and other funding agencies, as they affect the College's business.

The role of the Committee is to advise the Corporation on the adequacy and effectiveness of the College's systems of internal control and its arrangements for risk management, control and governance processes, and securing economy, efficiency and effectiveness (value for money).

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

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

East Riding College

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 July 2016

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

Audit Committee (continued)

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

Internal Control

Scope of responsibility

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

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

The purpose of the system of internal control

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

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal on-going process for identifying, evaluating and managing the College's significant risks that has been in place for the year 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.

**STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL
(CONTINUED)**

Internal Control (continued)

The risk and control framework

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

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

The College has an internal audit service, which operates in accordance with the requirements of the Skills Funding Agency's Joint Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. At minimum annually, the Head of Internal Audit (HIA) provides the governing body with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

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

- the work of the internal auditors;
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework; and
- comments made by the College's financial statements auditors and reporting accountant for regularity assurance, and the appointed funding auditors in their management letters and other reports.

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

East Riding College

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 July 2016

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

Review of effectiveness (continued)

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit 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 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. The Corporation assesses risks at each of its scheduled meetings by considering the termly Risk Management Report as submitted by the senior management plus internal audit reports presented through the Audit Committee. An annual report on risk management is considered by the Corporation in the autumn term.

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

Going concern

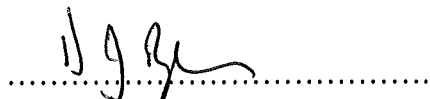
The activities of the College, together with the factors likely to affect its future development and performance are set out in the Report of the Governing Body. The financial position of the College, its cash flow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes. At the 31st July 2016 the College had loans of £5,851k. Though there was a breach of a bank loan covenant at 31st July 2016 relating to Net Operational Gearing, a waiver was issued by the College's bankers and going forward the College expects to meet its covenant requirements. The College's forecasts and financial projections indicate that it will be able to operate within these existing facilities and associated bank covenants for the foreseeable future. The Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future, and for this reason has continued to adopt the going concern basis in the preparation of its Financial Statements.

Approved by order of the members of the Corporation on 7 December 2016 and signed on its behalf by:



S Wright

Chair



D Branton

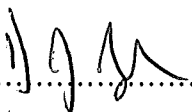
Accounting Officer

East Riding College
REPORT AND FINANCIAL STATEMENTS
for the year ended 31 July 2016

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


The Corporation has considered its responsibility to notify the Skills Funding Agency of material irregularity, impropriety and non-compliance with the Skills Funding Agency terms and conditions of funding, under the Financial Memorandum in place between the College and the Skills Funding Agency. As part of its consideration the Corporation has had due regard to the requirements of the 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 by the College, or material non-compliance with the Skills Funding Agency terms and conditions of funding under the College's Financial Memorandum. We confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the Skills Funding Agency.


.....
D Branton

Accounting Officer

Date: 7 December 2016


.....
S Wright

Chair

Date: 7 December 2016

East Riding College

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 July 2016

STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

The members of the Corporation are required to present audited financial statements for each financial year.

Within the terms and conditions of the Financial Memorandum agreed between the Skills Funding Agency and the Corporation of the College, 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 EFA, 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 departure 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 the legal and administrative status of the College.

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

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

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

Approved by order of the Corporation on 7 December 2016 and signed on its behalf by:



S Wright

Chair

East Riding College

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 July 2016

INDEPENDENT AUDITOR'S REPORT TO THE GOVERNING BODY OF EAST RIDING COLLEGE

We have audited the financial statements of East Riding College for the year ended 31 July 2016 which comprise of the consolidated statement of comprehensive income, the consolidated and college statement of changes in reserves, the consolidated and college balance sheets, the consolidated statement of cash flows and the related notes. 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 College's Governing Body, as a body, in accordance with the College's Articles of Government. Our audit work has been undertaken so that we might state to the College's Governing Body those matters we are required to state to it 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 College and the College's Governing Body, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Governing Body and auditor

As explained more fully in the Statement of Responsibilities of the Governing Body set out on page 24, the College's Governing Body 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 surplus of income over expenditure for the year then ended in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education issued in March 2014.

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 issued by the Skills Funding Agency and 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.



Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
LEEDS

20 December 2016

East Riding College

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 July 2016

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

In accordance with the terms of our engagement letter dated 27 October 2016 and further to the requirements of the financial memorandum with Skills Funding Agency and the funding agreement with Education Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that, in all material respects, the expenditure disbursed and income received by East Riding 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 Skills Funding Agency and Education Funding Agency in June 2016. In accordance with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which the Skills Funding Agency and the Education Funding Agency has other assurance arrangements in place.

This report is made solely to the corporation of East Riding College, as a body, and the Skills Funding Agency and the Education Funding Agency, as a body, in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of East Riding College, the Skills Funding Agency and Education Funding Agency those matters we are required to state in a limited assurance 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 East Riding College as a body, the Skills Funding Agency and Education Funding Agency as a body, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of East Riding College and the reporting accountant

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

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

Approach

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.

East Riding College

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 July 2016

REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO THE CORPORATION OF EAST RIDING COLLEGE AND SECRETARY OF STATE FOR EDUCATION ACTING THROUGH SKILLS FUNDING AGENCY AND EDUCATION FUNDING AGENCY (CONTINUED)

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 includes:

- an assessment of the risk of material irregularity and impropriety across the College's activities;
- evaluation of the processes and controls established and maintained in respect of regularity and propriety for the use of public funds through observation of the arrangements in place and enquiries of management;
- consideration and corroboration of the evidence supporting the Accounting Officer's statement on regularity, propriety and compliance and that included in the self-assessment questionnaire (SAQ); and
- limited testing, on a sample basis, of income and expenditure for the areas identified as high risk and included on the SAQ.

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.



Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
LEEDS

20 December 2016

East Riding College
REPORT AND FINANCIAL STATEMENTS
for the year ended 31 July 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (SOCl)
Group and College

	Notes	2016 £000	2015 £000
INCOME			
Funding body grants	2	8,991	12,232
Tuition fees and education contracts	3	1,581	1,504
Other grants and contracts	4	57	42
Other income	5	712	793
Investment income	6	6	9
Donations and Endowments	7	785	-
Total income		12,132	14,580
EXPENDITURE			
Staff costs	8	7,899	9,385
Other operating expenses	9	2,632	3,282
Depreciation	12	1,151	882
Interest and other finance costs	10	425	384
Total expenditure		12,107	13,933
Surplus before other gains and losses		25	647
Gain/(Loss) on disposal of assets		5,262	8
Surplus before tax		5,287	655
Taxation	11	-	-
Surplus for the year after tax		5,287	655
Unrealised surplus on revaluation of assets		-	284
Actuarial loss in respect of pensions schemes	25	(1,069)	(709)
Total Comprehensive Income for the year		4 218	230
Represented by:			
Unrestricted comprehensive income		4 218	230

All activities are continuing activities

East Riding College
REPORT AND FINANCIAL STATEMENTS
for the year ended 31 July 2016

CONSOLIDATED STATEMENT OF CHANGES IN RESERVES
Group and College

	Income and expenditure account	Revaluation reserve	Revaluation reserve - Investment Property	Total
	£000	£000	£000	£000
Restated balance at 1st August 2014	(469)	1,760	-	1,291
Surplus from the income and expenditure account	655	-	-	655
Other comprehensive income	(709)	-	284	(425)
Transfers between revaluation and income and expenditure reserves	17	(17)	-	-
	(37)	(17)	284	230
Balance at 31st July 2015	(506)	1,743	284	1,521
Surplus from the income and expenditure account	5,287	-	-	5,287
Other comprehensive income	(1,069)	-	-	(1,069)
Transfers between revaluation and income and expenditure reserves	720	(720)	-	-
Total comprehensive income for the year	4,938	(720)	-	4,218
Balance at 31st July 2016	<u>4,432</u>	<u>1,023</u>	<u>284</u>	<u>5,739</u>

East Riding College

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 July 2016

BALANCE SHEET AS AT 31 JULY

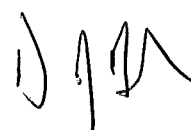
		Group 2016 £000	College 2016 £000	Group 2015 £000	College 2015 £000
	Notes				
Non current assets					
Tangible fixed assets	12	29,574	29,574	30,799	30,799
Investment Property	13	-	-	675	675
		<u>29,574</u>	<u>29,574</u>	<u>31,474</u>	<u>31,474</u>
Current assets					
Trade and other receivables	15	280	308	1,149	1,297
Assets held for resale		1,460	1,460	-	-
Cash and cash equivalents	20	<u>970</u>	<u>970</u>	<u>1,546</u>	<u>1,546</u>
Total current assets		2,710	2,738	2,695	2,843
Less: Creditors: amounts falling due within one year	16	<u>(1,974)</u>	<u>(2,002)</u>	<u>(8,653)</u>	<u>(8,801)</u>
Net current assets/(liabilities)		<u>736</u>	<u>736</u>	<u>(5,958)</u>	<u>(5,958)</u>
Total assets less current liabilities		30,310	30,310	25,516	25,516
Creditors: amounts falling due after more than one year	17	(17,937)	(17,937)	(18,711)	(18,711)
Provisions					
Defined benefit obligations	19	(5,936)	(5,936)	(4,624)	(4,624)
Other provisions	19	<u>(698)</u>	<u>(698)</u>	<u>(660)</u>	<u>(660)</u>
Total Net assets		<u><u>5,739</u></u>	<u><u>5,739</u></u>	<u><u>1,521</u></u>	<u><u>1,521</u></u>
Unrestricted Reserves					
Income and expenditure account		4,432	4,432	(506)	(506)
Revaluation reserve		1,023	1,023	1,743	1,743
Revaluation reserve - Investment Property		<u>284</u>	<u>284</u>	<u>284</u>	<u>284</u>
Total unrestricted reserves		<u><u>5,739</u></u>	<u><u>5,739</u></u>	<u><u>1,521</u></u>	<u><u>1,521</u></u>

The financial statements on pages 28 to 56 were approved and authorised for issue by the Corporation on 7 December 2016 and were signed on its behalf on that date by:



S Wright

Chair



D Branton

Accounting Officer

East Riding College
REPORT AND FINANCIAL STATEMENTS
for the year ended 31 July 2016

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2016 £000	2015 £000
Cash flow from operating activities			
Surplus for the year		5,287	655
Adjustment for non cash items			
Depreciation	12	1,151	882
(Increase)/decrease in debtors	15	532	503
Increase/(decrease) in creditors due within one year	16	(291)	(147)
Increase/(decrease) in creditors due after one year	17	(175)	(26)
Increase/(decrease) in provisions	19	38	(73)
Pensions costs less contributions payable	8,10	243	162
Donated asset	7	(785)	-
Adjustment for investing or financing activities			
Investment income	6	(6)	(9)
Interest payable	10	257	234
Loss/(Surplus) on sale of fixed assets		<u>(5,262)</u>	<u>(8)</u>
Net cash flow from operating activities		<u><u>989</u></u>	<u><u>2,173</u></u>
Cash flows from investing activities			
Proceeds from sale of fixed assets		4,909	4
Investment income	6	6	9
Payments made to acquire fixed assets		<u>(3,362)</u>	<u>(8,443)</u>
		<u><u>1,553</u></u>	<u><u>(8,430)</u></u>
Cash flows from financing activities			
Interest paid	10	(257)	(234)
New unsecured loans		700	6,700
Repayments of amounts borrowed		<u>(3,561)</u>	<u>(129)</u>
		<u><u>(3,118)</u></u>	<u><u>6,337</u></u>
(Decrease)/increase in cash and cash equivalents in the year	20	<u><u>(576)</u></u>	<u><u>80</u></u>
Cash and cash equivalents at beginning of the year	20	<u>1,546</u>	<u>1,466</u>
Cash and cash equivalents at end of the year	20	<u><u>970</u></u>	<u><u>1,546</u></u>

East Riding College

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 July 2016

NOTES TO THE ACCOUNTS

1 Statement of accounting policies

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

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: 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 FRS102.

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.

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 28.

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

The 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 subsidiary, East Riding College Limited, 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. Intra-group sales and profits are eliminated fully on consolidation.

East Riding College

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 July 2016

NOTES TO THE ACCOUNTS (CONTINUED)

1 Statement of accounting policies (continued)

Going Concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Report of the Governing Body. The financial position of the College, its cash flow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes. At the 31st July 2016 the College had loans of £5,851k. Though there was a breach of a bank loan covenant at 31st July 2016 relating to Net Operational Gearing, a waiver was issued by the College's bankers and going forward the College expects to meet its covenant requirements. The College's forecasts and financial projections indicate that it will be able to operate within these existing facilities and associated bank covenants for the foreseeable future. The Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future, and for this reason has continued 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 recognised 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 SOCI. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body at the end of November following the year end and the results of any funding audit. 16-18 Learner Responsive funding is not normally subject to a reconciliation and is therefore not subject to contractual 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 is stated gross of any expenditure which is not a discount and is recognised in the period for which it is received.

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 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.

East Riding College

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 July 2016

NOTES TO THE ACCOUNTS (CONTINUED)

1 Statement of accounting policies (continued)

Accounting for post-employment benefits (continued)

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/asset 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 are recognised immediately in other recognised gains and losses.

Short term Employment benefits

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

Enhanced Pensions

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

Non-current assets - Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

East Riding College

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 July 2016

NOTES TO THE ACCOUNTS (CONTINUED)

1 Statement of accounting policies (continued)

Non-current assets - Tangible fixed assets (continued)

Land and buildings

Freehold buildings are depreciated on a straight line basis over their expected useful lives. Freehold buildings are depreciated over their expected useful economic life to the College of between 40 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 40 and 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 SOCI 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.

Finance costs which were directly attributable to the construction of the build project at Bridlington and the Flemingate site at Beverley have been capitalised as part of the cost of the assets.

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 in 1994, 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 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 £500 per individual item is recognised as expenditure in the period of acquisition. All other equipment with a useful economic life of 3 years or more is capitalised at cost. Only software relating to the College's core systems is capitalised.

East Riding College

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 July 2016

NOTES TO THE ACCOUNTS (CONTINUED)

1 Statement of accounting policies (continued)

Non-current assets - Tangible fixed assets (continued)

Equipment (continued)

Capitalised equipment is depreciated on a straight line basis over its remaining useful economic life as follows:

Plant	5-10	years
Equipment and fixtures and fittings	5-10	years
Motor vehicles	4	years
Computer equipment	3-5	years
Computer software	3-5	years

Heritage Assets

Land and buildings inherited from the local education authority are stated in the balance sheet at valuation using the valuation obtained on the date of the transfer. The valuation was on the basis of depreciated replacement cost as the open market value for existing use was not readily obtainable. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of between 40 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 40 and 50 years.

Assets held for resale

Assets held for resale are recognised at market value and are actively being marketed for sale.

Borrowing Costs

Borrowing costs are recognised as expenditure in the period in which they are incurred. Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised.

Leased assets

Costs in respect of operating leases are charged on a straight line basis over the lease term. The College has no finance leases.

Investments

The investment in the subsidiary undertaking is held at cost.

Cash and cash equivalents

Cash includes cash in hand and deposits repayable on demand. 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.

East Riding College

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 July 2016

NOTES TO THE ACCOUNTS (CONTINUED)

1 Statement of accounting policies (continued)

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.

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 is partially exempt in respect of Value Added Tax so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature. The College's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

Provisions

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

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.

Agency arrangements

The College acts as an agent in the collection and payment of discretionary support funds and educational maintenance allowances. 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.

East Riding College

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 July 2016

NOTES TO THE ACCOUNTS (CONTINUED)

1 Statement of accounting policies (continued)

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. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- *Tangible fixed assets*

Tangible fixed assets, 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 may vary depending on a number of factors. In 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 25, 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.

Financial Instruments

The College only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities such as trade and other receivables, trade and other payables and loans from banks.

Debt instruments (other than those wholly repayable or receivable within one year), including loans are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables and receivables, are measured, initially and subsequently at the undiscounted amount of the cash or other consideration expected to be paid or received.

Financial assets that are measured at cost and amortised cost are assessed at the end of each financial year for objective evidence of impairment. If objective evidence is found, an impairment loss is recognised in the Statement of Comprehensive Income.

Trade Receivables

Short term receivables are measured at transaction price, less any impairment.

Trade Payables

Short term payables are measured at the transaction price. Other financial liabilities, including bank loans are measured at amortised cost.

East Riding College
REPORT AND FINANCIAL STATEMENTS
for the year ended 31 July 2016

NOTES TO THE ACCOUNTS (CONTINUED)

2 Funding body grants

	Year ended 31 July	
	2016	2015
	£000	£000
Recurrent Grants		
Skills Funding Agency	2,600	2,730
Education Funding Agency	5,394	5,531
Higher Education Funding Council	135	159
Specific Grants		
Skills Funding Agency	33	3,069
East Riding of Yorkshire Council	262	361
Releases of government capital grants	567	382
Total	8,991	12,232

3 Tuition fees and education contracts

	Year ended 31 July	
	2016	2015
	£000	£000
Adult Education Fees	176	170
Apprenticeship Fees and Contracts	8	8
Fees for FE Loan Supported Courses	262	238
Fees for HE Loan Supported Courses	1,028	975
Other	107	113
Total	1,581	1,504

4 Other Grants and Contracts

	Year ended 31 July	
	2016	2015
	£000	£000
Other grants and contracts	57	42

5 Other Income

	Year ended 31 July	
	2016	2015
	£000	£000
Catering	109	159
Releases of Non-Funding Body Government Capital Grants	15	5
Other income	588	629
Total	712	793

East Riding College

MEMBERS' REPORT AND FINANCIAL STATEMENTS

for the year ended 31 July 2016

NOTES TO THE ACCOUNTS (CONTINUED)

6 Investment income	Year ended 31 July	
	2016	2015
	£000	£000
Bank interest receivable	<u>6</u>	<u>9</u>

7 Donations	Year ended 31 July	
	2016	2015
	£000	£000
Unrestricted Donations	<u>785</u>	<u>-</u>

On 29th July 2016, the College received a gift of a property situated at Riverview, Beverley. The gift was from the charity Deflog VQ Trust Ltd which was in the process of winding-up and wished to dispose of its assets.

8 Staff costs

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 and delivery staff, including LSAs and curriculum support staff	138	151
Non teaching staff	94	100
Staff related to OLASS contract	<u>-</u>	<u>37</u>
	<u>232</u>	<u>288</u>

Staff costs for the above persons

	2016	2015
	£000	£000
Wages and salaries	6,096	7,610
Social security costs	444	506
Other pension costs (including FRS 102 adjustments of £75,000, (2015: £12,000))	1,274	1,304
Employee Annual Leave accrual	<u>85</u>	<u>(35)</u>
	<u>7,899</u>	<u>9,385</u>

East Riding College

MEMBERS' REPORT AND FINANCIAL STATEMENTS

for the year ended 31 July 2016

NOTES TO THE ACCOUNTS (CONTINUED)

8 Staff costs (continued)

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 Directorate Team which comprises the Principal, the two Vice Principals and the two other Directors.

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

	2016 No.	2015 No.
The number of key management personnel including the Accounting Officer was:	<u>5</u>	<u>5</u>

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.
£0 - £70,000	2	2	227	283
£70,001 - £80,000	1	-	-	-
£80,001 - £90,000	-	2	-	-
£90,001 - £100,000	1	-	-	-
£100,001 - £110,000	-	-	-	-
£110,001 - £120,000	-	-	-	-
£120,001 - £130,000	-	-	-	-
£130,001 - £140,000	1	1	-	-
	<u>5</u>	<u>5</u>	<u>227</u>	<u>283</u>

East Riding College

MEMBERS' REPORT AND FINANCIAL STATEMENTS

for the year ended 31 July 2016

NOTES TO THE ACCOUNTS (CONTINUED)

8 Staff costs (continued)

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

Key Management Personnel compensation is made up as follows:

	2016 £000	2015 £000
Salaries	416	421
Employers National Insurance	49	48
Benefits in kind	6	6
	<u>471</u>	<u>475</u>
Pension contributions	<u>88</u>	<u>75</u>
Total emoluments	<u><u>559</u></u>	<u><u>550</u></u>

There were no amounts due to key management personnel that were waived in the year, nor any salary sacrifice arrangements in place.

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

	2016 £000	2015 £000
Salary	135	136
Benefits in kind	<u>2</u>	<u>2</u>
	<u><u>137</u></u>	<u><u>138</u></u>
Pension contributions	<u><u>22</u></u>	<u><u>19</u></u>

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

9 Other operating expenses

	2016 £000	2015 £000
Teaching costs	754	1,135
Non teaching costs	1,252	1,510
Premises costs	<u>626</u>	<u>637</u>
Total	<u><u>2,632</u></u>	<u><u>3,282</u></u>

East Riding College

MEMBERS' REPORT AND FINANCIAL STATEMENTS for the year ended 31 July 2016

NOTES TO THE ACCOUNTS (CONTINUED)

9 Other operating expenses (continued)

Other operating expenses include:	2016 £000	2015 £000
Auditors' remuneration:-		
Financial statements audit	26	22
Internal audit	15	14
Hire of assets under operating leases	58	51

10 Interest and other Finance Costs

	2016 £000	2015 £000
On bank loans, overdrafts and other loans:	257	234
Pension finance costs (note 24)	<u>168</u>	<u>150</u>
	<u>425</u>	<u>384</u>

Further interest costs of £102,699 (2015: £163,640), related to the Beverley campus relocation project, were paid during 2015-16 and have been included in Tangible Fixed Assets.

11 Taxation

The members do not believe the College is liable for any corporation tax arising out of its activities during this period.

12 Tangible fixed assets

Group and College

	Equipment £000	Freehold land and building £000	Assets in the Course of Construction £000	Total £000
Cost or valuation				
At 1 August 2015	5,620	19,427	12,624	37,671
Assets brought into commission	592	12,032	(12,624)	-
Additions	807	841	-	1,648
Disposals	<u>(1,047)</u>	<u>(2,592)</u>	<u>-</u>	<u>(3,639)</u>
At 31 July 2016	<u>5,972</u>	<u>29,708</u>	<u>-</u>	<u>35,680</u>
Depreciation				
At 1 August 2015	4,143	2,729	-	6,872
Charge for the year	604	547	-	1,151
Disposals	<u>(999)</u>	<u>(918)</u>	<u>-</u>	<u>(1,917)</u>
At 31 July 2016	<u>3,748</u>	<u>2,358</u>	<u>-</u>	<u>6,106</u>
Net book value at 31 July 2016	<u>2,224</u>	<u>27,350</u>	<u>-</u>	<u>29,574</u>
Net book value at 31 July 2015	<u>1,477</u>	<u>16,698</u>	<u>12,624</u>	<u>30,799</u>

East Riding College

MEMBERS' REPORT AND FINANCIAL STATEMENTS

for the year ended 31 July 2016

NOTES TO THE ACCOUNTS (CONTINUED)

13 Investment Property Group and College

	2016 £000	2015 £000
At 1 August	675	-
Reclassification from Tangible Fixed Assets	-	391
Revaluation	-	284
Reclassification to Assets Held for Resale	(675)	-
At 31 July	-	675

The property previously shown as an investment property is the land and buildings located at the College's Carnaby site. The tenant vacated the site during the year and the property was subsequently placed on the market for sale prior to 31 July 2016. It has therefore been reclassified as an asset held for resale.

14 Non-current Investments College

	2016 £	2015 £
Investments in subsidiary companies	<u>1</u>	<u>1</u>

The College owns 100% of the issued ordinary £1 shares (1 share in total) of East Riding College Limited, a company incorporated in England and Wales in January 2014. The principal business activity of East Riding College Limited is the provision of build and design services.

15 Debtors

	Group 2016 £000	College 2016 £000	Group 2015 £000	College 2015 £000
Amounts falling due within one year:				
Trade receivables	31	31	530	530
Amounts owed by subsidiary undertakings	-	28	-	148
Prepayments and accrued income	141	141	120	120
Amounts owed by the Skills Funding Agency	66	66	104	104
Other debtors	42	42	59	59
Capital debtors	-	-	336	336
Total	280	308	1,149	1,297

East Riding College

MEMBERS' REPORT AND FINANCIAL STATEMENTS

for the year ended 31 July 2016

NOTES TO THE ACCOUNTS (CONTINUED)

15b Insurance Claim

In December 2013, severe weather and high tides resulted in a tidal surge and the River Humber flooding into Hull city centre. The College's premises on St James Street in Hull suffered extensive damage to its ground floor during the flood and full operations were only able to be resumed in January 2015. As a result of this damage there was a substantial insurance claim for property damage and Business Loss. A final settlement of £214k for compensation was received from insurers in June 2016 (2015: £246k).

16 Creditors: amounts falling due within one year

	2016		2015	
	Group	College	Group	College
	£000	£000	£000	£000
Bank loans and overdrafts	278	278	4,880	4,880
Payments received in advance	9	9	12	12
Trade payables	556	556	548	548
Amounts owed to subsidiary undertakings	-	345	-	1,977
Other taxation and social security	123	123	118	118
Accruals and deferred income	402	402	548	548
Employee Annual Leave accrual	246	246	161	161
Amounts owed to the Skills Funding Agency	40	40	277	277
Capital creditors	320	3	2,109	280
Total	1,974	2,002	8,653	8,801

17 Creditors: amounts falling due after one year Group and College

	2016	2015
	£000	£000
Bank loan	5,573	5,843
Deferred income - government capital grants	12,364	12,868
	17,937	18,711

East Riding College

MEMBERS' REPORT AND FINANCIAL STATEMENTS

for the year ended 31 July 2016

NOTES TO THE ACCOUNTS (CONTINUED)

18 Maturity of debt

Group and College

Bank loans and overdrafts are repayable as follows:

	2016 £000	2015 £000
In one year or less	278	4,880
Between one and two years	285	278
Between two and five years	2,203	880
In five years or more	<u>3,085</u>	<u>4,685</u>
Total	<u>5,851</u>	<u>10,723</u>

The College holds a loan agreement with Barclays Plc., dated 1st August 2008, which provides a 25 year long-term facility of £4.5m used for the Bridlington campus rebuild project. The interest rate on this facility was fixed at the time at a rate of 5.39% and a "ratchet" of +0.25% was applied by Barclays in 2014 as a condition of providing additional loans to fund the Beverley campus relocation project. These additional loans included a £2.0m 10-year loan with a variable interest rate of 1.8% over LIBOR and a Revolving Credit Facility of £3.5m with an interest rate of 1.5% over LIBOR, to support the development phase of the project. In addition to the new Barclays' facilities the College had arranged a further £2.0m of short term loan funding through a private pension fund with an interest rate of 6.0% over base.

Following the opening of the new Flemingate campus at the start of the 2015-16 academic year, the College completed its contract to sell its previous site at Gallows Lane, in December 2015. The £6,976k of proceeds enabled the repayment of all the short term facilities including the £2.0m private pension fund loan as well as the residual balances on the Barclays' Revolving Credit Facility. As a condition of the loans for the Beverley campus relocation project, the College granted security to Barclays Plc. through legal charges on its sites at St Mary's Walk in Bridlington and Flemingate in Beverley. The Department of Communities and Local Government has taken a second charge, after Barclays, over the Flemingate site as a condition of its ERDF grant. During 2015-16, and following the anticipated breach of the Net Operational Gearing loan covenant, Barclays required as a condition of issuing a waiver that the loan term on the £2.0m 10-year loan be reduced to 6 years (i.e. 28th May 2020), though the loan itself remains as being amortised over 20 years so there is no impact on the planned repayment schedule.

19 Provisions

Group and College

	Defined benefit obligations £000	Enhanced Pension £000	Total £000
At 1 August 2015	4,624	660	5,284
Expenditure in the period	(650)	-	(650)
Additions in the period	<u>1,962</u>	<u>38</u>	<u>2,000</u>
At 31 July 2016	<u>5,936</u>	<u>698</u>	<u>6,634</u>

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 25.

East Riding College

MEMBERS' REPORT AND FINANCIAL STATEMENTS

for the year ended 31 July 2016

NOTES TO THE ACCOUNTS (CONTINUED)

19 Provisions (Continued)

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

The principal assumptions for this calculation are:	2016	2015
Price inflation	1.30%	1.71%
Discount rate	1.00%	1.75%

20 Cash and cash equivalents

	At 1 August 2015	Cash flows	At 31 July 2016
	£000	£000	£000
Cash and cash equivalents	<u>1,546</u>	<u>(576)</u>	<u>970</u>

21 Capital commitments

	2016 £000	2015 £000
Commitments contracted for at 31 July		
General Capital Projects	102	149
St Mary's Walk replacement PCs and RAM upgrade	-	267
Beverley Relocation	<u>-</u>	<u>1,280</u>
	<u>102</u>	<u>1,696</u>

22 Lease obligations

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

	2016 £000	2015 £000
Future minimum lease payments due		
Land and buildings		
Not later than one year	102	102
Later than one year and not later than five years	369	408
Later than five years	<u>-</u>	<u>63</u>
	<u>471</u>	<u>573</u>

East Riding College

MEMBERS' REPORT AND FINANCIAL STATEMENTS for the year ended 31 July 2016

NOTES TO THE ACCOUNTS (CONTINUED)

22 Lease obligations (continued)

	2016 £000	2015 £000
Other		
Not later than one year	56	56
Later than one year and not later than five years	<u>118</u>	<u>157</u>
	<u>174</u>	<u>213</u>

23 Financial assets and liabilities

Group

	2016 £000	2015 £000
Financial assets measured at amortised cost	<u>1,109</u>	<u>2,575</u>
Financial liabilities measured at amortised cost	<u>7,122</u>	<u>14,131</u>

24 Events after the reporting period

There are no events after the reporting period

25 Defined benefit obligations

The College's employees belong to two principal post employment benefit plans: the Teachers' Pensions Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by East Riding of Yorkshire Council. Both are multi-employer defined-benefit plans.

Total pension cost for the year

	2016 £000	2015 £000
Teachers' Pension Scheme: Contributions paid	478	560
Local Government Pension Scheme:		
Contributions paid	650	670
FRS102 (28) charge	<u>75</u>	<u>12</u>
Charge to the Statement of Comprehensive Income	725	682
Enhanced pension charge to Statement of Comprehensive Income	<u>71</u>	<u>63</u>
Total Pension Cost for Year within staff costs	<u>1,274</u>	<u>1,305</u>

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 £159,903 (2015: £159,489) were payable to the schemes at 31 July 2016 and are included in creditors.

East Riding College

MEMBERS' REPORT AND FINANCIAL STATEMENTS

for the year ended 31 July 2016

NOTES TO THE ACCOUNTS (CONTINUED)

25 Defined benefit obligations (continued)

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' Pensions 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 pensions' increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Valuation of the Teachers' Pension Scheme

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

- New employer contribution rates were set at 16.48% of pensionable pay (including
- 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.

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.

East Riding College

MEMBERS' REPORT AND FINANCIAL STATEMENTS for the year ended 31 July 2016

NOTES TO THE ACCOUNTS (CONTINUED)

25 Defined benefit obligations (continued)

Scheme Changes (continued)

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 £478,228.02 (2015: £560,162)

FRS102 (28)

Under the definitions set out in FRS102 (28.11), the TPS is a multi-employer pension plan. The College is unable to identify its share of the underlying assets and liabilities of the plan.

Accordingly, the College has taken advantage of the exemption in FRS102 and has accounted for its contributions to the scheme as if it were a defined contribution plan. The College has set out above the information available on the plan and the implications for the College in terms of anticipated contribution rates.

Local Government Pension Scheme

The LGPS is a funded defined benefit plan, with the assets held in separate funds administered by East Riding of Yorkshire Council. The total contributions made for the year ended 31 July 2016 were £805,619, of which employers' contributions totalled £650,429 and employees' contributions totalled £155,191. The agreed contribution rates were 20.5% for employers and range from 5.5% to 12.5% for employees, depending on salary. The employers rate was fixed at 20.5% for three years ending on 31 March 2017. In addition a lump sum contribution payment was agreed for each of the three years starting at £128,000 for the year to 31 March 2015, rising to £133,000 in the second year and then to £138,000 in the final year.

East Riding College

MEMBERS' REPORT AND FINANCIAL STATEMENTS for the year ended 31 July 2016

NOTES TO THE ACCOUNTS (CONTINUED)

25 Defined benefit obligations (continued)

Local Government Pension Scheme (continued)

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	3.40%	4.00%
Future pensions increase	1.90%	2.60%
Discount rate for scheme liabilities	2.40%	3.60%
Commutation of pensions to lump sums:		
Pre-April 2008 service	30.00%	30.00%
Post-April 2008 service	65.00%	65.00%

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

	At 31 July 2016	At 31 July 2015
Retiring today		
Males	21.9	21.9
Females	24.1	24.1
Retiring in 20 years		
Males	24.2	24.2
Females	26.7	26.7

East Riding College
MEMBERS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 July 2016

NOTES TO THE ACCOUNTS (CONTINUED)

25 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

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

	Long-term rate of return expected at 31 July 2016	Fair Value at 31 July 2016 £000	Long-term rate of return expected at 31 July 2015	Fair Value at 31 July 2015 £000
Equity Instruments	3.6%	11,254	6.7%	9,864
Debt Instruments	3.6%	1,651	3.5%	1,298
Property	3.6%	1,651	4.7%	1,298
Cash	3.6%	450	3.6%	519
Total fair value of plan assets		<u>15,005</u>		<u>12,979</u>
Actual return on plan assets		<u>1,542</u>		<u>873</u>

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	15,005	12,979
Present value of plan liabilities (funded)	(20,892)	(17,554)
Present value of unfunded liabilities	<u>(49)</u>	<u>(49)</u>
Net pensions liability (Note 19)	<u>(5,936)</u>	<u>(4,624)</u>

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	<u>725</u>	<u>684</u>
Amounts included in Interest and Other Finance Costs		
Pension Finance Costs	<u>(168)</u>	<u>(150)</u>
Amounts recognised in Other Comprehensive Income		
Return on pension plan assets	1,066	399
Experience losses arising on defined benefit obligations	225	123
Changes in assumptions underlying the present value of plan liabilities	<u>(2,360)</u>	<u>(1,231)</u>
Amount recognised in Other Comprehensive Income	<u>(1,069)</u>	<u>(709)</u>

East Riding College

MEMBERS' REPORT AND FINANCIAL STATEMENTS for the year ended 31 July 2016

NOTES TO THE ACCOUNTS (CONTINUED)

25 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

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

	2016 £000	2015 £000
Net defined benefit liability in scheme at 1 August	(4,624)	(3,753)
Movement in year:		
Current service cost	(725)	(684)
Employer contributions	650	672
Net interest on the defined liability	(168)	(150)
Actuarial gain or loss	<u>(1,069)</u>	<u>(709)</u>
Net defined benefit liability at 31 July	<u><u>(5,936)</u></u>	<u><u>(4,624)</u></u>

Asset and Liability Reconciliation

	2016 £000	2015 £000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	17,603	15,349
Current Service cost	725	684
Interest cost	644	624
Contributions by Scheme participants	156	162
Experience (gains) and losses on defined benefit obligations	(225)	(123)
Changes in financial assumptions	2,360	1,231
Estimated benefits paid	<u>(322)</u>	<u>(324)</u>
Defined benefit obligations at end of period	<u><u>20,941</u></u>	<u><u>17,603</u></u>

Reconciliation of Assets

Fair value of plan assets at start of period	12,979	11,596
Interest on plan assets	476	474
Return on plan assets	1,066	399
Employer contributions	650	672
Contributions by Scheme participants	156	162
Estimated benefits paid	<u>(322)</u>	<u>(324)</u>
Fair value of plan assets at end of period	<u><u>15,005</u></u>	<u><u>12,979</u></u>

East Riding College

MEMBERS' REPORT AND FINANCIAL STATEMENTS

for the year ended 31 July 2016

NOTES TO THE ACCOUNTS (CONTINUED)

26 Related party transactions

Owing to the nature of the College's operations and the composition of the board of governors being drawn from local public and private sector organisations it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

The total expenses paid to or on behalf of the Governors during the year was £484; 7 governors (2015: £783; 4 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2015: None).

27 Amounts disbursed as agent

Learner support funds

	2016 £000	2015 £000
Funding body grants – bursary support	53	45
Funding body grants – discretionary learner support	455	510
	508	555
Disbursed to students	(456)	(501)
Administration costs	(22)	(22)
	30	32
Balance unspent as at 31 July, included in creditors		

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.

28 Transition to FRS 102 and the 2015 FE HE SORP

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

East Riding College

MEMBERS' REPORT AND FINANCIAL STATEMENTS for the year ended 31 July 2016

NOTES TO THE ACCOUNTS (CONTINUED)

28 Transition to FRS 102 and the 2015 FE HE SORP (continued)

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

Group and College	Note	1st August 2014 £000	31st July 2015 £000
Financial Position			
Total reserves under previous SORP		1,406	1,601
Employee Annual Leave accrual	(a)	(196)	(161)
Release of government capital grants relating to land	(d)	81	81
		<hr/>	<hr/>
Total effect of transition to FRS 102 and 2015 FE HE SORP		(115)	(80)
		<hr/>	<hr/>
Total reserves under 2015 FE HE SORP		<u>1,291</u>	<u>1,521</u>
Financial Performance			
			Year ended 31st July 2015 £000
Surplus for the year after tax under previous SORP			869
Changes to measurement of net finance cost on defined benefit plans	(b)		(249)
Change to Employee Annual Leave accrual	(a)		35
			<hr/>
Total effect of transition to FRS 102 and 2015 FE HE SORP			(214)
			<hr/>
Surplus for the year after tax under 2015 FE HE SORP			655
Pensions provision – actuarial loss	(c)		(709)
Unrealised surplus on revaluation of assets			284
			<hr/>
Total comprehensive income for the year under 2015 FE HE SORP			<u>230</u>

East Riding College

MEMBERS' REPORT AND FINANCIAL STATEMENTS for the year ended 31 July 2016

NOTES TO THE ACCOUNTS (CONTINUED)

28 Transition to FRS 102 and the 2015 FE HE SORP (continued)

a) Recognition of short term employment benefits

No provision for short term employment benefits such as holiday pay was made under the previous UK GAAP. Under FRS 102 the costs of short-term employee benefits are recognised as a liability and an expense. The annual leave year runs to 31st August each year for both teaching and non-teaching staff meaning that, at the reporting date, there was an average of 10.5 days unused leave for teaching staff and 6.5 days unused leave for non-teaching staff. Employees are entitled to carry forward up to 5 days of any unused holiday entitlement at the end of the leave year. The cost of any unused entitlement is recognised in the period in which the employee's services are received. An accrual of £196k was recognised at 1 August 2014, and £161k at 31 August 2015. Following a re-measurement exercise in 2015/16, the movement on this provision of £85k has been charged to Comprehensive Income in the year ended 31 July 2016.

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

Government grant related to land is recognised under the performance model under FRS 102 and has therefore been treated as if it had been credited to Comprehensive Income immediately that the performance conditions had been met.

