Palmer's
COLLEGE

Report and Financial Statements for the year ended 31 July 2015

Contents

Operating and Financial Review

NATURE, OBJECTIVES AND STRATEGIES:

The members present their report and the audited financial statements for the year ended 31 July 2015.

Legal status

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

Mission

Governors reviewed the College's mission during 2008/09 and in January 2010 adopted a revised mission statement as follows:

"Palmer's College is committed to serving its community through excellent teaching and support for all students. The College aims to ensure that, in their pursuit of learning, students are enthusiastically engaged and successful in the achievements of their goals. It aims to widen their aspirations to take full advantage of a more globalised, interdependent world."

Public Benefit

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

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

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

- Excellent teaching
- Support for all students
- All students enthusiastically engaged in learning
- Success in the achievement of their goals
- Widened aspirations to take advantage of a more globalised and inter-dependent world

The delivery of public benefit is covered throughout the Members Report.

Implementation of strategic plan

In July 2014 the College adopted a strategic plan for the period 1 August 2014 to 31 July 2017. The Corporation monitors the performance of the College against this plan through the operating statement. The strategic plan is reviewed and updated each year. The core business of Palmer's College is the delivery of the highest quality teaching and learning possible, within a culture of continuous improvement. In October 2013 the College was inspected by Ofsted and graded as 'Requires Improvement'. The inspection mirrored the self-assessment and provides a blueprint for success going forward. In 2014/15 the College focused on a programme of relentless improvements on behalf of our learners. The next Ofsted inspection is now due.

The College's strategic objectives in 2014/15 are to:

1. Provide a safe and welcome learning environment for all
2. Demonstrate high expectations of students and their potential in all aspects of college life
3. Provide teaching, learning, assessment and support that is good or better and enables students to achieve their potential. Progress of all students to be consistently monitored
4. Maintain high expectations of all staff in respect of their conduct, role modelling, professional standards and development
5. Ensure all College staff are fully engaged in effective Performance Management
6. Provide individualised study programmes that support progression and meet students' educational and career aspirations
7. Effectively develop students' personal and employability skills
8. Monitor recruitment and funding targets at the start of the year and take actions accordingly, ensuring that curriculum provision matches funding body guidelines and overall curriculum provides cost effective delivery of study programmes
9. Set an appropriate annual budget, which is regularly monitored during the year and approved by SMT and Governors
10. Produce a feasible, costed Accommodation plan.

The College is on target for achieving these objectives.

The College's Strategic Priorities are focused into three main areas:

- Excellent student success rates and value added, with all students achieving their full potential;
- A responsive and high quality curriculum that enables students to progress to the destination of their choice, whether that is higher education, training or employment; and
- Financial security to allow continual investment in resources and effective delivery of the Strategic Plan.

Financial objectives

The College's financial objectives are:

- to achieve an annual operating surplus;
- to pursue alternative sources of funding, on a selective basis, consistent with the College's core competencies, and the need for a financial contribution to the College's overall finances;
- to generate sufficient levels of income to support the asset base of the College;
- to further improve the College's shorter term liquidity; and
- to fund continued capital investment.

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

Performance indicators

The "FE Choices" (formerly the "Framework for Excellence") has two key performance indicators:

- Success rates; and
- Learner destinations.

The financial Indicators (Financial Health and Financial Management and Control) will continue to be graded and will be reported to providers directly by the relevant funding body. As this direct reporting occurs earlier than Framework for Excellence reporting, these Performance Indicators will no longer be included in the Framework for Excellence Application.

The College is committed to observing the importance of the measures and indicators within the Framework and is monitoring these through the completion of the annual Finance Record for the Education Funding Agency ("EFA"). The current rating is "Good". The College is aiming to retain this category against a very difficult backdrop of funding changes and increased local competition for post 16 education.

FINANCIAL POSITION

Financial results

The College generated an operating surplus in the year of £222,000 (2013/14 – £16,000). This amount is after the adjustments for FRS17. The surplus before the adjustments was £343,000 (2013/14 – £122,000).

The College has accumulated reserves excluding the pension reserve of £3,136,000 and cash balances of £1,730,000.

Tangible fixed asset additions during the year amounted to £760,000. This was split between improvements to buildings of £395,000 and equipment purchased of £365,000. The building work related to works on C Block and the swimming pool building which has been remodelled into classrooms (G Block) under BCIF 4 funding.

The College has significant reliance on the EFA for its principal funding source, largely from recurrent grants. In 2014/15 the funding bodies provided 90% of the College's total income.

Treasury policies and objectives

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

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 Funding Agreement.

Cash flows and liquidity

The College continues to monitor cash flow on a monthly basis.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2014/15 the College has delivered activity that has produced £9,214,000 in main allocation funding (2013/14 – £9,275,000). The College had an average during the year of approximately 1,900 funded students. The funding target of one thousand, nine hundred and fifty was missed by 3. This revised figure forms the basis of the funding for 2015/16. The current indications, based on the number of students enrolled in September 2015 is that the target of 1,850 students will not be met and that EFA funding for 2016/17 will be based on 1,750 students.

Student achievements

Students prosper at Palmer's with the College maintaining its commitment to continual improvement as it serves the needs of the community. In 2014/15 the College's overall success rate of 86% was the best it has been for ten years.

Curriculum developments

The College has a local reputation for curriculum innovation and change. It has introduced new courses in many areas of the curriculum in order to meet student needs better. Many of our students have low levels of prior educational achievement. The College is developing its range of courses and is continuing to work with the 11-19 Planning and Development groups in Thurrock.

Courses have been designed to ensure students are able to move securely into the labour market and university depending on what is right for them.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2014 to 31 July 2015, the College met this target. The College incurred no interest charges in respect of late payment for this period.

Post-balance sheet events

There are none to report.

Future developments

The College will continue to develop the Estates Strategy to improve the facilities for the students and staff. Alternative sources of funding were explored over the course of 2014/15 and the College has been successful in securing a Salix Loan of £200k.

The Governors consider that Palmer's College is a going concern. Student numbers declined from 2,073 in September 2013 to 1,947 in September 2014. It is anticipated that the number of students for 2015/16 academic year will be about 200 lower. However, the College continues to make a surplus and plans to break even in 2015/16. It has sufficient resources to meet its debts and adequate reserves.

The effect of lower student numbers is that the funding for 2016/17 will be still lower and planning for the lower income for 2016/17 from the EFA has already started.

RESOURCES:

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

Financial
The College has £6,016,000 of net assets (after taking into account £2,576,000 pension liability) and long term debt of £1,012,000.

People
The College employs 173 people (expressed as full time equivalents), of which 91 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 for 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 Audit and Risk Committee 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 Audit and Risk Committee 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 each meeting of the Audit and Risk Committee and more frequently by the Senior Management Team. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

Outlined below is a description of the principal risk 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 considerable reliance on continued government funding through the education sector funding bodies. In 2014/15, 90% of the College's revenue was ultimately public 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,

- The lack of formula protection after 2015/16
- The local competition for post 16 provision
- The effect that under-recruitment has on the following year's funding
- Government's need to find 25%-40% reductions on its non-protected budgets, which may lead to cuts in FE funding
- The Government emphasis on Area Based Reviews for Further Education

This risk is mitigated in a number of ways:

- 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 in due course.

2. *Decline in perceived quality of provision*
The college needs to maintain its reputation to attract future students. It is therefore working to improve the quality of teaching and learning which, apart from being an important aim in its own right, should impact positively on examination results and OFSTED assessments.

STAKEHOLDER RELATIONSHIPS

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

- Students;
- Education sector funding bodies;
- Sixth Form Commissioner;
- Staff;
- Local employers (with specific links);
- Local authorities;
- Government Offices/ Regional Development Agencies/ LEPs;
- The local community;
- Other FE institutions;
- Trade unions;
- Professional bodies;
- William Palmer College Educational Trust; and
- Palmer's College Corporation.

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 and employment of disabled persons

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

The College considers all applications from disabled persons, bearing in mind the aptitudes of the individuals concerned. If an existing employee becomes disabled, every effort will be made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion, which are, as far as possible, identical to those for other employees. An equalities plan is published each year and monitored by managers and governors.

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

- As part of its accommodation strategy the College updated its access audit;
- The College has staff that provides information, advice and arrange support where necessary for students with disabilities;
- The admissions policy for all students is described in the College Charter. Appeals against a decision not to offer a place are dealt with under the complaints policy;

- The College has made a significant investment in the appointment of specialist staff to support students with learning difficulties and/or disabilities. There are a number of learning consultants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities; and
- Counselling and welfare services are described in the College Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

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 9 December 2015 and signed on its behalf by:

Clive Attwood - Chair

Professional advisers

Financial statement and regularity auditors:

KPMG LLP
6 Lower Brook Street
Ipswich
IP4 1AP

Internal auditors:

Scrutton Bland
Fitzroy House
Crown Street
Ipswich
IP1 3LG

Bankers:

Lloyds Bank plc
1 Legg Street,
Chelmsford,
Essex,
CM1 1JS,

Solicitors:

Birketts LLP
Brierley Place
New London Road
Chelmsford
Essex
CM2 0AP

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.

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 English Colleges' Foundation Code of Governance ("the Foundation Code"); and
iii. having due regard to the UK Corporate Governance Code ("the Code") 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 Foundation Code. We have not adopted and therefore do not comply with the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.

In the opinion of the Governors, the College complies with all the provisions of the Foundation Code, and it has complied throughout the year ended 31 July 2015. 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 English Colleges' Foundation Code of Governance issued by the Association of Colleges in December 2011, which it formally adopted in July 2012 and the Audit and Accountability Annex to the Foundation Code that was issued in March 2013 and adopted by the College in December 2013.

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

The Corporation

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

	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance 01.08.2014-31.07.2015
Clive Attwood	30/03/2012	4 years		External	Chair: Corporation, Member: Search, Remuneration and Premises Observer: Curriculum and Standards	100%
Robert Avery	15/12/2014	4 years		External	Member: Curriculum & Standards Committee	100%
Clive Banbury	24/03/2014	4 years		External	Chair: Audit and Risk Member: Premises	100%
Jenny Carter	25/03/2013	4 years		External	Chair: Premises Member: Curriculum and Standards, Search,	100%
Roger Key	02/08/2012	4 years		External	Chair: Remuneration Member: Audit and Risk	100%
Rajan Mohile	18/10/2012	4 years		External	Chair: Finance and HR, Remuneration	66.6%
Tunde Ojetola	13/07/2011	4 years	06/10/2014	External	Member: Finance and Human Resources	0%
Geraldine Perks	14/07/2013	4 years		External	Member: Audit and Risk, Curriculum and Standards	50%
Glenn Phillips	24/03/2014	4 years		External	Member: Finance and Human Resources	100%
Kevin Sadler	24/03/2014	4 years		External	Member: Premises, Curriculum and Standards	50%
Darren Barlow	18/12/2013	4 years	08/07/2015	Parent		66.6%
Cliff Carter	02/08/2012	4 years		Trust (Foundation)	Chair: Curriculum and Standards Member: Remuneration	100%
Brian Little	20/10/2014	4 years	13/04/2015	Trust (Foundation)	Member: Finance and HR, Premises Observer: Curriculum and Standards	66.6%
Graeme Loveland	19/10/2011	4 years		Trust (Foundation)	Member: Finance and HR, Member: Curriculum & Standards	100%
Mark Vinall	01/09/2007	Term of appointment		Principal	Member: All committees except Audit and Risk, Remuneration	100%
Diane Wadey	27/03/2012	4 years		Staff (Support)	Member: Audit and Risk, Search	100%
Ritchie Naylor	18/12/2013	4 years		Staff (Teaching)	Member: Curriculum and Standards	100%
Mojeedat Aderinto	18/12/2013	1 year	17/12/2014	Student		66.6%
Michael Bird	18/12/2013	1 year	17/12/2014	Student		66.6%
Molly Lindsey	24/03/2015	1 year		Student		0%
Michael Webster	24/03/2015	1 year		Student		50%

A Foundation member is a Governor nominated by the William Palmer Educational Trust.

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 each term.

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

Palmer's College
Chadwell Road
Grays
Essex RM17 5TD

From September 2015, a new model is to be used, with fewer committees and Corporation meetings focused on an aspect of the work of the College.

The Corporation has a service level agreement with Essex County Council and a nominated 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 also provided on an ad hoc basis.

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

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

Appointments to the Corporation
Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a search committee, consisting of three

members of the Corporation, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

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

Remuneration committee
Throughout the year ending 31 July 2015, 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 senior post-holders.

Details of remuneration for the year ended 31 July 2015 are set out in notes 5 and 6 to the financial statements.

Audit and Risk Committee
The Audit and Risk Committee comprises three 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 and Risk Committee meets on a termly basis and provides a forum for reporting by the College's regularity 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.

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

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

In March 2013 KPMG were appointed as regularity and financial statements auditors for the College.

Internal control

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

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Palmer's College for the year ended 31 July 2015 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 2015 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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

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

The College carefully analyses the risks to which it is exposed, and a programme of external assurance was agreed with the Audit and Risk Committee. The Committee was provided with regular reports on this external assurance activity in the College. The reports included independent assessments on the adequacy and effectiveness of key areas of the College's systems, and was targeted at higher risk areas. The basis of targeted external assurance work will continue for the year ended 31 July 2015.

Palmer's College did not use an internal audit service during the year ending 31 July 2015. The College management and the Governors assessed the internal controls and produced an Internal Financial Management and Control Evaluation. They also carried out an assurance mapping exercise. For the year ending 31 July 2015 internal audit carried out a review of Governance and Risk Management. The Internal Financial Monitoring and Control Evaluation assessment was also completed.

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

- the work of the internal auditors in previous years and the current year (if any);
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework; and
- comments made by the College's financial statements and regularity auditors in their management letters and other reports.

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

The Senior Management Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Audit and 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 and Risk Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

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

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

Approved by order of the members of the Corporation on 9 December 2015 and signed on its behalf by:

Mark Vinall

Clive Attwood
Chairman

Mark Vinall
Accounting Officer

Governing Body's statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding

The Corporation has considered its responsibility to notify the Education Funding Agency (EFA) of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the financial memorandums in place between the College and the funding agencies. As part of its consideration the Corporation has had due regard to the requirements of the financial memorandums.

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 EFA's terms and conditions of funding under the College's financial memorandums.

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

Clive Attwood
Chairman

Mark Vinall
Accounting Officer

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the Funding Agreement between the EFA, 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 2007 *Statement of Recommended Practice – Accounting for Further and Higher Educations* and with the *Accounts Direction for 2014 to 2015 financial statements* issued jointly by the Skills Funding Agency and the EFA, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

The Corporation is also required to prepare a Members Report which describes what it is trying to do and how it is going about it, including 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 and the EFA are used only in accordance with the Financial Memorandum with the Skills Funding Agency and the EFA 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 and the EFA are not put at risk.

Approved by order of the members of the Corporation on 09 December 2015 and signed on its behalf by:

Clive Attwood
Chair

Independent Auditor's Report to the Corporation of Palmer's College

We have audited the College financial statements ("the financial statements") of Palmer's College for the year ended 31 July 2015 set out on pages 25 to 47. The financial reporting framework that has been applied in their preparation is applicable law and UK accounting standards (UK Generally Accepted Accounting Practice).

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

Respective Responsibilities of the Corporation of Palmer's College and Auditor

As explained more fully in the Statement of the Corporation's responsibilities set out on page **19**, the Corporation is responsible for the preparation of financial statements which give a true and fair view.

Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2015 and of the **surplus** for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice: and
- have been properly prepared in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education.

Opinion on other matters prescribed by the Joint Audit Code of Practice issued jointly by the Skills Funding Agency and the Education Funding Agency

In our opinion:

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

S Beavis

Stephanie Beavis 18 **December 2015**
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
6 Lower Brook Street,
Ipswich,
Suffolk
IP4 1AP

Reporting Accountant's Report on Regularity to the Corporation of Palmer's College and the Secretary of State for Education acting through the Education Funding Agency

In accordance with the terms of our engagement letter dated 7 June 2013 and further to the requirements of the funding agreement with Education Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Palmer's College during the period 1 August 2014 to 31 July 2015 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

This report is made solely to the Corporation of Palmer's College and the Education Funding Agency in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Corporation of Palmer's College and Education 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 Palmer's College and Education Funding Agency for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Palmer's College and the reporting accountant

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

Our responsibilities for this engagement are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Joint Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2014 to 31 July 2015 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

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

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

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

The work undertaken to draw our conclusion included:

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

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

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2014 to 31 July 2015 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

S Beavis

Stephanie Beavis
For and on behalf of KPMG LLP, Reporting Accountant
Chartered Accountants
6 Lower Brook Street, Ipswich, Suffolk, IP4 1AP
18 **December 2015**

Income and Expenditure Account

	Notes		2015		2014
		£'000	£'000	£'000	£'000
INCOME					
Funding body grants	2		9,718		9,693
Other income	3		1,038		1,225
Interest received	4		0		0
Total income			**10,756**		**10,918**
EXPENDITURE					
Staff costs	5	7,346		7,350	
Other operating expenses	7	2,318		2,649	
Depreciation	10	808		788	
Interest and other finance costs	8	62		115	
Total expenditure			**10,534**		**10,902**
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and before exceptional items and tax			**222**		**16**
Surplus on disposal of assets			0		1
Surplus for the year retained within general reserves			**222**		**17**

The income and expenditure account is in respect of continuing activities.

Note of Historical Cost Surpluses and Deficits

	Notes	2015	2014
		£'000	£'000
Surplus on continuing operations before taxation		222	17
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount		0	0
Historical cost surplus for the year after taxation		**222**	**17**

Statement of Total Recognised Gains and Losses

	Notes	2015	2014
		£'000	£'000
Surplus on continuing operations after depreciation of assets at valuation and disposals of assets and tax		222	17
Actuarial gain/(loss) in respect of pension scheme	24	(63)	248
		159	**265**
Reconciliation			
Opening reserves and endowments		**401**	136
Total recognised gains / (losses) for the year		159	265
Closing reserves		**560**	**401**

Balance sheet as at 31 July

	Notes	2015	2014
		£'000	£'000
Fixed assets			
Tangible assets	10	8,572	8,620
Investments	11	0	0
Total fixed assets		**8,572**	**8,620**
Current assets			
Debtors	12	172	550
Cash at bank and in hand		1,730	1,382
Total current assets		1,902	1,932
Less: Creditors – amounts falling due within one year	13	(870)	(994)
Net current assets		**1,032**	**938**
Total assets less current liabilities		**9,604**	**9,558**
Less: Creditors – amounts falling due after more than one year	14	(1,012)	(957)
Net assets excluding pension (liability)/asset		**8,592**	**8,601**
Net pension liability	24	(2,576)	(2,392)
NET ASSETS INCLUDING PENSION LIABILITY		**6,016**	**6,209**
Deferred capital grants	16	5,456	5,808
Reserves			
Income and expenditure account excluding pension reserve	17	3,136	2,793
Pension reserve	24	(2,576)	(2,392)
Income and expenditure account including pension reserve	17	560	401
TOTAL FUNDS		**6,016**	**6,209**

The financial statements on pages 25 to 47 were approved by the Corporation on 9 December 2015 and were signed on its behalf on that date by:

Clive Attwood
Chairman

Mark Vinall
Accounting Officer

The notes on pages 29 to 47 form part of these financial statements

Cash Flow Statement

	Notes	2015	2014
		£'000	£'000
Cash inflow from operating activities	18	1,001	1,365
Returns on investments and servicing of finance	19	(62)	(49)
Capital expenditure and financial investment	20	(634)	(1,417)
Financing	21	43	(74)
Increase/(Decrease) in cash in the year		**348**	**(175)**

Reconciliation of net cash flow to movement in net funds

Increase/(Decrease) in cash in the period	348	(175)
Cash inflow/ (outflow) from liquid resources	(43)	73
Movement in net funds in the period	305	(102)
Net funds at 1 August	365	467
Net funds at 31 July	**670**	**365**

Notes to the Accounts

1. Accounting policies

Statement of accounting policies

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

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2007* (the SORP), the *Accounts Direction for 2014 to 2015 financial statements* and in accordance with applicable Accounting Standards.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention and in accordance with applicable United Kingdom Accounting Standards

Going concern

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

The College currently has £909,000 of loans outstanding with bankers on terms negotiated between 2006 and 2009. It also has a £103,000 interest free loan with Salix. 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.

The Corporation is aware that future income is expected to be lower than at present because student numbers are falling and because future government funding may be reduced. It considers that careful planning should enable it to manage its expenditure to match future resources. Accordingly, it has initiated a strategic review which will consider staff structures, effective use of procurement expertise to obtain value for money in its contracts, use of financial information to assess viability of courses and which will also explore the scope for joint working with other Further Education providers to gain economies of scale. It also notes that the recent Teaching staff review has provided a more flexible structure better able to respond to changes in teaching demand.

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

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

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

Income from grants, contracts and other services rendered is included to the extent the conditions of the funding have been met or the extent of the completion of the contract or service concerned.
All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

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

Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 24, the TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The assets of the LGPS are measured using closing market values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

Tangible fixed assets
Land and buildings
The College operates from land and buildings owned by the William Palmer College Educational Trust ('the Trust'). It has full use of the land and buildings rent free.

The Charity Commission set out the use of the property as 'subject as hereinafter provided the Trustees shall permit the land and buildings to be appropriated and used for the purposes of a voluntary controlled school within the meanings of the Educational Acts 1944 to 1973.'

Whilst there is no defined expectation of the length of occupancy, it is accepted that the College will operate from the site for at least the next 100 years. The land and buildings owned by the Trust have been excluded from capitalisation on the basis that it is not practicable to obtain valuation of this benefit.

The College is conscious of the great debt it owes to the Trust, not only for providing facilities and resources of the highest quality, but also giving financial assistance to many of its students, who might otherwise suffer hardship whilst attending the College or may even be forced to leave. As the College has spent funds on capital items relating to the Trust's property, a copy of these financial statements will be supplied to the Trustees.
Buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account reserve on an annual basis. Building improvements made since incorporation are included in the balance sheet at cost. Freehold buildings are depreciated over their expected useful economic life to the College of between 20 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 20 and 50 years.

Where buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account, and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Subsequent expenditure on existing fixed assets
Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- Market value of the fixed asset has subsequently improved
- Asset capacity increases
- Substantial improvement in the quality of output or reduction in operating costs
- Significant extension of the asset's life beyond that conferred by repairs and maintenance

Equipment
Equipment costing less than £250 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost. Equipment inherited from the local education authority is included in the balance sheet at valuation.

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

▪ Education, catering and maintenance equipment	4 - 10 years on a straight-line basis
▪ Office equipment	4 - 10 years on a straight-line basis
▪ Computer equipment	4 years on a straight-line basis
▪ Furniture, fixtures and fittings	4 - 15 years on a straight-line basis.

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

Leased assets
Costs in respect of operating leases are charged on a straight-line basis over the lease term.

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright and are capitalised at their fair value at the inception of the lease and depreciated over the shorter of the lease term or the useful economic lives of equivalently owned assets. The capital element outstanding is shown as obligations under finance leases.

The finance charges are allocated over the period of the lease in proportion to the capital element outstanding. Where finance lease payments are funded in full from funding council capital equipment grants, the associated assets are designated as grant-funded assets.

Taxation
The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

Liquid resources
Liquid resources include sums on short-term deposits with recognised banks, building societies and government securities.

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

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 account and are shown separately in Note 29, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant. The College employs one member of staff dedicated to the administration of Learner Support Fund applications and payments.

2 Funding body grants

	2015	2014
	£'000	£'000
EFA recurrent grant	9,207	9,255
SFA recurrent grant	7	20
EFA non recurrent grants	56	51
Other funding body non recurrent grants	67	22
Releases of deferred capital grants (note 16)	381	345
Total	**9,718**	**9,693**

3 Other income

	2015	2014
	£'000	£'000
Catering	291	316
Lettings	17	12
Sports and Fitness Centre	326	299
Transport Income	83	58
College Trips	215	456
Releases from deferred grants	96	75
Sundry income	10	9
Total	**1,038**	**1,225**

4 Investment income

	2015	2014
	£'000	£'000
Other interest received	**0**	**0**

5 Staff costs

The average number of persons (including senior post-holders) employed by the College during the year, described as full-time equivalents, was:

	2015	2014
	No.	No.
Teaching staff	91	106
Non-teaching staff	82	84
	173	**190**

Staff costs for the above persons

	2015	2014
	£'000	£'000
Wages and salaries	5,955	6,070
Social security costs	415	421
Other pension costs (including FRS 17 adjustments of £108,000; 2014 £43,000)	873	794
	7,243	**7,285**
Restructuring costs	**103**	**65**
Total Staff costs	**7,346**	**7,350**

The number of senior post-holders and other staff who received annual emoluments, excluding pension contributions but including benefits in kind, in the following ranges was:

	No.	No.
£60,001 to £70,000	4	3
£70,001 to £80,000	1	1
£80,001 to £90,000	0	0
£90,001 to £100,000	0	0
£100,001 to £110,000	0	0
£110,001 to £120,000.	1	1
	6	**5**

No other staff received more than £60,000. This table includes 2 holders of the post of Assistant Principal (Finance & Resources) as the original postholder retired during the year.

6 Senior post-holders' emoluments

Senior post-holders are defined as the Accounting Officer and holders of the other senior posts whom the Governing Body has selected for the purposes of the articles of government of the College relating to the appointment and promotion of staff who are appointed by the Governing Body.

	2015	2014
	No.	No.
The number of senior post-holders including the Accounting Officer was:	6	5

Senior post-holders' emoluments are made up as follows:

	2015	2014
	£'000	£'000
Salaries	372	376
Pension contributions	53	53
Total emoluments	425	429

The above emoluments include amounts payable to the Accounting Officer (who is also the highest paid senior post-holder) of:

	2015	2014
	£'000	£'000
Salaries	110	109
Non pensionable payment	0	0
	110	109
Pension contributions	16	15

The pension contributions in respect of the Accounting Officer and senior post-holders are in respect of employer's contributions to the Teachers' Pension Scheme and the Local Government Pension scheme and are paid at the same rate as for other employees.

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

7 Other operating expenses

	2015	2014
	£'000	£'000
Teaching costs	226	251
Non-teaching costs	1,414	1,673
Premises costs	678	725
Total	**2,318**	**2,649**

Other operating expenses include:	**2015**	**2014**
	£'000	£'000
Auditors' remuneration:		
Financial statements audit	18	17
Internal audit	9	9
Hire of other assets – operating leases	96	54

8 Interest and other finance costs

	2015	2014
	£'000	£'000
Repayable wholly or partly in more than five years	49	52
Pension finance costs (note 24)	13	63
Total	**62**	**115**

9 Surplus on continuing operations for the year

The surplus on continuing operations for the year is made up as follows:

	2015	2014
	£'000	£'000
College's surplus for the year	222	17
Surplus generated by subsidiary undertakings and transferred to the College under gift aid/deed of covenant	0	0
Total	**222**	**17**

10 Fixed Assets

	Leasehold Improvements	Assets Under Construction	Equipment	Total
	£'000 restated	£'000	£'000	£'000
Cost or valuation				
At 1 August 2014	9,063	245	4,769	14,077
Transfers	245	(245)	0	0
Additions	292	103	365	760
Disposals	0	0	0	0
At 31 July 2015	**9,600**	**103**	**5,134**	**14,837**
Depreciation				
At 1 August 2014	2,241	0	3,216	5,457
Charge for the year	487	0	321	808
Elimination in respect of disposals	0	0	0	0
At 31 July 2015	**2,728**	**0**	**3,537**	**6,265**
Net book value at 31 July 2015	**6,872**	**103**	**1,597**	**8,572**
Net book value at 31 July 2014	**6,822**	**245**	**1,553**	**8,620**

The College occupies land and buildings at Chadwell Road, Grays which are owned by the William Palmer College Educational Trust. The title to the land is vested in the Official Custodian for Charities in trust for the charity. There is no formal agreement to occupy. The properties are maintained and insured by the College (for details please see note 28). The properties are not included in the balance sheet.

The transitional rules set out in FRS15 Tangible Fixed Assets have been applied on implementing FRS 15. Accordingly the net book values at implementation have been retained.

Inherited buildings were valued for the purpose of the 1994 financial statements at depreciated replacement cost by Essex County Council Property Services in accordance with the RICS statement of Asset Valuation Practice and Guidance notes. Other tangible assets inherited from Essex County Council at incorporation have been valued by the Corporation on a depreciated replacement cost basis with the assistance of independent professional advice.

Inherited buildings with a net book value of nil were funded by Essex County Council.

11 Investments

	2015	2014
	£	£
Investments in subsidiary company	1	1
Total	**1**	**1**

The College owns 100% of the issued ordinary £1 shares of Palmer's College Catering Limited, a company incorporated in England and Wales. The principal business activity of Palmer's College Catering Limited was that of vending machine sales but it ceased trading during 2012. The amount of issued share capital is £1.

12 Debtors

	2015	2014
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	4	8
Prepayments and accrued income	168	107
Amounts owed by the EFA	0	435
Total	**172**	**550**

13 Creditors: amounts falling due within one year

	2015	2014
	£'000	£'000
Loans and overdrafts	48	60
Trade creditors	191	220
Other taxation and social security	121	124
Accruals	510	590
Total	**870**	**994**

14 Creditors: amounts falling due after one year

	2015	2014
	£'000	£'000
Bank loans	909	957
Other Loan - Salix	103	0
Total	**1,012**	**957**

15 Borrowings

(a) Loans and overdrafts

Loans and overdrafts are repayable as follows:

	2015 £'000	2014 £'000
In one year or less	48	60
Between one and two years	77	47
Between two and five years	243	104
In five years or more	692	806
Total	**1,060**	**1,017**

The College has three loans over a 25 year period. The first loan started in January 2006 and was for £500k fixed at 6.025%. A variable loan started at the same time for £250k at 0.75% over base rate. A further fixed rate loan over 25 years started in February 2009 for £500k fixed at 4.965%. The college is also taking out a new Salix loan, included in the accounts at £103k, repayable over 4 years. This loan is interest free. All of the loans are unsecured.

(b) Finance leases

There are currently no net finance lease obligations to which the institution is committed

16 Deferred capital grants

	Funding body £'000	Other grants £'000	Total £'000
At 1 August 2014	4,655	1,153	5,808
Grants received		125	125
Grants receivable			
Released to income and expenditure account	(381)	(96)	(477)
At 31 July 2015	**4,274**	**1,182**	**5,456**

17 Movement on general reserves

	2015 £'000	2014 £'000
Income and expenditure account reserve		
At 1 August	401	136
Surplus retained for the year	222	17
Actuarial gain/(loss) in respect of pension scheme	(63)	248
At 31 July	**560**	**401**
Balance represented by:		
Pension reserve	**(2,576)**	**(2,392)**
Income and expenditure account reserve excluding pension reserve	**3,136**	**2,793**
At 31 July	**560**	**401**

18 Reconciliation of consolidated operating surplus to net cash inflow from operating activities

	2015 £'000	2014 £'000
Surplus on continuing operations after depreciation of assets at valuation	222	17
Depreciation (notes 1 and 10)	808	787
Deferred capital grants released to income (note 16)	(477)	(420)
Profit on disposal of tangible fixed assets	0	1
Interest payable (note 19)	62	52
FRS 17 pension cost less contributions payable (notes 5 and 24)	121	106
Decrease/(Increase) in debtors	377	958
Increase in creditors	(112)	(136)
Net cash inflow from operating activities	**1,001**	**1,365**

19 Returns on investments and servicing of finance

	2015	2014
	£'000	£'000
Interest paid	(62)	(49)
Net cash outflow from returns on investment and servicing of finance	**(62)**	**(49)**

20 Capital expenditure and financial investment

	2015	2014
	£'000	£'000
Purchase of tangible fixed assets	(759)	(1,632)
Deferred capital grants received	125	215
Net cash (outflow)/inflow from capital expenditure and financial investment	**(634)**	**(1,417)**

21 Financing

	2015	2014
	£'000	£'000
Debt due beyond a year:		
New unsecured loan repayable by 2020	103	0
Repayment of amounts borrowed	(60)	(74)
Net cash inflow/(outflow) from financing	**43**	**(74)**

22 Analysis of changes in net funds

	At 1 August 2014 £'000	Cash flows £'000	Other changes £'000	At 31 July 2015 £'000
Cash in hand, and at bank	1,382	348	0	1,730
Debt due within 1 year	(60)	60	(48)	(48)
Debt due after 1 year	(957)	(103)	48	(1,012)
Total	**365**	**305**	**0**	**670**

23 Cash flow relating to exceptional items

	2015	2014
	£'000	£'000
Provision as at 1 August		
Income and expenditure account charge	0	0
Operating cash outflow	0	0
Provision as at 31 July	**0**	**0**

There are no exceptional items in 2014/15

24 Pension and similar obligations

The College's employees belong to two principal pension schemes: 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 Essex County Council. Both are defined-benefit schemes.

Total pension cost for the year		**2015**		**2014**
		£000		**£000**
Teachers Pension Scheme: contributions paid		508		513
Local Government Pension Scheme:				
Contributions paid	274		238	
FRS 17 charge	108		43	
Charge to the Income and Expenditure Account (staff		382		281
Enhanced pension charge to Income and Expenditure Account (staff costs)				
Total Pension Cost for Year		**890**		**794**

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2013.

Valuation of the Teachers' Pension Scheme

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

- employer contribution rates were set at 16.4% of pensionable pay;
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay.

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

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:

https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx

Scheme Changes

Following the Hutton report in March 2011 and the subsequent consultations with trade unions and other representative bodies on reform of the TPS, the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection.

Regulations giving effect to a reformed Teachers' Pension Scheme came into force on 1 April 2014 and the reformed scheme will commence on 1 April 2015.

The pension costs paid to TPS in the year amounted to £508k (2014: £513k).

FRS 17

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme.

Accordingly, the College has taken advantage of the exemption in FRS17 and has accounted for its contributions to the scheme as if it were a defined-contribution scheme. The College has set out above the information available on the scheme and the implications for the College in terms of the anticipated contribution rates.

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate funds administered by Essex County Council. The total contributions made for the year ended 31 July 2015 was £371,000, of which employer's contributions totalled £274,000 and employees' contributions totalled £97,000. The agreed contribution rates for future years are 16.0% for employers and range from 5.5% to 9.9% for employees, depending on salary.

FRS 17

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2013 updated to 31 July 2015 by a qualified independent actuary

	At 31 July 2015	**At 31 July 2014**
Rate of increase in salaries	4.4%	4.5%
Rate of increase for pensions in payment / inflation	2.6%	2.7%
Discount rate for scheme liabilities	3.8%	4.2%
Inflation assumption (CPI)	2.6%	2.7%
Commutation of pensions to lump sums	60%	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 2015	**At 31 July 2014**
Retiring today		
Males	22.8	22.7
Females	25.2	25.1
Retiring in 20 years		
Males	25.1	24.9
Females	27.6	27.4

The College's share of the assets and liabilities in the scheme and the expected rates of return were:

	Value at 31 July 2015 £'000	Long-term rate of return expected at 31 July 2014	Value at 31 July 2014 £'000
Equities	4,300	6.5%	3,870
Government	268	3.4%	371
Bonds other	642	4.0%	644
Property	765	5.5%	695
Cash	163	3.2%	171
Alternative Assets	476	4.0%	231
Total market value of assets	**6,614**		**5,982**
Present value of scheme liabilities			
- Funded	(9,190)		(8,374)
- Unfunded	0		0
Related deferred tax liability	0		0
Deficit in the scheme	**(2,576)**		**(2,392)**

Introduction of FRS102 will mean the removal of expected return on assets and its replacement by a net interest cost calculated with reference to the discount rate. In this transition year, accordingly, Essex Pension Fund has not supplied Long-term rate of return expected at 31 July 2015. The applicable Discount Rate at 31st July 2015, on which net interest calculation will be based, is 3.8%.

Analysis of the amount charged to income and expenditure account

	2015 £'000	2014 £'000
Employer service cost (net of employee contributions)	382	280
Past service cost	0	0
Total operating charge	**382**	**280**

	2015 £'000	2014 £'000
Analysis of pension finance income / (costs)		
Expected return on pension scheme assets	340	330
Interest on pension liabilities	(353)	(393)
Pension finance income / (costs)	**(13)**	**(63)**

Amount recognised in the statement of total recognised gains and losses (STRGL)

	2015 £'000	2014 £'000
Actual return less expected return on Fund assets	364	72
Correction for estimations during roll-forward process	0	(183)
Experience adjustments on Fund assets	364	(111)
Experience gains and losses	0	649
Actuarial (losses)/gains/ on scheme liabilities	(427)	(290)
Actuarial gain recognised in STRGL	**(63)**	**248**

Movement in surplus/(deficit) during year

	2015 £'000	2014 £'000
Surplus/(deficit) in scheme at 1 August	(2,392)	(2,534)
Movement in year:		
Employer service cost (net of employee contributions)	(382)	(280)
Employer contributions	274	237
Settlements and Curtailments	0	0
Net interest/return on assets	(13)	(63)
Actuarial gain or (loss)	(63)	248
Deficit in scheme at 31 July	**(2,576)**	**(2,392)**

Asset and Liability Reconciliation

Reconciliation of Liabilities

	2015 £'000	2014 £'000
Liabilities at start of period	8,374	8,343
Service cost	382	280
Interest cost	353	393
Employee contributions	97	86
Actuarial (gain)/loss	427	(359)
Benefits paid	(443)	(369)
Curtailments and settlements	0	0
Liabilities at end of period	**9,190**	**8,374**

Reconciliation of Assets

	2015 £'000	2014 £'000
Assets at start of period	5,982	5,809
Expected return on assets	340	330
Actuarial gain/(loss)	364	(111)
Employer contributions	274	237
Employee contributions	97	86
Benefits paid	(443)	(369)
Assets at end of period	**6,614**	**5,982**

The estimated value of employer contributions for the year ended 31 July 2016 is £278k.

Deficit contributions

The College has entered into an agreement with the LGPS to make additional contributions of £29k per annum in addition to normal funding levels until the next full valuation at which point the situation will be reviewed again.

History of experience gains and losses

	2015	2014	2013	2012	2011
Difference between the expected and actual return on assets:					
Amount £'000	364	(111)	689	(246)	305
Total amount recognised in STRGL:					
Amount £'000	(63)	248	851	(889)	(307)

25 Post-balance sheet events

There are no post balance sheet events.

26 Capital commitments

	2015	2014
	£'000	£'000
Commitments contracted for at 31 July	97	580
Authorised but not contracted at 31 July	0	0

27 Financial commitments

At 31 July the College had annual commitments under non-cancellable operating leases as follows:

	2015	2014
	£'000	£'000
Other		
Expiring within one year	3	0
Expiring within two and five years inclusive	154	191
	157	191

28 Related party transactions

As a consequence of its representation on the Corporation, The William Palmer College Educational Trust is a related party within the terms of Financial Reporting Standard 8 "Related Party Disclosures". As stated in note 11, the College continues to occupy land and buildings at Chadwell Road, Grays controlled by The William Palmer College Educational Trust. The Trust has made no charge to the College in respect of this occupancy. The College has paid maintenance and improvement costs connected with this site of £230k (2014 £234k) without seeking reimbursement from the Trust. These arrangements have been in place since the College's incorporation in 1993.

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

The total expenses paid to or on behalf of the Governors during the year was £0, 0 governors (2013/14 £50, 1 governor) This represents travel and other out of pocket expenses incurred in attending Governor meetings and training events.

No Governor has received any remuneration or waived payments from the College during the year (2013/14: none).

Transactions with the funding bodies are detailed in notes 2, 12, 13 and 16.

29 Amounts disbursed as agent

	2015	2014
	£'000	£'000
Funding body grants – hardship support	260	235
Disbursed to students	(176)	(226)
Administration costs	(9)	(9)
Balance unspent as at 31 July, included in creditors	75	0

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 income and expenditure account. The income and expenditure consolidated in the College's financial statements relates to the purchase of some equipment from the access fund and the payment of accommodation by the College on the student's behalf.