LOUGHBOROUGH COLLEGE

Report of the Members of the Corporation 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 College Executive Team and were represented by the following in 2015/16:

Ms E Winch – Principal and CEO; Accounting officer (left 23/01/2016)
Ms H MacDonald – Interim Principal and CEO; Accounting officer (from 01/10/2015)
Mr H Khurmi – Vice Principal Finance and Infrastructure
Mr C Butler - Vice Principal People, Planning and Marketing (from 23/03/2016)
Ms D Donnarumma - Vice Principal Curriculum, Quality and Learner Experience
Ms G Knott- Director, Business Development (from 03/05/2016)
Mr I Koursis – Vice Principal Commercial, HE and International (left 10/04/2016)

Board of Governors

A full list of Governors is given on page 11 of these financial statements.

Mr R Hill acted as Clerk to the Corporation to December 2015
Mr I Jones acted as Clerk to the Corporation from November 2015

Professional advisers

Financial statements auditors and reporting accountants:

PricewaterhouseCoopers LLP
Donington Court
Pegasus Business Park
Castle Donington
DE74 2UZ

Independent assurance advisors:

PricewaterhouseCoopers LLP
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

Bankers:

Lloyds Bank Plc
1st Floor, Butt Dyke House
33 Park Row
Nottingham
NG1 6GY

Royal Bank of Scotland
1st Floor
5 Market Street
Leicester
LE1 6DN

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Members' 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 Loughborough College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

Vision

The College's vision is "To be in the top 10% of education, training and apprenticeship providers in the UK"

Meaning that we are......

- Recognised as a provider and partner of choice, locally, nationally and internationally, for delivering relevant and innovative education and training; and
- Inspiring our learners to achieve and progress in employment or on to further study.

Public Benefit

Loughborough College is an exempt charity under Part 3 of the Charities Act 2011 and was regulated until July 2016 by the Secretary of State for Business, Innovation and Skills (BIS) as Principal Regulator for all FE Corporations in England. Regulation passed to the Department for Education (DfE) from July 2016. The members of the Governing Body, who are trustees of the charity, are disclosed on page 11.

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;
- Excellent employment record for students;
- Strong student support systems; and
- Links with employers, industry and commerce.

Implementation of strategic plan

In July 2016 the College adopted a strategic plan for the period 1 August 2016 to 31 July 2020. This strategic plan includes property and financial plans. The Corporation monitors the performance of the College against these plans. The plans are reviewed and updated each year. The College's continuing strategic objectives are to achieve the following by July 2020:

- All our learners make better-than-expected progress;
- We have achievement rates for all areas in the top 5% of providers;
- At least 95% of learners progress to further study, an apprenticeship or work;
- Our learners are satisfied with their experience – giving us 95% positive feedback;
- External regulatory bodies, such as Ofsted, recognise us as an excellent provider;

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- We are regarded as the region's higher education college of choice;
- We have created Loughborough College business school;
- We have launched an employer-sponsored apprenticeship academy, delivering growth in line with the Leicester and Leicestershire Enterprise Partnership's (LLEP) priorities;
- We have established an international presence through partnerships with businesses and schools/colleges in at least two continents;
- We have established a community affiliation scheme (gym/spa/restaurant/nursery) for all Leicestershire residents;
- We are recognised as a great place to work;
- We have an outstanding financial rating, with income having grown to over £35 million organically and producing an operating surplus greater than 3% of income;
- Our reliance on government direct revenue grants has reduced to 40%;
- Our estate is modern, engaging and fit for purpose;
- Our health and safety processes have a Five Star British Safety Council rating; and
- Reflecting our environmental commitment, we have achieved ISO 14001 Accreditation.

Financial objectives

The College's financial objectives for 2016/17 are:

- To achieve robust and improving financial health and a rating of no lower than Good;
- To have adjusted current ratio of 1.0 by the 31st July 2017;
- To generate a cash inflow from operations of £2.4m by the 31st July 2017;
- To achieve an operating surplus of 1.4% of income by the 31st July 2017 and 2% by the 31st July 2018, equivalent EBITDA is 8.19% and 8.79%;
- To maintain borrowing at 22.11% of adjusted income by the 31st July 2017, this excludes the needs of any future estates and nursery project strategies where this may be agreed to rise;
- Reliance on government funding to reduce to 57% of income by 31st July 2017 and to 54% by 31st July 2018; and
- Generating sufficient funds to allow for £1m per annum investment to annual equipment and estates infrastructure needs, this excludes the needs of any future estates strategy / nursery strategy where this may be agreed to change.

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

Performance indicators

The College specific objectives for 2015/16 and the achievement of those objectives are addressed below:-

Budget Objectives 2015/16	**Achieved 2015/16**
Income £27.5m	Income £27.5m
Deficit £199k	Surplus £13k
Financial Health Category : Satisfactory	Financial Health Category : Satisfactory
Adjusted Current Ratio 0.67	Adjusted Current Ratio 0.93
Cash days of 29 days	Cash days 26 days
Borrowing as a % of Income 25.8%	Borrowing as a % of Income 23.2%
Borrowing as a % of Net Assets 16.8%	Borrowing as a % of Net Assets 34.0%
Staff costs as a % of Income 61%	Staff costs as a % of Income 62%
100% EFA Funding Target	113.0% EFA Funding Target
100% SFA Funding Target	100.5% SFA Funding Target
100% HEFCE Funding Target	108.4% HEFCE Funding Target
Staff absence less than 5 days per employee per year	Staff absence 9.8 days per employee per year

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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 Skills Funding Agency/Education Funding Agency ("EFA"). The College is assessed by the Skills Funding Agency/Education Funding Agency as having a "Good" financial health grading for 2014/15. The current rating of Satisfactory for 2015/16 is considered an acceptable outcome, with plans to improve to Good in 2016/17.

FINANCIAL POSITION

Financial results

The Group have transitioned to the FRS 102 reporting standard in the year and the references to restated in the financial statements are in respect of the necessary changes to accounting policies.

The Group generated total comprehensive income of £13,000 (2014/15 - (£1,229,000)). The total comprehensive income in 2015/16 is stated after accounting for the actuarial surplus/loss on pension schemes.

The Group has accumulated reserves of £18,715,000 and cash and short term investment balances of £1,664,000. The Group wishes to continue to accumulate reserves and cash balances in order to create a contingency fund.

Tangible fixed asset additions during the year amounted to £2,407,000. This was split between land and buildings acquired of £1,146,000 and equipment purchased of £1,261,000. The main projects during the year were the completion of the sixth form building refurbishment and the replacement of the 3G football pitch.

The Group has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2015/16 the FE funding bodies provided 62% of the Group's total income.

The College has two subsidiary companies, Loughborough College Enterprises Ltd and Loughborough College Properties Ltd. These have not traded since March 2015 and are now in the process of liquidation.

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.

Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum. The College had £6,668,000 of unsecured bank loans at 31st July 2016 used to fund the building of The Hub building and refurbish the sixth form building.

Cash flows and liquidity

The size of the College's total borrowing and its approach to interest rates has been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cashflow. During the year this margin was comfortably exceeded. The Group and the College are in a net liabilities position at 31 July 2016. The College believe they can continue as a going concern due to the overdraft facility agreed with their bankers.

Reserves

The College has reserves of £18,715,000, comprising of £13,075,000 in general reserves, £5,321,000 in revaluation reserves and £319,000 in a restricted permanent endowment reserve.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2015/16 the College has delivered activity that has produced £16,973,000 in funding body main allocation funding (2014/15 – £16,367,000). The College had approximately 7,089 funded and 2,025 non-funded students. The College also achieved 2,622 16-18 year old learners against an allocation of 2,511 learners.

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Student achievements

The College is currently rated grade 2 (Good) by Ofsted, with QAA Higher Education Review judgements that meek UK standards. Outcomes for 16-18 year old learners in 2015/16 have risen significantly, particularly at level 2 and 3, and are considered to be good, as are apprenticeships and A2 provision. The College continues to work to improve adult provision, which has remained static in recent years.

Curriculum developments

The College offers provision in all sector subject areas except construction. Provision is organised from pre-entry to degree level and covers a range of the local LEP's priority sectors. The College has an international reputation for sport, especially delivery at elite level and sees sport as its strongest area. It has a strong partnership with Loughborough University, sharing a range of facilities. It also has high performing sports learners on the AASE (Advanced Apprenticeships in Sports Excellence) frameworks.

The College also has a partnership with the National Space Academy in Leicester, delivering programmes and apprenticeships in Space Engineering, which it sees as a growth area in the future.
The College has apprenticeships across all ages in Business, Engineering, Customer Service, Logistics and Space Engineering. It is developing a number of new frameworks.

The College has a significant HE offer, with provision offered at HND, Foundation Degree and Honours Degrees, mainly as "top up". They are validated by a range of partner universities, including Loughborough, Nottingham Trent, Warwick and Derby. The offer includes Engineering, IT, Education, Business, Hospitality, Events Management and Creative Music, together with a wide range of Sports options from Coaching to Management and Science.

RESOURCES:

The College has various resources that it can deploy in pursuit of its strategic objectives. Tangible resources include the main college site, including the new Hub building and fully refurbished Sixth Form building.

Financial

The College has £18,715,000 of net assets (including £9,505,000 pension liability) and long term debt of £6,668,000.

People

The College employs 539 people (expressed as full time equivalents), of whom 274 are teaching staff.

Reputation

The College has a good 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:

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

Based on the strategic plan, the executive team and heads of departments undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the executive team will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

A risk register is maintained at the College level which is reviewed at least annually by the Audit Committee and more frequently where necessary. 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.

This is supported by a risk management training programme to raise awareness of risk throughout the College.

Outlined below is a description of the principal risk factors that may affect 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 a level of reliance on continued government funding through the further education sector funding bodies and through HEFCE. In 2015/16, 62% of the College's revenue was ultimately publicly funded and this level of requirement is expected to continue. There are can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The College is aware of several issues which may impact on future funding such as Apprenticeships funding.

This risk is mitigated in a number of ways:

- Funding is derived through a number of direct and indirect contractual arrangements;
- By ensuring the College is rigorous in delivering high quality education and training;
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies;
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding; and
- Regular dialogue with funding bodies.

2 Tuition fee policy

Ministers have confirmed that the fee assumption remains at 50%. In line with the majority of other colleges, Loughborough College will seek to increase tuition fees in accordance with the fee assumptions. The risk for the College is that demand falls off as fees increase. This will impact on the growth strategy of the College. During 2015/16 24% of the College's revenue was from tuition fees and education contracts.

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students
- Close monitoring of the demand for courses as prices change

3 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.

STAKEHOLDER RELATIONSHIPS

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

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

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The College recognises the importance of these relationships and engages in regular communication with them through the College Internet site and by meetings.

Equal opportunities

The College is committed to ensuring equality of opportunity for all learners and staff and works hard to ensure that discrimination in any forms is eliminated, diversity is celebrated and achievement gaps between different groups of learners are reduced. Regular staff training takes place to ensure that all staff are familiar with, and recognise the importance of, the protected characteristics and responsibilities within the Equality Act. The College has a link governor for Equality and Diversity.

The College employs an Equality and Diversity Manager to oversee and support the College in ensuring best practice within the curriculum and across other functions. There is an Equality and Diversity strategic group, who regularly monitor and review the annual plan for equality and diversity, and set the yearly objectives. The College carries out Equality Impact Assessments on all new policies and procedures and employs a college-wide engagement team, to ensure that all aspects of diversity are celebrated within the curriculum and across the College

Disability statement

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

a) As part of its accommodation strategy the College updated its access audit;

b) There is a list of specialist equipment, such as 'eyegaze', which the College can make available for use by students and a range of assistive technology is available from the Student Support Department;

c) Appeals against a decision not to offer a place are dealt with under the admissions appeal section of Admissions Policy;

d) Counselling, mental health and welfare services are offered to support students as described in the Student Handbook. The College inclusion officer supports students who are in care, or supported by care leavers or carers;

e) The College has made a significant investment in the appointment of specialist staff to support students with learning difficulties and disabilities. We offer individual guidance and support to students with specific learning difficulties / dyslexia or other sensory impairments, mental health difficulties, Asperger's Syndrome and Autism, unseen difficulties or any long term condition that affects their studies. The types of support include in class support, exam arrangements such as extra time, dyslexia tuition, study skills support and communication support; and

f) Specialist programmes are described in programme information guides, and achievements and destinations are recorded and published in the standard College format.

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 12th December 2016 and signed on its behalf by:

Audrey Traynor
Chair of Governors

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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/exceeds 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 20th July 2015, with effect from 1st August 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.

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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.

	Date of Appointment	**Term of office**	**Date of resignation**	**Status of appointment**	**Committees served In addition to the Corporation Board** in year 2015/16 and up to date of signature	**Corporation Board Attendance**
Ms A Traynor	May 2013	4 years		Chair of Corporation	FPEC Remuneration Chairs Standing QTLA	100%
Ms H Macdonald	September 2015	n/a		Interim Principal & CEO	FPEC Chairs Standing QTLA	100%
Ms E Winch	September 2012	n/a	January 2016	Principal & CEO	Search Committee	n/a within period to Jan'2016
Mr J Boyes	February 2015	3 years		Independent Governor	QTLA	100%
Ms E Compson	May 2015	3 years		Independent Governor	Audit & Risk Chairs Standing QTLA	90%
Mr A Cook	May 2013	4 years	November 2015	Vice-Chair	Remuneration Search	50%
Mr P Dickson	October 2012	4 years		Staff Governor	Audit & Risk QTLA	100%
Ms K Herbert	October 2015	3 years		Staff Governor	Audit & Risk	83%
Ms K Hide	February 2015	3 years	August 2015	Staff Governor		100%
Ms E Jarvis	August 2015	1 year	July 2016	Student Governor	QTLA	78%
Mr T Jones	February 2015	3 years		Independent Governor	FPEC Remuneration	40%
Mr S Lindeman	May 2016	4 years		Vice-Chair	Audit & Risk Chairs Standing QTLA	100%
Prof. C Linton	May 2016	4 years		Independent Governor	Remuneration	100%
Ms R Maddick	August 2015	1 year	November 2015	Student Governor		67%
Mr J Morgan	May 2013	4 years		Vice-Chair	Remuneration Chairs Standing QTLA	70%
Mr P Nutkins	February 2015	3 years	September 2016	Independent Governor	Audit & Risk Chairs Standing	100%
Mr M Pearson	September 2015	3 years		Independent Governor	FPEC Chairs Standing	100%

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	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees served In addition to the Corporation Board in year 2015/16 and up to date of signature	Corporation Board Attendance
Ms R Roy	December 2015	1 year	May 2016	Student Governor	QTLA	100%
Mr D Scott	September 2015	3 years		Independent Governor	Audit & Risk	63%
Mr I Sharpe	September 2015	3 years		Independent Governor	FPEC	100%
Mr J Thompson	August 2016	1 year		Student Governor	QTLA	no meeting within period
Ms J Vincent	November 2015	4 years		Independent Governor	QTLA	80%

Note

Chairs Standing Committee includes Search Committee
QTLA – Quality, Teaching, Learning & Assessment Committee
FPEC – Financial Performance & Efficiency Committee

Dr R Hill was appointed Clerk to the Corporation and Governance Advisor for the period October 2014 to December 2015. Mr I Jones was employed as the new Clerk to the Corporation with effect from 16th November 2015.

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

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Corporation meets approximately twice per term and holds additional Away Days for strategic development.

The Corporation conducts its business through board meetings, 5 committees and task and finishing groups, as required. Each committee has terms of reference, which have been approved by the Corporation. These committees are Audit & Risk Committee, Chairs' Standing Committee (including Search Committee), Quality of Teaching, Learning & Assessment Committee, Financial Performance & Efficiency Committee and Remuneration Committee. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website [at www.loucoll.ac.uk] or from the Clerk to the Corporation at:

Loughborough College, Radmoor Road, Loughborough, LE11 3BT

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 Chairman and Accounting Officer are separate.

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. Appointments are made on the recommendation of the Chairs' Standing Committee consisting of 6 members of the Corporation. The Corporation is responsible for ensuring that appropriate training is provided as required. Appointments are made on the basis of skills and experience.

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

Corporation performance

During the year to July 2016, the Corporation Board's work was focused on the quality of the College's provision, on its financial performance, on its long-term strategy and on ensuring the College has the right people and structures to deliver these aims.

The former Principal resigned early in the year and the Corporation secured the services of an Interim Principal, Heather Macdonald. The College's Executive Team was re-configured to reflect key priorities. In November, the College also recruited a new Clerk to the Corporation, Ian Jones.

At the start of the year, the Corporation moved to a committee system of governance, with committees focusing on Quality, Teaching, Learning & Assessment and on Financial Performance & Efficiency, alongside the existing Remuneration, Search and Audit & Risk Committees. During the year, the Board also introduced a Chairs' Standing Committee to co-ordinate the work of the committees and received support from a National Leader in Governance to help develop best practice. The Board reviewed its constitutional documents (Instrument & Articles of Government and Standing Orders), enabling remote participation in meetings by phone and allowing the creation of a second Vice-Chair. The move to the committee system and creation of a second Vice-Chair created greater capacity for decision-making in the Area Review process, due to start in September 2016.

A range of corporate policies were also reviewed during the year, and work began on a new Estates Strategy for the College. In support of the focus on improving the quality of provision for all learners and strengthening the College's financial performance, the Board agreed and monitored a range of Key Performance Indicators and reviewed the College's long-term strategic direction.

The Corporation formally reviewed its own performance during the Spring of 2016, with both a self-assessment and a skills audit. The areas of strength included Challenge & Support, Collaborative Partnership, Safeguarding, Performance Planning and Sustainability of Provision. Areas for improvement included use of learner destination information and obtaining stakeholder views on the performance of the Board itself. The skills audit confirmed that the Board benefits from a good range of backgrounds and experiences, with Vision & Strategic Planning, Understanding & Experience of Governance and Financial Oversight being particular strengths. The audit confirmed a focus on HR experience, employer links and pedagogy experience for future recruitment, and appointments were made to strengthen each of the areas towards the end of the academic year.

Remuneration Committee

As at the year ending 31 July 2016 the College's Remuneration Committee comprised four 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 8 to the financial statements.

Audit & Risk Committee

The Audit & Risk 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 & Risk Committee meets at least termly 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 main FE funding bodies as they affect the College's business.

The College's independent assurance advisers 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 & Risk Committee.

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

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

Internal control

Scope of responsibility

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

The Corporation has delegated the day-to-day responsibility to the Principal and Chief Executive, 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 she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum/Financial Agreement between Loughborough College and the funding bodies. She 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 Loughborough 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.

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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.

Loughborough College has an independent assurance service, whose work is informed by an analysis of the risks to which the College is exposed, and annual plans are also based on this analysis. The analysis of risks and the assurance plans are endorsed by the Corporation on the recommendation of the audit committee. At minimum, annually, the governing body is provided with a report on assurance activity in the College. The report includes an 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 and Chief Executive has responsibility for reviewing the effectiveness of the system of internal control. Her review of the effectiveness of the system of internal control is informed by:

- the work of the independent assurance advisers
- 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 in their management letters and other reports.

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

The Executive team receives reports from senior management 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 & Risk Committee also receive regular reports from the independent assurance advisers and other sources of assurance, which include recommendations for improvement. The Audit & Risk 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 & Risk Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its October 2016 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2016 by considering documentation from the senior management team and independent assurance advisers, and taking account of events since 31 July 2016.

Based on the advice of the Audit & Risk Committee and the Principal and Chief Executive, 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"*.

Loughborough College

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 in preparing the financial statements.

The College's financial health was rated as Good by the SFA/EFA for 2014/15. The College's current financial health is rated as satisfactory for 2015/16 with a planned increase to Good for 2016/17 and beyond. The underpinning key financial ratios indicate that the College's financial health is robust and strong and supports the achievement of objectives within the strategic, estates and financial plans.

Approved by order of the members of the Corporation on 12th December 2016 and signed on its behalf by:

Audrey Traynor
Chair of Governors

Heather MacDonald
Interim Principal and Chief Executive

Loughborough College

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 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 our consideration we have 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 our knowledge, we are able to identify any material irregular or improper use of funds by the College, or material non-compliance with the Skills Funding Agency's 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.

Heather MacDonald

Heather MacDonald

Interim Principal and Chief Executive
12th December 2016

Audrey Traynor

Chair of Governors
12th 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 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 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 asked to prepare a Members Report which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

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

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

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

Approved by order of the members of the Corporation on 12th December 2016 and signed on its behalf by:

Audrey Traynor

Chair of Governors

Independent auditors' report to the Corporation of Loughborough College

Report on the financial statements

Our opinion

In our opinion:

- Loughborough College's group financial statements and parent institution ("College") financial statements (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 income and expenditure, recognised gains and losses and cash flows for the year then ended;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

- have been properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

What we have audited

The financial statements comprise:

- the consolidated and College Balance Sheets as at 31 July 2016;
- the consolidated Statements of Comprehensive Income for the year then ended;
- the consolidated and College Statement of Changes in reserves for the year then ended;
- the consolidated Statement of Cash Flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is the Statement of Recommended Practice for Further and Higher Education, incorporating United Kingdom Generally Accepted Accounting Practice.

In applying the financial reporting framework, the Corporation has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, it has made assumptions and considered future events.

Opinions on other matters prescribed in the Joint Audit Code of Practice issued by the Education Funding Agency and the Chief Executive of Skills Funding

In our opinion, in all material respects:

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

Responsibilities for the financial statements and the audit

Respective responsibilities of the Corporation and auditors

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 11 the Corporation is responsible for the preparation of the financial statements and for being satisfied that they 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 with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Corporation as a body in accordance with Article 22 of the institution's Articles of Government and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group and College's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Corporation; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Members of the Corporation's judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Report of the Members of the Corporation and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands

20 December 2016

(a) The maintenance and integrity of Loughborough College's website is the responsibility of the Corporation; 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.

(b) Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Independent Reporting Accountant's Assurance Report on Regularity to the Corporation of Loughborough College and the Secretary of State for Business, Innovation and Skills acting through Skills Funding Agency and Secretary of State for Education acting through Education Funding Agency

In accordance with the terms of our engagement letter dated 31st October 2016 and further to the requirements of the financial memorandum with Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Loughborough College during the period 01 August 2015 to 31 July 2016 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Joint Audit Code of Practice issued jointly by Skills Funding Agency and Education Funding Agency. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which Skills Funding Agency has other assurance arrangements in place.

This report is made solely to the corporation of Loughborough College and the Skills Funding in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of Loughborough College and Skills Funding Agency those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the corporation of Loughborough College and Skills Funding Agency for our work, for this report, or for the conclusion we have formed, save where expressly agreed in writing.

Respective responsibilities of Loughborough College and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Joint Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 01 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 as set out in the Association of Colleges Accounts Direction 2015 to 2016.

Approach

We conducted our engagement in accordance with the Joint Audit Code of Practice issued jointly by Skills Funding Agency and Education Funding Agency. We performed a limited assurance engagement as defined in that framework.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity.

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

Our engagement includes examination, on a test basis, of evidence relevant to the regularity of the college's income and expenditure.

The work undertaken to draw to our conclusion includes:

- Obtaining an understanding of Loughborough College's key policies, procedures and controls;
- Reviewing a sample of payments to governors, settlement payments and expenses; and
- Confirming that activities during the year reflect the controls, policies and procedures identified.

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 01 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 as set out in the Association of Colleges Accounts Direction 2015 to 2016.

PricewaterhouseCoopers LLP

Date 20 December 2016

PricewaterhouseCoopers LLP

Chartered Accountants

Loughborough College

Consolidated Statements of Comprehensive Income

	Notes	Year ended 31 July 2016		Year ended 31 July 2015 Restated	
		Group	College	Group	College
		£'000	£'000	£'000	£'000
INCOME					
Funding body grants	2	16,973	16,973	16,367	16,367
Tuition fees and education contracts	3	6,491	6,491	6,328	6,328
Other grants and contracts	4	-	-	-	-
Other income	5	4,016	4,016	4,151	4,151
Investment income	6	13	13	22	22
Donations and Endowments	7	-	-	-	-
Total income		**27,493**	**27,493**	**26,868**	**26,868**
EXPENDITURE					
Staff costs	8	17,980	17,980	17,144	17,144
Other operating expenses	9	7,263	7,332	8,037	8,037
Depreciation	12	2,133	2,133	1,770	1,770
Interest and other finance costs	10	521	521	388	388
Total expenditure		**27,897**	**27,966**	**27,339**	**27,339**
Deficit before other gains and losses		**(404)**	**(473)**	**(471)**	**(471)**
Gain from inter-company dividends		-	875	-	-
Loss on disposal of assets	12	(73)	(73)	-	-
Gain/(loss) on investments		(5)	(5)	(5)	(5)
Share of operating surplus/(deficit) in joint venture		-	-	-	-
(Deficit)/surplus before tax		**(482)**	**324**	**(476)**	**(476)**
Taxation	10	-	-	-	-
(Deficit)/surplus for the year		**(482)**	**324**	**(476)**	**(476)**
Unrealised surplus on revaluation of assets		-	-	-	-
Actuarial surplus/(loss) in respect of pensions schemes		495	495	(753)	(753)
Total Comprehensive Income for the year		**13**	**819**	**(1,229)**	**(1,229)**
Represented by:					
Restricted comprehensive income		-	-	-	-
Unrestricted comprehensive income		**13**	**819**	**(1,229)**	**(1,229)**
		13	**819**	**(1,229)**	**(1,229)**

Loughborough College

Consolidated and College Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Restricted permanent endowment reserve	Total
	£'000	£'000	£'000	£'000
Group				
Restated Balance at 1st August 2014	14,181	5,479	329	19,989
Deficit from the income and expenditure account	(476)	-	-	(476)
Other comprehensive income	(753)	-	-	(753)
Endowment investments	5	-	(5)	-
Loss on disposal of revalued asset	-	(58)	-	(58)
Transfers between revaluation and income and expenditure reserves	50	(50)	-	-
	(1,174)	(108)	(5)	(1,287)
Balance at 31st July 2015	13,007	5,371	324	18,702
Deficit from the income and expenditure account	(482)	-	-	(482)
Other comprehensive income	495	-	-	495
Endowment investments	5	-	(5)	-
Transfers between revaluation and income and expenditure reserves	50	(50)	-	-
Total comprehensive income/(expenditure) for the year	68	(50)	(5)	13
Balance at 31st July 2016	**13,075**	**5,321**	**319**	**18,715**
College				
Restated Balance at 1st August 2014	14,206	5,479	329	20,014
Deficit from the income and expenditure account	(476)	-	-	(476)
Other comprehensive income	(753)	-	-	(753)
Endowment investments	5	-	(5)	-
Loss on disposal of revalued asset	-	(58)	-	(58)
Transfers between revaluation and income and expenditure reserves	50	(50)	-	-
	(1,174)	(108)	(5)	(1,287)
Balance at 31st July 2015	13,032	5,371	324	18,727
Surplus from the income and expenditure account	324	-	-	324
Other comprehensive income	495	-	-	495
Endowment investments	5	-	(5)	-
Transfers between revaluation and income and expenditure reserves	50	(50)	-	-
Total comprehensive income/(expenditure) for the year	874	(50)	(5)	819
Balance at 31st July 2016	**13,907**	**5,321**	**319**	**19,547**

Loughborough College

Balance sheets as at 31 July

	Note	Group	College	Group	College
				Restated	
		2016	**2016**	**2015**	**2015**
		£'000	**£'000**	**£'000**	**£'000**
Non current assets					
Tangible Fixed assets	12	50,201	51,076	50,001	49,977
Investments	13	319	319	324	324
Investments in joint venture		-	-	-	-
Pensions asset	25	-	-	-	-
		50,520	**51,395**	**50,325**	**50,301**
Current assets					
Stocks		4	4	14	14
Trade and other receivables	14	1,213	1,213	1,411	1,716
Investments	15	-	-	-	-
Cash and cash equivalents	20	1,664	1,664	3,952	3,917
		2,881	**2,881**	**5,377**	**5,647**
Less: Creditors – amounts falling due within one year	16	(4,122)	(4,165)	(5,696)	(5,916)
Net current liabilities		**(1,241)**	**(1,284)**	**(319)**	**(269)**
Total assets less current liabilities		**49,279**	**50,111**	**50,006**	**50,032**
Creditors – amounts falling due after more than one year	17	(20,518)	(20,518)	(21,587)	(21,587)
Provisions					
Defined benefit obligations	19	(9,505)	(9,505)	(9,212)	(9,212)
Other provisions	19	(541)	(541)	(505)	(505)
Total net assets		**18,715**	**19,547**	**18,702**	**18,728**
Restricted reserves					
Permanent endowments		319	319	324	324
Unrestricted Reserves					
Income and expenditure account		13,075	13,907	13,007	13,033
Revaluation reserve		5,321	5,321	5,371	5,371
Total unrestricted reserves		**18,715**	**19,547**	**18,702**	**18,728**

The financial statements on pages 23 to 50 were approved and authorised for issue by the Corporation on 12th December 2016 and were signed on its behalf on that date by:

Audrey Traynor
Chair of Govenors

Heather MacDonald
Interim Principal and Chief Executive

Loughborough College

Consolidated Statement of Cash Flows

	Note	2016	Restated 2015
		£'000	£'000
Cash flow from operating activities			
Surplus/(Deficit) for the year		(482)	(476)
Adjustment for non-cash items			
Depreciation		2,133	1,770
Decrease/(increase) in stocks		10	(10)
Decrease/(increase) in debtors		198	(398)
(Decrease) in creditors due within one year		(1874)	(457)
(Decrease)/increase in creditors due after one year		(590)	7194
Increase/(decrease) in provisions		36	(4)
(Increase)/decrease in endowments		5	5
Pensions costs less contributions payable		788	600
Share of operating deficit in joint venture/associate		-	-
Taxation		-	-
Adjustment for investing or financing activities			
Investment income		(13)	(22)
Interest payable		181	69
Taxation paid		-	-
Loss on sale of fixed assets		73	-
Net cash flow from operating activities		465	8,271
Cash flows from investing activities			
Proceeds from sale of fixed assets		-	-
Disposal of non-current asset investments		-	-
Investment income		13	22
Withdrawal of deposits		-	-
New deposits		-	-
Payments made to acquire fixed assets		(2,407)	(13,550)
		(2,394)	(13,528)
Cash flows from financing activities			
Interest paid		(181)	(69)
Interest element of finance lease rental payments		-	-
New unsecured loans		-	6,000
Repayments of amounts borrowed		(178)	(34)
Capital element of finance lease rental payments		-	-
		(359)	5,897
(Decrease)/increase in cash and cash equivalents in the year		**(2,288)**	**640**
Cash and cash equivalents at beginning of the year	20	3,952	3,312
Cash and cash equivalents at end of the year	20	1,664	3,952

Notes to the Statements

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 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 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 1st August 2014, the College has retained the carrying values of freehold properties as being deemed cost and measured at fair value
- Lease incentives – the College has continued to recognise the residual benefits associated with lease incentives on the same basis as that applied at the date of transition
- 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.
- 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 restated any previous business combinations to reflect the new accounting framework. The key combination that is relevant is the initial transfer of the College's activities from the Local Education Authority in 1993.

Basis of accounting

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

Basis of consolidation

The consolidated financial statements include the College and its subsidiaries, Loughborough College Enterprises Limited and Loughborough College Properties 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. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2016.

Going concern

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

The College currently has £6.7m of unsecured loans outstanding with bankers on terms negotiated in 2008 & 2015. The terms of the existing agreements are for 25 years. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

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

Recognition of income

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

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

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

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

Income from tuition fees 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 principally provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit plans, which are externally funded and contracted out of the State Second Pension.

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

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/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 ongoing 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 ongoing 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 spreadsheet provided by the funding bodies.

Non-current Assets - Tangible fixed assets

Tangible fixed assets are stated at cost / deemed cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Land and buildings

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

- New buildings – 45 to 50 years
- Major refurbishments – 10 to 30 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 between 10 and 30 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 revalued in 1996, 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 £1,000 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost.

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

- technical equipment 2 to 10 years
- motor vehicles 5 years
- computer equipment 3 years
- furniture, fixtures and fittings 2 to 10 years

Borrowing costs

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

Leased assets

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

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

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

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

Investments

Investments in subsidiaries

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

Investments in joint ventures

The College accounts for its share of joint ventures using the equity method within the Group financial statements. Under the equity method in group accounts, if an investor's share of losses in a joint venture equals or exceeds the carrying amount of its investment, the investor shall discontinue recognising its share of further losses, unless it has incurred legal or constructive obligations or has made payments on behalf of the joint venture, in which case provision is required.

Other investments

Listed investments held as non-current assets and current asset investments, which may include listed investments, are stated at fair value, with movements recognised in Comprehensive Income. Investments comprising unquoted equity instruments are measured at fair value, estimated using a valuation technique.

Inventories

Inventories are stated at the lower of their cost and net realisable value, being selling price less costs to complete and sell. 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.

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

Foreign currency translation

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial period with all resulting exchange differences being taken to income in the period in which they arise.

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 3.94% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.
The College's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

Provisions and contingent liabilities

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

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

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

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

Agency arrangements

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the group's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

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

2 Funding body grants	Year ended 31 July		Year ended 31 July	
	2016	2016	2015	2015
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
Skills Funding Agency	3,358	3,358	3,186	3,186
Education Funding Agency	10,257	10,257	9,670	9,670
Higher Education Funding Council	673	673	457	457
Specific grants				
Skills Funding Agency	2,141	2,141	2,750	2,750
Releases of government capital grants	544	544	304	304
HE grant	-	-	-	-
Total	**16,973**	**16,973**	**16,367**	**16,367**

3 Tuition fees and education contracts	Year ended 31 July		Year ended 31 July	
	2016	2016	2015	2015
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	92	92	37	37
Apprenticeship fees and contracts	-	-	-	-
Fees for FE loan supported courses	302	302	256	256
Fees for HE loan supported courses	4,574	4,574	4,083	4,083
International students fees	1,395	1,395	1,417	1,417
Total tuition fees	6,363	6,363	5,793	5,793
Education contracts	128	128	535	535
Total	**6,491**	**6,491**	**6,328**	**6,328**

4 Other grants and contracts	Year ended 31 July		Year ended 31 July	
	2016	2016	2015	2015
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Erasmus	-	-	-	-
UK-based charities	-	-	-	-
European Commission	-	-	-	-
Other grants and contracts	-	-	-	-
Total	**-**	**-**	**-**	**-**

5 Other income

	Year ended 31 July		Year ended 31 July	
	2016	**2016**	**2015**	**2015**
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
Catering and residences	1,321	1,321	1,383	1,383
Other income generating activities	1,921	1,921	1,871	1,871
Other grant income	-	-	-	-
Non-government capital grants	3	3	3	3
Miscellaneous income	771	771	894	894
Total	**4,016**	**4,016**	**4,151**	**4,151**

6 Investment income

	Year ended 31 July		Year ended 31 July	
	2016	**2016**	**2015**	**2015**
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
Other investment income	13	13	18	18
Other interest receivable	-	-	4	4
	13	**13**	**22**	**22**
Net return on pension scheme (note 25)	-	-	-	-
Total	**13**	**13**	**22**	**22**

7 Donations – College only

	2016	2015
	£'000	**£'000**
Unrestricted donations	-	-
Total	**-**	**-**

8 Staff costs – Group and College

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

	2016	2015
	No.	No.
Teaching staff	274	265
Non-teaching staff	265	263
	539	**528**

Staff costs for the above persons

	2016	2015
	£'000	£'000
Wages and salaries	13,707	13,156
Social security costs	988	894
Other pension costs	2,375	2,058
Payroll sub total	**17,070**	**16,108**
Contracted out staffing services	910	1,036
	17,980	**17,144**
Fundamental restructuring costs – Contractual	-	-
- Non contractual	-	-
Total Staff costs	**17,980**	**17,144**

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 Executive Team which comprises the Principal, Vice Principals and the Director of Business Development. Staff costs include compensation paid to key management personnel for loss of office.

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

	2016	2015
	No.	No.
The number of key management personnel including the Accounting Officer was:	7	5

The number of key management personnel and other staff who received annual emoluments, including pension contributions and benefits in kind, but excluding Employers' National Insurance, 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	-	-
£70,001 to £80,000 p.a.	2	1	-	-
£80,001 to £90,000 p.a.	-	1	-	-
£90,001 to £100,000 p.a.	3	1	-	-
£150,001 to £160,000 p.a.	1	1	-	-
£210,001 to £220,000 p.a.	1	-	-	-
	7	5	-	-

Key management personnel emoluments are made up as follows:

	2016	2015
	£'000	£'000
Salaries	516	344
Benefits in kind	2	6
	518	350
Social security costs	39	38
Other pension costs	57	53
Total emoluments	614	441

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

	Previous Principal (Sept 2012 to Jan 2016)		Current Interim Principal (from Sept 2015)	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Salaries	60	126	181	-
Benefits in kind	2	3	-	-
	62	129	181	-
Social security costs	2	3	-	-
Other pension costs	11	21	-	-

The current Accounting Officer is not a permanent member of staff, therefore the amount shown represents agency fees. No pension or benefits were paid by the College.

Compensation for loss of office paid to former key management personnel

	2016	2015
	£'000	£'000
Compensation paid to the former post-holder – **contractual**	-	60
Estimated value of other benefits, including provisions for pension benefits	-	-

The severance payment was approved by the College's Remuneration Committee.

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.

9 Other operating expenses

	2016	2016	2015	2015
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	1,185	1,185	1,534	1,534
Non-teaching costs	4,662	4,731	5,157	5,157
Premises costs	1,416	1,416	1,346	1,346
Total	**7,263**	**7,332**	**8,037**	**8,037**

Other operating expenses include:	**2016**	**2015**
	£'000	**£'000**
Auditors' remuneration:		
Financial statements audit	28	24
Internal audit	39	21
Other services provided by the financial statements auditors	13	-
Losses on disposal of non-current assets	-	-
Hire of assets under operating leases	76	52

10 Interest and other finance costs – Group and College

	2016	2015
	£'000	£'000
On bank loans, overdrafts and other loans:	181	69
	181	69
On finance leases	-	-
Pension finance costs (note 25)	340	319
Total	**521**	**388**

11 **Taxation – Group only**

	2016	2015
	£'000	£'000
United Kingdom corporation tax	-	-
Provision for deferred corporation tax of the subsidiary company	-	-
Total	-	-

12 **Tangible fixed assets (Group)**

	Land and buildings Freehold	Land and buildings Long leasehold	Equipment	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2015	49,723	-	4,791	12,354	66,868
Additions	-	-	1,261	1,146	2,407
Transfers	12,496	-	91	(12,587)	-
Disposals	(281)	-	(618)	-	(899)
At 31 July 2016	**61,938**	**-**	**5,525**	**913**	**68,376**
Depreciation					
At 1 August 2015	13,850	-	3,018	-	16,868
Charge for the year	1,338	-	795	-	2,133
Elimination in respect of disposals	(213)	-	(613)	-	(826)
At 31 July 2016	**14,975**	**-**	**3,200**	**-**	**18,175**
Net book value at 31 July 2016	**46,963**	**-**	**2,325**	**913**	**50,201**
Net book value at 31 July 2015	35,874	-	1,773	12,354	50,001

Tangible fixed assets (College only)

	Land and buildings Freehold	Land and buildings Long leasehold	Equipment	Assets in the course of construction	Total
	£'000	£'000	£'000		£'000
Cost or valuation					
At 1 August 2015	49,363	-	4,774	12,354	66,491
Additions	808	-	1,352	1,146	3,306
	12,587			(12,587)	-
Disposals	(281)	-	(618)	-	(899)
At 31 July 2016	**62,477**	**-**	**5,508**	**913**	**68,898**
Depreciation					
At 1 August 2015	13,512	-	3,003	-	16,515
Charge for the year	1,338	-	795	-	2,133
Elimination in respect of disposals	(213)	-	(613)	-	(826)
At 31 July 2016	**14,637**	**-**	**3,185**	**-**	**17,822**
Net book value at 31 July 2016	**47,840**	**-**	**2,323**	**913**	**51,076**
Net book value at 31 July 2015	35,851	-	1,771	12,354	49,977

13 Non-current investments

	College 2016 £'000	College 2015 £'000
Investments in subsidiary companies	-	-
Investments in associate companies	-	-
Other non-current asset investments	319	324
Total	**319**	**324**

The College owns 100 per cent of the issued ordinary £1 shares of Loughborough College Enterprises Limited, a company incorporated in England and Wales, and 100 per cent of the issued ordinary £1 shares of Loughborough College Properties Limited, a company incorporated in England and Wales. These two subsidiaries have been inactive since March 2015 and are currently in the process of being liquidated.

The College entered into a Joint Venture with and owns 50 per cent of the issued ordinary £1 shares of Impact Apprenticeships Limited, a company incorporated in England and Wales. On the basis of materiality, the results for the joint venture are not consolidated into these financial statements.

14 Debtors

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Amounts falling due within one year:				
Trade receivables	301	301	373	422
Amounts owed by group undertakings:				
Subsidiary undertakings	-	-	278	534
Associate undertakings	-	-	-	-
Prepayments and accrued income	912	912	760	760
Total	**1,213**	**1,213**	**1,411**	**1,716**

15 Current investments

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Short term deposits	-	-	-	-
Total	**-**	**-**	**-**	**-**

16 Creditors - amounts falling due within one year

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Bank loans and overdrafts	328	328	27	27
Obligations under finance leases	-	-	-	-
Trade payables	1,118	1,118	242	462
Amounts owed to group undertakings:				
Subsidiary undertakings	-	-	-	284
Associate undertakings	-	-	-	-
Corporation tax	-	-	-	-
Other taxation and social security	541	541	484	484
Accruals and deferred income	1,507	1,550	4,346	4,062
Holiday pay accrual	94	94	50	50
Deferred income - government capital grants	534	534	547	547
Deferred income - government revenue grants	-	-	-	-
Total	**4,122**	**4,165**	**5,696**	**5,916**

17 Creditors - amounts falling due after one year

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Bank loans	6,340	6,340	6,819	6,819
Obligations under finance leases	15	15	131	131
Deferred income - government capital grants	14,163	14,163	14,637	14,637
Total	**20,518**	**20,518**	**21,587**	**21,587**

18 Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
In one year or less	328	328	27	27
Between one and two years	328	328	630	630
Between two and five years	984	984	1,000	1,000
In five years or more	5,028	5,028	5,189	5,189
Total	**6,668**	**6,668**	**6,846**	**6,846**

The current bank loans are unsecured and were used to fund capital building replacement and refurbishment projects. Loan 1 is for £1m and repayable over 25 years at 5.62% interest. Loan 2 is for £6m and repayable over 20 years at base +1.65% interest.

(b) Finance leases

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

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
In one year or less	-	-	-	-
Between two and five years	15	15	131	131
In five years or more	-	-	-	-
Total	**15**	**15**	**131**	**131**

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

19 Provisions

	Group and College				
	Defined benefit obligations	**Restructuring**	**Enhanced pensions**	**Other**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
At 1 August 2015	9,212	-	505	-	9,717
Expenditure in the period	-	-	36	-	**36**
Additions in period	293	-	-	-	**293**
At 31 July 2016	**9,505**	**-**	**541**	**-**	**10,046**

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.

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

The principal assumptions for this calculation are:

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

20 Cash and cash equivalents

	At 1 August 2015	**Cash flows**	**Other changes**	**At 31 July 2016**
	£'000	**£'000**	**£'000**	**£'000**
Cash and cash equivalents	3,917	(1,934)	-	1,983
Overdrafts	-	-	-	-
Total	**3,917**	**(1,934)**	**-**	**1,983**

21 Capital and other commitments

	Group and College	
	2016	2015
	£'000	£'000
Commitments contracted for at 31 July	155	1,342

22 Lease obligations

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

	Group and College	
	2016	2015
	£'000	£'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	-	-
Later than one year and not later than five years	-	-
Later than five years	-	-
	-	-
Other		
Not later than one year	35	57
Later than one year and not later than five years	86	142
Later than five years	-	-
	121	199

23 Contingent liabilities

There are no events during the reporting period.

24 Events after the reporting period

There are no events during the reporting period.

25 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 Leicestershire County Council. Both are multi-employer defined-benefit plans.

Total pension cost for the year		**2016**		**2015**
		£000		**£000**
Teachers' Pension Scheme: contributions paid		856		748
Local Government Pension Scheme:				
Contributions paid	1,110		1,109	
FRS 102 (28) charge	448		303	
Charge to the Statement of Comprehensive Income		1,558		1,412
Enhanced pension charge to Statement of Comprehensive Income		(39)		(102)
Total Pension Cost for Year within staff costs		**2,375**		**2,058**

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.

Teachers' Pension Scheme

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

The Teachers' Pension Budgeting and Valuation Account

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

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

Valuation of the Teachers' Pension Scheme

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

- New employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay.

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

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 £856,000 (2015: £748,000)

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 Leicestershire County Council. The total contributions made for the year ended 31 July 2016 were £1,505,000, of which employer's contributions totalled £1,110,000 and employees' contributions totalled £395,000. The agreed contribution rates for future years are 17.3% for employers and range from 5.5% to 7.5% 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	2.9%	4.5%
Future pensions increases	1.9%	2.6%
Discount rate for scheme liabilities	2.4%	3.6%
Inflation assumption (CPI)	1.9%	2.6%
Commutation of pensions to lump sums	75%	50%

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

	At 31 July 2016	At 31 July 2015
	years	years
Retiring today		
Males	22.2	22.2
Females	24.3	24.3
Retiring in 20 years		
Males	24.2	24.2
Females	26.6	26.6

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

	2016	2015
	£'000	£'000
Fair value of plan assets	25,543	21,347
Present value of plan liabilities	(35,048)	(30,559)
Present value of unfunded liabilities	-	-
Net pensions liability (Note 19)	**(9,505)**	**(9,212)**

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

	2016	2015
	£'000	£'000
Amounts included in staff costs		
Current service cost	1,558	1,375
Past service cost	-	160
Total	**1,558**	**1,435**
Amounts included in investment income		
Net interest cost	340	319
	340	**319**
Amount recognised in Other Comprehensive Income		
Return on pension plan assets	2,371	1,112
Experience losses arising on defined benefit obligations	403	219
Changes in assumptions underlying the present value of plan liabilities	(2,279)	(2,084)
Amount recognised in Other Comprehensive Income	**495**	**(753)**

Movement in net defined benefit liability during year

	2016	2015
	£'000	£'000
Net defined benefit (liability)/asset in scheme at 1 August	(9,212)	(7,814)
Movement in year:		
Current service cost	(1,558)	(1,375)
Employer contributions	1,110	1,109
Past service cost	-	(60)
Net interest on the defined liability	(340)	(319)
Actuarial gain or loss	495	(753)
Net defined benefit liability at 31 July	**(9,505)**	**(9,212)**

Asset and Liability Reconciliation

	2016	2015
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	30,559	26,332
Current service cost	1,558	1,375
Interest cost	1,127	1,078
Contributions by Scheme participants	395	385
Experience gains and losses on defined benefit obligations	(403)	(219)
Changes in financial assumptions	2,279	2,084
Estimated benefits paid	(467)	(536)
Past Service cost	-	60
Curtailments and settlements	-	-
Defined benefit obligations at end of period	**35,048**	**30,559**

Changes in fair value of plan assets

	2016	2015
Fair value of plan assets at start of period	21,347	18,518
Interest on plan assets	787	759
Return on plan assets	2,371	1,112
Employer contributions	1,110	1,109
Contributions by Scheme participants	395	385
Estimated benefits paid	(467)	(536)
Fair value of plan assets at end of period	**25,543**	**21,347**

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 may take place with organisations in which a member of the board of governors may have an interest. All transactions involving such organisations are conducted in accordance with the College's financial regulations and normal procurement procedures. The College can confirm that no such transactions have taken place during the year.

The College has two wholly owned subsidiaries which are considered related parties; Loughborough College Properties Limited and Loughborough College Enterprises Limited. The College has taken the exemption under FRS 102 to not show the transaction between the College and these parties.

The College also has a 50% share in a jointly controlled entity; Impact Apprentices Limited. During the year the College made loans to support the joint venture and these have been eliminated upon consolidation.

The total expenses paid to or on behalf of the Governors during the year was £1,407; 3 governors (2015: £289; 2 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	2015
	£'000	£'000
Funding body grants – bursary support	634	663
Funding body grants – discretionary learner support	-	-
Funding body grants – residential bursaries	-	-
Other Funding body grants	-	-
Interest earned	-	-
	634	663
Disbursed to students	(596)	(616)
Administration costs	(29)	(30)
Balance unspent as at 31 July, included in creditors	9	17

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.

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		31st July 2015	
		Group	College	Group	College
		£'000	£'000	£'000	£'000
Financial Position					
Total reserves under previous SORP		20,039	20,064	18,752	18,777
Employee leave accrual	(a)	(50)	(50)	(50)	(50)
Release of non-government capital grants	(b)				
Changes to measurement of net finance cost on defined benefit plans	(c)	-	-	-	-
Total effect of transition to FRS 102 and 2015 FE HE SORP		(50)	(50)	(50)	(50)
Total reserves under 2015 FE HE SORP		19,989	20,014	18,702	18,727

	Note	Year ended 31st July 2015	
		Group	College
		£'000	£'000
Financial performance			
Deficit for the year after tax under previous SORP		(129)	(129)
Release of non-government grants received	(b)	-	-
Reversal of capital grants amortisation	(b)	-	-
Pensions provision – actuarial loss		(753)	(753)
Changes to measurement of net finance cost on defined benefit plans	(c)	(342)	(342)
Total effect of transition to FRS 102 and 2015 FE HE SORP		(1,095)	(1,095)
Total comprehensive income for the year under 2015 FE HE SORP		(1,224)	(1,224)

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 July each year for both teaching and non-teaching staff meaning that, at the reporting date, there was an average of 4 days unused leave for teaching staff and 3.5 days unused leave for non-teaching staff. In addition, certain non-teaching 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 £50,000 was recognised at 1 August 2014, and at 31 August 2015. Following a re-measurement exercise in 2015/16, the movement on this provision of £nil has been charged to Comprehensive Income in the year ended 31 July 2016.

b) Non-government grants accounted for under performance model

The College has previously been in receipt of certain capital grants from sources other than those classified as "government" under FRS 102 and the 2015 FE HE SORP. Under the previous UK GAAP and 2007 SORP, these were able to be capitalised and amortised over the remaining useful economic life of the relevant fixed assets. This accounting treatment is no longer available for non-government grants and the grants have therefore been accounted for under the performance model and treated as if they had been credited to Comprehensive Income immediately that the performance conditions had been met. A corresponding adjustment has been made to the income recognised in the 2015 results that related to the annual amortisation of the capital grants involved.

c) Change in recognition of defined benefit plan finance costs

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

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

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