



Rochdale Sixth Form College Financial Statements 2015/16

ROCHDALE SIXTH FORM COLLEGE

**Report and 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 Senior Leadership Team and were represented by the following in 2015/16:

Julian Appleyard	Principal
Ruth Szolkowska	Deputy Principal
Joy Bell	Senior Vice Principal Resources
Tom Fay	Vice Principal
Heather Ellison	Assistant Principal
Deborah Faulkner	Assistant Principal
Shaheen Laljee	Assistant Principal
Dominic Pinto	Assistant Principal

Board of Governors

A full list of Governors is given on pages 12 & 13 of these financial statements.

Mr Ian James acted as Clerk to the Corporation throughout the period.

Professional advisers

Financial statements auditors and reporting accountants:

Grant Thornton UK LLP
4 Hardman Square
Spinningfields
Manchester
M3 3EB

Internal auditors:

RSM UK Audit LLP
9th Floor
3 Hardman Street
Manchester
M3 3HF

Bankers:

Lloyds Bank
8th Floor
40 Spring Gardens
Manchester
M2 1EN

The Co-operative Bank
Co-operative Banking Centre
Department 20113
1 Angel Square
M60 0AG

Barclays Bank
Level 11
20 Chapel Street
Liverpool
L3 9AG

Solicitors:

Walker Morris
Kings Court
12 Kings Street
Leeds
LS1 2HL

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Strategic Report

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 The Rochdale Sixth Form College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

The Corporation was incorporated as The Rochdale Sixth Form College on 1 April 2010.

Mission

Governors adopted the College's mission statement at incorporation which is as follows:

Our vision is:

We aim to be the sixth form college of choice for the young people of the Borough of Rochdale and aim to develop confident and articulate students, respectful and respected, capable of independent and critical thought and appropriately prepared for higher level achievement.

Our mission is:

At Rochdale Sixth Form College our central purpose is to help our students realise their academic potential. We believe every young person can succeed and we devote ourselves to improving student achievement, through high quality teaching and student support. Our young people are challenged to achieve through high expectations within a "you can do it culture". We aim at all times to build aspiration, to inspire and to motivate our students so they have the opportunity for greater choice in life.

Public Benefit

Rochdale Sixth Form College is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education for Sixth Form Colleges. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 12 & 13.

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.

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
- Strong student support systems
- High progression rates to higher education and employment
- Links with employers, industry and commerce.

Implementation of strategic plan

In July 2015 the College adopted a strategic plan for the period 1 August 2015 to 31 July 2018. This strategic plan includes property and financial objectives. The Corporation monitors the performance of the College against these objectives. The objectives are reviewed and updated each year. The College's continuing strategic objectives are to: develop still further Outstanding Outcomes for Learners

1. To ensure that RSFC remains outstanding in all areas of the FE and Skills Common Inspection Framework
2. To maintain focus and support national priorities
3. To ensure the needs of the local community are met
4. To maintain a highly skilled workforce equipped to respond effectively to change
5. To ensure robust financial and Resource management

The College is on target for achieving these objectives.

The College's specific objectives for 2015/16 and achievement of those objectives is addressed below.

Performance Indicators & College Targets	Targets	Actuals
1. ALPs Performance Indicators		
A2 Overall Institution Value Added	2	2
AS Overall Institution Value Added	2	2
A Level Red Teaching & Learning	3	3 (50%)
AS Level Red Teaching & Learning (% students taught in a class achieving Alps 1-3)	3	2 (73%)
A Level Blue Teaching & Learning	3	3 (4%)
AS Level Blue Teaching & Learning (% students taught in a class achieving Alps 7-9)	3	3 (9%)
A Level Student performance	3	3 (75%)
AS Level Student performance (% students on or above target grade)	3	2 (81%)
2. Success Rates		
Long Level 3 A Level	97.0%	98.3%
Long Level 3 AS Level	89.0%	90.3%
Long Level 2 GCSE	97.0%	97.6%
3. Retention and Achievement		
A Level Retention	98.0%	99.3%
AS Level Retention	97.0%	98.0%
A Level Achievement (pass rate)	99.0%	99.0%
AS Level Achievement (pass rate)	92.0%	92.1%

Attendance		
Year 12	95%	94.2%
Year 13	95%	93.7%
Staff attendance (%)	97%	97.2%
(Staff days lost)	4.5	1.04% 2.29 per fte.
Learning and Teaching		
Student learning and teaching survey (% agree or strongly agree)	94.0%	91%

Financial objectives

The College's primary financial objective for the College is to constrain spending within EFA income whilst meeting the requirements of student numbers. The College will continue to invest in capital replacement and development without reliance on borrowing to maintain a world class learning environment.

A series of performance indicators have been agreed to monitor the successful implementation of the policies.

Performance indicators

- Success rates and progress – all performance measure were met, see above.
- Learner destinations - 84% of students progressed to higher education
11% of students progressed to an apprenticeship or employment
1.5% of students progressed to further study
3.5% of students are completing a gap year or seeking employment

The College's benchmark data for other sixth form colleges is produced annually from national data sets. This measures our performance against other similar colleges. The annual self-assessment of all aspects of our work is a highly rigorous process which includes a validation exercise using external advisors. The College carries out an annual review of all subjects and all aspects of our provision and the College seeks external assessment of our work each year with the Pioneer Trust a body which includes the schools in Rochdale and FE College.

The College is committed to observing the importance of sector measures and indicators and uses the FE Choices data available on the GOV.UK website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the Education Funding Agency ("EFA"). The College is assessed by the Education Funding Agency as having an "Outstanding" financial health grading. The current rating of Outstanding is considered an acceptable outcome.

FINANCIAL POSITION

Financial results

The College generated a surplus before other gains and losses in the year of £958,000 (2014/15 – surplus of £684,000), with total comprehensive income of £812,000, (2014/15 - £493,000).

The College has accumulated reserves of £4,957,000 (2014/15 - £4,145,000) and cash and short term investment balances of £4,384,000 (2014/15 - £4,054,000).

Tangible fixed asset additions during the year amounted to £834,000. This was split between land and buildings acquired of £484,000 and equipment purchased of £350,000.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2015/16 the FE funding bodies provided 98% of the College's total income.

Treasury policies and objectives

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

The College has a separate treasury management policy in place.

Cash flows and liquidity

At £330,000 (2014/15 £224,000 outflow), net cash inflow from operating activities was strong. The net cashflow resulted from the management of resources.

Reserves Policy

The College has no formal Reserves Policy, but recognises the importance of reserves in the financial stability of an organisation, whilst ensuring that adequate resources are provided for the College's core business. The College currently holds no restricted reserves. Reserves are invested after consideration of risk and return by the Finance and Resources Committee of the Corporation. As at the balance sheet date, the Income and Expenditure account reserve stands at £4,957,000 (2015: £4,145,000). It is the Corporation's intention to review the reserves to ensure that they meet the mission of the College.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

The College is continuing to gradually increase the number of students and 95% of students previously attended a partner school in the local area which is in line with the vision which is "to be the sixth form college of choice for the young people of the Borough of Rochdale". In 2015/16 the student numbers were 1,407 which generated £6,087,524 in funding body main allocation funding. The College estimates student numbers of 1,470 as a lagged learner number for the 2017/18 funding allocation.

Student Achievement

In January 2016 the Department of Education Performance tables placed the College for the third year running as the top performing sixth form college for A Level progress which is an unprecedented achievement. The results from 2015/16 indicate that once again this performance has been sustained. All student success indicators set by the Corporation were achieved. The achievement rate for 2015/16 at A2 was 98.3% compared to a national average for sixth form colleges of 95.5%. Success at AS was 90.3% compared to a national average for sixth form colleges of 83.0%. Student valued added performance as measured by ALPS shows AS and A2 Level both being ALPS Grade 2 (top 10% national performance). The ALP's data is a key measure used by OFSTED and looks at results gained versus the starting point of each student, and as such demonstrates not only the merit of the student, but the high quality of the teaching, intervention and pastoral support.

Curriculum developments

The College offers a wide range of A Levels and re-sits in GCSE Mathematics and English alongside the entitlement curriculum. A strong intervention and pastoral system delivered by committed and dedicated Student Performance and Development Leaders who underpin, monitor and support the progress each student makes. A strong emphasis has been placed on enrichment activities which enhance the progression opportunities for each student.

Many of our students have low levels of prior educational achievement and the delivery of subjects through the implementation of systems and processes ensure students achieve in excess of their potential and have the opportunity for greater choice in life. At 5.8, the GCSE points score on entry is below the average for the sixth form college sector.

From September 2015 Linear A Levels were introduced to the curriculum as part of the exam reform. The College took advantage of opportunities available through delivering the linear A Levels over a two-year programme and delivering additional hours for each subject in year two of the programme.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2015 to 31 July 2016, the College paid 96.29 per cent of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

Events after the end of the reporting period

It is likely that the College will convert to Academy status before the end of the 2016/17 financial year.

Future prospects

The College is in a healthy financial position and reviews on a regular basis pay and non-pay expenditure to ensure financial stability. Almost 100% of funding is received from the EFA and the College has no plans to change the model of delivery for post 16 education within the Rochdale area which was cited during the area review process as an efficient model with no duplication between the two colleges which serve the local area.

The College undertook a range of financial modelling exercises both as an academy and as a sixth form college during the area review and demonstrated financial stability and a going concern under both models. A full consultation with stakeholders is in progress after which the Corporation will consider whether it is in the Colleges best interest to convert to academy status which will include whether the college as an academy would be a going concern.

RESOURCES:

The College is well resourced to deliver outstanding learning. In 2015/16 capital expenditure of £834,000 was utilised to increase informal learning area of the College including an additional 85 workstations to self study. Tangible resources include the main college site, and equipment.

Financial

The College has £4,957,000 of net assets (including £701,000 pension liability) and no long term debt.

People

The College employs 113 people (expressed as full time equivalents), of whom 71 are teaching staff.

Reputation

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

PRINCIPAL RISKS AND UNCERTAINTIES:

A risk management framework is in place which is monitored by the Audit Committee and the impact of residual risk reviewed on a termly basis by the Finance and Resources Committee. Internal audit also advise the Corporation on the effective operation of the risk management process. The risk management process controls risk effectively, a risk appetite is set though the regular review of the register and internal audit have given independent assurance that the process has strong controls which are being operated effectively.

The biggest uncertainty that the College is exposed to is the funding levels although this has been mitigated through increasing the capacity of the College and increasing operational efficiencies to ensure the College can operate within the funding level generated by lagged student numbers.

Based on the strategic plan, the SLT and risk owners undertake a comprehensive review of the risks to which the College is exposed and record these on the Risk Register. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College and/or probability of the risk occurring. The risk controls are then implemented and the subsequent year's evaluation of controls will review their effectiveness and progress against risk mitigation actions. This is reported within the Risk Management Annual Report which is considered by the Audit Committee

A risk register is maintained at College level which is reviewed each term by the Audit Committee and the Finance and Resources Committee. All major projects also include a risk appraisal which is added to the register when applicable. Other new risks are identified from audit reports and the College's quality cycle including the self-assessment process. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

Outlined below is a description of the principal risk factor that affects the College. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

1 Government funding

The College has considerable reliance on continued government funding through the further education sector funding bodies, the level of funding has reduced significantly over the last 4 years. Although the funding level has been set to £4k per FTE for the life time of the government there is no guarantee beyond this point.

- The curriculum is planned efficiently in terms of planned staff utilisation and class sizes
- Additional efficiencies have been identified and can be deployed if required.
- Regular dialogue with funding bodies

2 Maintain adequate funding of pension liabilities

The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS 102. The College continues to hold sufficient reserves to meet the pension scheme deficit.

STAKEHOLDER RELATIONSHIPS

In line with other colleges and with universities, Rochdale Sixth Form College has many stakeholders. These include:

- Students;
- Education sector funding bodies;
- Sixth Form Commissioner;
- Local schools
- Department of Education;
- Staff;
- Local employers;
- Local authorities;
- Local Enterprise Partnerships (LEPs);
- The local community;
- Other FE institutions;
- Trade unions;
- Professional bodies.

The College recognises the importance of these relationships and engages in regular dialogue.

Equal opportunities

Rochdale Sixth Form College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, ability, class and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy will be resourced, implemented and monitored on a planned basis.

The College's Single Equality Scheme is published on the College's website.

The College considers all applications from disabled persons, bearing in mind the aptitudes of the individuals concerned. Any applicant for a post who meets all the essential criteria and considers themselves to have a disability will be guaranteed an interview. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion, which are, as far as possible, identical to those for other employees. A Single Equality Scheme is published each year and monitored by managers and governors.

Disability statement

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

- a) The College opened in September 2010 in a brand new building which is accessible in accordance with the then DDA regulations. Further capital works have complied with regulations of the Equality Act.
- b) The College has appointed a Learning Support Co-ordinator, who provides information, advice and arranges support where necessary for students with disabilities.
- c) There is a list of specialist equipment, such as radio aids, which the College can make available for use by students and a range of assistive technology is available in the Achievement Centre.
- d) The admissions policy for all students is described on the website. Appeals against a decision not to offer a place are dealt with under the complaints policy.
- e) The College has a Learning Support Team for students with learning difficulties and/or disabilities led by an Assistant Principal. Students who receive identified support make progress in line with the general student cohort.
- f) A dedicated Student Development and Progress Leader is allocated to every student who monitors progress and supports each student with their individual needs.

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 on 5 December 2016 and signed on its behalf by:

Dame Pamela Coward

Chair of Governors

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 1st August 2015 to 31st July 2016 and up to the date of approval of the annual report and financial statements

The College endeavours to conduct its business:

- i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii. in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges (“the Code”); and
- iii. having due regard to the UK Corporate Governance Code 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, and it has complied throughout the year ended 31 July 2016. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. 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 8 July 2015.

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

The Corporation

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

Governors	Date of appointment	Term of office	Date of resignation/retirement	Status of appointment	Committees served and attendance	Attendance at Corporation meetings
Dame Pamela Coward (Chair)	29 August 2008	4 years (reappointed 29 August 2012)*		External member	Governance & Search 2/2 Standards 2/3 Remuneration 1/1	3/4
Richard Bramwell (Vice Chair)	13 January 2010	4 years (reappointed 13 January 2014)		External member	Finance & Resources 3/3 Standards 3/3 Remuneration 1/1	3/4
Kaz Ali	10 December 2013	4 years	22 March 2016	External member	Standards 0/2	1/1
Stephen Beckwith	29 August 2008	4 years (reappointed 29 August 2012)*		External member	Finance & Resources 1/3 Governance & Search 1/1	2/4
Graeme Dymond	1 August 2013	4 years	30 June 2016	Staff member	Audit 3/3	2/3
Kitsa Efthymiadis	29 August 2008	4 years (reappointed 29 August 2012)*		External member	Audit 3/3 Governance & Search 2/2	4/4
Susan Gettings	1 January 2014	Reappointed 14 December 2015 Reappointed until 31 December 2016		Parent member	Standards 3/3	4/4
Adam Hussain	1 May 2015	Until appointment of successor	5 July 2016	Student member		2/3
Zoe Larkin	1 May 2015	Until appointment of successor	5 July 2016	Student member	Finance & Resources 1/3	1/3
Zaroon Riaz	6 July 2016	Until appointment of successor		Student member		
Ethan Marriott	6 July 2016	Until appointment of successor		Student member		
Louise Partington	10 December 2012	4 years		External member	Finance & Resources 2/3 Standards 3/3	3/4
Rodger Owen	1 August 2010	4 years (reappointed 1 August 2014)		External member	Finance & Resources 3/3 Remuneration 1/1	4/4

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Jock Rodger	29 August 2008	4 years (reappointed 29 August 2012)*		External member	Audit 3/3 Governance & Search 2/2 Remuneration 1/1	4/4
Josephine Wiggans	13 December 2010	4 years (reappointed 13 December 2014)		External member	Audit 3/3 Standards 3/3 Governance & Search 1/1 Remuneration 1/1	4/4
Julian Appleyard	1 April 2009	Whilst in post		Principal	Finance & Resources 3/3 Governance & Search 2/2 Standards 2/3	4/4
Ian James acts as Clerk to the Corporation Governance & Search 2/2 Audit 3/3 Standards 3/3 Finance & Resources 3/3 Remuneration 1/1 *Reappointed on 6/6/2016 for a further 4 years to 28/8/2020.						4/4

It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct. A strategic seminar is planned twice per year.

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

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Finance and Resources, Quality and Standards, Remuneration, Audit, and Governance and Search. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website at www.rochdalesfc.ac.uk or from the Clerk to the Corporation at:

Rochdale Sixth Form College
College Road
Rochdale
Lancashire
OL12 6HY

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

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

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

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 Chair and Accounting Officer are separate.

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Governance and Search committee, consisting of five members of the Corporation, 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.

Corporation performance

In adopting the Governance Code, the Board undertook a full analysis of both the mandatory requirements and the good practice guidance in the Code. The governors concluded that the Corporation was in full compliance with the mandatory aspects of the Code. A self-assessment was carried out to evaluate the Board's performance against the good practice guidance in the Code and the governors found that their policies, procedures and practices rated very strongly against this guidance.

Remuneration Committee

Throughout the year ending 31 July 2016 the College's Remuneration Committee comprised 5 members of the Corporation. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other key management personnel.

Details of remuneration for the year ended 31 July 2016 are set out in note 5 to the financial statements.

Audit Committee

The Audit Committee comprises four members of the Corporation (excluding the Accounting Officer and Chair). The Committee operates in accordance with written terms of reference approved by the Corporation.

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.

An internal audit plan is devised by the Audit Committee using a risk based approach and discussing future plans with management. The College's internal auditors review the systems of internal control, risk management controls and governance processes in accordance with this agreed plan of input and report their findings to management and the Audit Committee and to the Corporation via the Internal Audit Annual Report.

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 both through a recommendation tracking report review each term and regular follow up audit reported directly to the Audit Committee.

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

Internal control

Scope of responsibility

The Corporation is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. However, such a system is designed to reduce uncertainty rather than eliminate the risk of failure to achieve strategic 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 Agreement between Rochdale Sixth Form

College and the funding bodies. He 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 ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Rochdale Sixth Form College for the year ended 31 July 2016 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

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

The risk and control framework

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

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

Rochdale Sixth Form College has an internal audit service, which operates in accordance with the requirements of the EFA and SFA's *Joint Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the audit committee. The Head of Internal Audit (HIA) provides the governing body with a report on internal audit activity in the College annually. 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. In addition progress reports are presented termly to the Audit Committee.

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
- comments made by the College's financial statements auditors, the reporting accountant for regularity assurance.

The Accounting Officer 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 a plan to address weaknesses and ensure continuous improvement of the system is in place. This plan, the recommendation tracking report is reviewed both by the Senior Leadership Team and the Audit Committee on a termly basis.

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 College processes. 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 Leadership Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its November 2016 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2016 by considering documentation from the Senior Leadership Team and internal audit, and taking account of events since 31 July 2016.

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

Going concern

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

For the 2-year financial plan assumptions around a 1% pay award has been made along with an increase from 14.1% to 16.48% for the teachers' pension. Inflation has been modelled at 1%.

The Corporation will be considering, following a consultation with stakeholders, whether to change the legal entity of the College from a sixth form college to an academy. It is likely that a decision will be considered and ratified (if applicable) at a special meeting of the Corporation in the Spring term following expected approval by the DFE of the College's application to convert to an academy. The Corporation will only ratify a recommendation if it is in the best interest of the College to convert to academy status and in making this decision consideration as to whether the College will be a going concern will be taken.

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

Dame Pamela Coward

Chair of Governors

Julian Appleyard

Principal

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 Education Funding Agency of material irregularity, impropriety and non-compliance with Education Funding Agency terms and conditions of funding, under the funding agreement in place between the College and the Education Funding Agency. As part of our consideration we have had due regard to the requirements of the funding agreement.

We confirm, on behalf of the Corporation, that after due enquiry, and to the best of our knowledge, we are able to identify any material irregular or improper use of funds by the College, or material non-compliance with the Education Funding Agency's terms and conditions of funding under the College's funding agreement.

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

Julian Appleyard
Accounting Officer
5 December 2016

Dame Pamela Coward
Chair of Governors
5 December 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 Funding Agreement between the Education 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 Education Funding Agency, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

The Corporation is also required to prepare a Strategic Report which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

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

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

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from the Education Funding Agency are used only in accordance with the Financial Agreement with the Education Funding Agency 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 Education Funding Agency are not put at risk.

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

Dame Pamela Coward

Chair of Governors

Independent auditor's report to the Corporation of Rochdale Sixth Form College

We have audited the financial statements of Rochdale Sixth Form College for the year ended 31 July 2016 which comprise statement of comprehensive income, the statement of changes in reserves, the balance sheet, the 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 Corporation, as a body, in accordance with Article 22 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the College's Corporation 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 Corporation as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Corporation and auditor

As explained more fully in the Statement Responsibilities of the Corporation set out on page 11, the College's Corporation is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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 College's affairs as at 31 July 2016 and of its 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.
- Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the College's ability to continue as a going concern. The Corporation will be considering, following a consultation with stakeholders, whether to change the legal entity of the College from a sixth form college to an academy.

These conditions, along with the matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the College's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the entity was unable to continue as a going concern.

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
Manchester
Date

Reporting accountant's assurance report on regularity

To the corporation of Rochdale Sixth Form College and Secretary of State for Education acting through Education Funding Agency

In accordance with the terms of our engagement letter dated 10 October 2016 and further to the requirements of 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 Rochdale Sixth Form 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 Education Funding Agency has other assurance arrangements in place.

This report is made solely to the corporation of Rochdale Sixth Form College, as a body, 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 Rochdale Sixth Form College 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 Rochdale Sixth Form College as a body, and Education Funding Agency as a body, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Rochdale Sixth Form College and the reporting accountant

The corporation of Rochdale Sixth Form 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, 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.

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
Chartered Accountants
Manchester
Date

Statement of Comprehensive Income

	Notes	Year ended 31 July 2016	Year ended 31 July 2015
		£'000	£'000
INCOME			
Funding body grants	2	7,256	6,500
Other income	3	97	45
Investment income	4	20	33
Total income		7,373	6,578
EXPENDITURE			
Staff costs	5	4,550	4,029
Other operating expenses	6	1,087	1,195
Depreciation	7	778	670
Total expenditure		6,415	5,894
Surplus before tax		958	684
Taxation		-	-
Surplus for the year		958	684
Actuarial loss in respect of pension schemes	14	(146)	(191)
Total Comprehensive Income for the year		812	493

Statement of Changes in Reserves

	Income and expenditure account	Total
	£'000	£'000
Restated Balance at 1 August 2014	3,652	3,652
Surplus from the income and expenditure account	684	684
Other comprehensive income	(191)	(191)
	<hr/> 4,145	<hr/> 4,145
Balance at 31 July 2015	<hr/> 4,145	<hr/> 4,145
Surplus from the income and expenditure account	958	958
Other comprehensive income	(146)	(146)
Total comprehensive income for the year	<hr/> 4,957	<hr/> 4,957
Balance at 31 July 2016	<hr/> <hr/> 4,957	<hr/> <hr/> 4,957

Balance sheet as at 31 July

	Notes	2016 £'000	2015 £'000
Non-current assets			
Tangible Fixed assets	7	22,130	22,074
		<u>22,130</u>	<u>22,074</u>
Current assets			
Stocks		-	6
Trade and other receivables	8	60	73
Cash and cash equivalents	12	4,384	4,054
		<u>4,443</u>	<u>4,133</u>
Less: Creditors – amounts falling due within one year	9	(1,396)	(1,547)
Net current assets		<u>3,047</u>	<u>2,586</u>
Total assets less current liabilities		<u>25,177</u>	<u>24,660</u>
Creditors – amounts falling due after more than one year	10	(19,520)	(20,031)
Provisions			
Defined benefit obligations	14	(701)	(484)
Total net assets		<u>4,957</u>	<u>4,145</u>
Unrestricted Reserves			
Income and expenditure account		812	493
Total unrestricted reserves		<u>4,957</u>	<u>4,145</u>

The financial statements on pages 22 - 24 were approved and authorised for issue by the Corporation on 5 December 2016 and were signed on its behalf on that date by:

Dame Pamela Coward
Chair of Governors

Julian Appleyard
Accounting Officer

Statement of Cash Flows

	Notes	2016 £'000	2015 £'000
Cash flow from operating activities			
Surplus for the year		958	684
Adjustment for non-cash items			
Depreciation		778	670
Decrease/(increase) in stocks		6	(1)
Decrease/(increase) in debtors		13	(49)
(Decrease)/increase in creditors due within one year		(151)	306
(Decrease)/increase in creditors due after one year		(511)	(547)
Pensions costs less contributions payable		71	29
Investment income		(20)	(25)
Net cash flow from operating activities		<u>1,144</u>	<u>1,067</u>
Cash flows from investing activities			
Investment income		20	25
Payments made to acquire fixed assets		(834)	(1,316)
		<u>(814)</u>	<u>(1,291)</u>
Cash flows from financing activities			
		<u>330</u>	<u>(224)</u>
Increase / (decrease) in cash and cash equivalents in the year		<u><u>330</u></u>	<u><u>(224)</u></u>
Cash and cash equivalents at beginning of the year	12	4,054	4,278
Cash and cash equivalents at end of the year	12	4,384	4,054

Notes to the Accounts

1. Statement of accounting policies and estimation techniques

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

Basis of preparation

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

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

Transition to the 2015 FE HE SORP

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

An explanation of how the transition to the 2015 FE HE SORP has affected the reported financial position, financial performance and cash flows of the results of the College is provided in note 17.

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

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

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.

Going concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Members' Report. The financial position of the College is presented in the Financial Statements and accompanying notes.

The Corporation will be considering, following a consultation with stakeholders, whether to change the legal entity of the College from a sixth form college to an academy. It is likely that a decision will be considered and ratified (if applicable) at a special meeting of the Corporation in the Spring term following expected approval by the DFE of the College's application to convert to an academy. The Corporation will only ratify a recommendation if it is in the best interest of the College to convert to academy status and in making this decision consideration as to whether the College will be a going concern will be taken. This represents a material uncertainty which may cast significant doubt about the College's ability to continue as a going concern.

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

Recognition of income

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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.

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

Accounting for post-employment benefits

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

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

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained annually 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.

Non-current Assets - Tangible fixed assets

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

Land and buildings

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

- Building – 50 years
- Refurbishments – 15 years

Freehold land is not depreciated.

Freehold buildings are depreciated over their expected useful economic life to the College of 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of 50 years.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred income account within creditors, and are released to the income and expenditure account over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

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

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were purchased or built in 2008, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

Assets under construction

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

Subsequent expenditure on existing fixed assets

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

Equipment

Equipment costing less than £500 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost.

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

- technical equipment 15 years
- computer equipment 4 years
- furniture, fixtures and fittings 10 years

Inventories

Inventories are stated at their net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective items.

Cash and cash equivalents

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

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

Financial liabilities and equity

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

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 received no similar exemption in respect of value added tax. For this reason, the College is generally unable to recover input VAT it suffers on goods and services purchased. 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.

Agency arrangements

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 14, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 July 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 Funding body grants

	Year ended 31 July 2016	Year ended 31 July 2015
	£'000	£'000
Recurrent grants		
Education Funding Agency	6,709	5,929
Specific grants		
Releases of government capital grants	547	571
Total	7,256	6,500

3 Other income

	Year ended 31 July 2016	Year ended 31 July 2015
	£'000	£'000
Catering and residences	16	15
Other income generating activities	61	14
Other grant income	20	16
Total	97	45

4 Investment income

	Year ended 31 July 2016	Year ended 31 July 2015
	£'000	£'000
Other interest receivable	20	25
Net return on pension scheme	-	8
Total	20	33

5 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 No.	2015 No.
Teaching staff	70	70
Non-teaching staff	43	38
Total	113	108

Staff costs for the above persons

	2016	2015
	£'000	£'000
Wages and salaries	3,658	3,295
Social security costs	312	252
Other pension costs	576	475
	<hr/>	<hr/>
Payroll sub total	4,546	4,022
Contracted out staffing services	4	7
	<hr/>	<hr/>
Total Staff costs	4,550	4,029
	<hr/> <hr/>	<hr/> <hr/>

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 Senior Leaders which comprises the Principal, Deputy Principal and Senior Vice Principal.

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

	2016	2015
	No.	No.
The number of key management personnel including the Accounting Officer was:	4	3
	<hr/> <hr/>	<hr/> <hr/>

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

	Key management personnel		Other staff	
	2016	2015	2016	2015
	No.	No.	No.	No.
£60,001 to £70,000 p.a.	-	1	1	-
£70,001 to £80,000 p.a.	2	1	-	-
£80,001 to £90,000 p.a.	-	-	-	-
£120,001 to £130,000 p.a.	-	1	-	-
£130,001 to £140,000 p.a.	1	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	3	3	1	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Key management personnel emoluments are made up as follows:

	2016	2015
	£'000	£'000
Salaries	287	266
Benefits in kind	-	-
Social Security costs	34	30
Pension contributions	47	39
	<hr/>	<hr/>
Total emoluments	368	335
	<hr/> <hr/>	<hr/> <hr/>

ROCHDALE SIXTH FORM COLLEGE Financial statements for the year ended 31 July 2016

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

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

	2016	2015
	£'000	£'000
Salaries	136	124
Benefits in kind	-	-
	<u>136</u>	<u>124</u>
Pension contributions	<u>22</u>	<u>17</u>

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

6 Other operating expenses

	2016	2015
	£'000	£'000
Teaching costs	328	251
Non-teaching costs	478	680
Premises costs	281	264
Total	<u>1,087</u>	<u>1,195</u>

Other operating expenses include:

	2016	2015
	£'000	£'000
Auditors' remuneration:		
Financial statements audit	14	15
Internal audit	11	12
Other services provided by the financial statements auditor - Teachers	1	1
Pension audit	-	-
	<u>26</u>	<u>28</u>

7 Tangible fixed assets

	Land and buildings	Equipment	Assets in the course of construction	Total
	Freehold			
	£'000	£'000		£'000
Cost or valuation				
At 1 August 2015	22,699	3,444	637	26,780
Additions	11	350	473	834
Transfers	1,110	-	(1,110)	-
At 31 July 2016	23,820	3,794	-	27,614
Depreciation				
At 1 August 2015	2,171	2,535	-	4,706
Charge for the year	463	315	-	778
At 31 July 2016	2,634	2,850	-	5,484
Net book value at 31 July 2016	21,186	944	-	22,130
Net book value at 31 July 2015	20,528	909	637	22,074

8 Debtors

	2016	2015
	£'000	£'000
Amounts falling due within one year:		
Trade receivables	-	45
Prepayments and accrued income	60	28
Total	60	73

9 Creditors: amounts falling due within one year

	2016	2015
	£'000	£'000
Trade payables	189	404
Other taxation and social security	153	299
Accruals and deferred income	542	297
Deferred income - government capital grants	512	547
Total	1,396	1,547

Included in the accruals for the year ended 2016 is a holiday pay accrual of £185,786. (2015-£145,000).

10 Creditors: amounts falling due after one year

	2016	2015
	£'000	£'000
Deferred income - government capital grants	19,520	20,031
Total	19,520	20,031

12 Cash and cash equivalents

	At 1 August 2015	Cash flows	At 31 July 2016
	£'000	£'000	£'000
Cash and cash equivalents	4,054	330	4,384
Total	4,054	330	4,384

13 Capital and other commitments

	2016	2015
	£'000	£'000
Commitments contracted for at 31 July	-	529

14 Defined benefit obligations

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

Total pension cost for the year	2016	2015
	£000	£000
Teachers' Pension Scheme: contributions paid	608	544
Local Government Pension Scheme:		
Contributions paid	133	111
FRS 102 (28) charge	53	37
Charge to the Statement of Comprehensive Income	186	148
Enhanced pension charge to Statement of Comprehensive Income	-	-
Total Pension Cost for Year within staff costs	794	692

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 2016.

Contributions amounting to £63,800 (2015 £58,700) were payable to the scheme at 31 July and are included within creditors.

Teachers' Pension Scheme

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

The Teachers' Pension Budgeting and Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay-as-you-go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act.

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

Valuation of the Teachers' Pension Scheme

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

- New employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of **11.7%** 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.

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 £608,000 (2015: £544,000)

FRS 102 (28)

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

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Greater Manchester Local Authority. The total contributions made for the year ended 31 July 2016 were £186,000, of which employer's contributions totalled £133,000 and employees' contributions totalled £53,000. The agreed contribution rates for future years are 17.3% for employers and range from 5.5% to 12.5% for employees, depending on salary.

Principal Actuarial Assumptions

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

	At 31 July 2016	At 31 July 2015
Rate of increase in salaries	3.2%	3.9%
Future pensions increases	1.9%	2.7%
Discount rate for scheme liabilities	2.5%	3.7%
Inflation assumption (CPI)	1.9%	2.9%
Commutation of pensions to lump sums	68%	50%

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

	At 31 July 2016	At 31 July 2015
	years	years
<i>Retiring today</i>		
Males	21.4	21.4
Females	24.0	24.0
<i>Retiring in 20 years</i>		
Males	24.0	24.0
Females	26.6	26.6

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	73%	1,200	71%	932
Debt instruments	17%	280	18%	236
Property	5%	82	7%	92
Cash	5%	82	4%	53
Total fair value of plan assets		<u>1,644</u>		<u>1,313</u>
Actual return on plan assets		<u>(701)</u>		<u>(484)</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	1,644	1,313
Present value of plan liabilities	(2,345)	(1,797)
Net pensions liability	<u>(701)</u>	<u>(484)</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	186	37
Past service cost	-	-
Total	<u>186</u>	<u>37</u>
Amounts included in investment income		
Net interest income	-	8
	<u>-</u>	<u>8</u>

Amount recognised in Other Comprehensive Income

Return on pension plan assets	115	33
Experience losses arising on defined benefit obligations	4	2
Changes in assumptions underlying the present value of plan liabilities	(265)	(206)
Amount recognised in Other Comprehensive Income	(146)	(171)

Movement in net defined benefit liability during year

	2016	2015
	£'000	£'000
Net defined benefit liability in scheme at 1 August	(484)	(264)
Movement in year:		
Current service cost	(186)	(148)
Employer contributions	133	111
Past service cost	-	-
Net interest on the defined liability	(18)	(12)
Actuarial gain or loss	(146)	(171)
Net defined benefit liability at 31 July	(701)	(484)

Asset and Liability Reconciliation

	2016	2015
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	1,797	1,341
Current service cost	186	148
Interest cost	70	59
Contributions by Scheme participants	51	47
Experience gains and losses on defined benefit obligations	(4)	(2)
Changes in financial assumptions	265	206
Estimated benefits paid	(20)	(2)
Past Service cost	-	-
Curtailments and settlements	-	-
Defined benefit obligations at end of period	2,345	1,797

Changes in fair value of plan assets

Fair value of plan assets at start of period	1,313	1,077
Interest on plan assets	52	13
Return on plan assets	115	67
Employer contributions	133	111
Contributions by Scheme participants	51	47
Estimated benefits paid	(20)	(2)
Fair value of plan assets at end of period	1,644	1,313

15 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.

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

16 Amounts disbursed as agent

	2016	2015
	£'000	£'000
Funding body grants – bursary support	500	398
Other Funding body grants	-	-
	<u>500</u>	<u>398</u>
Disbursed to students	(362)	(272)
Administration costs	(16)	(12)
	<u>122</u>	<u>114</u>
Balance unspent as at 31 July, included in creditors	<u>122</u>	<u>114</u>

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.

17 Transition to FRS 102 and the 2015 FE HE SORP

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

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

Note	1st August 2014	31 July 2015
	£'000	£'000
Financial Position		
Total reserves under previous SORP	3,652	4,145
Employee leave accrual	-	-
Release of non-government capital grants	-	-
Changes to measurement of net finance cost on defined benefit plans	-	-
Total effect of transition to FRS 102 and 2015 FE HE SORP	<u>-</u>	<u>-</u>
Total reserves under 2015 FE HE SORP	<u>3,652</u>	<u>4,145</u>

Year ended 31 July 2015

		£'000
Financial performance		
Surplus for the year after tax under previous SORP		684
Release of non-government grants received		-
Reversal of capital grants amortisation		-
Pensions provision – actuarial loss	(a)	(191)
Changes to measurement of net finance cost on defined benefit plans		-
Total effect of transition to FRS 102 and 2015 FE HE SORP		(191)
Total comprehensive income for the year under 2015 FE HE SORP		493

a) 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.

b) 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.