

**Loughborough College**  
**Report of the Members of the Corporation and**  
**Financial Statements**  
**Year Ended 31 July 2015**

**PwC LLP**  
Chartered Accountants



## **LOUGHBOROUGH COLLEGE**

### **Annual report and financial statements for the year ended 31 July 2015**

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#### **Professional advisers**

##### **External auditor**

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

##### **Internal auditor**

PricewaterhouseCoopers LLP, Cornwall Court, 19 Cornwall street, Birmingham B3 2DT

##### **Bankers**

The Royal Bank of Scotland Plc, 17 Devonshire Square, Loughborough, LE11 3DW

## **NATURE, OBJECTIVES AND STRATEGIES**

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

### **Legal status**

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

### **Vision**

The College's vision as approved by its members is "to be the bridge to the future, for individuals, communities and organisations, inspiring success and enriching lives".

### **Public Benefit**

Loughborough College is an exempt charity under the Part 3 of the Charities Act 2011 and from 1<sup>st</sup> September 2013, is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on page 12.

In setting and reviewing the College's strategic objectives, the Governing Body has 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 requirements that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for public benefit.

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

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

The delivery of Public Benefit is covered throughout the Operating and Financial Review.

### **Implementation of strategic plan**

In June 2011 the College adopted a strategic plan for the period 1 August 2011 to 31 July 2016. This strategic plan includes property and financial plans. The Corporation monitors the performance of the College against these plans. The plans are reviewed and updated each year. The College's strategic objectives are by July 2016:

- To achieve a 20% income growth over the plan period;

**Operating and Financial Review for the year ended 31 July 2015**

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- To deliver performance in the top decile for EFA/SFA Funded, learner success rates, learner satisfaction rates, employer satisfaction rates and learner progression;
- To deliver grade 1 outcomes for teaching and learning in a minimum of 80% of curriculum areas, plus leadership and management;
- To achieve 'Outstanding' grading where external inspection or accreditation applies;
- To maintain strong financial health and ensure a secure financial future.

The College is making progress towards some of its strategic objectives of the 5 year plan, even under the extreme challenges of the funding regime and allocation process. The plan will be reviewed during 2015/16 in recognition of changes to the external environment.

The College's specific objectives for 2014/15 and achievement of those objectives were:

- increase the volume of 16-18 learners funded by the EFA. The College recruited 2,347 learners against a target of 2,672, although the learner numbers were below target the College exceed its funding contract with the EFA by £756k. In addition the College achieved 5313 adult learners funded by the SFA and over 986 HE learners;
- student attendance was 83% against a target of 90%;
- college based retention was 92% against a target of 90%;
- lesson observation grades improved from 82% graded Good or better to 90% Good or better;
- the number of complaints received fell to 41 against a target of below 100;
- an operating deficit of £129k was achieved against a predicted budget surplus of £65k.

**Financial objectives**

The College's financial objectives are:

- to continue to grow overall at an average 3.5% pa over the period of the plan and achieve £28.8m turnover by 2015-16;
- to maintain a minimum financial health category of Satisfactory, with aspiration to achieve Good status;
- 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 financial contribution to the College's overall finances;
- to maintain access to a minimum 25 cash days at all times;
- to maintain a borrowing to income ratio that will not exceed 40%;
- to ensure that the debt charges to income ratio will not exceed 3.5%;
- to achieve 50% non-EFA/SFA recurrent income;
- to maintain staff costs at not more than 62% of total income; and,
- to fund continued capital investment.

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

**Performance indicators**

The Colleges specific objectives for 2014-15 and the achievement of those objectives are addressed below:

<b>Budget Objectives 2014-15</b>	<b>Achieved 2014-15</b>
Income £27.7m	Income £26.9m
£65k (0.23%) surplus	(£129k) (0.48%) deficit
Financial Health Category: Satisfactory	Financial Health Category: Satisfactory
34 cash days	56 cash days
Staff costs 61.6% of income	Staff costs 63.8% of income
100% EFA Student Number Target	103% EFA Student Number Target
100% SFA Funding Target	107% SFA Funding Target
100% HEFCE target	100% HEFCE target
Raise overall College success rate to 85%	Overall Success Rate 79% (inc Functional Skills)
Student satisfaction rating of 85%	Student satisfaction rating of 82%
Staff satisfaction 90%	64% based on survey conducted Jan 2015
Staff absence less than 5 days per employee per year	Staff absence 11.28 days per employee per year

The College is committed to observing the importance of sector measures and indicators and uses the FE choices website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the Skills Funding Agency ("SFA"). The Finance Record provides a financial health grading. The current grading of Satisfactory is considered an acceptable outcome.

**FINANCIAL POSITION**

**Financial results**

The College generated an operating deficit in the year of £129k (2013/14 £432k surplus). The result in 2013/14 is after accounting for the sale of Brooklands.

The College has an income and expenditure account balance excluding pension reserve of £22,268k (2013-14 £22,044k), cash balances of £3,952k (2013-14 £3,312k). The College has plans to utilise its reserves in 2015/16 to part finance the next stage of its capital programme.

Tangible fixed asset additions during the year amounted to £13,550k. This was split between land and buildings acquired of £12,728k and equipment purchased of £822k. In the main, this related to the major capital refurbishment of the Sixth Form Building on the main site. The Hub/VPA Centre was handed over for occupancy on 04 August 2014. It provides the latest facilities in teaching and learning as part of a new central facility for students, staff and visitors. It also provides a purpose built Visual and Performance Arts Centre bringing together creative arts facilities including technology, media, art, photography, music and performing arts.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants from the Education Funding Agency (EFA) and the Skills Funding Agency (SFA). In 2014/15 these funding bodies provided 58% of the College's total income.

The College has three subsidiary companies, Loughborough College Enterprises Limited (LCE Limited), Loughborough College Properties Limited (LCP Limited) and Loughborough Academy Trust Limited. For the year ended 31 July 2015 none of these companies were operational. In addition, the College has a 50% stake in a joint venture called Impact Apprentices Ltd, whose main activity is to employ and place apprentices in industry. The business is in the early stages of trading and has sustained losses in the first two years of trading, and as a consequence the £180k loan has been prudently provided for in the College accounts as unrecoverable.

### **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 purposes is authorised by the Principal and Chief Executive. Such arrangements are restricted by limits in the Financial Memorandum previously agreed with the LSC and subsequently transferred to the Skills Funding Agency. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

### **Cash flows and liquidity**

At £6.34 million (2013/14 £3.4 million), operating cash in-flow was positive, an improvement on the prior year. Net funds at year end were £3.1 million at the year-end (2013/14 £2.4m).

The College took out a loan of £1.0 million from Barclays Bank PLC. in 2008 to fund the building replacements on the main site and this is a fixed interest 25 year term loan, £846k was outstanding at the year end.

The College has also made arrangements for an additional £6m loan facility, which is fully drawn down, to support the long term financing of its capital programme. The loan will be initially fixed at 5 years out of 20 at 1.65% above LIBOR.

The size of the College's total borrowing and its approach to interest rate management have been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cash flow. During the year, this margin has been maintained.

## **CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE**

### **Student numbers**

In 2014-15 the College has delivered activity that has produced £13,229k in funding body allocations (2013-14 - £11,402k). It is recognised that in order to grow future funding contracts then the College may have to invest to exceed the funded delivery levels.

In 2014-15 the College received funding on the basis of 755 full-time equivalent Higher Education students (2013-14: 714 FTE students).

In 2014-15 the College had 6,761 EFA/SFA funded students, 881 HE students, 263 International students and 2,121 other students.

### **Student achievements**

Overall Success rates decreased in 2014-15 to 79% compared to 80.4% in 2013-14. This is as a direct result of the new success rate measures which include Functional Skills for the first time in 2013/14.

### **Curriculum developments**

The College works closely with local businesses to deliver Work Based Learning, drawing funding from the SFA adult skills budget. The College is also expanding the number and range of Apprenticeships that it offers including the higher apprenticeship in Space Engineering. This work with employers increased during 2014-15 and projected growth is envisaged, as new partnership delivery models are implemented.

The College has been successful in developing a range of Foundation Degrees. Expansion is in line with the College's aim to become an "all through institution" providing pathways within the College from level 1 to level 5 in most of its areas of provision. The College focuses on providing progression opportunities for vocational students and working with employers to develop relevant HE provision.

The College provides a wide range of programmes for businesses and has been particularly successful in developing bespoke leadership and management programmes for a number of large organisations.

### **Payment performance**

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2014 to 31 July 2015, the



## **LOUGHBOROUGH COLLEGE**

### **Operating and Financial Review for the year ended 31 July 2015**

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College paid 96 per cent of invoices within 30 days. The College incurred £1249 interest charges in respect of late payment for this period.

#### **Post balance sheet events**

There are no significant post balance sheet events

#### **Future developments**

The College Funding income for 2015/16 has been confirmed at £14.489 million.

The College aims to improve its contribution by implementing a number of efficiency schemes. The College would like to reduce further its dependency on the EFA/SFA as a proportion of income and continues to seek opportunities particularly in the areas where the College currently performs well such as HE, International students and work with employers.

The College has formulated its 5 year plan to cover the period of 2011-2016. Loughborough College will be guided by four key strategic imperatives. The four pillars that define our endeavour are:

- Being responsive
- Delivering leading edge quality
- Ensuring our financial sustainability
- Attracting and working with excellent people

These four strategic imperatives have associated goals which are reflected through the Annual Operational Plan.

## **RESOURCES**

The College has various resources that it can deploy in pursuit of its strategic objectives and the rebuilding of the remainder of the College buildings.

Tangible resources include the main college site, a new Visual and Performing Arts Academy and Hub costing £15.1m, a refurbishment of the S Block for sixth Form School costing £3.4 million.

### *Financial*

The College has £33.962 million net assets (including £9.212 million pension liability) and long term debt of £6.846 million.

### *People*

The College employs 528 people (expressed as full time equivalents) of whom 265 are directly involved with the teaching and learning of students.

*Reputation*

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

**PRINCIPAL RISKS AND UNCERTAINTIES**

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

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

A risk register is maintained at the College level which is reviewed at least termly by the Audit & Risk 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.

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

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

**1. Government Funding**

The College has considerable reliance on continued government funding through the further education sector funding bodies and HEFCE. In 2014/15, 62% of the College's revenue was ultimately public funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms. There are plans to move skills funding to LEPs, to increase the Employer Ownership of Skills programme and to fund Apprenticeships through tax credits for companies.

The College is aware of the following issues that will impact on funding:-

- The economic and political environment means that government funding will reduce over the next 2 years. This is likely to be between 20 – 30%;
- Funding will be allocated increasingly on a formulaic basis and the government is reviewing its priorities for the adult skills sector in particular;
- International work has been and may continue to be affected by government border controls and visa issues. This market continues to be highly volatile.

The risk is mitigated in a number of ways:

- Ensuring the College delivers high quality education and training;
- Ensuring the College focuses on priority sectors, which will continue to receive funding;
- Ensuring the College focuses on maintaining and managing key relationships;
- Other income streams are developed, such as full cost and International work;
- Fee income is maximised, and in line with the majority of other colleges, the College will continue to increase tuition fees in accordance with the rising fee assumptions;
- Apprenticeship work is expanded especially for 16-18;
- Developing partnerships with schools and other providers
- Developing programmes for in-country delivery of international work;
- Staff are effectively and efficiently utilised to deliver the training;
- Ensure that value for money is achieved across the non-pay costs;
- Maintain adequate funding of pension liabilities

#### 2. Tuition fee policy

Ministers have confirmed that the fee assumption remains at 50%. In line with the majority of other colleges, Loughborough College will seek to increase tuition fees in accordance with the fee assumptions. The risk for the College is that demand falls off as fees increase. This could impact on the growth strategy of the College.

The risk is mitigated in a number of ways:

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

#### 3. Growth strategy

The College has planned to significantly over recruit 16-18 year olds in 2015-16 in order to protect future EFA revenue in future years. The resource implications of this decision mean that the College is budgeting to breakeven in the year.

#### 4. Maintain adequate funding of pension liabilities

The financial statements report the share of the pension scheme deficit on the College's balance sheet in line with the requirements of FRS 17.

### **STAKEHOLDER RELATIONSHIPS**

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

- Students;
- Education sector funding bodies;
- Staff;
- Local employers (with specific links);
- Local Authorities;
- Government Offices/LEPs;
- The local community;
- Other FE institutions;
- Trade unions;
- Professional bodies.

## **LOUGHBOROUGH COLLEGE**

### **Operating and Financial Review for the year ended 31 July 2015**

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

#### **Equal opportunities**

Loughborough College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, ability, disability, religion or belief, and age. We strive vigorously to remove conditions which place people at a disadvantage. This policy will be resourced, implemented and monitored on a planned basis.

The College publishes an Annual Equality Report and Equality Objectives to ensure compliance with all relevant legislation including the Equality Act 2010. The College undertakes equality impact assessments on all new policies and procedures and publishes the results. Equality impact assessments are also undertaken for existing policies and procedures on a prioritised basis.

The College is a 'Positive about Disabled' employer and is committed to the principles and objectives of the Positive about Disabled standard. 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 criteria for the post. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non-disabled employees.

The College has an Equality and Diversity training programme that is regularly updated and which all staff must complete as part of their induction and every three years during their employment with the College.

#### **Disability statement**

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

- a) As part of its accommodation strategy the College updated its access audit;
- b) There is a list of specialist equipment, such as 'eyegaze', which the College can make available for use by students and a range of assistive technology is available from the Student Support Department;
- c) Appeals against a decision not to offer a place are dealt with under the admissions appeal section of Admissions Policy;
- d) Counselling, mental health and welfare services are offered to support students as described in the Student Handbook. The College inclusion officer supports students who are in care, or supported by care leavers or carers;

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

### **Staff and student involvement**

The College believes good communication with staff and students to be very important. There is an effective communication strategy that includes staff meetings and a regular newsletter. Formal representation of staff is through the recognised trade unions. In addition, staff are able to elect two staff Governors and students are able to elect two student Governors. With effect from September 2015 there is one elected student governor and one HE student governor, which is a sabbatical post. Each year students are invited to give feedback to the College through satisfaction surveys and student conferences with course representatives.

### **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 member of the Corporation on 14<sup>th</sup> December 2015 and signed on its behalf by:**



A Traynor  
Chair

## LOUGHBOROUGH COLLEGE

### Statement of Corporate Governance and Internal Control for year ended 31 July 2015

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The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of the College to obtain a better understanding of its governance and legal structure.

The College endeavours to conduct its business:

- i. In accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii. In full accordance with the guidance to colleges from the Association of Colleges in The English Colleges' Foundation Code of Governance ("the Foundation Code"); for the year to 31 July 2015 and with effect from 1 August 2015, the Code of Good Governance for English Colleges will apply.
- iii. Having due regard to the UK Corporate Governance Code ("the Code") insofar as it is applicable to the further education sector.

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

In the opinion of the Governors, the College complies with all the provisions of the Combined Code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31 July 2015. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The English Colleges' Foundation Code of Governance issued by the Association of Colleges in December 2011, which it formally adopted in March 2012.

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 Commissioner's guidance on public benefit and that the required statements appear elsewhere in these financial statements.

## LOUGHBOROUGH COLLEGE

### Statement of Corporate Governance and Internal Control for year ended 31 July 2015

#### The Corporation

The members of the Corporation at the date of signature of this report were as follows:

Name	Date of current appointment	Term of office	Date of expiry of current term or resignation (R) (if earlier)	Committees served in year ended July 31 2015 (in addition to corporation board)
Mr J Boyes	Feb 15	4 yrs	July 18	Audit & Risk
Miss E Compson	May 15	3 yrs	July 18	
Mr A Cook	May 13	4 yrs	Jun 17	Vice Chair of Corporation; Chair of Search, Remuneration
Mr P Dickson	Oct 12	4 yrs	Oct 16	Audit & Risk
Miss E Jarvis	Aug 15	1 yr	July 16	
Mr T Jones	Feb 15	3 yrs	July 18	Remuneration
Mr R Maddick	Aug 15	1 yr	July 16	
Cllr J Morgan	May 13	4 yrs	May 17	Search, Remuneration
Mr P Nutkins	Feb 15	3 yrs	July 18	Audit & Risk
Mr M Pearson	Sept 15	3 yrs	July 18	
Mr D Scott	Sept 15	3 yrs	July 18	
Mr I Sharpe	Sept 15	3 yrs	July 18	
Ms A Traynor	May 13	4 yrs	May 17	Chair of Corporation, Remuneration, Search
Ms J Vincent	Nov 11	4 yrs	Nov 15	Audit & Risk
Miss E Winch	Sept 12	n/a	R	Principal and Chief Executive
Heather MacDonald	Sept 15	n/a	n/a	Interim Principal and Chief Executive

Joined during year  
August 14 – July 15

Mr P. Nutkins, Mr T. Jones, Miss K. Hide, Miss E. Compson.

Left during year  
August 14 – July 15

Mr I. Nicholson (R/23/10/14), Mr S. Pandit (R/9Feb15) Ms D. Statham (R/31Dec15), Miss L. Nagar (31July15), Ms G. Seneviratne (31July15), Mr M. Chad-Smith (R/20July15).

Mrs C. Voyce was employed as the Clerk to the Corporation until 17 September 2014, Mr N. Bryon was employed as the Temporary Clerk to the Corporation in the period from 18 September 2014 to 24 October 2014 and a new Clerk to the Corporation and Governance Advisor, Dr R. Hill, was appointed on 23 October 2014.

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

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Corporation meets at least ten times per annum. Attendance at Corporation and committees of the Corporation averaged 77% during the year.

## **LOUGHBOROUGH COLLEGE**

### **Statement of Corporate Governance and Internal Control for year ended 31 July 2015**

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The Corporation conducts its business through bi-monthly board meetings, three committees, and task and finishing groups, as required. Each committee has terms of reference, which have been approved by the Corporation. These committees are Search Committee; Remuneration Committee; and Audit & Risk Committee. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Clerk to the Corporation at:

Loughborough College, Radmoor Road, Loughborough, LE11 3BT

Approved minutes of meetings are also available on the College website.

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 that could materially interfere with the exercise of their independent judgement.

There is a clear division of responsibility in that the roles of the Chairman and Principal and Chief Executive are separate.

#### **Appointments to the Corporation**

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a search committee, consisting of at least five members of the Corporation, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

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

#### **Remuneration Committee**

The College's Remuneration Committee comprises four members of the Corporation, supported by a governance adviser. The Committee's responsibilities are also to make recommendations to the Board on the remuneration and benefits of the Principal and Chief Executive and other senior post-holders, including the Clerk to the Corporation. Details of remuneration for the year ended 31 July 2015 are set out in the notes to the financial statements.



## **LOUGHBOROUGH COLLEGE**

### **Statement of Corporate Governance and Internal Control for year ended 31 July 2015**

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#### **Audit & Risk Committee**

The Audit & Risk Committee comprised five members of the Corporation for the year ended 31 July 2015 (excluding the Principal and Chief Executive and Chair of the Corporation). The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit & Risk Committee meets at least on a termly basis and provides a forum for reporting by the College's internal, regularity and financial statements auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the main FE funding bodies as they affect the College's business.

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

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

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

#### **Internal control**

##### *Scope of responsibility*

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

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

## LOUGHBOROUGH COLLEGE

### Statement of Corporate Governance and Internal Control for year ended 31 July 2015

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#### *The purpose of the system of internal control*

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

#### *Capacity to handle risk*

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal on-going process for identifying, evaluating and managing the College's significant risks that has been in place for the period ended 31 July 2015 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

#### *The risk and control framework*

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

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

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

*Review of effectiveness*

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

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

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

The Executive team receives reports from senior management setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms. These are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit & Risk Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit & Risk Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit & Risk Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. The Audit and Risk Committee have, within its terms of reference, responsibility for oversight of risk management. To assist the Committee, the College's auditors, PWC are in the process of reviewing the College's risk management processes and the resulting risk register. This review will be included on the agenda for the October 2015 meeting of the Audit and Risk Committee.

Based on the advice on the Audit & Risk Committee and the Principal and Chief Executive, the Corporation considers 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".

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


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

We confirm, on behalf of the Corporation, that to **the best of its knowledge**, the Corporation believes it is able to identify any material irregular or improper use of funds by the College, or material non-compliance with the Skills Funding Agency's terms and conditions of funding under the College's financial memorandum. We further confirm that any instances of material irregularity, impropriety or funding non-compliance discovered to date have been notified to the Skills Funding Agency.

**Going concern**

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

**Approved by order of the members of the Corporation on 14<sup>th</sup> December 2015 and signed on its behalf by:**

  
A Traynor  
Chair

  
Heather MacDonald  
Interim Principal and Chief Executive

## **LOUGHBOROUGH COLLEGE**

### **Statement of the Responsibilities of the Members of the Corporation for the year ended 31 July 2015**

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

Within the terms and conditions of the Financial Memorandum agreed between the Skills Funding Agency and the Corporation of the College, the Corporation, through its Principal and Chief Executive, is required to prepare financial statements for each financial year in accordance with the 2007 *Statement of Recommended Practice – Accounting for Further and Higher Education Institutions* and with the Accounts Direction for 2014/15 issued jointly by the Skills Funding Agency and Education Funding Agency, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

The Corporation is also required to prepare an Operating and Financial Review which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

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

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

**LOUGHBOROUGH COLLEGE**

**Statement of the Responsibilities of the Members of the Corporation for the year ended  
31 July 2015**

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

**Approved by order of the members of the Corporation on 14<sup>th</sup> December 2015 and  
signed on its behalf by:**

  
**A Traynor  
Chair**

## **LOUGHBOROUGH COLLEGE**

### **Independent auditors' report to the Corporation of Loughborough College (the "institution")**

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#### **Report on the financial statements**

##### **Our opinion**

In our opinion:

- Loughborough College's group financial statements and parent institution financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent institution's affairs as at 31 July 2015 and of the group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

##### **What we have audited**

The financial statements comprise:

- the consolidated and parent institution Balance Sheets as at 31 July 2015;
- the consolidated Income and Expenditure Account for the year then ended;
- the consolidated Statement of Total Recognised Gains and Losses for the year then ended;
- the consolidated Statement of Cash Flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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

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

In our opinion, in all material respects:

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

## **LOUGHBOROUGH COLLEGE**

### **Independent auditors' report to the Corporation of Loughborough College (the "institution")**

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#### **Responsibilities for the financial statements and the audit**

##### **Respective responsibilities of the Corporation and auditors**

As explained more fully in the Statement of Responsibilities of Members of the Corporation set out on page 18 the Corporation is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

##### **What an audit of financial statements involves**

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

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

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

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

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



**LOUGHBOROUGH COLLEGE**

**Independent auditors' report to the Corporation of Loughborough College (the "institution")**

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*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
East Midlands

*16 December 2015*

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

## **LOUGHBOROUGH COLLEGE**

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

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In accordance with the terms of our engagement letter dated 8 October 2015 and further to the requirements of the financial memorandum with Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Loughborough College during the period 01 August 2014 to 31 July 2015 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

#### **Respective responsibilities of Loughborough College and the reporting accountant**

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Joint Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 01 August 2014 to 31 July 2015 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them as set out in the Association of Colleges Accounts Direction 2014 to 2015.

#### **Approach**

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

## LOUGHBOROUGH COLLEGE

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

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

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

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

The work undertaken to draw to our conclusion includes but is not limited to:

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

### Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 01 August 2014 to 31 July 2015 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them as set out in the Association of Colleges Accounts Direction 2014 to 2015.

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP  
Chartered Accountants  
East Midlands  
Date: 16 December 2015

**LOUGHBOROUGH COLLEGE**

**Consolidated Income and Expenditure Account for the year ended 31 July 2015**

	Notes	2015 £'000	Restated 2014 £'000
<b>INCOME</b>			
Funding body grants	2	16,237	15,269
Tuition fees and education contracts	3	6,328	5,428
Other income		4,304	5,876
Endowment and investment income	4	22	59
<b>Total Income</b>		<b>26,891</b>	<b>26,632</b>
<b>EXPENDITURE</b>			
Staff costs	5	17,144	16,305
Exceptional restructuring costs	5	-	625
Other operating expenses	7	8,037	7,860
Depreciation	11	1,770	1,493
Interest and other finance costs	8	69	197
<b>Total Expenditure</b>		<b>27,020</b>	<b>26,480</b>
<b>(Deficit)/surplus on continuing operations after depreciation of tangible fixed assets at valuation and before exceptional items and tax</b>		<b>(129)</b>	<b>152</b>
Profit on disposal of assets		-	282
<b>(Deficit)/surplus on continuing operations after depreciation of tangible fixed assets at valuation, exceptional items and disposal of assets but before tax</b>		<b>(129)</b>	<b>434</b>
Taxation	9	-	-
<b>(Deficit)/surplus on continuing operations after depreciation of assets at valuation and tax</b>		<b>(129)</b>	<b>434</b>
(Deficit) for the year transferred from accumulated income in endowment funds	13	-	(2)
<b>(Deficit)/surplus for the year retained within general reserves</b>		<b>(129)</b>	<b>432</b>

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

**LOUGHBOROUGH COLLEGE**

**Consolidated Statement of Historical Cost Surpluses and Deficits for the year ended 31 July 2015**

	Notes	2015 £'000	2014 £'000
(Deficit)/surplus on continuing operations before taxation	10	(129)	432
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	21	50	50
		<u>(79)</u>	<u>482</u>
<b>Historical cost (deficit)/surplus for the year after taxation</b>		<u>(79)</u>	<u>482</u>

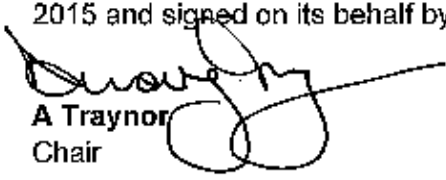
**Consolidated Statement of Total Recognised Gains and Losses**


	Notes	2015 £'000	2014 £'000
<b>Surplus on continuing operations after depreciation of assets at valuation and tax</b>	10	(129)	432
Loss on disposal of revalued asset		(58)	-
Actuarial loss in respect of pension scheme	23	(1,095)	(1,098)
<b>Total recognised losses since last report</b>		<u>(1,283)</u>	<u>(666)</u>
<b>Reconciliation</b>			
Opening reserves and endowments		19,710	20,376
Total recognised losses for the year		(1,283)	(666)
<b>Closing reserves and endowments</b>		<u>18,427</u>	<u>19,710</u>

**LOUGHBOROUGH COLLEGE**  
**Consolidated Balance Sheet at 31 July 2015**

	Note	2015 £'000	2014 £'000
<b>Fixed assets</b>			
Tangible assets	11	50,001	38,284
<b>Endowment asset investments</b>	13	324	329
<b>Current assets</b>			
Stocks		14	4
Debtors	14	1,411	1,013
Short term deposits		-	-
Cash at bank and in hand		3,952	3,312
		<u>5,377</u>	<u>4,329</u>
<b>Less Creditors - amounts falling due within one year</b>	15	(5,099)	(5,876)
<b>Net current assets / (liabilities)</b>		<u>278</u>	<u>(1,547)</u>
<b>Total assets less current liabilities</b>		<u>50,603</u>	<u>37,066</u>
Less : Creditors amounts falling due after more than one year	16	(6,950)	(1,112)
Less : Provisions for liabilities	18	(505)	(509)
<b>Net assets excluding pension liability</b>		<u>43,148</u>	<u>35,445</u>
<b>Net pension liability</b>	23	(9,212)	(7,814)
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>		<u>33,936</u>	<u>27,631</u>
<b>Deferred capital grants</b>	19	15,185	7,592
<b>Permanent Endowments</b>	20	324	329
<b>Reserves</b>			
Income and expenditure account excluding pension reserve	22	22,268	22,044
Pension reserve	23	(9,212)	(7,814)
		<u>13,056</u>	<u>14,230</u>
Income and expenditure account including pension reserve	22	13,056	14,230
Revaluation reserve	21	5,371	5,480
		<u>18,427</u>	<u>19,710</u>
<b>Total reserves</b>		<u>18,427</u>	<u>19,710</u>
<b>TOTAL FUNDS</b>		<u>33,936</u>	<u>27,631</u>

The financial statements on pages ~~24~~<sup>25</sup> to ~~55~~<sup>56</sup> were approved by the governing body on 14<sup>th</sup> December 2015 and signed on its behalf by:

  
**A Traynor**  
 Chair

  
**H MacDonald**  
 Interim Principal and Chief Executive

**LOUGHBOROUGH COLLEGE**  
**College Balance Sheet at 31 July 2015**

	Note	2015 £'000	2014 £'000
<b>Fixed assets</b>			
Tangible assets	11	49,977	38,259
Investments	12	-	-
		<u>49,977</u>	<u>38,259</u>
<b>Endowment asset investments</b>	13	324	329
<b>Current assets</b>			
Stocks		14	4
Debtors	14	1,716	1,344
Short term deposits		-	-
Cash at bank and in hand		3,917	3,277
		<u>5,647</u>	<u>4,625</u>
<b>Less Creditors - amounts falling due within one year</b>	15	(5,319)	(6,124)
<b>Net current (liabilities) / assets</b>		<u>328</u>	<u>1,499</u>
<b>Total assets less current liabilities</b>		<u>50,629</u>	<u>37,089</u>
Less: Creditors amounts falling due after more than one year	16	(6,950)	(1,112)
Less: Provision for liabilities	18	(505)	(507)
<b>Net assets excluding pension liability</b>		<u>43,174</u>	<u>35,470</u>
<b>Net pension liability</b>	23	(9,212)	(7,814)
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>		<u>33,962</u>	<u>27,656</u>
<b>Deferred capital grants</b>	19	15,185	7,592
<b>Permanent Endowments</b>	20	324	329
<b>Reserves</b>			
Income and expenditure account excluding pension reserve	22	22,294	22,068
Pension reserve	23	(9,212)	(7,814)
Income and expenditure account including pension reserve	22	13,082	14,254
Revaluation reserve	21	5,371	5,481
		<u>18,453</u>	<u>19,735</u>
<b>Total reserves</b>		<u>18,453</u>	<u>19,735</u>
<b>TOTAL FUNDS</b>		<u>33,962</u>	<u>27,656</u>

The financial statements on pages ~~24~~<sup>25</sup> to ~~56~~<sup>56</sup> were approved by the governing body on 14<sup>th</sup> December 2015 and were signed on its behalf by:

A Traynor  
 Chair

H MacDonald  
 Interim Principal and Chief Executive

**LOUGHBOROUGH COLLEGE**  
**Consolidated Cash Flow Statement for the year ended 31 July 2015**

	Note	2015 £'000	2014 £'000
<b>Cash inflow from operating activities</b>	27	6,337	3,397
Returns on investments and servicing of finance	28	(47)	9
Capital expenditure and financial investment	29	(5,650)	(11,822)
Management of liquid resources	30	-	4,127
Financing	31	-	(42)
		<u>640</u>	<u>(4,331)</u>
<b>Increase/(Decrease) in cash in year</b>			
<b>Reconciliation of net cash flow to movement in net funds</b>			
Increase / (Decrease) in cash in year		640	(4,331)
Cash inflow from liquid resources	30	-	(4,127)
Change in net debt resulting from financing	31	-	42
Movement in endowment assets	32	(5)	-
		<u>635</u>	<u>(8,416)</u>
<b>Movement in net funds in year</b>			
Net funds at 1 August		2,432	10,848
		<u>3,067</u>	<u>2,432</u>
<b>Net funds at 31 July</b>	32		



## **1 Accounting policies**

### *Statement of accounting policies*

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

### *Basis of preparation*

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2007 (the SORP), the Accounts Direction for 2014/15 financial statements and in accordance with applicable Accounting Standards.

### *Basis of accounting*

The financial statements are prepared in accordance with the historical cost convention, modified by the revaluation of certain tangible fixed assets and in accordance with applicable United Kingdom Accounting Standards.

### *Going concern*

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

The College currently has £846k of loans outstanding with bankers on terms negotiated in 2008. Additionally there is £6m of uncommitted facility available for unconditional drawdown with a negative security pledge that was negotiated in July 2014. The terms of this agreement are a 5 year commitment, with a 20 year repayment profile and an annual renewal extension clause. The College's forecasts and financial projections indicate it will be able to operate within this existing facility and covenants for the foreseeable future.

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

### *Basis of consolidation*

The consolidated financial statements include the College and its subsidiary undertakings, Loughborough College Enterprises Limited, Loughborough College Properties Limited and Loughborough Academy Trust Limited. Inter-group sales and profits are eliminated fully on consolidation. All financial statements are made up to 31 July 2015.

### *Recognition of income*

The recurrent grant from HEFCE represents the funding allocations attributable to the current financial year and is credited direct to the income and expenditure account.

## LOUGHBOROUGH COLLEGE

### Notes to the Accounts for the year ended 31 July 2015

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Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body 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 to which it relates and includes all fees payable by students or their sponsors, for example the National Health Service.

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. Income from restricted purpose endowment funds not expended in accordance with the restrictions of the endowment in the period is transferred from the income and expenditure account to accumulate income within endowment funds.

#### *Post retirement benefits*

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

Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. As stated in note 23, the TPS is a multi employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions are recognised as they are paid.

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

## LOUGHBOROUGH COLLEGE

### Notes to the Accounts for the year ended 31 July 2015

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#### *Enhanced pensions*

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

#### *Tangible fixed assets*

##### a) Land and buildings

The College campus inherited from the Local Education Authority was stated in the balance sheet on 1 April 1993 at valuation on the basis of depreciated replacement cost, as the open market value for existing use was not readily available. Other properties, used as College hostels were valued at the open market value for existing use. Buildings acquired since incorporation are included in the balance sheet at cost.

Freehold land is not depreciated.

College buildings are depreciated over their useful economic life of 50 years. Major refurbishments to College property have been capitalised at cost and are depreciated over 10 to 30 years.

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

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

Buildings under the course of construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July 2015. They are not depreciated until they are brought into use.

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

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

##### b) Equipment

Equipment costing less than £1,000 per individual item, unless part of a larger project, is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost. Inherited equipment from the Local Education Authority is included in the balance sheet at valuation (depreciated replacement cost).

## LOUGHBOROUGH COLLEGE

### Notes to the Accounts for the year ended 31 July 2015

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

Plant and general equipment	2 to 10 years
Motor vehicles	5 years

Computers are depreciated at between 20% to 33% on a straight line basis or at 30% of net book value on a reducing balance basis, depending on the type of equipment purchased.

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

#### *Leased assets*

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset ("finance leases") are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements.

The capital element is applied to reduce the outstanding obligations and the interest element is charged to the income and expenditure account in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets.

#### *Stocks*

Stocks are valued at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stock.

#### *Maintenance of premises*

The cost of routine corrective maintenance is charged to the income and expenditure account in the period in which it is incurred.

#### *Taxation*

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax 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 receives no similar exemption in respect of Value Added Tax. For this reason, the College is generally unable to recover input VAT it suffers on goods and services purchased. Non-pay expenditure is therefore shown inclusive of VAT with any partial recovery netted off against these figures.

## **LOUGHBOROUGH COLLEGE**

### **Notes to the Accounts for the year ended 31 July 2015**

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The College's subsidiary undertakings are subject to corporation tax and VAT in the same way as any commercial organisation.

#### *Investments*

Fixed asset investments are carried at historical cost less any provision for impairment in their value. Current asset investments are stated at the lower of cost and net realisable value.

#### *Liquid resources*

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

#### *Provisions*

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

#### *Agency arrangements*

The College acts as an agent in the collection and payment of discretionary support Funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in Note 34, 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 full-time member of staff dedicated to the administration of Learner Support Fund applications and payments plus three further staff provide admin support on an ad hoc basis.

#### *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 year with all resulting exchange differences being taken to the income and expenditure account in the year in which they arise.

**LOUGHBOROUGH COLLEGE****Notes to the Accounts for the year ended 31 July 2015****2 Funding body grants**

	<b>2015</b> <b>£'000</b>	<b>Restated</b> <b>2014</b> <b>£'000</b>
EFA/SFA Recurrent grant	12,856	11,100
Releases of deferred capital grants EFA/SFA (note 19)	174	127
EFA/SFA non recurrent grants	2,750	3,033
HEFCE grant	457	1,009
<b>Total</b>	<b>16,237</b>	<b>15,269</b>

**3 Tuition fees and education contracts**

	<b>2015</b> <b>£'000</b>	<b>2014</b> <b>£'000</b>
Tuition fees	5,793	5,222
Education contracts	535	206
	<u>6,328</u>	<u>5,428</u>

**4 Endowment and investment income**

	<b>2015</b> <b>£'000</b>	<b>2014</b> <b>£'000</b>
Bank and building society interest receivable	18	57
Endowment investment income (note 20)	4	2
	<u>22</u>	<u>59</u>

**5 Staff costs**

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

	<b>2015</b> <b>Number</b>	<b>2014</b> <b>Number</b>
Teaching staff	265	304
Non-teaching staff	263	201
	<u>528</u>	<u>505</u>

**LOUGHBOROUGH COLLEGE**

**Notes to the Accounts for the year ended 31 July 2015**

**Staff costs for the above persons**

	<b>2015</b> <b>£'000</b>	<b>2014</b> <b>£'000</b>
Wages and salaries	13,156	12,898
Social security costs	894	880
Other pension costs (including FRS 17 adjustments of £303,000 – 2014 £333,000)	2,058	2,067
<b>Payroll sub total</b>	<b>16,108</b>	<b>15,845</b>
Contracted out staffing services	1,036	460
	<b>17,144</b>	<b>16,305</b>
Exceptional restructuring costs		625
	<b>17,144</b>	<b>16,930</b>

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

	<b>Senior post-holders</b>		<b>Other staff</b>	
	<b>2015</b> <b>No.</b>	<b>2014</b> <b>No.</b>	<b>2015</b> <b>No.</b>	<b>2014</b> <b>No.</b>
£60,001 to £70,000	-	-	2	2
£70,001 to £80,001	-	-	3	1
£80,001 to £90,000	-	-	1	-
£120,001 to £130,000	1	1	-	-
	<b>1</b>	<b>1</b>	<b>6</b>	<b>3</b>

**6 Senior post-holders' emoluments**

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

	<b>2015</b> <b>No.</b>	<b>2014</b> <b>No.</b>
The number of senior post-holders including the Principal and Chief Executive was:	1	1

**LOUGHBOROUGH COLLEGE****Notes to the Accounts for the year ended 31 July 2015**

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

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Salaries	126	125
Benefits in kind	3	3
Pension contributions	<u>21</u>	<u>21</u>
<b>Total emoluments</b>	<b><u>150</u></b>	<b><u>149</u></b>

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

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Salaries	126	125
Benefits in kind	<u>3</u>	<u>3</u>
	<u>129</u>	<u>128</u>
Pension contributions	<u>21</u>	<u>21</u>

The pension contributions in respect of the Chief Executive and senior post-holders are in respect of employer's contributions to the Teachers' Pension Scheme and are paid at the same rate as for other employees

**Compensation for loss of office paid to a former senior post-holder**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Compensation paid and payable	-	28
Estimated value of other benefits, including provision for pension benefits	<u>-</u>	<u>-</u>
	<u>-</u>	<u>28</u>

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



**LOUGHBOROUGH COLLEGE**

**Notes to the Accounts for the year ended 31 July 2015**

**7 Other operating expenses**

	<b>2015</b>	<b>Restated</b>
	<b>£'000</b>	<b>2014</b>
		<b>£'000</b>
Teaching costs	1,526	1,830
Non teaching costs	5,165	4,691
Premises costs	1,346	1,339
	<u>8,037</u>	<u>7,860</u>

**Other operating expenses include:**

Auditors' remuneration:

- financial statements audit	24	20
- internal audit	21	15
- other audit services	-	-
Hire of other assets - operating leases	52	43
(Profit)/Loss on disposal of fixed assets	-	-
	<u>          </u>	<u>          </u>

**8 Interest and other finance costs**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
On bank loans, overdrafts and other loans: Repayable within five years, by instalments	69	50
	<u>69</u>	<u>50</u>
Pension finance costs (note 23)	-	147
	<u>          </u>	<u>          </u>
<b>Total</b>	<b><u>69</u></b>	<b><u>197</u></b>

**9 Taxation**

The members do not believe either the College or its subsidiaries were liable for any corporation tax arising out of their activities during this year, or the previous year.

**10 Surplus on continuing operations for the year**

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

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
College's (deficit)/surplus for the period	(129)	380
Gift aid from subsidiary undertakings	-	52
Gift aid adjustment	-	(290)
	<u>          </u>	<u>          </u>
<b>Total</b>	<b><u>(129)</u></b>	<b><u>142</u></b>

LOUGHBOROUGH COLLEGE

Notes to the Accounts for the year ended 31 July 2015

11 Tangible fixed assets (Group)

	Buildings In Construction £'000	Land and Buildings £'000	Equipment £'000	Total £'000
<b>Cost or valuation</b>				
At 1 August 2014	14,652	38,130	8,483	61,265
Additions	12,189	539	822	13,550
Transfers	(14,487)	14,310	177	-
Disposals	-	(3,256)	(4,691)	(7,947)
At 31 July 2015	<u>12,354</u>	<u>49,723</u>	<u>4,791</u>	<u>66,868</u>
<b>Depreciation</b>				
At 1 August 2014	-	15,981	6,999	22,980
Charge for year	-	1,060	710	1,770
Elimination in respect of disposals	-	(3,192)	(4,691)	(7,883)
At 31 July 2015	<u>-</u>	<u>13,849</u>	<u>3,018</u>	<u>16,867</u>
Net Book value at 31 July 2015	<u>12,354</u>	<u>35,874</u>	<u>1,773</u>	<u>50,001</u>
Net Book value at 31 July 2014	<u>14,652</u>	<u>22,149</u>	<u>1,484</u>	<u>38,285</u>

**LOUGHBOROUGH COLLEGE**

**Notes to the Accounts for the year ended 31 July 2015**

**11 Tangible fixed assets – College**

	<b>Buildings In Construction £'000</b>	<b>Land and Buildings £'000</b>	<b>Equipment £'000</b>	<b>Total £'000</b>
<b><i>Cost or valuation</i></b>				
At 1 August 2014	14,652	37,770	8,466	60,888
Additions	12,189	539	822	13,550
Transfers	(14,487)	14,310	177	-
Disposals		(3,256)	(4,691)	(7,947)
At 31 July 2015	<u>12,354</u>	<u>49,363</u>	<u>4,774</u>	<u>66,491</u>
<b><i>Depreciation</i></b>				
At 1 August 2014				
Charge for year	-	15,645	6,983	22,628
Elimination in respect of disposals	-	1,060	710	1,770
	-	(3,192)	(4,691)	(7,883)
At 31 July 2015	<u>-</u>	<u>13,513</u>	<u>3,003</u>	<u>16,515</u>
Net Book value at 31 July 2015	<u>12,354</u>	<u>35,850</u>	<u>1,771</u>	<u>49,977</u>
Net Book value at 31 July 2014	<u>14,652</u>	<u>22,125</u>	<u>1,482</u>	<u>38,259</u>

Land and buildings were valued at depreciated replacement cost by Leicestershire County Council Department of Property for the purpose of vesting on 1 April 1993. Other tangible fixed assets inherited from the Local Education Authority at incorporation have been valued on a depreciated replacement cost basis with the assistance of independent professional advice.

Land and buildings with a net book value of £5,119,000 (2014: £5,155,000) have been funded from Local Authority sources. Should these assets be sold, the College would have to use them in accordance with the Financial Memorandum with the SFA. If inherited assets had not been valued they would have been included at nil cost.

In 2011/12 the College embarked on a major capital project to build a new Hub and Visual Performing Arts Centre, contract value circa £15,101k plus general capital commitments of £750k. The project was completed and formally handed to the College by the main contractor on 4 August 2014

## LOUGHBOROUGH COLLEGE

### Notes to the Accounts for the year ended 31 July 2015

#### 12 Investments

The College owns 100 per cent of the issued ordinary £1 shares of Loughborough College Properties Limited, a company incorporated in England and Wales, and 100 per cent of the issued ordinary £1 shares of and Loughborough College Enterprises Limited, a company incorporated in England and Wales. The principle business activity of Loughborough College Enterprises Limited is training and education. The principle activity of Loughborough College Properties Limited is the development and rental of property. The College entered into a Joint Venture with and owns 50 per cent of the issued ordinary £1 shares of Impact Apprentices Ltd., a company incorporated in England and Wales. On the basis of materiality, the results for the joint venture are not consolidated into these financial statements.

#### 13 Endowment assets

	Group 2015	College 2015
	£'000	£'000
Balance at 1 August 2014	329	329
New endowment invested	-	-
Appreciation of endowment asset investments (note 21)	(5)	(5)
Balance at 31 July 2015	<u>324</u>	<u>324</u>
Represented by:		
Short term investments	324	324

In August 2005, Leicestershire County Council transferred to Loughborough College, the funds it had been holding and investing in respect of the proceeds realised on the sale of the Loughborough Technical College site. These funds are now administered by the College under the Loughborough College Educational Trust. The Scheme rules dated 6 June 2007 set out how the Trust will be governed, the objectives of the Trust as well as the use of the income and capital belonging to the Trust.

The College has considered the nature and purpose of this fund in the base year and considers it more appropriate to classify it as an endowment in line with the 2007 FE and HE SORP.

**LOUGHBOROUGH COLLEGE****Notes to the Accounts for the year ended 31 July 2015****14 Debtors**

	<b>Group</b>	<b>College</b>	<b>Group</b>	<b>College</b>
	<b>2015</b>	<b>2015</b>	<b>2014</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Amounts falling due within one year:				
Trade debtors	373	373	355	351
Amounts due from subsidiaries and joint ventures	278	583	150	485
Prepayments and accrued income	760	760	508	508
Prepaid asset in construction	-	-	-	-
Other debtors	-	-	-	-
	<u>1,411</u>	<u>1,716</u>	<u>1,013</u>	<u>1,344</u>

Amounts due from subsidiaries and joint ventures includes £335,000 (2014: £335,000) in respect of a loan to Loughborough College Properties Limited, which is due after one year. Interest accrues daily and is paid six monthly at the rate of one percent below the varying base lending rate of the Royal Bank of Scotland. The loan or any part thereof may be repaid at any time, with the final date for repayment being 1 December 2021.

**15 Creditors: amounts falling due within one year**

	<b>Group</b>	<b>College</b>	<b>Group</b>	<b>College</b>
	<b>2015</b>	<b>2015</b>	<b>2014</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Bank loans and overdrafts	27	27	26	26
Payments received in advance	923	923	631	631
Trade creditors	242	462	2,488	2,446
Other taxation and social security	788	788	474	474
Other creditors	484	484	274	564
Accruals	2635	2,635	1,975	1,975
Other loans	-	-	8	8
	<u>5,099</u>	<u>5,319</u>	<u>5,876</u>	<u>6,124</u>

**LOUGHBOROUGH COLLEGE****Notes to the Accounts for the year ended 31 July 2015****16 Creditors: amounts falling due after one year**

	<b>Group 2015 £'000</b>	<b>College 2015 £'000</b>	<b>Group 2014 £'000</b>	<b>College 2014 £'000</b>
Bank loans	6,819	6,819	846	846
Creditors	131	131	266	266
Other loans	-	-	-	-
<b>Total</b>	<b>6,950</b>	<b>6,950</b>	<b>1,112</b>	<b>1,112</b>

**17 Borrowings****(a) Bank loans and overdrafts**

Bank loans and overdrafts are repayable as follows:

	<b>Group 2015 £'000</b>	<b>College 2015 £'000</b>	<b>Group 2014 £'000</b>	<b>College 2014 £'000</b>
In one year or less	27	27	34	34
Between one and two years	630	630	27	27
Between two and five years	1,000	1,000	94	94
In five years or more	5,189	5,189	725	725
<b>Total</b>	<b>6,846</b>	<b>6,846</b>	<b>880</b>	<b>880</b>

In 2008, the College secured a £1,000,000 25 year term loan with its bank to fund the Phase 1 of the property rebuilding programme. Capital repayments are made quarterly and interest is payable on the loan at a fixed rate of interest.

The College also made arrangements in July 2014 for an additional £6m loan facility, which was drawn down in three instalments during 2014/15 to support the long term financing of its capital programme. The loan will be initially fixed at 5 years out of 20 at 1.65% above LIBOR. There was no amount outstanding in relation to this facility at the end of July 2014.

**LOUGHBOROUGH COLLEGE****Notes to the Accounts for the year ended 31 July 2015****18 Provision for liabilities****Group and College**

	<b>Enhanced Pensions £'000</b>
At 1 August 2014	507
Expenditure in the year	(42)
Transferred from income and expenditure account	40
At 31 July 2015	<u>505</u>

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

The principle assumptions for this calculation are:

	<b>2015</b>	<b>2014</b>
Price inflation	3.74%	3.74%
Discount rate	2.5%	2.5%

**19 Deferred capital grants****Group and College**

	<b>Funding body £'000</b>	<b>Other grants £'000</b>	<b>£'000</b>
At 1 August 2014	7,127	465	7,592
Cash receivable	7,880	20	7,900
Release to income and expenditure account	(174)	(133)	(307)
At 31 July 2015	<u>14,833</u>	<u>352</u>	<u>15,185</u>

**LOUGHBOROUGH COLLEGE**

**Notes to the Accounts for the year ended 31 July 2015**

**20 Endowments**

	£'000 Unrestricted Permanent	£'000 Restricted Permanent	£'000 Total Permanent	£'000 Restricted Expendable	£'000 Total
At 1 August 2014	-	329	329	-	329
Net additions/disposals	-	(6)	(6)	-	(6)
Appreciation of endowment asset investments	-	22	22	-	22
Income for year	-	-	-	-	-
Expenditure for year	-	(21)	(21)	-	(21)
At 31 July 2015	<u>-</u>	<u>324</u>	<u>324</u>	<u>-</u>	<u>324</u>

**21 Revaluation reserve**

	Group 2015 £'000	College 2015 £'000	Group 2014 £'000	College 2014 £'000
At 1 August	5,480	5,480	5,530	5,530
Disposal of revalued asset	(58)	(58)	-	-
Depreciation on revalued assets	(50)	(50)	(50)	(50)
At 31 July	<u>5,371</u>	<u>5,371</u>	<u>5,480</u>	<u>5,480</u>



**LOUGHBOROUGH COLLEGE****Notes to the Accounts for the year ended 31 July 2015****22 Movement on general reserves**

	<b>Group 2015 £'000</b>	<b>College 2015 £'000</b>	<b>Group 2014 £'000</b>	<b>College 2014 £'000</b>
<b>Income and expenditure account reserve</b>				
At 1 August	14,230	14,254	14,846	15,159
(Deficit) / Surplus retained for the year	(129)	(129)	432	142
Transfer from the revaluation reserve	50	50	50	50
Actuarial loss in respect of pension scheme	(1,095)	(1,095)	(1,098)	(1,098)
At 31 July	<u>13,056</u>	<u>13,082</u>	<u>14,230</u>	<u>14,253</u>
Balance represented by:				
Pension reserve	(9,212)	(9,212)	(7,814)	(7,814)
Income and expenditure account reserve excluding pension reserve	22,268	22,294	22,044	22,067
At 31 July	<u>13,056</u>	<u>13,082</u>	<u>14,230</u>	<u>14,253</u>

**LOUGHBOROUGH COLLEGE****Notes to the Accounts for the year ended 31 July 2015****23 Pension and similar obligations**

The College's employees belong to two principle pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Leicestershire County Council Pension Fund. Both are defined-benefit schemes.

<b>Total pension cost for the year</b>	<b>2015 £'000</b>	<b>2014 £'000</b>
Teachers Pension Scheme: contributions paid	748	830
Local Government Pension Scheme: Contributions paid	1,109	976
FRS 17 charge	303	327
Charge to the Income and Expenditure Account (staff costs)	1,412	1,303
Enhanced pension charge to Income and Expenditure Account (staff costs)	(102)	(66)
<b>Total Pension Cost for Year</b>	<b>2,058</b>	<b>2,067</b>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2013. There were no outstanding or prepaid contributions at either the beginning or the end of the financial year.

**Teachers' Pension Scheme**

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

### **The Teachers' Pension Budgeting and Valuation Account**

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

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

### **Valuation of the Teachers' Pension Scheme**

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

- Employer contribution rates were set at 14.1% of pensionable pay;
- Total scheme liabilities for service to the effective date of £166,500 millions, and notional assets of £163,240 millions
- An employer cost cap of 14% of pensionable pay.

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

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

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

*Scheme Changes*

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

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

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

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

The pension costs paid to TPS in the year amounted to £748,000 (2014 £830,000).

**FRS17**

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

Accordingly, the College has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The College has set out above the information available on the scheme and the implications for the College in terms of the anticipated contribution rates.

**Local Government Pension Scheme**

The LGPS is a funded defined benefit scheme, with the assets held in separate funds administered by Leicestershire County Local Authority. The total contributions made for the year ended 31 July 2015 was £1,494k of which employer's contributions totalled to £1,109k and employees' contributions totalled £385k. The agreed contribution rates for future years are 16.0% for employers and range from 5.5% to 7.5% for employees, depending on salary.

**FRS 17**

**Principal Actuarial Assumptions**

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

	At 31 July 2015	At 31 July 2014
Rate of increase in salaries	4.5%	4.5%
Rate of increase for pensions in payment - CPI	2.6%	2.7%
Rate of increase for pensions in payment - RPI	-	-
Discount rate for scheme liabilities	3.6%	4.0%
Commutation of pensions to lump sums Pre 2008	50%	50%
Commutation of pensions to lump sums Post 2008	75%	75%

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

*Retiring today*

Males	22.2	22.2
Females	24.3	24.3

*Retiring in 20 years*

Males	24.2	24.2
Females	26.6	26.6

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

	Long term rate of return expected at 31 July 2015	Value at 31 July 2015 £'000	Long term rate of return expected at 31 July 2014	Value at 31 July 2014 £'000
Equities	3.6%	14,516	6.6%	12,962
Bonds	3.6%	4,269	3.7%	2,963
Property	3.6%	2,135	4.7%	1,852
Cash	3.6%	427	3.6%	741
Total market value of assets		<u>21,347</u>		<u>18,518</u>
Present value of scheme liabilities		(30,559)		(26,332)
<b>Deficit in the scheme</b>		<u><b>(9,212)</b></u>		<u><b>(7,814)</b></u>

**LOUGHBOROUGH COLLEGE****Notes to the Accounts for the year ended 31 July 2015****Analysis of the amount charged to income and expenditure account**

	<b>2015</b> <b>£'000</b>	<b>2014</b> <b>£'000</b>
Employer service cost (net of employee contributions)	1,375	1,273
Past service cost	-	-
Loss on curtailments	60	30
<b>Total operating charge</b>	<b>1,435</b>	<b>1,303</b>
<b>Analysis of pension finance income / (costs)</b>		
Expected return on scheme assets	1,101	893
Interest on pension liabilities	(1,078)	(1,040)
<b>Pension finance income / (costs)</b>	<b>23</b>	<b>(147)</b>

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

	<b>2015</b> <b>£'000</b>	<b>2014</b> <b>£'000</b>
Actual return less expected return on pension scheme	770	979
Change in financial and demographic assumptions underlying the scheme liabilities		-
Actuarial loss in pension plan recognised	(1,865)	(2,077)
<b>Actuarial loss recognised in STRGL</b>	<b>(1,095)</b>	<b>(1,098)</b>

**LOUGHBOROUGH COLLEGE**

**Notes to the Accounts for the year ended 31 July 2015**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
<b>Movement in deficit during year</b>		
Deficit in scheme at 1 August	(7,814)	(6,242)
Movement in year:		
Employers service cost (net of employee contributions)	(1,375)	(1,273)
Employer contributions	1,109	976
Net return on assets	23	(147)
Actuarial loss	(1,155)	(1,128)
	<u>(9,212)</u>	<u>(7,814)</u>
<b>Deficit in scheme at 31 July</b>		
	<u>(9,212)</u>	<u>(7,814)</u>
 <b>Asset and Liability Reconciliation</b>		
	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
<b>Reconciliation of Liabilities</b>		
<b>Liabilities at start of period</b>	26,332	22,053
Service cost	1,375	1,273
Interest cost	1,078	1,040
Employee contributions	385	357
Experience (gains) and losses on scheme liabilities	1,865	2,077
Benefits paid	(536)	(498)
Losses on curtailments	60	30
	<u>30,559</u>	<u>26,332</u>
<b>Reconciliation of assets</b>		
Assets at start of period	18,518	15,811
Expected return on assets	1,101	893
Actuarial Gain	770	979
Employer contributions	1,109	976
Employee contributions	385	357
Benefits paid	(536)	(498)
	<u>21,347</u>	<u>18,518</u>

The estimated value of employer contributions for the year ended 31 July 2016 is £1,109,000.

**LOUGHBOROUGH COLLEGE****Notes to the Accounts for the year ended 31 July 2015****History of experience gains and losses**

	2015	2014	2013	2012	2011
Difference between the expected and actual return on assets: Amount £'000*	21,347	18,518	15,811	13,061	12,347
Experience gains and losses on scheme liabilities: Amount £'000*	219	737	-	(167)	560
Total amount recognised in STRGL: Amount £'000*	(1,095)	(1,098)	906	(3,122)	2,082

**24 Post-balance sheet events**

There are no post balance sheet events.

**25 Capital commitments**

	Group and College	
	2015 £'000	2014 £'000
Commitments contracted for at 31 July	<u>1,342</u>	<u>2,501</u>
Authorised but not contracted at 31 July	<u>687</u>	<u>758</u>

**26 Financial commitments**

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

	Group and College	
	2015 £'000	2014 £'000
Land and buildings		
Expiring within one year	-	-
Expiring within two and five years inclusive	-	-
Expiring in over five years	<u>-</u>	<u>-</u>
Other		
Expiring within one year	-	-
Expiring within two and five years inclusive	-	-
Expiring in over five years	<u>45</u>	<u>44</u>
	45	44



**LOUGHBOROUGH COLLEGE**

**Notes to the Accounts for the year ended 31 July 2015**

**27 Reconciliation of consolidated operating (deficit) / surplus to net cash inflow from operating activities**

	<b>2015</b> <b>£'000</b>	<b>2014</b> <b>£'000</b>
(Deficit) / Surplus on continuing operations after depreciation of assets at valuation	(129)	152
Depreciation (note 11)	1770	1,493
Deferred capital grants released to income (note 19)	(307)	(311)
FRS 17 Pension costs	303	474
Interest payable (note 8)	69	50
Interest receivable (note 4)	(22)	(59)
(Increase) / Decrease in stocks	(10)	4
(Increase) in debtors	(398)	(368)
Increase in creditors	5,065	1,966
(Decrease) in provisions	(4)	(4)
	<hr/>	<hr/>
<b>Net cash inflow from operating activities</b>	<b><u>6,337</u></b>	<b><u>3,397</u></b>

**28 Returns on investments and servicing of finance**

	<b>2015</b> <b>£'000</b>	<b>2014</b> <b>£'000</b>
Other interest received	22	59
Interest paid	(69)	(50)
	<hr/>	<hr/>
<b>Net cash (outflow)/inflow from returns on investment and servicing of finance</b>	<b><u>(47)</u></b>	<b><u>9</u></b>

**29 Capital expenditure and financial investment**

	<b>2015</b> <b>£'000</b>	<b>2014</b> <b>£'000</b>
Purchase of tangible fixed assets	(13,550)	(14,134)
Sales of tangible fixed assets	-	364
Deferred capital grants received	7,900	1,941
	<hr/>	<hr/>
<b>Net cash (outflow) from capital expenditure and financial investment</b>	<b><u>(5,650)</u></b>	<b><u>(11,829)</u></b>

**LOUGHBOROUGH COLLEGE**  
**Notes to the Accounts for the year ended 31 July 2015**

**30 Management of liquid resources**

	2015 £'000	2014 £'000
Withdrawals from deposits	-	4,127
Purchase of investments	-	-
Placing of deposits	-	-
	<u>-</u>	<u>-</u>
<b>Net cash inflow from management of liquid resources</b>	<u><b>-</b></u>	<u><b>4,127</b></u>

**31**

	Financing	
	2015 £'000	2014 £'000
Debt due beyond a year:		
Repayment of amounts borrowed	-	(42)
Capital element of finance lease rental payments	-	-
	<u>-</u>	<u>-</u>
<b>Net cash outflow from financing</b>	<u><b>-</b></u>	<u><b>(42)</b></u>

**32 Analysis of changes in net funds**

	At 1 August 2014 £'000	Cash flows £'000	Other changes £'000	At 31 July 2015 £'000
Cash in hand, and at bank	2,983	640	-	3,623
Endowment asset investments (note13)	329	(5)	-	324
	<u>3,312</u>	<u>635</u>	<u>-</u>	<u>3,947</u>
Debt due within 1 year	(34)	-	-	(34)
Debt due after 1 year	(846)	-	-	(846)
<b>Total</b>	<u><b>2,432</b></u>	<u><b>635</b></u>	<u><b>-</b></u>	<u><b>3,067</b></u>

**33 Related party transactions**

Owing to the nature of the College's operations and the composition of the Corporation (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 Corporation may have an interest. All transactions involving organisations in which a member of the Corporation may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedure. No transactions were identified which should be disclosed under Financial Reporting Standard 8 'Related Party Disclosures'.

The total expenses paid to or on behalf of the Governors during the year were £289 (2014: £442). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2014: None).

**34 Amounts disbursed as agent**

	2015 £'000	2014 £'000
Funding body grants – hardship support	663	603
Funding body grants – childcare	-	-
Interest earned	-	-
	<u>663</u>	<u>603</u>
Disbursed to students	(616)	(575)
Staffing	-	-
Administration costs	(30)	(28)
	<u>17</u>	<u>-</u>
Balance unspent as at 31 July, included in creditors		

Funding body grants are available solely for students. In the majority of instances, the College only acts as a paying agent. In these circumstances, the grants and related disbursements have therefore been excluded from the income and expenditure account, other than when the College has directly incurred expenditure itself. In the prior year accounts these amounts were included in funding income and in operating expenses. As a result, to ensure the accounts are prepared on a comparable basis, the prior year comparatives in the Consolidated Income and Expenditure Account were restated to be consistent with the treatment in the year ended 31 July 2015. Therefore the comparative for "Funding body grants" was reduced by £581,000 and for "Other operating expenses" by an equal amount of £581,000. The net impact of these restatements on the net surplus reported in the prior year was £nil.

