



**Report and Financial Statements
for the year ended 31 July 2017**

Contents

	Page
Operating & Financial Review	2
Statement of Corporate Governance and Internal Control	15
Governing Body's statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding	23
Statement of Responsibilities of the Members of the Corporation	24
Independent Auditors' Report to the Corporation of Stephenson College	25
Reporting Accountants Assurance Report on Regularity to the Corporation of Stephenson College	28
Statement of Comprehensive Income	30
Statement of Changes in Reserves	31
Balance Sheet as at 31 July 2017	32
Statement of Cash Flows	33
Notes to the Accounts	34

NATURE, OBJECTIVES AND STRATEGIES

The members present their report and the audited financial statements for the year ended 31 July 2017.

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting the business of Stephenson College. The College is an exempt charity for the purposes of the Charities Act 2011. The Corporation was incorporated as Coalville Technical College. In June 1997, the Secretary of State granted consent to the Corporation to change its name to Stephenson College.

Mission

The mission of Stephenson College is “Excellence in Innovation and Learning”.

Public Benefit

Stephenson College is an exempt charity under Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 16 and 17.

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
- Links with employers, industry and commerce.

The College delivery of public benefit is covered throughout the Operating and Financial Review.

Principal place of business

The College’s principal place of business is:

Stephenson College
Thornborough Road
Coalville
Leicestershire
LE67 3TN

Implementation of the Strategic Plan

The College's Corporate Objectives are designed to deliver the mission during 2016/17:

The College is committed to:

Quality

We will achieve outstanding results by being innovative and using the creativity of all of our stakeholders.

Efficiency

Working collaboratively, we will add value for the stakeholders we serve by understanding, anticipating and fulfilling their needs and expectations.

Diversification

We will empower our colleagues and create a culture to support efficiency and achievement in both organisational and personal goals.

Corporate Social Responsibility

We will have a positive impact on the world around our College by advancing the economic, environmental and social conditions of the communities we serve.

The 2016/17 Operating Statement illustrated actions for the Corporate Objectives to be achieved and the risks associated with each. The College has achieved the following:

Quality

The College was inspected by Ofsted in May 2017 and maintained an overall grade of 'Good'. Provision for adult learners was graded as outstanding. Education and Training all age, all level overall achievement exceeds the national rate. Apprenticeship overall and timely success both exceed national rates. Progress in English and maths by 16-18 learners exceed sector averages. Positive sustained destinations for 16-18 learners have improved from 79% to 84%, 23% go on to apprenticeships, more than double the national rate, and 50% go into sustained employment. Adult learners continue to exceed national rates in all outcome based success measures, including sustained positive destinations and benefit learners also exceed the national rate for sustained employment.

Efficiency

Applying the Ofsted Common Inspection Framework 2015 criteria, the College has self assessed the effectiveness of leadership and management grade as 'Good.' The assessment grade, as judged by the Education and Skills Funding Agency, for the financial health of the college is 'Outstanding' for 2016/17.

Diversification

Provision for the unemployed is delivered through a range of sector based work academy programmes delivered in conjunction with Job Centre Plus and a number of companies in Leicestershire.

The College delivers national apprenticeship training in the construction, engineering and motor vehicle sectors which include progression routes to Higher National Diploma Courses. Adult provision, graded outstanding by Ofsted, largely comprises distance learning courses delivered across England.

Corporate Social Responsibility

The College supports the Skills Show and World Skills competitions. A number of college students take part as volunteers at the Skills Show.

The College has been chosen by World Skills UK to quality assure their Professional Recognition Programme pilot.

The College is a member of the North West Leicestershire Economic Growth Group.

The Principal and Chair of Governors represent Leicestershire as members of the Association of Colleges East Midlands regional committee.

The College is part of the Principals Group within D2N2.

The Principal is a member of the Association of Colleges (AoC) Board representing the East Midlands and represents the AoC as a board member of the Education and Training Foundation.

The Principal was awarded an OBE in the Queen's Birthday Honours list for services to further education and apprenticeships.

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 fund continued capital investment.
- To increase the efficiency of procurement.

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

Performance Indicators

FE Choices performance indicators are available on www.gov.uk and cover:

- Success rates
- Learner destinations
- Learner satisfaction
- Employer satisfaction

The College's success rates in both Education and Training and Apprenticeship provision exceed the last published national rates.

FINANCIAL POSITION

Financial results

The College generated a deficit before other gains and losses in the year of £127,000 (2015/16 deficit of £123,000) and comprehensive income of £798,000 (2015/16 £363,000).

The College has accumulated reserves of £10,344,000 and cash balances of £3,049,000. The College wishes to accumulate reserves and cash balances in order to create a contingency fund.

Tangible fixed asset additions during the year amounted to £173,000. This was entirely equipment purchases.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2016/17 the funding bodies provided 71.1% of the College's total income, (2015/16 73.1%).

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.

Cash Flows

The net cash inflow for the year was £902k (2015/16 £414k). The year-end balance of investments and cash in hand and bank of £3,049m was regarded as satisfactory.

Liquidity

During the year, the College had no new loans. 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 cash flow. During the year this margin was comfortably exceeded.

Reserves Policy

The College has no formal Reserves Policy, but recognises the importance of reserves in the financial stability of an organisation, whilst ensuring that adequate resources are provided for the College's core business. The College currently holds no restricted reserves. As at the balance sheet date, the Income and Expenditure account reserve stands at £10,344k (2016: £9,546k). It is the Corporation's intention to increase reserves over the life of the Strategic Plan, by the generation of annual operating surpluses.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student Numbers

In 2016/17 the College has delivered activity that has produced £9,425,000 in funding body main allocation funding (2015/16 £10,020,000). The College has approximately 5,142 funded or co-funded learners and 1,554 non funded learners.

Student achievements

The College was inspected by Ofsted in May 2017 and maintained an overall grade of good, with adult provision graded outstanding and apprenticeship provision graded good. These elements represent the majority of the work of the college both in terms of student numbers and income.

The resulting college quality improvement plan focuses on securing improvements in the delivery of study programmes at level 3 and in ensuring that external survey outcomes accurately reflect the quality of the college across all areas of provision.

Education and training student overall achievement rate is 89.9% (2015/16 87.1%) which is 7.9% higher than national average performance for classroom based learning.

Timely and overall success rates for apprenticeships exceed the national averages. The timely success rate is 5.4% above the national rate.

Attendance across the College for all provision is 87.9% (2015/16 85.7%).

Curriculum developments

Curriculum development in the College is driven by a combination of employer demand, learner demand and national and local priorities identified in partnership with the Local Enterprise Partnership and other stakeholders.

The College quality department assures its subcontractor partners rigorously.

The College continues to focus on vocational skills and employability and is the supplier of choice for many national and international companies for dedicated apprentice training schemes.

The College continues to deliver Higher Education including Higher Apprenticeships to ensure a wide range of progression opportunities for learners from Level 3 courses.

The College has contributed to the work of a number of apprenticeship standards 'trailblazer' groups and has started the delivery of standards following successful entry onto the Register of Apprenticeship Training Providers.

Leadership and Management

In the year the College has:

- Maintained a rigorous performance management process for lecturers.
- Ensured teaching, learning and assessment remains at the centre of quality improvements.
- Acted as a member of the Leicestershire Safeguarding Board.

- Actively promoted British Values throughout the college and ensured compliance with the Prevent agenda.
- Reported 'Outstanding' financial health.
- Provided the Principal to be on the AoC Board and to represent the AoC as a board member of the Education and Training Foundation.
- Been inspected by Ofsted and graded as a "good" college.
- Approved by the ESFA for the Register of Apprenticeship Training Providers.

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 percent. During the accounting period 1 August 2016 to 31 July 2017, the College paid the majority of its invoices within 30 days. The College did not incur any interest charges in respect of late payment for this period.

Post balance sheet events

There have been no significant post balance sheet events that require disclosure.

Future developments

The College currently secures income from a range of sources across both public and private sectors and aims to increase the proportion of work carried out on a commercial basis.

RESOURCES

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

Physical

Tangible resources include the main College site and one campus in Nottingham.

Financial

The College has £10.3 million of net assets including a £6.3 million pension liability and long term debt of £3.2 million.

People

The College employed 251 people in the year (expressed as full time equivalents), of whom 133 were 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 continues 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 Senior Management Team undertake 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 Senior Management Team also considers 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 every Audit Committee. 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.

During the year twenty two risks were identified. At the last risk review meeting undertaken in 2016/17 these were classified as follows:

- 3 managed risks.
- 5 low risks.
- 8 housekeeping risks.
- 3 contingency risks.
- 3 significant risks.

Outlined below is a description of the key 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. Negative impact on College funding following the introduction of the Apprenticeship levy.
2. Insufficient student numbers recruited

Not achieving the planned level of recruitment will impact upon the resources available to the College. The demographic of learners has not been favourable for a number of years and will continue to decline.

Actions were taken throughout the year to mitigate the risks and a new plan for 2017/18 addressing the current strategic plan is now in place.

STAKEHOLDER RELATIONSHIPS

Stephenson College has many stakeholders. These include:

- Students
- Education sector funding bodies
- Staff
- Leicestershire County Council
- North West Leicestershire District Council
- Leicester & Leicestershire Local Enterprise Partnership
- D2N2 Local Enterprise Partnership
- Employer partners including Bam Nuttall, Cummins, Vinci, Pullman Fleet, Interserve, Renault Trucks, Western Power, NAMA, Petit Forestier, Aggregate Industries, Ryder, Sanctuary Housing and Volvo.
- The local community
- UCU and Unison Trade Unions
- Ofsted
- FE Commissioner

The College is also a member of the AoC, EMFEC, the Leicestershire Schools Forum and the North West Leicestershire Economic Growth Group.

Through regular communication such as the College's newsletter, "The Rocket", representation on Steering Groups, the local Children and Young Peoples Board and other strategic committees the College recognises the importance of these stakeholder relationships.

Equality and Diversity

The College is committed to ensuring that we provide an inclusive learning and working environment where everyone can reach their full potential, regardless of their background.

Our Equality and Diversity Policy is published on the College's website. It applies to all members of the Stephenson College community and is designed to create an environment where equality, diversity and inclusion is naturally part of our everyday life, covering all aspects of our activity.

We aim to:

- Promote equality and diversity across all of our activities
- Foster and promote good relations between people of a diverse background
- Eliminate unlawful discrimination, harassment and victimisation
- Encourage and widen participation, raise standards and advance aspiration for all

In support of our aims and to ensure that we meet our legal duties, we have agreed a number of Equality Objectives. These are published on the College's website. They are reviewed regularly and are an integral part of our business planning.

The College publishes an Annual Equality and Diversity Report to ensure compliance with all relevant equality legislation including the Equality Act 2010.

The College is recognised by the Department for Work and Pensions as a 'Disability Confident Employer' and has committed to the principles and objectives of the Disability Confident Scheme. The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential selection criteria for the post, which is outlined in the person specification for the role they are applying for.

Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. In these circumstances the College considers reasonable adjustments to the working conditions or environment that may be required to enable employees to carry out the duties of their role.

The College's policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non-disabled employees.

The College has maintained an Equality & Diversity training programme which all staff have completed. Refresher training and training for new starters as part of their induction is carried out on an ongoing basis.

Disability Statement

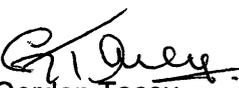
The College seeks to achieve the objectives set down in the Equality Act 2010.

- a) The College campuses are both Equality Act 2010 compliant.
- b) There is specialist equipment, such as radio aids, which the College can make available for use by students and a range of assistive technology is available upon request.
- c) The admissions policy for all students is described in the College website. Appeals against a decision not to offer a place are dealt with under the complaints policy.
- d) The College has made a significant investment in the appointment of a Special Educational Needs Coordinator (SENCO) to ensure that students with learning difficulties and/or disabilities receive support appropriate to their needs. There are a number of Learning Support Assistants 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.
- e) Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.
- f) Counselling and welfare services are described in the College Student Handbook, which is issued to students together with the Complaints and Disciplinary Procedure in electronic form 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 6 December 2017 and signed on its behalf by:


Gordon Tacey
Chair

Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

Key management personnel are defined as members of the College Leadership Team and were represented by the following in 2016/17:

Nigel Leigh Principal and CEO; Accounting Officer

Sylvia Royle Director of Resources

Simon Kibble Director of Quality and Development

Catherine Duro Director of Corporate Services

Vanessa Scales Director of Human Resources

Board of Governors

A full list of Governors is given on pages 16 and 17 of these financial statements. Mrs C Duro acted as Clerk to the Corporation throughout the period.

Financial statements auditors and reporting accountants:

RSM UK Audit LLP
St Philips Point
Temple Row
Birmingham
B2 5AF

Internal auditors:

Mazars LLP
45 Church Street
Birmingham
B3 2RT

Bankers:

Lloyds TSB Bank plc
PO Box 908
125 Colmore Row
Birmingham
B3 2DS

Solicitors:

Shakespeare Martineau LLP
No. 1 Colmore Square
Birmingham
B4 6AA

North West Leicestershire District Council
Council Offices
Whitwick Road
Coalville
Leicester
LE67 3FJ

DAC Beachcroft LLP
3 Hardman Street
Manchester
M3 3HF

Flint Bishop
St Michael's Court
St Michael's Lane
Derby
DE1 3HQ

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2016 to 31 July 2017 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

- in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges (“the Code”);

Statement of Corporate Governance and Internal Control

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in the UK Corporate Governance. Its purpose is to help the reader of the accounts understand how the principles have been applied.

In the opinion of the Governors, the College complies with the provisions of the Code, and it has complied throughout the year ended 31 July 2017. 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 October 2015.

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

Stephenson College
Statement of Corporate Governance and Internal Control (continued)

The Corporation

The members who served on the Corporation during the year and up to the date of signature of this report were as follows:

Member	Date of appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance Out of 5 Meetings
Dr N Leigh OBE	October 2007	-		Principal	Finance & Resources Governance & Search Quality & Standards	5
Mr B Beggan	June 2006 Reappointed August 2010 & August 2014	4 years		Member	Finance & Resources Remuneration	4
Mr C Brown	April 2009 Reappointed May 2013 Reappointed September 2016	4 years		Member	Audit Quality & Standards Remuneration	4
Mr R Chadwick	March 2012 Reappointed September 2016	4 years		Member	Quality & Standards	3
Ms M Duckmanton	March 2013 Reappointed September 2016	4 years		Member	Quality & Standards	2
Mr R Hulse	July 2015	4 years		Member	Audit	4
Mr J Merison	March 2010 Reappointed April 2014	4 years	March 2017	Member	Audit Governance & Search	0 (of 3)
Ms C Osborne	May 2013 Reappointed September 2016	4 years		Member	Quality & Standards	3
Mr A Plastow	September 2013 Reappointed September 2016	4 years		Member	Audit	3
Mrs J Shackleton	May 2011, Reappointed April 2015	4 years		Member	Quality & Standards Remuneration	3
Mr G Tacey	August 2007 Reappointed August 2011 Reappointed 1 st August 2015	4 years		Member	Chair of Corporation (from 1 August 2009) Finance & Resources Governance & Search Remuneration	4
Mr B Devitt	March 2012 Reappointed September 2016	4 years		Co-optee	Audit	0
Ms G Goodman	July 2016	4 years		Member	Governance & Search Remuneration	4
Mr P Burlingham-Hall	December 2016	-		Student Governor	Finance & Resources	3 (of 3)
Mr M Verity	March 2017	-		Student Governor	Quality & Standards	2 (of 2)
Mr B Thornber	March 2017	4 years		Member	Governance & Search	2 (of 2)
Mrs M Plant OBE	July 2016	-		Member		3

Stephenson College
Statement of Corporate Governance and Internal Control (continued)

Member	Date of appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance Out of 5 Meetings
Ms F Spencer	May 2013	4 years	May 2017	Staff	Finance & Resources Governance & Search	1 (of 4)
Mr M Walker	December 2015	4 years		Teaching Staff Governor	Audit Quality & Standards	5
Mrs L Smalley	March 2017			Support Staff Governor	Finance & Resources Governance & Search	2 (of 2)

Catherine Duro provided a service as Clerk to the Corporation throughout 2016/17.

It is the Corporation's responsibility to bring independent judgement to evaluate 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 five times a year.

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:

Audit Committee

Finance & Resources Committee (which also deals with Human Resource)

Quality & Standards Committee

Governance & Search Committee

Remuneration Committee

Strategic Area Review Committee.

Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website [at stephensoncoll.ac.uk] or from the Clerk to the Corporation at:

Stephenson College
Thornborough Road
Coalville
Leicestershire
LE67 3TN

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 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 Chair and Principal are separate.

Appointments to the Corporation

There are currently places for eighteen members of the Corporation including the Principal, two Governors nominated by the College staff and two Governors nominated by the Students. Any new appointments to the Corporation are made by the Corporation as a whole. The Corporation has a Governance & Search Committee comprising of five Corporation members who are responsible for the selection and nomination of any new external member for appointment by the Corporation. The Corporation's policy on the selection of members is available from the clerk.

Members of the Corporation are appointed for a term of office not exceeding four years in accordance with the recommendations of the Committee on Standards in Public Life. The Corporation maintains a skills audit of members and seeks to ensure that a wide range of skills, expertise and diversity is present amongst Governors in order to encourage effective challenge and scrutiny of management plans and actions.

Governance & Search Committee

The Governance & Search Committee comprises of the Chair of the Corporation (ex-officio), and four other members of the Corporation. The Committee operates in accordance with written terms of reference approved by the Corporation. Its purpose is to advise the Corporation on how it can improve its efficiency and effectiveness, as well as dealing with the recruitment and succession planning of governors and committee chairs. The Committee also oversees regular self-assessment processes by which the Corporation reviews and improves the effectiveness with which it fulfils its responsibilities.

The Governance & Search Committee meets at least twice a year. The Committee is responsible for ensuring that appropriate training is provided for Corporation members.

Remuneration Committee

Throughout the year ending 31 July 2017, the College's Remuneration Committee comprised five members of the Corporation. The committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal and other Senior Post-holders.

Details of remuneration for the year ended 31 July 2017 are set out in note 7 to the Financial Statements.

Audit Committee

The Audit Committee comprises a Chairman, three other members of the Corporation and one external member (Mr B Devitt). The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee meets three times a year and provides a forum for the College's Internal and External auditors of the Financial Statements to report to and have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the main funding bodies which affect the College's business.

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

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

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

Internal control

Scope of responsibility

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

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum/Financial Agreement between Stephenson 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 Stephenson College for the year ended 31 July 2017 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

The Corporation has reviewed the key risks to which the 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 2017 and up to the date of approval of the Annual Report and Financial Statements. 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:

- A comprehensive budgeting system 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.

Stephenson College has an internal audit service, which operates in accordance with the requirements of the ESFA's Post 16 Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. At a minimum annually, the Head of Internal Audit (HIA) provides the governing body with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes. Mazar's LLP provide services to assist with this.

Review of effectiveness

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

- The work of the internal auditors.
- The work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework.
- Comments made by the College's financial statements auditors and the reporting accountants for regularity assurance 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 Committee which oversees the work of the internal auditor, other sources of assurance and risk management, 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. The Senior Management Team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement.

The Audit Committee's role in this area is confined to a high level review of the arrangements for internal control.

The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Senior Management Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its October 2017 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2017 by considering documentation from the Senior Management Team and internal audit, and taking account of events since 31 July 2017.

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

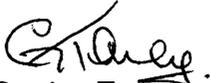
Going concern

Based on the advice of the Audit Committee and the Principal, 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.

Stephenson College

Statement of Corporate Governance and Internal Control (continued)

Approved by order of the members of the Corporation on 6 December 2017 and signed on its behalf by:


Gordon Tacey
Chair


N W Leigh
Accounting Officer

Stephenson 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 Education and Skills Funding Agency of material irregularity, impropriety and non-compliance with Education and Skills Funding Agency terms and conditions of funding, under the financial memorandum in place between the College and the Education and 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 Education and 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 Education and Skills Funding Agency.

Approved by order of the members of the Corporation 6 December 2017 and signed on its behalf by:



Gordon Tacey
Chair



N W Leigh
Accounting Officer /Chief Executive

Stephenson College

Statement of Responsibilities of the Members of the Corporation

The members of the Corporation (who act as trustees for the charitable activities of the College) are required to present audited financial statements for each financial year.

The law applicable to charities in England and the terms and conditions of the Financial Memorandum between the Education and Skills Funding Agency and the Corporation of the College, requires the corporation of the college to prepare financial statements and the Operating and Financial Review for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions the annual Accounts Direction issued by the Education and Skills Funding Agency and applicable United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and which give a true and fair view of the state of affairs of the College and of the College's deficit of income over expenditure for that period.

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 UK 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 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 Charities Act 2011 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 funds from the Education and Skills Funding Agency are used only in accordance with the authorities that govern them as defined by and in accordance with Further & Higher Education Act 1992, subsequent legislation and related regulations and the Financial Memorandum with the Education and Skills Funding Agency and any other conditions that may be prescribed from time to time.

Approved by order of the members of the Corporation on 6 December 2017 and signed on its behalf by:



Gordon Tacey
Chair

Opinion

We have audited the financial statements of Stephenson College (the "College") for the year ended 31 July 2017 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in reserves, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" as set out in our engagement letter dated 17 November 2015.

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2017 and of the College's deficit of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the College in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the governors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the governors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the College's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The governors are responsible for the other information. The other information comprises the information included in the Report and Financial Statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Stephenson College

Independent Auditors Report to the Corporation of Stephenson College (Continued)

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice 2016 to 2017 issued by the Department for Education requires us to report to you if, in our opinion:

- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations required for our audit.

Responsibilities of the Corporation of Stephenson College

As explained more fully in the Statement of the Corporation's Responsibilities, the Corporation is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporation is responsible for assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporation either intend to liquidate the College or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

This report is made solely to the Corporation, as a body, in accordance with the Financial Memorandum published by the Education and Skills Funding Agency and our engagement letter dated 17 November 2015. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are required under our engagement letter dated 17 November 2015 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.

Stephenson College

Independent Auditors Report to the Corporation of Stephenson College (Continued)

[Handwritten signature]

RSM UK Audit LLP

Chartered Accountants

St Philips Point

Temple Row

Birmingham

B2 5AF

Date *18 Dec 2017*

Stephenson College

Independent Reporting Accountant's Report on Regularity to the Corporation of Stephenson College and the Secretary of State for Education Acting Through The Department for Education

Conclusion

We have carried out an engagement, in accordance with the terms of our engagement letter dated 17 November 2015 and further to the requirements of the financial memorandum with the Education and Skills Funding Agency, to obtain limited assurance about whether the expenditure disbursed and income received by Stephenson College during the period 1 August 2016 to 31 July 2017 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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 2016 to 31 July 2017 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Basis for conclusion

The framework that has been applied is set out in the Post-16 Audit Code of Practice 2016 to 2017 issued by the Department for Education. 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 Education and Skills Funding Agency has other assurance arrangements in place.

We are independent of the Stephenson College in accordance with the ethical requirements that are applicable to this engagement and we have fulfilled our ethical requirements in accordance with these requirements. We believe the assurance evidence we have obtained is sufficient to provide a basis for our conclusion

Responsibilities of Corporation of Stephenson College for regularity

The Corporation of Stephenson College is responsible, under the financial memorandum and 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. The corporation of Stephenson College is also responsible for preparing the Governing body's Statement of Regularity, Propriety and Compliance.

Reporting accountant's responsibilities for reporting on regularity

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 Post-16 Audit Code of Practice 2016 to 2017.

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 the procedures performed vary in nature and timing from, and are less in extent than for a reasonable assurance engagement; consequently a limited assurance engagement 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.

Stephenson College

Independent Reporting Accountant's Report on Regularity to the Corporation of Stephenson College and the Secretary of State for Education Acting Through The Department for Education (continued)

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 2016 to 31 July 2017 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities including the specific requirements of the financial memorandum with the Education and Skills Funding Agency and high level financial control areas where we identified a material irregularity is likely to arise. We undertook detailed testing, on a sample basis, on the identified areas where a material irregularity is likely to arise where such areas are in respect of controls, policies and procedures that apply to classes of transactions.

This work was integrated with our audit of the financial statements and evidence was also derived from the conduct of that audit to the extent it supports the regularity conclusion.

This report is made solely to the Corporation of Stephenson College and the Secretary of State for Education acting through the Department for Education in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of Stephenson College and the Secretary of State for Education acting through the Department for Education 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 Stephenson College and the Secretary of State for Education acting through the Department for Education for our work, for this report, or for the conclusion we have formed.



RSM UK Audit LLP
Chartered Accountants
St Philips Point
Temple Row
Birmingham
B2 5AF

Date 18 Feb 2017

Stephenson College
Statement of Comprehensive Income
for the year ended 31 July 2017

	Notes	2017 £'000	2016 £'000
INCOME			
Funding body grants	2	9,425	10,020
Tuition fees and education contracts	3	2,194	1,969
Other income	4	1,623	1,701
Investment income	5	6	11
Donations	6	<u>5</u>	<u>-</u>
Total income		<u>13,253</u>	<u>13,701</u>
EXPENDITURE			
Staff costs	7	8,679	9,004
Fundamental restructuring costs	7	213	45
Other operating expenses	8	3,416	3,671
Depreciation	10	907	859
Interest and other finance costs	9	<u>165</u>	<u>245</u>
Total expenditure		<u>13,380</u>	<u>13,824</u>
Deficit before other gains and losses		(127)	(123)
Profit on disposal of assets		1	4
Deficit for the year		<u>(126)</u>	<u>(119)</u>
Actuarial gain/(loss) in respect of pensions schemes	19	924	482
Total Comprehensive Income for the year		<u><u>798</u></u>	<u><u>363</u></u>

Stephenson College
Statement of Changes in Reserves
for the year ended 31 July 2017

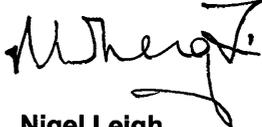
	Income and Expenditure account £'000	Total £'000
Balance at 1st August 2015	9,183	9,183
Deficit from the income and expenditure account	(119)	(119)
Other comprehensive income	482	482
	<hr/>	<hr/>
Total Comprehensive income for the year	363	363
	 <hr/>	 <hr/>
Balance at 31st July 2016	9,546	9,546
Deficit from the income and expenditure account	(126)	(126)
Other comprehensive income	924	924
	<hr/>	<hr/>
Total comprehensive income for the year	798	798
	 <hr/>	 <hr/>
Balance at 31st July 2017	10,344	10,344

Stephenson College
Balance Sheet
for the year ended 31 July 2017

	Notes	2017 £'000	2016 £'000
Fixed assets			
Tangible fixed assets	10	18,829	19,563
Investments	11	2	2
		<u>18,831</u>	<u>19,565</u>
Current assets			
Trade and other receivables	12	803	707
Cash and cash equivalents	17	3,049	2,147
		<u>3,852</u>	<u>2,854</u>
Less: Creditors – amounts falling due within one year	13	(2,655)	(2,557)
Net current assets		<u>1,197</u>	<u>297</u>
Total assets less current liabilities		<u>20,028</u>	<u>19,862</u>
Less: Creditors – amounts falling due after more than one year	14	(3,244)	(3,475)
Provisions			
Defined benefit obligations	15	(6,291)	(6,692)
Other provisions	15	(149)	(149)
Total net assets		<u><u>10,344</u></u>	<u><u>9,546</u></u>
Unrestricted reserves			
Income and expenditure account		10,344	9,546
Total unrestricted reserves		<u><u>10,344</u></u>	<u><u>9,546</u></u>

The financial statements on pages 30 to 53 were approved and authorised for issue by the Corporation on 6 December 2017 and were signed on its behalf on that date by:


Gordon Tacey
Chair


Nigel Leigh
Accounting Officer

Stephenson College
Statement of Cash Flows
for the year ended 31 July 2017

	Notes	
	2017 £'000	2016 £'000
Cash inflow from operating activities		
Deficit for the year	(126)	(119)
Adjustment for non cash items		
Depreciation	907	859
Profit on sale of fixed assets	(1)	(4)
Investment income	(6)	(11)
Pensions costs less contributions payable	523	522
Increase in provisions	-	29
(Increase)/decrease in debtors	(96)	(167)
(Decrease)/increase in creditors due within one year	98	(134)
Decrease in creditors due after one year	(231)	(300)
	<u>1,068</u>	<u>675</u>
Net cash flow from operating activities		
Cash flows from investing activities		
Interest received	6	11
Proceeds from sale of fixed assets	1	4
Payments made to acquire fixed assets	(173)	(276)
	<u>(166)</u>	<u>(261)</u>
Increase in cash and cash equivalents in the year	<u>902</u>	<u>414</u>
Cash and cash equivalents at beginning of the year	16 <u>2,147</u>	16 <u>1,733</u>
Cash and cash equivalents at end of the year	16 <u>3,049</u>	16 <u>2,147</u>

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.

General information

Stephenson College is a corporation established under the Further and Higher Education Act 1992 as an English general college of further education. The address of the College's principal place of business is given on page 2. The nature of the College's operations are set out in the Operating and Financial Review.

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 2016 to 2017 and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102) under the historical cost convention. The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

The financial statements are presented in sterling which is also the functional currency of the College.

Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

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 cash flow, liquidity and borrowings are described in the Financial Statements and accompanying notes. The College currently has no loans outstanding with bankers. 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 are accounted for under the accrual model and are recognised where a reliable estimate of the fair value of the asset received or receivable can be made on a systematic basis over the periods in which the related costs for which the grant compensates are recognised.

1. Accounting policies (continued)

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 achievement for the adult learner responsive funding element of the single budget allocation 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 tuition fees is recognised in the period for which it is earned and includes all fees payable by students or their sponsors.

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.

Retirement benefits

Retirement benefits to employees of the College are principally provided by Teachers' Pensions Scheme (TPS) and the Local Government Pension Scheme (LGPS), which are multi-employer defined benefit plans.

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 the Government Actuary on the basis of valuations using a projected unit method. The TPS is a multi-employer scheme but sufficient information is not available to use defined benefit accounting and therefore it is accounted for as a defined contribution scheme, with the amount charged to the statement of comprehensive income being the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

The LGPS is a funded scheme, and the assets of the scheme are held separately. Pension schemes are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. 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.

The net interest cost on the net defined benefit liability/asset is charged to comprehensive income and included within finance costs. Re-measurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income

1. Accounting policies (continued)

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. The cost of any unused holiday entitlement the College expects to pay in future periods is recognised in the period the employees' services are rendered.

Tangible fixed assets

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

Land and buildings

Land and buildings are stated at cost (or deemed cost for land and buildings held at valuation at the date of transition to FRS 102) less accumulated depreciation and accumulated impairment losses.

Properties under construction

Properties in the course of construction are accounted for at cost less any identified impairment loss. Cost includes professional fees and other directly attributable costs that are necessary to bring the property to operating condition. They are not depreciated until they are brought into use.

Equipment

Equipment costing less than £500 per individual item (computer equipment £300) or set of items acquired together is recognised as expenditure in the period of acquisition. All other equipment is capitalised and recognised at cost less accumulated depreciation and accumulated impairment losses.

Depreciation and residual values

Freehold land is not depreciated. Depreciation on other assets is calculated, using the straight line basis, to write off the cost of each asset to its estimated residual value over its expected useful lives, as follows:

Freehold buildings	– over 40 years
Leasehold properties	- shorter of 25 years or period of lease
Computer equipment	- 3 years
Craft equipment	- 10 years
All other equipment	- 5 years
Building improvements	- 15 years

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

Subsequent costs, including replacement parts, are only capitalised when it is probable that such costs will generate future economic benefits. Any replaced parts are then derecognised. All other costs of repairs and maintenance are expenses as incurred.

1. Accounting policies (continued)

Impairments of fixed assets

An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, an estimate is made of the recoverable amount of the asset.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use, are recognised as impairment losses. Impairment of revalued assets, are treated as a revaluation loss. All other impairment losses are recognised in comprehensive income.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in comprehensive income or, for revalued assets, as a revaluation gain. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

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 are stated at cost less impairment.

Stocks

All materials are charged to the income and expenditure account in the year of purchase.

1. Accounting policies (continued)

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 the income and expenditure account 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 a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

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 and educational maintenance allowances. 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 21, 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.

Financial Instruments

The College has chosen to adopt Sections 11 and 12 of FRS 102 in full in respect of financial instruments.

Financial assets and liabilities

Financial assets and financial liabilities are recognised when the College becomes a party to the contractual provisions of the instrument.

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.

1. Accounting policies (continued)

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets measured at fair value through the profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless arrangement constitutes a financing transaction. A financial asset or financial liability that is payable or receivable in one year is measured at the undiscounted amount expected to be received or paid net of impairment, unless it is a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and financial liabilities are offset only when there is a current legally enforceable right to set off the recognised amounts and the intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical areas of judgement

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.

Critical accounting estimates and assumptions

Tangible fixed assets

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

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 19, 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 2016 has been used by the actuary in valuing the pensions liability at 31 July 2017.

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.

1. Accounting policies (continued)

Impairment of fixed assets

The College considers whether tangible fixed assets are impaired. Where an indication of impairment is identified the estimation of the recoverable amount of the asset or the recoverable amount of the cash-generating unit is required. These will require an estimation of the future cash flow and selection of an appropriate discount rates in order to calculate the net present value of those cash flows.

Stephenson College
Notes to the Accounts (continued)
for the year ended 31 July 2017

2 Funding body grants

	2017	2016
	£'000	£'000
Recurrent grants		
Education & Skills Funding Agency - Adult	2,079	2,022
Education & Skills Funding Agency - 16-18	3,301	3,612
Education & Skills Funding Agency - Apprenticeships	3,714	4,087
Higher Education Funding Council	185	146
Specific Grants		
Revenue Grants	10	12
Releases of government capital grants	<u>136</u>	<u>141</u>
Total	<u>9,425</u>	<u>10,020</u>

3 Tuition fees and education contracts

	2017	2016
	£'000	£'000
Tuition fees	1,655	1,561
Education contracts	<u>539</u>	<u>408</u>
Total	<u>2,194</u>	<u>1,969</u>

4 Other income

	2017	2016
	£'000	£'000
Catering and residences	1,030	950
Other income generating activities	576	522
Releases of non funding body capital grants	6	6
Miscellaneous income	<u>11</u>	<u>223</u>
Total	<u>1,623</u>	<u>1,701</u>

5 Investment income

	2017	2016
	£'000	£'000
Other interest receivable	<u>6</u>	<u>11</u>

6 Donations

	2017	2016
	£'000	£'000
Unrestricted donations	<u>5</u>	<u>-</u>
Total	<u>5</u>	<u>-</u>

Stephenson College
Notes to the Accounts (continued)
for the year ended 31 July 2017

7 Staff costs

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

	2017	2016
	No.	No.
Teaching staff	133	143
Non teaching staff	118	114
	<u>251</u>	<u>257</u>
Staff costs for the above persons		
	2017	2016
	£'000	£'000
Wages and salaries	6,637	6,934
Social security costs	593	511
Other pension costs	1,370	1,509
	<u>8,600</u>	<u>8,954</u>
Agency Costs	<u>79</u>	<u>50</u>
Payroll sub total	8,679	9,004
Fundamental restructuring costs - contractual	213	45
non contractual	-	-
	<u>8,892</u>	<u>9,049</u>

Included within pension contributions is £nil capital costs (2016 £218k) in relation to an employee's ill health retirement pay out.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Senior Management Team which comprises the Principal, Director of Quality and Development, Director of Resources, Director of Human Resources and Director of Corporate Services, and in 2016 this included the Vice-Principal. Staff costs include compensation paid to key management personnel for loss of office.

Emoluments of Key management personnel and Accounting Officer

	2017	2016
	No.	No.
The number of key management personnel including the Accounting Officer was:	<u>5</u>	<u>5</u>

Stephenson College
Notes to the Accounts (continued)
for the year ended 31 July 2017

7 Staff costs (continued)

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

	Key management personnel	
	2017 No.	2016 No.
£1 to £10,000	-	-
£40,001 to £50,000	-	-
£50,001 to £60,000	1	4
£60,001 to £70,000	3	-
£120,001 to £130,000	-	-
£130,001 to £140,000	1	1
	<hr/>	<hr/>
	5	5
	<hr/>	<hr/>

Stephenson College
Notes to the Accounts (continued)
for the year ended 31 July 2017

7 Staff costs (continued)

Key management personnel compensation including the Accounting Officer is made up as follows:

	2017 £'000	2016 £'000
Salaries	376	366
Employers National Insurance	46	41
Benefits in kind	-	-
	<u>422</u>	<u>407</u>
Pension contributions	<u>65</u>	<u>60</u>
Total emoluments	<u><u>487</u></u>	<u><u>467</u></u>

There were no amounts due to key management personnel that were waived in the year. Salary Sacrifice arrangements for Childcare Vouchers were in place for two of the above key management personnel.

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

	2017 £'000	2016 £'000
Salaries	136	132
National Insurance	18	16
	<u>154</u>	<u>148</u>
Pension contributions	<u>22</u>	<u>21</u>

Governors Remuneration

The Accounting Officer and the staff member only receive remuneration in respect of services they provide undertaking their roles of Principal and staff members under contracts of employment and not in respect of their roles as governors. The other members of the Corporation did not receive any payments from the college in respect of their roles as governors.

During the year total expenses of £620 (2016 - £69) were paid to or on behalf of three (2016 – one) governors in respect of travel and subsistence and other out of pocket expenses incurred in the course of their duties.

Stephenson College
Notes to the Accounts (continued)
for the year ended 31 July 2017

8 Other operating expenses

	2017	2016
	£'000	£'000
Teaching costs	962	1,102
Non teaching costs	1,794	1,724
Premises costs	<u>660</u>	<u>845</u>
Total	<u>3,416</u>	<u>3,671</u>

Other operating expenses include:

	2017	2016
	£'000	£'000
Auditors' remuneration:		
Financial statements audit	37	31
Internal audit	5	12
Hire of assets under operating leases	<u>87</u>	<u>127</u>

9 Interest payable

	2017	2016
	£'000	£'000
Pension finance costs (note 19)	<u>165</u>	<u>245</u>
Total	<u>165</u>	<u>245</u>

Stephenson College
Notes to the Accounts (continued)
for the year ended 31 July 2017

10 Tangible fixed assets

	Land and buildings Freehold	Long leasehold	Equipment	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 August 2016	24,953	290	5,651	30,894
Additions	-	-	173	173
Disposals	-	-	(13)	(13)
At 31 July 2017	24,953	290	5,811	31,054
Depreciation				
At 1 August 2016	5,968	141	5,222	11,331
Charge for the year	609	59	239	907
Elimination in respect of disposals	-	-	(13)	(13)
At 31 July 2017	6,577	200	5,448	12,225
Net book value at 31 July 2017	18,376	90	363	18,829
Net book value at 31 July 2016	18,985	149	429	19,563

11 Non current investments

	2017 £'000	2016 £'000
George Hern Trust	2	2
Total	2	2

12 Debtors

	2017 £'000	2016 £'000
Amounts falling due within one year:		
Trade debtors	414	246
Amounts owed by Stephenson Studio School	78	13
Prepayments and accrued income	311	448
Amounts owed by the Education and Skills Funding Agency	-	-
Total	803	707

Stephenson College
Notes to the Accounts (continued)
for the year ended 31 July 2017

13 Creditors: amounts falling due within one year

	2017	2016
	£'000	£'000
Trade creditors	224	582
Other taxation and social security	276	249
Accruals and deferred income	1,286	1,090
Deferred income - government grants	138	142
Amounts owed to Education and Skills Funding Agency	731	494
	<u>2,655</u>	<u>2,557</u>
Total	<u>2,655</u>	<u>2,557</u>

14 Creditors: amounts falling due after one year

	2017	2016
	£'000	£'000
Other Taxation	-	107
Deferred income - government capital grants	3,244	3,368
	<u>3,244</u>	<u>3,475</u>
Total	<u>3,244</u>	<u>3,475</u>

15 Provisions

	Defined benefit Obligations	Other	Total
	£'000	£'000	£'000
At 1 August 2016	6,692	149	6,841
Expenditure in the period	(434)	-	(434)
Transferred from income and expenditure	33	-	33
	<u>6,291</u>	<u>149</u>	<u>6,440</u>
At 31 July 2017	<u>6,291</u>	<u>149</u>	<u>6,440</u>

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 19.

Other provisions relate to liabilities for dilapidation of leasehold properties.

Stephenson College
Notes to the Accounts (continued)
for the year ended 31 July 2017

16 Financial instruments

The College has the following financial instruments:

	2017 £'000	2016 £'000
Financial assets		
Debt instruments measured at amortised cost	<u>492</u>	<u>259</u>
	<u>492</u>	<u>259</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>2,241</u>	<u>2,166</u>
	<u>2,241</u>	<u>2,166</u>

17 Cash and cash equivalents

	2017 £'000	2016 £'000
Cash and cash equivalents	<u>3,049</u>	<u>2,147</u>
Total	<u>3,049</u>	<u>2,147</u>

18 Lease Obligations

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

	2017 £'000	2016 £'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	59	59
Later than one year and not later than five years	<u>14</u>	<u>69</u>
	<u>73</u>	<u>128</u>
Other		
Not later than one year	25	24
Later than one year and not later than five years	<u>26</u>	<u>10</u>
	<u>51</u>	<u>34</u>

Stephenson College
Notes to the Accounts (continued)
for the year ended 31 July 2017

19 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	2017	2016
	£'000	£'000
Teachers Pension Scheme: contributions paid	578	603
Local Government Pension Scheme:		
Contributions paid	434	628
FRS 102 (28) charge	<u>358</u>	<u>277</u>
Charge to the Statement of Comprehensive Income	<u>792</u>	<u>905</u>
Total Pension Cost for Year	<u>1,370</u>	<u>1,508</u>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2016. There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. 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.

Valuation of The Teachers' Pension Scheme

Not less than every four years the Government Actuary ("GA"), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors.

The latest actuarial valuation 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 in June 2014. The key results of the valuation and subsequent consultation are:

- Total scheme liabilities for service (pensions currently payable and the estimated cost of future benefits) of £191.5 billion
- Value of notional assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) of £176.6 billion
- Notional past service deficit of £14.9 billion
- Assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings
- Rate of real earnings growth is assumed to be 2.75%
- Assumed nominal rate of return is 5.06%

The new employer contribution rate was 14.1% until 1 September 2015, when it increased to 16.48% (including a 0.08% administration fees), with an employer cost cap of 10.9% of pensionable pay. The employer contribution rate will be payable until the next valuation as at March 2016, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The pension costs paid to TPS in the year amounted to £578,000 (2016: £603,000).

The TPS is a multi-employer pension plan and there is insufficient information to account for the scheme on as a defined benefit plan so it is accounted for as a defined contribution plan.

Stephenson College

Notes to the Accounts (continued)
for the year ended 31 July 2017

19 Defined benefit obligations (continued)

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 contribution made for the year ended 31 July 2017 was £585,000, of which employer's contributions totalled £433,000 and employees' contributions totalled £152,000. The agreed contribution rates from 1 April 2016 onwards are 19.19 % for employers and range from 5.5% to 12.5% cent for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2017 by a qualified independent actuary.

	At 31 July 2017	At 31 July 2016
Rate of increase in salaries	3.50%	2.90%
Future pensions increases	2.50%	1.90%
Discount rate for scheme liabilities	2.70%	2.40%
Inflation assumption (CPI)	2.40%	1.90%
Commutation of pensions to lump sums	50%	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 2017 years	At 31 July 2016 years
<i>Retiring today</i>		
Males	22.10	22.20
Females	24.30	24.30
<i>Retiring in 20 years</i>		
Males	23.80	24.20
Females	26.20	26.60

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

	Fair Value at 31 July 2017 £'000	Fair Value at 31 July 2016 £'000
Equities	9,930	10,310
Bonds	2,964	2,401
Property	1,186	1,271
Cash	741	141
Total fair value of assets	<u>14,821</u>	<u>14,123</u>
Actual return on plan assets	<u>505</u>	<u>1,755</u>

Stephenson College
Notes to the Accounts (continued)
for the year ended 31 July 2017

19 Defined benefit obligations (continued)

The amount included in the balance sheet in respect of the defined benefit pension plan

	2017 £'000	2016 £'000
Fair value of plan assets	14,821	14,123
Present value of plan liabilities	<u>(21,112)</u>	<u>(20,815)</u>
Net pensions	<u>(6,291)</u>	<u>(6,692)</u>

Amounts recognised in the Statement of Comprehensive Income in respect of the plan are

	2017 £'000	2016 £'000
Amounts included in staff costs		
Current service cost	(792)	(687)
Past service cost	-	(218)
Total	<u>(792)</u>	<u>(905)</u>

Amounts included in interest payable

Net interest cost	<u>(165)</u>	<u>(245)</u>
	<u>(165)</u>	<u>(245)</u>

Amounts recognised in Other Comprehensive Income

Return on pension plan assets	164	1,318
Experience losses arising on defined benefit obligations	1,847	206
Changes in assumptions underlying the present value of plan liabilities	<u>(1,087)</u>	<u>(1,042)</u>
Amount recognised in Other Comprehensive Income	<u>924</u>	<u>482</u>

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

	2017 £'000	2016 £'000
Surplus/(deficit) at the start of the year	(6,692)	(6,652)
Movement in		
Current service cost	(792)	(687)
Employer contributions	434	628
Past service cost	-	(219)
Net interest on the defined (liability)/asset	(165)	(245)
Actuarial gain or loss	<u>924</u>	<u>482</u>
Net defined benefit (liability) at 31 July	<u>(6,291)</u>	<u>(6,692)</u>

Stephenson College
Notes to the Accounts (continued)
for the year ended 31 July 2017

19 Defined benefit obligations (continued)

Asset and Liability Reconciliation

	2017	2016
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	(20,815)	(18,578)
Current service cost	(792)	(687)
Interest cost	(506)	(682)
Contributions by scheme participants	(148)	(148)
Experience gains and losses on defined benefit obligations	1,847	206
Changes in financial and demographic assumptions	(1,087)	(1,042)
Estimated benefits paid	389	334
Past service cost	-	(218)
Defined benefit obligations at end of period	<u>(21,112)</u>	<u>(20,815)</u>

Reconciliation of Assets

Fair value of plan assets at start of period	14,123	11,926
Interest on plan assets	341	437
Return on plan assets	164	1,318
Employer contributions	434	628
Contributions by scheme participants	148	148
Estimated benefits paid	(389)	(334)
Fair value of assets at end of period	<u>14,821</u>	<u>14,123</u>

20 Related party transactions

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

The Stephenson Studio School Trust is a related party by virtue of the Principal, Director of Quality and Development and Chair of the College being on the Board of Trustees of the The Stephenson Studio School Trust. During the year the College made payments to The Stephenson Studio Trust of £nil (2016: £102,000). During the year the College charged The Stephenson Studio School Trust £460,900 (2016: £302,000) in respect of school link, accommodation and related charges. At 31st July 2017 there was an amount of £78,200 (2016: £13,300) that was owed by The Stephenson Studio School Trust and is included in debtors.

Key management compensation disclosure is given in Note 7.

21 Amounts disbursed as agent

Learner support funds

	2017 £'000	2016 £'000
Funding body grants	208	367
Disbursed to students	(213)	(240)
Administration costs	(10)	(11)
Balance unspent as at 31 July, included in creditors	<u>(14)</u>	<u>116</u>

Apprenticeship Grant for Employers

	2017 £'000	2016 £'000
Funding body grant - Age grant	155	246
Disbursed to employers	(155)	(230)
Balance unspent as at 31 July, included in creditors	<u>-</u>	<u>16</u>

Funding body grants are available solely for students. In the majority of instances, the College only acts as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the Statement of Comprehensive Income.