NCG

Report and financial statements

31 July 2015

Address
Newcastle College
Rye Hill Campus
Scotswood Road
Newcastle upon Tyne
NE4 7SA

External auditor
Ernst & Young LLP
Citygate
St James' Boulevard
Newcastle upon Tyne
NE1 4JD

Bankers
HSBC Bank plc
City Branch
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Newcastle upon Tyne
NE1 6JG

Solicitors
DWF LLP
Scott Place
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Manchester
M3 3AA

Other professional advisers

Internal auditors:	PricewaterhouseCoopers LLP
Insurance and pensions:	Gallagher Heath

Report of the members of the corporation

for the year ended 31 July 2015

Operating and financial review

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 NCG. It is an exempt charity for the purposes of the Charities Act 2011.

NCG operates through the following trading divisions and subsidiaries:

- Newcastle College
- Newcastle Sixth Form College
- West Lancashire College
- Kidderminster College
- The Intraining Group Limited
- Rathbone Training

Newcastle College (College) is a Further and Higher Education college based in Newcastle upon Tyne. It comprises several academic schools and substantial provision in higher education (HE).

Newcastle Sixth Form College (NSFC) which has been established under its own brand to deliver A Level, International Baccalaureate and GCSE courses.

West Lancashire College (WLC) is a Further and Higher Education college based in Skelmersdale, West Lancashire.

The Intraining Group Limited (Intraining) is a wholly owned subsidiary of the Corporation. It operates a wide range of skills and employability programmes.

Rathbone Training was acquired in January 2012 and is a company limited by guarantee. It is a UK-wide voluntary youth sector organisation providing opportunities for young people to transform their life circumstances by re-engaging with learning, discovering their ability to succeed and achieving progression to further education, training and employment.

Kidderminster College joined NCG on 1 August 2014. Kidderminster College is a general further education college based in North Worcestershire. The College provides vocational education and training in Wyre Forest and more widely across the Midlands.

Purpose

NCG's purpose is "unlocking potential through learning".

NCG launched a new strategy during the year through a series of Chief Executive led roadshows. The strategy continues to be reviewed and its relevance challenged on a regular basis.

Public Benefit

NCG is an exempt charity under Part 3 of the Charities Act 2011 and, from 1 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 14.

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

Report of the members of the corporation

for the year ended 31 July 2015

Public Benefit (continued)

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

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

Review of 2014/15

Implementation of the operational plan

During 2014/15 there have been a number of significant changes across NCG, relating to both the structure of the organisation and to the contracting environment. The most significant structural change has been the merger with Kidderminster College to form the sixth division of NCG. From a contracting and funding perspective, the sector is in a phase of ongoing cuts driven by the Governments spending reviews and budget tightening. Recent years have seen reduction in both EFA and SFA funding with a clear expectation these funding reductions will continue into the foreseeable future. Income delivered in 2014/15 was £178.1m compared to £179.7m in 2013/14. The surplus generated of £0.1m represents a contribution of 0.1%, in line with the budget.

Specific contract changes include:

- Reduction in EFA contract for 16-18 provision as a result of lower student numbers studying larger programmes. The lagged funding mechanism used by the agency reduces the funding for the student number drop immediately, but only compensates for the larger programmes a year later.
- The handover of the Work Programme Contract in North East Yorkshire and the Humber to the new provider at the end of March 2015.
- The completion of the ESF Skills Support Contracts at the end of July 2015.
- Significant cuts to the non-apprenticeship element of the adult skills budget.
- The completion of the Work Based Learning (WBL) 3 contract in Wales and the start-up of WBL4 to a different model and footprint.
- The addition of the Kidderminster College delivery across the main SFA, EFA and HE contracts.

Learner numbers

NCG is funded for its provision according to the level of learner and customer activity that is generated each year. In respect of Education Funding Agency (EFA) funding, in 2014/15 the colleges, Intraining and Rathbone attracted 11,112 16-18 year old learners which is broadly similar to the previous year. The numbers, however, are skewed by the addition of just over 1,000 learners in Kidderminster, offset by decreases in recruitment in Intraining as a result of closure of the Skills Centres in May, and slower recruitment in Rathbone and West Lancashire College. Slight growth in learner numbers in Newcastle Sixth Form College has mitigated some of the decline. The divisions also delivered classroom based training to 14,315 adults through the SFA adult skills contract, an increase of 1,700 on the previous year. NCG recruited 3,323 Higher Education learners in 2014/15, broadly similar to the previous year, although this includes 90 learners from Kidderminster College for the first time.

Report of the members of the corporation

for the year ended 31 July 2015

Review of 2014/15 (continued)

Learner numbers (continued)

The divisions of NCG have delivered training to 18,558 employed apprentices during 2014/15. Intraining has to date received over 63,186 referrals onto the Work Programme through the prime contracts in Birmingham and North East, Yorkshire and Humber, including 3,214 in 2014/15, which is a reduction of 5,608 on 2013/14. This reflects the more buoyant state of the job market and increased intervention activity by the Job Centres. In its final year of delivering the ESF Skills Support contracts, Intraining has provided training to 23,209 learners who were either unemployed, at risk of redundancy or in low skilled positions with SMEs. Over 6,163 jobs have been found for these cohorts during the year.

In Scotland, Rathbone delivered training to 1,315 young people on Employability Fund programmes; Intraining and Rathbone also trained 70 and 192 apprentices in Scotland and Wales respectively. In Wales, Rathbone completed the three year Work Based Learning (WBL) contract in March and commenced delivery on the WBL4 contract, but to a different geographic footprint and funding model. Overall they delivered training to 1,431 young people on engagement programmes in Wales to prepare them for further education or work.

The new Government's continued focus on reductions in public expenditure has continued to impact on NCG, particularly through the further 23% cuts to adult skills funding and the late announcements in July of additional cuts to FE and HE funding.

Financial objectives

NCG's budget objectives for the year were:

- budget to generate a surplus after interest and depreciation of 0.1%
- to maintain cash balances or facilities at least equivalent to 30 days
- to provide a level of capital equipment to meet curriculum needs and ensure the effective operation of NCG's support and management function

The objectives were broadly achieved as follows:

- The surplus after interest and depreciation of £113,000 is 0.1% of group income.
- The Group consistently maintained cash balances or facilities at least equivalent to 30 days. Going forward the cash position remains strong and the facilities in place are sufficient to meet immediate cash needs.
- £28,959,000 (2014: £13,759,000) was spent on capital to meet student and business support needs.

Performance indicators

NCG is committed to observing the importance of sector measures and indicators by utilising the FE Choices website (linked to the SFA), which benchmarks FE Colleges by looking at measures such as success rates. NCG is also required to complete the Financial Record and submit to the SFA in December each year. This record is based on the year-end financial statements and produces a financial health rating. Our current rating is Good.

NCG is also committed to delivering the objectives within its Strategic operational plan and the financial objectives mentioned above.

Report of the members of the corporation

for the year ended 31 July 2015

Review of 2014/15 (continued)

Financial position

Financial results

NCG generated a surplus in the year of £113,000 (2014: £5,456,000).

NCG has accumulated income and expenditure reserves of £66,487,000 (2014: £68,542,000) and cash and short-term investment balances of £27,373,000 (2014: £44,681,000).

Tangible fixed asset additions during the year amounted to £28,959,000 (2014: £13,759,000). This was split between land and buildings acquired of £26,212,000 (2014: £10,967,000) and equipment, information technology and motor vehicles purchased of £2,747,000 (2014: £2,792,000).

NCG has significant reliance on the SFA and EFA for its principal funding source, largely from recurrent grants. In the year ended 31 July 2015, the SFA and EFA provided 65.2% of NCG's total income (62.3% in 2014).

Treasury policies and objectives

Treasury management is the management of NCG'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.

NCG has a separate treasury management policy in place.

Short-term borrowing for temporary revenue purposes is authorised by the Chief Executive. Such arrangements are restricted by limits in the Financial Memorandum with the SFA. All other borrowing requires the authorisation of the Corporation and complies with the requirements of the Financial Memorandum of the SFA.

Cash flows

Operating cash flow generated in the year was £1,805,000 (2014: £13,734,000). Deferred income balances were utilised in 2014/15 which supported the group surplus but did not contribute to operating cash flow.

Liquidity

The size of NCG's total borrowing and its approach to interest rates has been calculated to ensure an appropriate cushion between the total cost of servicing debt and operating cash flow.

Resources

NCG has various resources that it can deploy in pursuit of its strategic objectives as follows:

Financial

The group has net current assets of £4,669,000 (2014: £17,603,000), the decrease primarily reflecting the large levels of capital expenditure in the year. There are net pension liabilities of £45,650,000 (2014: £36,335,000) which reflect the current valuation of the defined benefit schemes that NCG operate and loans of £22,072,000 (2014: £21,902,000), the movement on which reflects repayments of £1,247,000 in the year and the addition of Kidderminster College loans of £1,417,000.

People

The group employs 3,183 people (expressed as full time equivalents) of whom 2,609 are teaching staff. The number of staff includes those delivering training and employability.

Report of the members of the corporation

for the year ended 31 July 2015

Review of 2014/15 (continued)

Reputation

The colleges, Intraining and Rathbone enjoy strong reputation both locally and nationally. Maintaining a quality brand is essential for the Group's success in attracting students, customers and managing external relationships.

Post-balance sheet events

Subsequent to the balance sheet date the following events have occurred:

1. In November 2015, a loan of £4,200,000 has been drawn down which is repayable over 25 years on a 5 year rolling commitment with an interest rate which is in the same range as loans already in place.
2. In September 2015 the Group Director, Finance and Estates tendered his notice and left the business in November. A successor has been appointed and has already taken up his position.

Future performance - 2015/16

Each division has agreed its business plan for the year ahead through NCG's business planning and budget setting processes. The risks associated with this process are managed through Risk Plans, and financial targets set out in the Budget agreed by the Corporation.

The external landscape for the year ahead will, again, continue to be dictated by the Government's ongoing drive for reductions in public expenditure. Ahead of the Comprehensive Spending Review in November 2015 all Government departments that fund NCG (Department for Business Innovation and Skills, Department for Education and Department for Work and Pensions) are reviewing both the activity they will fund and the methodology they will use to do so. This follows the challenge issued by the Treasury to model 25% and 40% expenditure reductions. There are also several known changes on the horizon, including the move of apprenticeship funding to employer control from 2017, the roll out of the Work Programme Successor Programme and the potential devolution of skills funding to local control.

While this is underway there are relatively few changes to funding policy in 2015-16. EFA is further strengthening the English and Maths condition of funding by mandating that all learners recruited with a Grade D at GCSE must retake the subject. More significantly, the removal of the cap on HE student numbers is causing significant turbulence in that market, with several Universities reducing their entry requirements to attract higher student numbers. The Work Programme will continue to attract new clients, albeit at a reduced rate to previous years, and job outcomes for key customer groups will continue to be under close scrutiny. All of the current NCG European Social Fund contracts have ended and new contracts will be tendered during the first half of the year, leaving a nine month gap in provision.

In delivering our mission, the focus of NCG is on meeting the skills needs of individuals and employers in line with government priorities and funding. These needs and priorities define our market and shape the activity of our divisions. The key objectives on pages 7 and 8, which were identified from the outcomes of business planning, quality and performance reviews over the last 12 months, have been set by NCG for the year ahead to enable the divisions to meet government priorities and address national and local skills needs.

Report of the members of the corporation

for the year ended 31 July 2015

Future performance - 2015/16 (continued)

The key focus of each division is detailed below:

Newcastle College

- The continuation of programmes of study, with a focus on the increased delivery of mandatory English and maths
- Consolidation of the HE offer, planning for implementation of Teaching Degree Awarding Powers including developing alternative modes of HE provision in future in response to the opening of markets following the student number cap removal
- The realignment of adult provision, in light of the prospect of significant further reductions in SFA funding
- The continued shaping of the curriculum offer to ensure that it is based on reliable local management information and aligned with national, local and regional priorities
- The building of deeper relationships with local partners and employers during the year and an increased emphasis on full cost commercial work
- Ensuring that the newly refurbished Parsons building, which reopened in August 2015, provides benefits from the significant upgrading of resources for students from the School of Health & Enterprise

Intraining

- Against the backdrop of new contracting challenges, Intraining has restructured at an operational level and is now sharing central resources and leadership team with Rathbone Training
- The Work Programme will focus on continuing the improvements in compliance performance, maximising the job entries and sustained outcomes, as attachments continue to fall, and positioning for Work Programme+
- The ESF contracts completed in July 2015; there will be some legacy work on successful closure of the contracts alongside positioning to secure new contracts
- Focus will increase on traineeships in response to the reduction in adult classroom based learning funding
- Digital media and higher level apprenticeships will be developed and delivered

West Lancashire College

- The reshape of the staffing base will increase the focus on teaching and learning. The objectives are to take significant steps forward in the quality of teaching and also reduce costs to provide future financial sustainability
- The leadership of curriculum and links with employers will be strengthened in order to provide a more employer-focused curriculum and improved work experience/progression for learners
- The rate of quality improvement will be accelerated
- There will be a part relocation of West Lancashire Construction Academy to the main campus while the future of the facility is assessed.
- The A-Level provision at the College has been subject to significant review and the decision to phase these out has been taken.

Report of the members of the corporation

for the year ended 31 July 2015

Future performance - 2015/16 (continued)

Rathbone Training

- 2015/16 will see the first full year of the new contract in Wales in the new premises in Swansea and a reduced footprint
- Reduced footprint and income in England in response to the demographics and an increasingly competitive external landscape
- A reshaped division to meet these challenges, including the sharing of central resources, including a leadership team, with Intraining

Newcastle Sixth Form College

- Continue to grow recruitment to utilise the new College building to full capacity and move the College to a strong financial base
- Ensure that the quality of provision - particularly in terms of retention, pass rates and value-added – continues to improve rapidly in order to surpass the best Sixth Forms in the region
- Manage the College through the significant turbulence that will be encountered during the current curriculum reforms and transition back to linear A levels
- Continue to incorporate best practice from the most successful sixth form colleges around the country
- Maximise the progression of students, both from Year 12 to Year 13 and onwards, to top universities

Kidderminster College

- Maintain levels of recruitment in the face of declining demographics and increased competition locally.
- Continue to grow the numbers of Apprentices recruited, whilst maintaining and improving the current very good levels of successful completion.
- Complete the transition to NCG systems and processes, and ensure that the new management team is fully integrated and supported so that any actual or perceived instability following the merger is addressed and minimised.
- Implement revised arrangements for the management and delivery of English and Maths within Study Programmes.
- Seek to maximise the opportunity presented by the BBC Digital Skills Traineeship programme.
- Continue the recent trajectory of improvements in success rates across all levels and ages.
- Progress the relocation and development of Motor Vehicle and Construction provision through the acquisition of an appropriate site.

Group

- The ongoing review of Group Services will determine the changes required to ensure that the Group offering meets the needs of divisional customers. Whilst providing governance for NCG and delivering services at an appropriate level of cost.
- NCG Direct will continue to develop capacity around the core qualifications introduced during the set up and incubation stages, to increase market share and income.
- The School of Education will increase market share, particularly at Masters level, but with a focus on building on commercial growth, in particular securing larger/national development and research contracts.

Report of the members of the corporation

for the year ended 31 July 2015

Principal risks and uncertainties - 2015/16

NCG makes prudent recognition and disclosure of the financial and non-financial implications of risk.

The Group is committed to an inclusive approach to the identification and management of risk throughout the Group and that the key risks should be closely monitored and wherever possible mitigating actions taken. The Group has undertaken further work during the year to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the Group's assets and reputation.

Based on the strategic plan, a comprehensive review of the risks to which the Group is exposed is undertaken. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the Group. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. Consideration is also given to any risks which may arise as a result of a new area of work being undertaken by the Group. A risk register is maintained at the Group level which is reviewed annually by the Audit Committee. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the Group and the actions being taken to mitigate these risks. The Corporation reviews the risk management policy each year and reviews strategic risks on a rolling basis within each year.

Corporate Social Responsibility

The Group's impact on society and the community arises naturally from operating as a high quality provider of education and training.

Supporting communities/volunteering

Kidderminster College contributes to a wide range of local initiatives, particularly through the district council's Children and Young People's Group and the ReWyre regeneration project. Learners take part in volunteering activities with local organisations and work closely with the Parks department. Staff and learners have taken part in activities to raise funds both for national charities and for local community charities and projects.

In 2014/15 Newcastle College staff members had the opportunity to use one paid day per year to carry out voluntary community work. Staff and learners completed more than 1,100 days of voluntary service. Throughout the year students and staff engaged in various fundraising activities to support local and national charities. Over 120 organisations were supported including charities, community organisations and the armed forces, and more than £23,000 was raised for good causes.

Through its extensive and varied student enrichment programme, Newcastle Sixth Form College has supported a number of pupils at a local primary school through the development of a paired reading scheme. The scheme provides college students interested in pursuing a teaching related career with the opportunity to work with young pupils to improve their confidence and reading skills. The enrichment activity, which is running again in 2015/16, has proven to be one of Newcastle Sixth Form College's most popular enrichment choices.

West Lancashire College continues to be actively represented on and is a key contributor to all of West Lancashire's Local Strategic Partnership's main thematic groups. In the last year the College worked closely with local partners to host a variety of community events including The Pupil Parliament, in partnership with 14-16 West Lancashire Partnership, and Grow your Own, in partnership with West Lancashire Council for Voluntary Service. Throughout the year, learners at West Lancashire College carried out over 600 hours of voluntary service. Students and staff were engaged with various enterprise activities and raised over £2,000 for local and national charities.

Report of the members of the corporation

for the year ended 31 July 2015

Corporate Social Responsibility (continued)

Addressing environmental impact

NCG continues to seek the most appropriate models for environmental performance and sustainable best practice. NCG's Sustainability Policy was reviewed and renewed in early 2015. Kidderminster College secured the Eco Campus Bronze Award in July 2015. Each college is developing individual work streams to achieve the Silver Award. Rathbone's Welsh centres renewed Level 2 in the Green Dragon award in July 2015. Newcastle College has attained the Gold Standard in the Newcastle City Council Go Smarter Award scheme for sustainable travel. NCG is committed to the prevention of pollution and to continuous environmental improvement. Sustainable practices are applied to every aspect of NCG business. Improvement is supported by a new accredited training programme for Environmental Awareness for Business.

NCG is subject to the UK Government's Carbon Reduction Commitment Scheme and makes returns to the Department of Environment on its annual energy consumption. The submission for the first year of phase two of the scheme has been successfully completed.

Promoting equality and valuing diversity

NCG is committed to ensuring equality of opportunity for all students, clients and employees; we respect and value diversity. As such NCG is committed to meet the requirements of the Equality Act 2010 in relation to the protected characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

NCG's Equality Strategy is made available under NCG's Publication Scheme. NCG is committed to eliminating bias and discrimination from the way it operates. The Group Director, HR and Organisational Development, is responsible for equality and diversity across NCG. Each division has a nominated senior manager who leads on equality and diversity issues and oversees divisional developments in this area.

Employment of disabled persons

NCG considers all applications for employment from disabled persons. Where an existing employee becomes disabled, reasonable effort is made to ensure that employment with NCG continues. NCG's policy is to promote equality in recruitment, training, career development and opportunities for promotion. We endeavour to make arrangements to support students and clients with learning difficulties and disabilities to ensure that they are able to access the full range of services and provision.

Staff, student and customer involvement

We have an established network of Public Relations/Communications Managers across the divisions to underpin and promote divisional communication strategies across NCG. NCG divisions engage with staff through recognised Trade Unions, Staff Forums and a range of informal mechanisms for consulting with and listening to staff.

Students' and customers' views continue to be sought regularly via a variety of evaluation surveys. The Corporation receives an Annual Report summarising feedback and this is supplemented by quarterly updates. Additionally, there are regular and timely Learner Forums across NCG to enhance communications between learners and NCG. Students are encouraged to participate in local community and national activities through the National Union of Students which NCG promotes by supporting, administering and subsidising the Students' Union in Newcastle.

Report of the members of the corporation

for the year ended 31 July 2015

Financial highlights

Results for the year

The detailed financial statements are set out on pages 24 to 62. A summary of the results for the last 5 years is given below.

	2015 *£000*	*2014* *£000*	*2013* *£000*	*2012* *£000*	*2011* *£000*
Income	178,259	179,748	179,238	155,033	156,107
Expenditure	177,897	174,282	172,181	149,189	150,512
Surplus on continuing operations after depreciation of assets at valuation, before tax	362	5,466	7,057	5,844	5,595
Loss on disposal of assets	249	10	53	176	374
Surplus on continuing operations after depreciation of assets at valuation and disposal of assets and after tax	113	5,456	7,004	5,668	5,221
Transfer from revaluation reserve	707	707	707	707	707
Historical cost surplus	820	6,163	7,711	6,375	5,928

Capital expenditure

NCG invested £28,959,000 in capital expenditure in 2014/15. The principal schemes were:

	£000
Newcastle College Parsons building refurbishment	12,790
Newcastle College land and building acquisitions	11,628
Newcastle College Rail Academy	2,207

Supplier payment policy and practice

It is the Group's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Group and its suppliers, provided that all trading terms and conditions have been complied with. At 31 July 2015, the Company had an average of 23 days purchases owed to trade creditors.

Report of the members of the corporation

for the year ended 31 July 2015

Disclosure of information to the auditors

So far as each person who was a member of the Corporation at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow members of the Corporation and the Group's auditor, each member of the Corporation has taken all the steps that he/she is obliged to take as a member of the Corporation in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Approved by order of the members of the Corporation on 7 December 2015 and signed on its behalf by:

N J Martin
(Chair of the Corporation)

7 December 2015

Statement of corporate governance and internal control

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

NCG 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. having due regard to the UK Corporate Governance Code ("the Code") insofar as it is applicable to the further education sector.

NCG is committed to exhibiting best practice in all aspects of corporate governance and in particular the Board has adopted and materially complied with the UK Corporate Governance Code insofar as it is applicable to the further education sector. NCG has applied the principles of the UK Corporate Governance Code relating to Leadership, Effectiveness, Accountability and Remuneration. The principles relating to shareholders are not applicable because NCG is a statutory corporation and does not have shareholders.

In general, the approach has been to comply with the relevant provisions of the Code. Provisions relating to FTSE 350 companies and shareholders are not applicable; these are provisions B.6.2, B.7.1, B.7.2, C.1.1, D.2.4 and all provisions in Section E of the Code. Provision D.1.3 relating to remuneration of non-executive directors is not applicable because the members of NCG Corporation are akin to trustees and are not paid for the role.

Alternative approaches to other provisions were:

- A Vice-Chair has been appointed to support the Board and to act in the absence of the Chair. The Chief Executive, as Accounting Officer, has formal accountability in relation to Government funding. This arrangement is an effective alternative to the appointment of a 'senior independent director', as advised by provision A.4.1, and is better suited to NCG's funding arrangements.
- Prior to reappointment of the Chair in December 2014, an independent governor consulted with the other members of the board to assess the contribution of the Chair and to confirm support for the reappointment. This provided an effective alternative to meetings led by the 'senior independent director', as advised by provision A.4.2.

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

Statement of corporate governance and internal control

The Corporation

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

Name	***Date of Appointment/ Reappointment***	**Term**	***Date of Resignation/ Retirement***	***Status of Appointment***	***Committees Served***	***Attendance at Corporation meetings (%)***
Mr L Abernethy	App: May 10 Reapp: Jul 11 Reapp: Jun 15	4 yrs		Vice Chair	West Lancashire College Advisory; Search	82%
Mr L Carr	App: Dec 11 Reapp: Dec 12	4 yrs		Staff		70%
Mr J P Docherty	App: Aug 13			Chief Executive	Search	100%
Miss F Giuliani	App: Jun 14	1 yr	Jun 15	Student		100% (of 10 meetings)
Prof C MacDonald	App: Jun 14 Reapp: Jun 15	4 yrs		Independent member	Remuneration	82%
Mr N J Martin	App: Mar 00 Reapp: Feb 03 Reapp: Jan 07 Reapp: Dec 10 Reapp: Dec 14	4 yrs		Chair	Search	91%
Mr P Michell	App: Jan 04 Reapp: Dec 04 Reapp: Jan 09 Reapp: Jun 13	4 yrs		Independent member	Audit; Newcastle College Advisory	91%
Mr N Mills	App: Oct 09 Reapp: Jun 10 Reapp: Jun 14	4 yrs		Independent member	Remuneration Search	82%
Mr C Newton	App: May 13 Reapp: May 14	4 yrs		Independent member	Audit	64%
Mrs C Riley	App: May 13 Reapp: May 14	4 yrs		Independent member	Remuneration	45%
Mr C Roberts	App: Sep 14 Reapp: Sep 15	4 yrs		Independent member		55%
Mr M Terry	App: Sep 14 Reapp: Sep 15	4 yrs		Independent member	Kidderminster College Advisory; Search	73%
Mrs A Turner	App: Nov 97 Reapp: Nov 01 Reapp: Oct 05 Reapp: Nov 09 Reapp: Dec 13 Reapp: Mar 14	4 yrs		Independent member	Audit; Remuneration	55%
Mr J Turner	App: Feb 11 Reapp: Feb 12		Jan 15	Independent member	Audit	100% (of 5 meetings)

Further information about members of the Corporation is available in the Guide to Information on NCG's website at http://www.ncgrp.co.uk/guidetoinformation.aspx.

Statement of corporate governance and internal control

It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct. The Chief Executive makes proposals on strategy and is responsible for the organisation, direction and management of the institution and leadership of the staff.

The Corporation is provided with regular and timely information on the overall financial performance of NCG, 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. There is a Corporation meeting most months throughout the academic year.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Remuneration, Search, Audit, Kidderminster College Advisory, Newcastle College Advisory and West Lancashire College Advisory. The approach to the Advisory Committees is under review and the Newcastle College Advisory Committee did not meet during the year. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the clerk to the Corporation at:

NCG
Rye Hill Campus
Scotswood Road
Newcastle upon Tyne
NE4 7SA

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 NCG'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 member identified as an independent member is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

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

Self-assessment considers the performance of the organisation as well as that of the board. The board undertakes an annual self- assessment of its performance. The audit committee has also carried out self -assessment focusing on its activities during the year. The Search Committee considers the contribution of individual members prior to making any recommendation to reappoint.

Appointments to the Corporation

Any new appointments to the Corporation are a matter for consideration by the Corporation as a whole.

The Corporation has a Search Committee, consisting of five members of the Corporation, which is responsible for advising on the appointment of all members except staff and student members who are nominated by election.

The Search Committee met twice during the year. Between these meetings the number of members of the Search Committee was increased from three to five, in view of the geographical spread of NCG's operations. The members of the Search Committee were as listed in the following table.

Statement of corporate governance and internal control

Appointments to the Corporation (continued)

Name	Attendance at Search Committee meetings (%)
Mr L Abernethy	100% (1 meeting after joining)
Mr J P Docherty	100%
Mr N J Martin (chair)	100%
Mr N Mills	100%
Mr M Terry	100% (1 meeting after joining)

The Corporation seeks candidates for membership who have the necessary skills to ensure that the Corporation carries out its functions and welcomes opportunities to enhance the diversity of its membership, including in relation to gender.

The corporation uses the SGOSS service to assist with the recruitment of members. Mr M Terry was formerly a member of Kidderminster College Corporation and was appointed to NCG Corporation following the merger.

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, excepting the Chief Executive who will remain a member throughout their term of office.

Remuneration Committee

The Remuneration Committee comprises four members of the Corporation. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Chief Executive and other senior post holders and the Clerk to the Corporation.

The Remuneration Committee met three times during the year ended 31 July 2015. The members of the Remuneration Committee were as listed in the table below.

Name	Attendance at Remuneration Committee meetings (%)
Prof C MacDonald	100%
Mr N Mills (chair)	100%
Mrs C Riley	33%
Mrs A Turner	100%

A Senior Leadership Incentive Scheme is available to all members of the Executive Board and their direct reports and has been designed to be both transparent and objective. To achieve the maximum available award, a division, or where relevant, NCG, has to be Quality assessed as Ofsted Outstanding and the Financial Surplus must be exceeded by an agreed amount.

The Rewards under the scheme are as follows: Quality assessed as Ofsted Good releases 25% of a maximum individual award, Quality assessed as Ofsted Outstanding releases 50% of a maximum individual award, Financial Surplus achieved releases 25% of a maximum individual award and Financial Surplus exceeded releases 50% of a maximum individual award.

Details of remuneration for the year ended 31 July 2015 are set out in note 7 to the financial statements.

Statement of corporate governance and internal control

Audit Committee

The Audit Committee comprises four independent members of the Corporation. The Committee meets at least three times a year and provides a forum for reporting by NCG's internal and financial statement auditors, who can have access to the Committee for independent discussion, without the presence of management. The Committee operates in accordance with written terms of reference, approved by the Corporation, which encompass reports from the SFA as they affect NCG's business.

The Committee met four times during the year ended 31 July 2015. One member resigned from the Corporation and the Committee during the year and active recruitment of a successor is in progress. The members of the Audit Committee were as listed in the table below.

Name	Attendance at Audit Committee meetings (%)
Mr P Michell	100%
Mr C Newton	25%
Mrs A Turner	100%
Mr J Turner	100% (of 2 meetings before resignation)

NCG'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 Committee.

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

The Audit Committee has considered the financial statements auditors' findings in relation to the financial statements.

The Audit Committee assesses the performance of the internal and financial statements auditors annually in relation to quality and value.

The Audit Committee is responsible for advising the Corporation on the appointment or reappointment of auditors. A tender for financial statements audit services was last conducted in 2014 and the financial statements auditor was appointed to 2016.

The Audit Committee also advises the Corporation on the remuneration of internal and financial statements auditors.

Advisory Committees

The Corporation is also supported by the Kidderminster College Advisory Committee, the Newcastle College Advisory Committee and West Lancashire College Advisory Committee. Each Advisory Committee includes a member of the Corporation, co-opted members and local staff and students. The approach to the Advisory Committees is under review and the Newcastle College Advisory Committee did not meet during the year.

Statement of corporate governance and internal control

Internal control

Scope of responsibility

The Corporation is ultimately responsible for NCG'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 Chief Executive, as Accounting Officer, for maintaining a sound system of internal control. This supports the achievement of NCG's policies, aims and objectives, while safeguarding the public funds and assets for which the Chief Executive is personally responsible, in accordance with the responsibilities assigned to them in the Financial Memorandum between the Corporation and the Skills Funding Agency. The Chief Executive is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of NCG's 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 NCG for the year ended 31 July 2015 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

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

The risk and control framework

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

- regular review of all business risks by the Corporation
- quarterly review of non-financial key performance indicators of the business to the Corporation
- comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Corporation
- regular reviews by the Corporation 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 procedures
- the adoption of formal project management disciplines, where appropriate.

Statement of corporate governance and internal control

The risk and control framework (continued)

NCG has an internal audit service. The work of the internal audit service is informed by an analysis of the risks to which NCG is exposed and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are approved by the Corporation on the recommendation of the Audit Committee. At least annually the Corporation is provided with a report on audit activity in NCG, including an opinion on the adequacy and effectiveness of NCG's system of risk management, controls, and governance processes.

The NCG risk management process is audited annually and is consistently identified as being robust and incorporating best practice. It has been established in the last year, for example, to identify the methods and level of assurance gained by Corporation that every key risk is being properly addressed.

Review of effectiveness

As Accounting Officer, the Chief Executive has responsibility for reviewing the effectiveness of the system of internal control. The Chief Executive's review of effectiveness of the system of internal control is informed by:

- the work of the internal auditors
- the work of the executive managers within NCG who have responsibility for the development and maintenance of the internal control framework
- comments made by NCG's financial statements auditors

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

The Executive Board receives reports setting out key performance and risk indicators, and considers possible control issues brought to their attention by early warning mechanisms which are embedded within the departments and reinforced by risk awareness training. The Executive Board and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and it receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance, not merely reporting by exception. At its December 2015 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2015 by considering documentation from the Audit Committee, financial statements and internal audit, and taking account of events since 31 July 2015.

Going concern

After making appropriate enquiries, the Corporation considers that NCG 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 7 December 2015 and signed on its behalf by:

N J Martin (Chair of the Corporation)	J P Docherty (Chief Executive)

Statement on Regularity, Propriety and Compliance

The corporation has considered its responsibility to notify the Skills Funding Agency of material irregularity, impropriety and non-compliance with Skills Funding Agency terms and conditions of funding, under the financial memorandum in place between NCG and the Skills Funding Agency. As part of our consideration we have had due regard to the requirements of the financial memorandum.

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

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

Approved by order of the members of the Corporation on 7 December 2015 and signed on its behalf by:

N J Martin
(Chair of the Corporation)

J P Docherty
(Chief Executive)

Statement of responsibilities of the members of the Corporation

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

Within the terms and conditions of the Financial Memorandum agreed between the Skills Funding Agency and the Corporation of NCG, the Corporation, through its 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 financial statements issued jointly by the Skills Funding Agency and the EFA, and which give a true and fair view of the state of affairs of NCG and the Group and the result for that year.

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

a) Select suitable accounting policies and apply them consistently

b) Make judgements and estimates that are reasonable and prudent

c) State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements

d) Prepare financial statements on the going concern basis unless it is inappropriate to assume that NCG will continue in operation

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

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of NCG, 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 NCG and to prevent and detect fraud and other irregularities.

The maintenance and integrity of the Group's websites are 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 websites. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

Approved by order of the members of the Corporation on 7 December 2015 and signed on its behalf by:

N J Martin
(Chair of the Corporation)

Independent auditor's report

to the members of NCG Corporation

We have audited the Group and College financial statements (the "financial statements") of NCG for the year ended 31 July 2015, which comprise the Group Income and Expenditure Account, the Group Statement of Historical Cost Surpluses and Deficits, the Group Statement of Total Recognised Gains and Losses, the Group Balance Sheet, the NCG Balance Sheet, the Group Cash Flow Statement, and the related notes 1 to 28. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of the members of the Corporation of Newcastle College and Auditor

As described in the Statement of Responsibilities of the Members of the Corporation set out on page 21, the Members of the Corporation are responsible for the preparation of financial statements which give a true and fair view.

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

Scope of the audit of the financial statements

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's and the College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Members of the Corporation; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the College and the Group as at 31 July 2015 and of the Group's surplus of income over expenditure for the year then ended; and

- have been properly prepared in accordance with the 2014/15 Accounts Direction issued by the Skills Funding Agency and the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions.

Independent auditor’s report (continued)

to the members of NCG Corporation

Opinion on other matters prescribed by the revised Joint Audit Code of Practice (Part 1) issued jointly by the Skills Funding Agency and the EFA.

In our opinion:

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

Ernst & Young LLP
Statutory auditor
Newcastle upon Tyne

Date: December 2015

Ernst & Young LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

The maintenance and integrity of NCG’s website is the responsibility of the governing body; 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.

Consolidated income and expenditure account

for the year ended 31 July 2015

	Notes	2015 £000	2014 £000
Income			
Funding body income	2	121,661	116,572
Tuition fees and education contracts	3	22,016	21,373
Other income	4	33,563	41,480
Investment income	5	1,019	323
Total income		178,259	179,748
Expenditure			
Staff costs	6	97,395	89,486
Other operating expenses	8	68,805	73,849
Amortisation	11	495	540
Depreciation	12	10,087	9,617
Interest payable and other finance costs	9	1,115	790
Total expenditure		177,897	174,282
Surplus on continuing operations after depreciation of assets at valuation and before tax		362	5,466
Loss on disposal of assets		249	10
Surplus on continuing operations after depreciation of assets at valuation and disposal of assets but before tax		113	5,456
Taxation	10	-	-
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax	20	113	5,456

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

Consolidated note of historical cost surpluses and deficits

for the year ended 31 July 2015

	Notes	2015 £000	2014 £000
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax		113	5,456
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	19	707	707
Historical cost surplus for the year		820	6,163

Consolidated statement of total recognised gains and losses

for the year ended 31 July 2015

	Notes	2015 £000	2014 £000
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax		113	5,456
Net assets of Kidderminster College gifted to NCG	11	5,513	-
Actuarial (losses)/gains in respect of pension scheme	21	(8,388)	5,115
Total recognised (losses)/gains relating to the year		(2,762)	10,571

Reconciliation of reserves	£000	£000
Opening reserves at 1 August	76,909	66,338
Total recognised (losses)/gains for the year	(2,762)	10,571
Closing reserves at 31 July	74,147	76,909

Group balance sheet

at 31 July 2015

	Notes	2015 £000	2014 £000
Fixed assets			
Intangible assets	11	8,131	8,626
Tangible assets	12	188,031	160,494
		196,162	169,120
Current assets			
Stocks		82	92
Debtors	13	9,772	10,169
Short term liquid investments		10,074	-
Cash at bank and in hand		17,299	44,681
		37,227	54,942
Less: Creditors - amounts falling due within one year	14	32,558	37,339
Net current assets		4,669	17,603
Total assets less current liabilities		200,831	186,723
Less: Creditors - amounts falling due after one year	15	20,783	20,789
Less: Provisions for liabilities	17	5,156	5,446
Net assets excluding net pension liability		174,892	160,488
Less: Net pension liability	21	45,650	36,335
Net assets including net pension liability		129,242	124,153
Deferred capital grants	18	55,095	47,244
Reserves			
Revaluation reserve	19	7,660	8,367
Income and expenditure account	20	66,487	68,542
		74,147	76,909
		129,242	124,153

The financial statements were approved by the members of the Corporation and were signed on their behalf by:

N J Martin
(Chair of the Corporation)
7 December 2015

J P Docherty
(Chief Executive)
7 December 2015

NCG balance sheet

at 31 July 2015

	Notes	2015 £000	2014 £000
Fixed assets			
Intangible assets	11	-	-
Tangible assets	12	185,364	156,661
		185,364	156,661
Current assets			
Stocks		82	92
Debtors	13	3,717	8,465
Short term liquid investments		10,074	-
Cash at bank and in hand		15,553	37,670
		29,426	46,227
Less: Creditors - amounts falling due within one year	14	21,374	25,475
Net current assets		8,052	20,752
Total assets less current liabilities		193,416	177,413
Less: Creditors - amounts falling due after one year	15	20,783	20,789
Less: Provisions for liabilities	17	3,377	3,231
Net assets excluding net pension liability		169,256	153,393
Less: Net pension liability	21	27,709	19,999
Net assets including net pension liability		141,547	133,394
Deferred capital grants	18	54,949	46,978
Reserves			
Revaluation reserve	19	7,660	8,367
Income and expenditure account	20	78,938	78,049
		86,598	86,416
		141,547	133,394

The financial statements were approved by the members of the Corporation and were signed on their behalf by:

N J Martin
(Chair of the Corporation)
7 December 2015

J P Docherty
(Chief Executive)
7 December 2015

Group cash flow statement

at 31 July 2015

	Notes	2015 £000	2014 £000
Net cash inflow from operating activities	22	1,805	13,734
Return on investments and servicing of finance			
Interest received		249	378
Interest paid		(797)	(651)
Net cash outflow from return on investments and servicing of finance		(548)	(273)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(28,796)	(13,762)
Capital grants received		7,909	668
Net cash outflow from investing activities		(20,887)	(13,094)
Acquisitions and disposals			
Net cash acquired with subsidiary undertaking	11	3,569	-
Net cash inflow from acquisitions and disposals		3,569	-
Financing			
Repayment of loans		(1,247)	(22,790)
New loans received		-	9,500
Net cash outflow from financing		(1,247)	(13,290)
Decrease in cash in the year	23	(17,308)	(12,923)
Movement in net funds			
Decrease in cash		(17,308)	(12,923)
Movement in financing	23	(170)	13,290
Movement in funds from cash flows		(17,478)	367
Net funds at 1 August	23	22,779	22,412
Net funds at 31 July	23	5,301	22,779

Notes to the financial statements

at 31 July 2015

1. Accounting policies

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

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2007* (the SORP) and in accordance with applicable UK Accounting Standards. They conform to guidance published jointly by the SFA and the EFA, in the 2014/15 Accounts Direction Handbook.

Basis of accounting

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

Going concern

The activities of NCG, 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 NCG, its cash flow, liquidity and borrowings are described in the Financial Statements and accompanying Notes.

NCG currently has £22.1m of loans outstanding with bankers of which £15.6m is secured on fixed interest rates, with the remaining £6.5m on a variable interest rate. The terms of the existing agreements are for up to another 14 years. NCG's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

Accordingly NCG 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 Group financial statements consolidate those of NCG and its subsidiaries (together referred to as "the Group"). The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intragroup sales and profits are eliminated fully on consolidation. In accordance with Financial Reporting Standard (FRS) 2, the activities of the student union and Discovery Learning Limited have not been consolidated because the Group does not control those activities. All financial statements are made up to 31 July 2015. The NCG financial statements present information about NCG as a separate entity and not about its Group.

Recognition of income

The recurrent grant from the funding bodies is receivable as informed by the results of the funding audit undertaken. The recurrent grant from HEFCE represents the funding allocation attributable to the current financial year and is credited direct to the income and expenditure account.

Notes to the financial statements

at 31 July 2015

1. Accounting policies (continued)

Recognition of income (continued)

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

Income from tuition fees is recognised in the period for which it is receivable and includes fees payable by students or their sponsors.

Income from grants, contracts and other services rendered is recognised when the Group has complied with all terms and conditions, including any applicable independent review.

All income from short-term deposits is credited to the income and expenditure account in the year in which it is earned.

Pensions

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

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

Contributions to the LGPS are charged to the income and expenditure account so as to spread the cost of the pensions over employees' working lives with NCG in such a way that the pension cost is approximately a level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of triennial valuations, using the projected unit method for the LGPS.

Staff employed by Intraining are eligible to be members of the Intraining Group Personal Pension Scheme. It is a defined contribution scheme and is independently administered by Heath Lambert.

Rathbone Training also operates two funded defined benefit pension schemes for eligible employees. The first is the London Pension Fund Authority Scheme (LPFA), which up to 1 April 1999 had been the principal scheme. The assets of the scheme are invested and managed independently.

The second is a multi-employer scheme, The Pensions Trust Growth Plan, which closed to new entrants from 31 October 2012. Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, The Pensions Trust Growth Plan is a multi-employer pension scheme. The Group is unable to identify its share of the underlying assets and liabilities of the scheme.

The current principal scheme for Rathbone Training is a money purchase scheme.

Notes to the financial statements

at 31 July 2015

1. Accounting policies (continued)

Enhanced pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by NCG on a monthly basis. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to NCG'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 to reflect the interest accrued using the enhanced pension spreadsheet provided by the SFA.

Intangible fixed assets

On acquisition of a subsidiary, the fair value of the consideration is allocated between the identifiable net tangible and intangible assets and liabilities on a fair value basis, with any excess consideration representing goodwill. Goodwill in respect of subsidiaries is included within intangible fixed assets.

Goodwill arising on acquisitions is capitalised as an asset on the balance sheet. Where goodwill is regarded as having a finite useful economic life it is amortised on a straight line basis over its estimated life, up to a maximum of 20 years. Impairment reviews are carried out at the end of each financial year and at other times if there are indications that the carrying value may not be supportable.

Tangible fixed assets

Land and buildings
The Group's buildings are specialised buildings and therefore it is not appropriate to value them on the basis of open market value. The Group's policy is to carry all assets at historic cost, except for inherited assets which are included on the balance sheet at a valuation existing when the Group implemented FRS15 for the first time. These values are retained subject to the requirement to test assets for impairment in accordance with FRS11. Finance costs are not capitalised as part of the cost of those assets. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the Group.

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.

Equipment
Equipment costing less than £1,000 per individual item is written off to the income and expenditure account in the year of acquisition (except IT equipment). All other equipment is capitalised at cost.

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated as above. The related grant is credited to a deferred capital grant account and is 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.

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

Notes to the financial statements

at 31 July 2015

1. Accounting policies (continued)

Tangible fixed assets (continued)

Depreciation

Depreciation is provided on all tangible fixed assets, except for freehold land. Depreciation rates are calculated to write off the cost or valuation of each asset evenly over its expected useful life as follows:

Freehold buildings	–	remaining life of each building between 5 and 50 years
Leasehold buildings	–	remaining lease term
Equipment, information technology assets and motor vehicles	–	3 to 5 years

Leasehold improvements are capitalised and depreciated over the remaining term of the lease. All are short leasehold.

Depreciation is calculated on a straight line basis.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Leased assets

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

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

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

Investments

Fixed asset investments in subsidiary undertakings are recorded at cost.

Stocks

Stocks are stated at the lower of their cost or net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Revenue grants

Revenue grants are taken to the income and expenditure account in the period to which they relate.

Capital grants

Capital grants are credited to a deferred capital grant account and released to income in line with the depreciation of the relevant assets.

Maintenance of premises

The cost of routine corrective maintenance is charged to the income and expenditure account in the period it is incurred. Dilapidations are provided for based on a recognised valuation formula over the lifetime of a property's lease and are reviewed regularly.

Notes to the financial statements

at 31 July 2015

1. Accounting policies (continued)

Taxation

NCG 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, NCG is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

NCG's subsidiary companies are subject to corporation tax in the same way as any commercial organisation, with the exception of Rathbone whom is a registered charity and therefore is not liable to corporation tax.

The Group is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged on its inputs. The Group uses a special partial exemption method to recover input VAT it suffers on goods and services purchased. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

Investments – Liquid resources

Liquid resources comprise sums on short-term deposit with recognised banks and building societies in line with the Group Treasury Policy.

Provisions

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

Learner Support Funds

NCG acts as an agent in the collection and payment of learner support funds. Such funds received from the SFA and the Higher Education Funding Council in England and disbursements to students are excluded from the income and expenditure account and are shown separately in note 27 to the accounts.

2. Funding body income

	Education Funding Agency £000	*Skills Funding Agency £000*	*Higher Education Funding Council £000*	*2015 £000*	*2014 £000*
Recurrent grant	49,180	15,924	605	65,709	72,463
Workplace skills	-	961	-	961	924
Apprenticeships	-	22,540	-	22,540	24,790
Release of deferred capital grants	-	2,180	576	2,756	3,069
Non programmed - Skills Support	-	17,574	-	17,574	11,987
Non programmed - Co-financed ESF	-	368	-	368	1,242
Non programmed - other	-	7,438	3,794	11,232	1,812
Franchise degrees	-	-	521	521	285
	49,180	66,985	5,496	121,661	116,572

Notes to the financial statements

at 31 July 2015

3. Tuition fees and education contracts

	2015 £000	2014 £000
Higher Education students	15,006	13,276
International students	1,566	1,495
Further Education students	2,464	1,904
Tuition fees payable by or on behalf of students in the above categories	19,036	16,675
Education contracts	2,980	4,698
	22,016	21,373

The policy of full tuition fees for new entrants and removal of grant funding has led to a reduction in the number of learners applying to study. NCG is committed to enabling potential learners to access education regardless of their personal finances. This has resulted in tuition fees foregone under NCG's own fee waiver policy in the year increasing to £2,684,000 (2014: £1,871,000). All courses are given an assumed fee based on guided learner hours, whether or not a fee had been charged to the students, which seeks to reflect the actual fees foregone.

4. Other income

	2015 £000	2014 £000
Other funding bodies and agencies	30,265	38,163
Catering and residence operations	1,085	1,009
Income generating activities	383	478
Other commercial income	1,830	1,830
	33,563	41,480

Income from other funding bodies and agencies of £30,265,000 (2014: £38,163,000) includes £14,949,000 (2014: £20,492,000) from Department of Work and Pensions, £4,072,000 (2014: £3,325,000) from Welsh Government, £4,535,000 (2014: £4,523,000) from Skills Development Scotland, £5,359,000 (2014: £8,860,000) subcontracted income and £633,000 (2014: £508,000) Big Lottery.

5. Investment income

	2015 £000	2014 £000
Bank interest receivable	243	313
Other interest receivable - pensions	776	10
	1,019	323

Notes to the financial statements

at 31 July 2015

6. Staff costs

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

	2015	*2014*
	No.	*No.*
Teaching staff	2,609	2,438
Non teaching staff	574	543
	3,183	2,981

Staff costs for the above persons:

	2015	*2014*
	£000	*£000*
Wages and salaries	81,068	75,558
Social security costs	6,355	6,181
TPS pension costs	2,661	2,120
LGPS pension costs	3,550	3,846
LPFA pension costs	59	51
Other pension costs	1,295	945
Group restructuring	2,407	785
	97,395	89,486

The number of staff, including senior post holders, the Clerk to the Governors and the Chief Executive, who received emoluments in the following ranges was:

Group		*Senior post holders*		*Other staff*
	2015	*2014*	*2015*	*2014*
	No.	*No.*	*No.*	*No.*
£60,001 to £70,000	1	1	21	14
£70,001 to £80,000	-	-	9	12
£80,001 to £90,000	-	-	9	9
£90,001 to £100,000	-	1	4	2
£100,001 to £110,000	2	1	2	-
£110,001 to £120,000	-	3	-	-
£120,001 to £130,000	3	1	-	2
£130,001 to £140,000	-	-	2	-
£150,001 to £160,000	1	-	-	-
£220,001 to £230,000	1	2	-	-
	8	9	47	39

These numbers are stated as full year salary equivalents even if service is not for a full year.

Notes to the financial statements

at 31 July 2015

7. Senior post holders’ emoluments

Senior post holders are defined as the Chief Executive and holders of the other senior posts whom the Corporation have selected for the purposes of the articles of governance of NCG relating to the appointment and promotion of staff who are appointed by the Corporation.

	2015	*2014*
	No.	*No.*
The number of senior post holders including the Chief Executive and the Clerk to the Governors (and including those who held office for only part of the year) was:	8	9

	2015	*2014*
	£000	*£000*
Senior post holders' emoluments are made up as follows:		
Emoluments	859	826
Pension contributions	111	115
Total emoluments	970	941

The above emoluments include amounts payable to the highest paid senior post holder, the Chief Executive, of:

	2015	*2014*
	£000	*£000*
Salary	227	225
Pension contributions	30	31
Total emoluments	257	256

In addition to the emoluments above the CEO was entitled to a bonus of £11,000. He has waived his right to this payment in order that it can be used for staff development within NCG.

The pension contributions in respect of the Chief Executive and senior post-holders relate to employer’s contributions to the Teachers’ Pension Scheme or the Local Government Superannuation Scheme and are paid at the same rate as for other employees.

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

	2015	*2014*
	£000	*£000*
Compensation paid to former post-holder	-	102
	-	102

A Special Committee was held to approve the principles behind any payments for loss of office. It was confirmed that any payments would be made in line with the requirements of the Skills Funding Agency set through its Financial Memorandum.

The members of the Corporation other than the Chief Executive, an elected staff member, an elected student member in sabbatical office as President of Newcastle College Students Union did not receive any payment from NCG, other than the reimbursement of travel and subsistence expenses incurred in the course of their duties. A payment of £30,000 was made to Ward Hadaway under a consultancy agreement as Mr Martin was the Managing Partner of Ward Hadaway solicitors. The amount related entirely to Mr Martin's services as a non-executive director of Intraining and in no way to his role as a member of NCG Corporation.

Notes to the financial statements

at 31 July 2015

7. Senior post holders' emoluments (continued)

It was agreed when he joined NCG as Chief Executive that Mr J P Docherty's Trusteeship of the Arts Council could continue and that he could retain his earnings from this service; these earnings are £6,400 per annum.

8. Other operating expenses

	2015 £000	2014 £000
Teaching departments	13,687	14,226
Teaching support services	1,240	719
Administration and central services	3,843	8,948
Examinations	3,324	3,650
Premises costs	16,510	17,471
Catering and residence operations	509	420
Franchise provision	27,784	26,542
Income generating activities	499	524
Other	1,409	1,349
	68,805	73,849

Other operating expenses include:		2015 £000	2014 £000
Auditor's remuneration	- external audit (including Regularity Audit)*	70	66
	- internal audit	74	73
	- other services	9	9
Operating lease rentals	- land and buildings	5,795	5,673
	- other	839	889

* Includes £37,000 in respect of NCG (2014: £37,000) inclusive of VAT

9. Interest payable and other finance costs

	2015 £000	2014 £000
On bank loans	816	592
Other interest - pensions	242	137
Other interest and charges	57	61
	1,115	790

10. Taxation

One of the Group's subsidiary companies is liable for Corporation Tax on its taxable profits. No taxable profits we made during the year and accordingly there is no tax charge.

The subsidiary company has an unrecognised deferred tax asset of £5,702,000 (2014: £3,813,000), comprising tax losses of £5,462,000 (2014: £3,573,000) and other timing differences of £240,000 (2014: £240,000). The asset has not been recognised as the criteria under FRS19 have not been met.

The Group was not liable for any corporation tax arising from its activities during the year.

Notes to the financial statements

at 31 July 2015

11. Intangible fixed assets and investments

Group	*Goodwill £000*
Cost:	
At 1 August 2014 and at 31 July 2015	28,961
Amortisation:	
At 1 August 2014	20,335
Charge for year	495
At 31 July 2015	20,830
Net book value:	
At 31 July 2015	8,131
At 1 August 2014	8,626

The trade, assets and liabilities of Rathbone Training Limited were acquired on 1 January 2012 for nil consideration. The fair value of the assets and liabilities resulted in £9,906,000 of Goodwill. This Goodwill is in relation to Rathbone's reputation, skills and expertise, the opportunities that Rathbone's larger geographical footprint brings and various synergies with NCG which will benefit Rathbone in the longer term. It is not possible to reliably measure these intangible assets separately and therefore they form part of the amount attributed to Goodwill.

Impairment review

As noted under Accounting Policies on page 31, goodwill arising on acquisition is subject to an impairment review annually or if there is are indications that the carrying value may not be supportable. An annual review has taken place at 31 July 2015 to assess the goodwill on acquisition of Rathbone.

The impairment review is based on projected future cash flows generated by Rathbone after an agreed contribution to group overheads. Cash flows have been projected over three years based on management's most recent business forecast and are discounted at a rate of 5%. The key assumptions are:

- 2015/16 business plan drives positive free cash flow of £1.0m; this assumes a 4% decrease in income and a 13% decrease in total costs. The cost reduction is the outcome of restructuring activity undertaken in 2014/15 together with direct cost reduction as a result of the lower levels of planned income.
- Income is forecast to remain constant in 2016/17 and then grow at a rate of 0-2% per annum thereafter. No new contract wins have been included in this projection.
- Projected cost inflation is 1%
- A contribution to group overheads

The balance sheet value of goodwill is supported by projected cash flows with headroom of £1.7m within Rathbone.

Sensitivity analysis outcome

The future cash flows used in the impairment review use prudent income and cost assumptions:

No new contract wins are assumed however a number of contracts will be tendered for in the year. If these generated £1m additional income, this would equate to £0.4m margin. This would result in headroom of £10.4m, using a higher discount rate of 7.5% would reduce this to £6.9m.

Notes to the financial statements

at 31 July 2015

11. Intangible fixed assets and investments (continued)

NCG	*Goodwill* *£000*
Cost:	
At 1 August 2014 and at 31 July 2015	3,289
Amortisation:	
At 1 August 2014 and at 31 July 2015	3,289
Net book value:	
At 1 August 2014 and at 31 July 2015	-

The trade, assets and liabilities of Kidderminster College was acquired on 1 August 2014 for nil consideration.

Kidderminster College fair value table

	Book value and fair value *£000*
Tangible fixed assets	8,914
Debtors	158
Short-term investments	600
Cash at bank and in hand	2,969
Creditors: amounts falling due within one year	(958)
Creditors: amounts falling due after more than one year	(1,285)
Pension liability	(2,187)
Deferred capital grants	(2,698)
Net assets acquired	5,513

This has been treated as a gift from Kidderminster College to NCG, following the dissolution of the previous statutory entity. The gift has been recognised in the consolidated statement of total recognised gains and losses in accordance with the 2014/15 Accounts Direction Handbook.

In the year ended 31 July 2015, the results of NCG included £8,758,000 of turnover and £673,000 of surplus in relation to Kidderminster College.

NCG - investments

NCG owns 100% of the issued ordinary £1 shares of Newcastle College Construction Limited and TWL Training Limited. It is also the ultimate parent company of The Intraining Group Ltd (issued ordinary £1 shares are owned by Intraining Holdings Ltd). Rathbone Training is a company limited by guarantee and its sole member is NCG. The principal business activity of the subsidiaries is the provision of vocational training, education and employability skills.

Notes to the financial statements

at 31 July 2015

12. Tangible fixed assets

Group	*Land and buildings £000*	*Equipment and Information technology £000*	*Total £000*
Cost or valuation:			
At 1 August 2014	197,295	16,518	213,813
Additions	26,212	2,747	28,959
Acquisition of subsidiary undertaking	8,857	57	8,914
Disposals	(921)	(1,752)	(2,673)
At 31 July 2015	231,443	17,570	249,013
Depreciation:			
At 1 August 2014	44,527	8,792	53,319
Charge for year	6,526	3,561	10,087
Disposals	(678)	(1,746)	(2,424)
At 31 July 2015	50,375	10,607	60,982
Net book value:			
At 31 July 2015	181,068	6,963	188,031
At 1 August 2014	152,768	7,726	160,494
Inherited	7,659	-	7,659
Other	119,583	5,694	125,277
Financed by capital grant	53,826	1,269	55,095
	181,068	6,963	188,031

Land and buildings with a net book value of £86,604,000 have been partially financed by grants from the SFA. Should these assets be sold, the Group would either have to surrender the sale proceeds to the SFA or use the proceeds in accordance with the Financial Memorandum with the SFA.

The net book value of equipment does not include any amount in respect of assets held under finance leases.

Notes to the financial statements

at 31 July 2015

12. Tangible fixed assets (continued)

NCG	*Land and buildings £000*	*Equipment and Information technology £000*	*Total £000*
Cost or valuation:			
At 1 August 2014	194,256	12,181	206,437
Additions	25,979	2,521	28,500
Acquisition of subsidiary undertaking	8,857	57	8,914
Disposals	(354)	(736)	(1,090)
At 31 July 2015	228,738	14,023	242,761
Depreciation:			
At 1 August 2014	43,457	6,319	49,776
Charge for year	6,030	2,681	8,711
Disposals	(354)	(736)	(1,090)
At 31 July 2015	49,133	8,264	57,397
Net book value:			
At 31 July 2015	179,605	5,759	185,364
At 1 August 2014	150,799	5,862	156,661
Inherited	7,658	-	7,658
Other	118,127	4,630	122,757
Financed by capital grant	53,820	1,129	54,949
	179,605	5,759	185,364

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

Inherited land and buildings were valued at £25,934,000 on 27 August 1993. Of this, £25,859,000 relates to buildings stated at depreciated replacement cost, and £75,000 relates to a building valued at open market value by Storey Sons & Parker, a firm of chartered surveyors.

Other tangible fixed assets inherited from the local education authority at incorporation were capitalised at depreciated cost at incorporation. Should these assets be sold, NCG would have to use the sale proceeds in accordance with the financial memorandum with the SFA. If inherited land and buildings had not been revalued they would have been included with a net book value of £nil.

Land and buildings with a net book value of £86,518,000 have been partially financed by grants from the SFA. Should these assets be sold, NCG would either have to surrender the sale proceeds to the SFA or use the proceeds in accordance with the Financial Memorandum with the SFA.

The net book value of equipment does not include any amount in respect of assets held under finance leases.

Group and NCG

Included in land and buildings are assets at a cost of £19,002,000 which have not been depreciated as the assets have not yet been brought into use. Freehold land held at a value of £22,496,000 has not been depreciated.

Notes to the financial statements

at 31 July 2015

13. Debtors

	Group 2015 £000	NCG 2015 £000	Group 2014 £000	NCG 2014 £000
Amounts falling due within one year				
Trade debtors	2,154	1,835	2,031	1,622
Other debtors	431	48	157	-
Amounts owed by subsidiary undertakings	-	360	-	5,112
Prepayments and accrued income	3,230	1,156	3,683	1,340
Amounts owed by the SFA/EFA	3,957	318	4,252	345
Capital grant debtor owed by SFA	-	-	46	46
	9,772	3,717	10,169	8,465

14. Creditors: amounts falling due within one year

	Notes	Group 2015 £000	NCG 2015 £000	Group 2014 £000	NCG 2014 £000
Payments received on account		3,391	2,792	2,358	1,765
Amounts owed to the SFA/EFA		11,397	10,034	18,428	14,545
Trade creditors		933	544	1,554	1,145
Payroll creditors		844	694	566	250
Other taxation and social security		2,113	946	2,439	838
Accruals		11,291	4,890	10,753	5,626
Bank loans	16	1,289	1,289	1,113	1,113
Other creditors		1,300	185	128	193
		32,558	21,374	37,339	25,475

15. Creditors: amounts falling due after more than one year

	Group and NCG 2015 £000	Group and NCG 2014 £000
Bank loans	20,783	20,789

16. Analysis of borrowings

	Group and NCG 2015 £000	Group and NCG 2014 £000
(a) Bank loans and overdrafts		
Bank loans and overdrafts are repayable as follows:		
In one year or less	1,289	1,113
Between one and two years	1,308	1,152
Between two and five years	16,532	16,844
In five years or more	2,943	2,793
	22,072	21,902

Notes to the financial statements
at 31 July 2015

16. Analysis of borrowings (continued)

Bank loans and overdrafts carry interest at rates between 3.14% and 5.46% for fixed rate loans and between LIBOR +0.32% and LIBOR +1.3% for variable. Loans are repayable by instalments and due to mature between 2017 and 2028.

During the year loan repayments were made of £1,247,000.

17. Provisions for liabilities

Group	*Dilapidations*	*Enhanced pensions*	*Total*
	£000	*£000*	*£000*
At 1 August 2014	2,667	2,779	5,446
Actuarial losses	-	57	57
Benefits paid	-	(182)	(182)
Interest charged to other operating expenses	-	113	113
Charged in the year	569	-	569
Utilised in the year	(213)	-	(213)
Released in the year	(634)	-	(634)
At 31 July 2015	2,389	2,767	5,156

NCG	*Dilapidations*	*Enhanced pensions*	*Total*
	£000	*£000*	*£000*
At 1 August 2014	452	2,779	3,231
Actuarial losses	-	57	57
Benefits paid	-	(182)	(182)
Interest charged to other operating expenses	-	113	113
Charged in the year	175	-	175
Released in the year	(17)	-	(17)
At 31 July 2015	610	2,767	3,377

The enhanced pension provision relates to costs of staff that have already left NCG's employment and commitments for reorganisation costs from which NCG cannot reasonably withdraw at the balance sheet date. This provision has been recalculated in accordance with the SFA guidance.

Dilapidations are provided for on rented properties and the expected settlement is within the next 6 years.

Notes to the financial statements

at 31 July 2015

18. Deferred capital grants

Group	*Land and buildings £000*	*Equipment and information technology £000*	*Total £000*
At 1 August 2014			
Skills Funding Agency	42,711	1,061	43,772
Other grants	2,766	706	3,472
	45,477	1,767	47,244
Acquisition of subsidiary undertaking			
Skills Funding Agency	2,698	-	2,698
	2,698	-	2,698
Cash received and receivable			
Skills Funding Agency	7,409	-	7,409
Other grants	10	490	500
	7,419	490	7,909
Release to income and expenditure account			
Skills Funding Agency	1,766	409	2,175
Other grants	286	295	581
	2,052	704	2,756
At 31 July 2015			
Skills Funding Agency	51,052	652	51,704
Other grants	2,490	901	3,391
	53,542	1,553	55,095

NCG	*Land and buildings £000*	*Equipment and information technology £000*	*Total £000*
At 1 August 2014			
Skills Funding Agency	42,711	888	43,599
Other grants	2,766	613	3,379
	45,477	1,501	46,978
Acquisition of subsidiary undertaking			
Skills Funding Agency	2,698	-	2,698
	2,698	-	2,698
Cash received and receivable			
Skills Funding Agency	7,409	-	7,409
Other grants	-	485	485
	7,409	485	7,894
Release to income and expenditure account			
Skills Funding Agency	1,766	279	2,045
Other grants	282	294	576
	2,048	573	2,621
At 31 July 2015			
Skills Funding Agency	51,052	609	51,661
Other grants	2,484	804	3,288
	53,536	1,413	54,949

Notes to the financial statements

at 31 July 2015

19. Revaluation reserve

	Group and NCG 2015 £000	Group and NCG 2014 £000
At 1 August	8,367	9,074
Transfer from revaluation reserve to the income and expenditure account in respect of depreciation on revalued assets	(707)	(707)
At 31 July	7,660	8,367

20. Income and expenditure account

	Group 2015 £000	NCG 2015 £000	Group 2014 £000	NCG 2014 £000
At 1 August	68,542	78,049	57,264	60,763
Transfer from revaluation reserve	707	707	707	707
Net assets of Kidderminster College gifted to NCG	5,513	5,513	-	-
Surplus on continuing operations after depreciation of assets at valuation and tax	113	679	5,456	8,832
Actuarial (losses)/gains in respect of pension scheme	(8,388)	(6,010)	5,115	7,747
At 31 July	66,487	78,938	68,542	78,049

21. Pension schemes

The Group’s employees belong to four principal defined benefit pension schemes: the Teachers’ Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS), the Tyne and Wear Pension Fund, for non-teaching staff, Worcestershire County Council Pension Fund (LGPS) for Kidderminster employees and the London Pension Fund Authority Scheme for Rathbone Training employees.

Staff employed by subsidiaries are eligible to be members of the Intraining and Rathbone Group Personal Pension Scheme. These are defined contribution schemes and are independently administered by insurance companies.

Total staff pension cost for the year

	Group 2015 £000	NCG 2015 £000	Group 2014 £000	NCG 2014 £000
Teachers' Pension Scheme	2,661	2,661	2,120	2,120
Tyne & Wear LGPS	3,324	3,220	3,846	3,670
Worcester County Council LGPS	226	226	-	-
London Pension Fund Authority Scheme	59	-	51	-
Other pension schemes	1,295	42	945	10
Total pension cost for the year	7,565	6,149	6,962	5,800

Notes to the financial statements

at 31 July 2015

21. Pension schemes (continued)

Amounts recognised in the Statement of Total Recognised Gains and Losses

	Group 2015 £000	*NCG 2015 £000*	*Group 2014 £000*	*NCG 2014 £000*
Tyne & Wear LGPS	(5,500)	(5,390)	7,741	7,590
Worcester County Council LGPS	(563)	(563)	-	-
Enhanced Pension Charge (note 17)	(57)	(57)	157	157
London Pension Fund Authority Scheme	(2,268)	-	(2,783)	-
Actuarial (losses)/gains recognised	(8,388)	(6,010)	5,115	7,747

Pension liability recognised in the balance sheet

	Group 2015 £000	*NCG 2015 £000*	*Group 2014 £000*	*NCG 2014 £000*
Tyne & Wear LGPS	25,272	24,999	20,183	19,999
Worcester County Council LGPS	2,710	2,710	-	-
London Pension Fund Authority Scheme	17,668	-	16,152	-
	45,650	27,709	36,335	19,999

Outstanding contributions at 31 July 2015, included within creditors, were £311,000 (2014: £316,000).

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was as at 31 March 2004 and as at 31 March 2013 for the LGPS.

FRS17 Disclosure

Early retirement pension

The pension charge for the year included an amount in respect of enhanced pension entitlements of staff taking early retirement in earlier years under the reorganisation programme. The calculation of the cost of early retirement provisions charged to the income and expenditure account in the year of retirement is based on the total capital cost of providing enhanced pensions with allowance for future investment returns. Each year, the year-end provision is recalculated using updated actual investment returns and the resulting change in provision is charged or credited to the income and expenditure account.

Details of the movement in the provision are shown in note 17.

The Teachers' Pension Scheme (TPS)

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

Notes to the financial statements

at 31 July 2015

21. Pension schemes (continued)

The Teachers' Pension Budgeting and Valuation Account

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

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

Valuation of the Teachers' Pension Scheme

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

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

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

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

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

Scheme Changes

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

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

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

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

The pension costs paid to TPS in the year amounted to £2,686,000 (2014: £2,120,000).

Notes to the financial statements

at 31 July 2015

21. Pension schemes (continued)

FRS 17

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

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

Tyne & Wear Local Government Pension Scheme (LGPS)

The following disclosures relate to the funded liabilities of the Tyne & Wear Pension Fund which is part of the Local Government Pension Scheme. NCG participates in the Fund which provides defined benefits, based on members' final pensionable salary.

In accordance with FRS 17 disclosure of certain information concerning assets, liabilities, income and expenditure relating to pension schemes is required.

Regular employer contributions to the Fund for the year ending 31 July 2016 are estimated to be £2,820,000. Additional contributions may also become due in respect of any employer discretions to enhance members' benefits in the Fund over the next accounting period.

Contribution rates from 1 April 2015 are:

Full-time Equivalent Salary	*Contribution rate per year*
Up to £13,600	5.50%
£13,601 to £21,200	5.80%
£21,201 to £34,400	6.50%
£34,401 to £43,500	6.80%
£43,501 to £60,700	8.50%
£60,701 to £86,000	9.90%
£86,001 to £101,200	10.50%
£101,201 to £151,800	11.40%
£151,800 or more	12.50%

Principal Actuarial Assumptions

The latest actuarial valuation of the Fund took place as at 31 March 2013. The principal assumptions used by the independent qualified actuaries in updating the latest valuation of the Fund for FRS17 purposes were:

	At 31 July 2015	*At 31 July 2014*	*At 31 July 2013*
RPI Inflation	3.6%	3.2%	3.6%
CPI Inflation	2.1%	2.2%	2.7%
Rate of general long-term increase in salaries	3.6%	3.7%	4.6%
Rate of increase for pensions in payment	2.1%	2.2%	2.7%
Rate of increase to deferred pensions	2.1%	2.2%	2.7%
Rate of revaluation of pension accounts	2.1%	2.2%	0.0%
Discount rate	3.6%	4.1%	4.5%

Notes to the financial statements

at 31 July 2015

21. Pension schemes (continued)

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

	2015 Years	2014 Years
Retiring at 31 July		
Males	23.1	23.0
Females	25.1	24.6
Retiring in 20 years		
Males	24.7	25.0
Females	27.0	26.9

The assets and liabilities in the scheme and the expected rates of return were:

	Long-term rate of return expected at 31 July 2015 % pa	*Asset split at 31 July 2015 %*	*Long-term rate of return expected at 31 July 2014 % pa*	*Asset split at 31 July 2014 %*
Equities	7.0	65.9	7.5	67.2
Property	6.2	9.6	6.8	9.1
Government Bonds	2.5	3.6	3.2	3.6
Corporate Bonds	3.1	11.6	3.7	11.5
Cash	1.1	2.8	1.1	2.6
Other	7.0	6.5	7.5	6.0
Total market value	6.1	100.0	6.7	100.0

The adoption of FRS102 in the next accounting period removes the requirement to recognise an expected return on assets item in the profit and loss charge. This item will be replaced with a net financing charge which is based on the discount rate assumption.

Reconciliation of funded status to balance sheet

	Group 2015 £000	*NCG 2015 £000*	*Group 2014 £000*	*NCG 2014 £000*
Notional value of Fund assets	70,199	68,660	61,535	60,250
Present value of liabilities	(95,462)	(93,650)	(81,718)	(80,240)
Net pension liability	(25,263)	(24,990)	(20,183)	(19,990)

Analysis of the amount charged to income and expenditure account

	Group 2015 £000	*NCG 2015 £000*	*Group 2014 £000*	*NCG 2014 £000*
Current service cost	3,324	3,220	3,806	3,650
Past service cost	-	-	40	20
Interest cost	3,404	3,340	3,944	3,880
Expected return on assets	(4,138)	(4,050)	(4,144)	(4,070)
Expense recognised in I&E account	2,590	2,510	3,646	3,480

Notes to the financial statements

at 31 July 2015

21. Pension schemes (continued)

Changes to the present value of liabilities during the year

	Group 2015 £000	*NCG 2015 £000*	*Group 2014 £000*	*NCG 2014 £000*
Present value of liabilities at 1 August	81,718	80,240	86,028	84,690
Current service cost	3,324	3,220	3,806	3,650
Interest cost	3,404	3,340	3,944	3,880
Contributions by participants	1,225	1,200	1,142	1,100
Actuarial losses on liabilities*	7,442	7,290	(11,440)	(11,320)
Net benefits paid out**	(1,651)	(1,640)	(1,802)	(1,780)
Past service cost	-	-	40	20
Present value of liabilities at 31 July	95,462	93,650	81,718	80,240

* Includes changes to the actuarial assumptions
** Consists of net cash flow out of the Fund in respect of the Employer, excluding contributions and any death in service lump sums paid.

Changes to the fair value of assets during the year

	Group 2015 £000	*NCG 2015 £000*	*Group 2014 £000*	*NCG 2014 £000*
Fair value of assets at 1 August	61,535	60,250	58,855	57,850
Expected return on assets	4,138	4,050	4,144	4,070
Actuarial gains on assets	1,942	1,900	(3,699)	(3,730)
Contributions by the employer	3,010	2,900	2,895	2,740
Contributions by participants	1,225	1,200	1,142	1,100
Net benefits paid out	(1,651)	(1,640)	(1,802)	(1,780)
Present value of assets at 31 July	70,199	68,660	61,535	60,250

Actual return on assets

	Group 2015 £000	*NCG 2015 £000*	*Group 2014 £000*	*NCG 2014 £000*
Expected return on assets	4,138	4,050	4,144	4,070
Actuarial gain/(loss) on assets	1,942	1,900	(3,699)	(3,730)
Actual return on assets	6,080	5,950	445	340

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

	Group 2015 £000	*NCG 2015 £000*	*Group 2014 £000*	*NCG 2014 £000*
Actuarial (loss)/gain in respect of pension scheme	(5,500)	(5,390)	7,741	7,590
Actuarial (loss)/gain recognised in STRGL	(5,500)	(5,390)	7,741	7,590

Notes to the financial statements

at 31 July 2015

21. Pension schemes (continued)

History of asset values, present value of liabilities and deficit

Group	*2015*	*2014*	*2013*	*2012*	*2011*
	£000	*£000*	*£000*	*£000*	*£000*
Fair value of assets	70,199	61,535	58,855	49,288	46,528
Present value of liabilities	(95,462)	(81,718)	(86,028)	(79,240)	(64,860)
Deficit	(25,263)	(20,183)	(27,173)	(29,952)	(18,332)

NCG	*2015*	*2014*	*2013*	*2012*	*2011*
	£000	*£000*	*£000*	*£000*	*£000*
Fair value of assets	68,660	60,250	57,848	49,288	46,528
Present value of liabilities	(93,650)	(80,240)	(84,697)	(79,240)	(64,860)
Deficit	(24,990)	(19,990)	(26,849)	(29,952)	(18,332)

History of experience gains and losses

Group	*2015*	*2014*	*2013*	*2012*	*2011*
	£000	*£000*	*£000*	*£000*	*£000*
Experience gains/(losses) on assets	1,942	(3,699)	4,297	(2,710)	(3,840)
Experience gains/(losses) on liabilities*	41	8,111	(30)	(290)	490

NCG	*2015*	*2014*	*2013*	*2012*	*2011*
	£000	*£000*	*£000*	*£000*	*£000*
Experience gains/(losses) on assets	1,900	(3,730)	4,220	(2,710)	(3,840)
Experience gains/(losses) on liabilities*	41	8,080	(30)	(290)	490

* This item consists of gains/losses in respect of liability experience only and excludes any change in liabilities in respect of changes to the actuarial assumptions used.

Notes to the financial statements

at 31 July 2015

21. Pension schemes (continued)

Worcestershire County Council Pension fund (LGPS) – Kidderminster College

Kidderminster College operates a defined contribution pension scheme for its employees. The assets of the scheme are held separately from those of the group in an independently administered fund. There was £19,000 unpaid contributions outstanding at the year-end.

Principal Actuarial Assumptions

The principal assumptions used by the independent qualified actuaries in updating the latest valuation of the Fund for FRS17 purposes were:

	At 31 July 2015
RPI Inflation	3.2%
CPI Inflation	2.2%
Rate of general long-term increase in salaries	3.7%
Rate of increase for pensions in payment	2.2%
Discount rate	3.8%

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

	At 31 July 2015
Retiring at 31 July	
Males	23.4
Females	25.8
Retiring in 20 years	
Males	25.6
Females	28.1

The assets and liabilities in the scheme and the expected rates of return were:

	Long-term rate of return expected at 31 July 2015 %pa	*Asset split at 31 July 2015 %*
Equities	6.5	89
Target Return Portfolio	6.1	6
Alternative Assets	6.1	-
Infrastructure	0.5	1
Commodities	6.5	4
	6.0	100

The adoption of FRS102 in the next accounting period removes the requirement to recognise an expected return on assets item in the profit and loss charge. This item will be replaced with a net financing charge which is based on the discount rate assumption.

Notes to the financial statements

at 31 July 2015

21. Pension schemes (continued)

Reconciliation of funded status to balance sheet

	2015
	£000
Notional value of Fund assets	7,035
Present value of liabilities	(9,745)
Net pension liability	(2,710)

Analysis of the amount charged to the income statement

	2015
	£000
Current service cost	226
Interest cost	367
Curtailments	138
Expected return on assets	(409)
Expense recognised in income and expenditure account	322

Changes to the present value of liabilities during the year

	2015
	£000
Present value of liabilities at 1 August on transfer to NCG	8,561
Current service cost	226
Interest cost	367
Contributions by participants	66
Actuarial loss on liabilities	720
Curtailments	138
Net benefits paid out	(333)
Present value of liabilities at 31 July	9,745

Changes to the fair value of assets during the year

	2015
	£000
Fair value of assets at 1 August on transfer to NCG	6,374
Expected return on assets	409
Actuarial gain on assets	157
Contributions by the employer	362
Contributions by the participants	66
Net benefits paid out	(333)
Present value of assets at 31 January	7,035

Notes to the financial statements

at 31 July 2015

21. Pension schemes (continued)

Actual return on assets

	2015
	£000
Expected return on assets	409
Actuarial gain on assets	157
Actual return on assets	566

Amount recognised in the STRGL in respect of actuarial losses

	2015
	£000
Actuarial loss in respect of pension scheme	(563)
Actuarial loss recognised in the statement of total recognised gains and losses	(563)

History of asset values, present value of liabilities and deficit

	2015
	£000
Fair value of assets	7,035
Present value of liabilities	(9,745)
Deficit	(2,710)

History of experience gains and losses

	2015
	£000
Experience (losses)/gains on assets	157
Experience losses/(gains) on liabilities	-

Defined Contribution Pension Scheme - Intraining

Intraining operates a defined contribution pension scheme for its employees. The assets of the scheme are held separately from those of the group in an independently administered fund. There were £89,000 unpaid contributions outstanding at the year-end (2014: £139,000).

Defined Contribution Pension Scheme - Rathbone

Rathbone operates a defined contribution pension scheme for its employees. The assets of the scheme are held separately from those of the group in an independently administered fund. There were £39,000 unpaid contributions outstanding at the year-end (2014: £135,000).

Notes to the financial statements

at 31 July 2015

21. Pension schemes (continued)

Defined Benefit Pension Scheme - Rathbone

The Group's subsidiary Rathbone Training also participates in a funded defined benefit pension scheme, London Pension Fund Authority Scheme (LPFA), which up to 1 April 1999 had been the principal scheme. The assets of the scheme are invested and managed independently of the finances of Rathbone Training. The pension cost relating to this scheme is calculated on the projected unit method and is assessed with the advice of a qualified actuary. The latest actuarial assessment of this scheme was on 31 July 2015 and was carried out by Barnett Waddingham LLP, an independent actuary and the net liability at that point is estimated at £17,668,000.

Employer contribution rates are 35.6% until March 2017.

Principal Actuarial Assumptions

The principal assumptions used by the independent qualified actuaries in updating the latest valuation of the Fund for FRS17 purposes were:

	At 31 July 2015	*At 31 July 2014*
RPI Inflation	3.0%	3.2%
CPI Inflation	2.1%	2.4%
Rate of general long-term increase in salaries	3.9%	4.2%
Rate of increase for pensions in payment	2.1%	2.4%
Discount rate	3.2%	3.9%

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

	At 31 July 2015	*At 31 July 2014*
Retiring at 31 July		
Males	20.9	20.8
Females	24.4	24.3
Retiring in 20 years		
Males	23.3	23.2
Females	26.7	26.6

The assets and liabilities in the scheme and the expected rates of return were:

	Long-term rate of return expected at 31 July 2015 %pa	*Asset split at 31 July 2015 %*	*Long-term rate of return expected at 31 July 2014 %pa*	*Asset split at 31 July 2014 %*
Equities	6.8	44	6.7	44
Target Return Portfolio	5.2	20	6.1	29
Infrastructure	5.5	5	6.3	3
Commodities	5.2	1	6.1	1
Property	5.9	3	5.6	3
Cash	2.3	27	6.6	20
	5.2	100	5.8	100

Notes to the financial statements

at 31 July 2015

21. Pension schemes (continued)

The adoption of FRS102 in the next accounting period removes the requirement to recognise an expected return on assets item in the profit and loss charge. This item will be replaced with a net financing charge which is based on the discount rate assumption.

Reconciliation of funded status to balance sheet

	2015 *£000*	*2014* *£000*
Notional value of Fund assets	25,751	26,457
Present value of liabilities	(43,419)	(42,609)
Net pension liability	(17,668)	(16,152)

Analysis of the amount charged to the income statement

	2015 *£000*	*2014* *£000*
Current service cost	59	51
Interest cost	1,609	1,711
Expected return on assets	(1,480)	(1,513)
Expense recognised in income and expenditure account	188	249

Changes to the present value of liabilities during the year

	2015 *£000*	*2014* *£000*
Present value of liabilities at 1 August	42,609	43,164
Current service cost	59	51
Interest cost	1,609	1,711
Contributions by participants	14	12
Actuarial loss on liabilities	1,900	638
Net benefits paid out	(2,772)	(2,967)
Present value of liabilities at 31 July	43,419	42,609

Changes to the fair value of assets during the year

	2015 *£000*	*2014* *£000*
Fair value of assets at 1 August	26,457	29,180
Expected return on assets	1,480	1,513
Actuarial loss on assets	(368)	(2,145)
Contributions by the employer	940	864
Contributions by the participants	14	12
Net benefits paid out	(2,772)	(2,967)
Present value of assets at 31 July	25,751	26,457

Notes to the financial statements

at 31 July 2015

21. Pension schemes (continued)

Actual return on assets

	2015	*2014*
	£	*£*
Expected return on assets	1,480	1,513
Actuarial loss on assets	(368)	(2,145)
Actual return on assets	1,112	(632)

Amount recognised in the STRGL in respect of actuarial losses

	2015	*2014*
	£000	*£000*
Actuarial loss in respect of pension scheme	(2,268)	(2,783)
Actuarial loss recognised in the statement of financial activities	(2,268)	(2,783)

History of asset values, present value of liabilities and deficit

	2015	*2014*	*2013*	*2012*
	£000	*£000*	*£000*	*£000*
Fair value of assets	25,751	26,457	29,180	26,523
Present value of liabilities	(43,419)	(42,609)	(43,164)	(43,229)
Deficit	(17,668)	(16,152)	(13,984)	(16,706)

History of experience gains and losses

	2015	*2014*	*2013*	*2012*
	£000	*£000*	*£000*	*£000*
Experience (losses)/gains on assets	(368)	(2,145)	3,488	178
Experience losses/(gains) on liabilities	16	1,596	(34)	(156)

Money Purchase Pension Scheme

Rathbone Training also participates in The Pensions Trust’s Growth Plan (the Plan). The Plan is funded and is not contracted-out of the State scheme. The Plan is a multi-employer pension plan. The assets of the scheme are held by the Pensions Trust which is an independently administered fund and is not therefore in any way under the control of the Charity.

Contributions paid into the Plan up to and including September 2001 were converted to defined amounts of pension payable from Normal Retirement Date. From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either within the Plan or by the purchase of an annuity.

The rules of the Plan allow for the declaration of bonuses and/or investment credits if this is within the financial capacity of the Plan assessed on a prudent basis. Bonuses/investment credits are not guaranteed and are declared at the discretion of the Plan's Trustee.

Notes to the financial statements

at 31 July 2015

21. Pension schemes (continued)

The Trustee commission an actuarial valuation of the Plan every three years. The purpose of the actuarial valuation is to determine the funding position of the Plan by comparing the assets with the past service liabilities as at the valuation date. Asset values are calculated by reference to market levels. Accrued past service liabilities are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

The rules of the Plan give the Trustee the power to require employers to pay additional contributions in order to ensure that the statutory funding objective under the Pensions Act 2004 is met. The statutory funding objective is that a pension scheme should have sufficient assets to meet its past service liabilities, known as Technical Provisions.

If the actuarial valuation reveals a deficit, the Trustee will agree a recovery plan to eliminate the deficit over a specified period of time either by way of additional contributions from employers, investment returns or a combination of these.

The rules of the Plan state that the proportion of obligatory contributions to be borne by the member and the member's employer shall be determined by agreement between them. Such agreement shall require the employer to pay part of such contributions and may provide that the employer shall pay the whole of them.

Rathbone paid contributions at the rate of 6%. Members paid contributions at the rate of 5% during the accounting period. Rathbone has closed the plan to new entrants.

It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. The Plan is a multi-employer scheme, where the assets are co-mingled for investment purposes, and benefits are paid out of the Plan's total assets. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

The valuation results at 30 September 2011 were completed in 2012 and have been formalised. The valuation of the Plan was performed by a professionally qualified Actuary using the Projected Unit Method. The market value of the Plan's assets at the valuation date was £780 million and the Plan's Technical Provisions (i.e. past service liabilities) were £928 million. The valuation therefore, revealed a shortfall of assets compared with the value of liabilities of £148 million, equivalent to a funding level of 84%.

The financial assumptions underlying the valuation as at 30 September 2011 were as follows:

	% pa
Rate of return pre retirement	4.9
Rate of return post retirement	
Active/Deferred	4.2
Pensioners	4.2
Bonuses on accrued benefits	-
Inflation: Retail Prices Index (RPI)	2.9
Inflation: Consumer Prices Index (CPI)	2.4

In determining the investment return assumptions the Trustee considered advice from the Scheme Actuary relating to the probability of achieving particular levels of investment return. The Trustee has incorporated an element of prudence into the pre and post retirement investment return assumptions; such that there is a 60% expectation that the return will be in excess of that assumed and a 40% chance that the return will be lower than that assumed over the next 10 years.

Notes to the financial statements

at 31 July 2015

21. Pension schemes (continued)

The Scheme Actuary is currently finalising the 2014 valuation and results will be communicated in due course. At 30 September 2013, the market value of the Plan's assets was £772 million and the Plan's Technical Provisions (i.e. past service liabilities) was £927 million. The update, therefore, revealed a shortfall of assets compared with the value of liabilities of £155 million, equivalent to a funding level of 83%.

If an actuarial valuation reveals a shortfall of assets compared to liabilities, the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

The Pensions Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example, the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the Plan liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Plan (which would effectively amend the terms of the recovery plan). A copy of the recovery plan in respect of the September 2011 valuation was forwarded to The Pensions Regulator on 2 October 2012, as is required by legislation.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Plan and The Pensions Act 2011 has more recently altered the definition of Series 3 of the Growth Plan so that a liability arises to employers from membership of any Series except Series 4.The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up.

The debt for the Plan as a whole is calculated by comparing the liabilities for the Plan (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Plan. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Plan's liability attributable to employment with the leaving employer compared to the total amount of the Plan's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Plan liabilities, Plan investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. Therefore, the amounts of debt can be volatile over time.

When an employer withdraws from a multi-employer defined benefit pension scheme which is in deficit, the employer is required by law to pay its share of the deficit, calculated on a statutory basis (known as the buy-out basis). Due to a change in the definition of money purchase contained in the Pensions Act 2011 the calculation basis that applies to the Growth Plan will be amended to include Series 3 liabilities in the calculation of an employer's debt on withdrawal.

The Growth Plan is a "last man standing" multi-employer scheme. This means that if a withdrawing employer is unable to pay its debt on withdrawal the liability is shared amongst the remaining employers. The participating employers are therefore, jointly and severally liable for the deficit in the Growth Plan.

Rathbone Training has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 30 September 2014. As of this date the estimated employer debt for Rathbone Training was £664,685 (2013: £557,808). See note 28.

Notes to the financial statements

at 31 July 2015

22. Reconciliation of operating surplus to net cash inflow from operating activities

Group	*Notes*	*2015* *£000*	*2014* *£000*
Surplus on continuing operations after depreciation of assets at valuation and tax		113	5,456
Amortisation	11	495	540
Depreciation	12	10,087	9,617
Deferred capital grants released to income	18	(2,756)	(3,069)
Decrease/(increase) in stocks		10	(30)
Interest payable		816	653
(Increase) in trade debtors		(62)	(24)
Decrease/(increase) in all other debtors		455	(1,379)
(Decrease)/increase in trade creditors		(654)	574
(Decrease)/increase in other taxation and social security		(326)	22
(Decrease)/increase in payments on account and amounts owed to EFA/SFA		(5,703)	5,145
Decrease in accruals and other creditors		(1,522)	(2,593)
Decrease in provisions		(289)	(932)
Increase in net pension liability re FRS17		1,147	57
Interest receivable		(255)	(313)
Loss on sale of fixed assets		249	10
Net cash inflow from operating activities		1,805	13,734

23. Analysis of change in net funds

	At 1 August 2014 £000	*Cash flow £000*	*At 31 July 2015 £000*
Cash	44,681	(27,382)	17,299
Short term liquid investments	-	10,074	10,074
	44,681	(17,308)	27,373
Bank loans	(21,902)	(170)	(22,072)
Finance leases	-	-	-
	22,779	(17,478)	5,301

24. Capital commitments

	Group 2015 £000	*NCG 2015 £000*	*Group 2014 £000*	*NCG 2014 £000*
Commitments contracted for at 31 July	630	630	13,979	13,979

Notes to the financial statements

at 31 July 2015

25. Financial commitments

At 31 July there were annual commitments under non-cancellable operating leases as follows:

	Group 2015 £000	*NCG 2015 £000*	*Group 2014 £000*	*NCG 2014 £000*
Land and buildings				
Expiring within one year	582	54	1,015	-
Expiring within two to five years inclusive	1,315	228	1,501	489
Expiring in over five years	282	282	260	260
	2,179	564	2,776	749

	Group 2015 £000	*NCG 2015 £000*	*Group 2014 £000*	*NCG 2014 £000*
Other				
Expiring within one year	307	142	407	250
Expiring within two to five years inclusive	520	185	464	120
	827	327	871	370

26. Related party transactions

Due to the nature of the Group'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 Group's financial regulations and normal procurement procedures.

The Corporation is a Member of Discovery Learning Limited which is set up to provide a free school for pupils aged 14 to 19 specialising in STEM (Science, Technology, Engineering and Mathematics) subjects and is based in Newcastle Upon Tyne. At the year-end date the Corporation was also a Corporate Trustee, this position was resigned from in September 2015.

The building that the school is housed in is built on land which is owned by the Corporation. The building was procured by Discovery Learning Limited and upon completion in August 2014 title of this was transferred from the construction company, to the Corporation. There is no charge to Discovery Learning Limited for the use of these assets.

The Corporation provides various support services to Discovery Learning Limited resulting in transactions during the year totalling £91,000 with an outstanding balance at 31 July 2015 of £9,000. The maximum balance outstanding during the year was £61,000.

Notes to the financial statements

at 31 July 2015

27. Amounts disbursed as agent

	Group 2015 £000	*Group 2014 £000*
SFA grants - hardship funds	837	898
SFA grants - childcare	546	658
SFA adult learner loan bursaries	716	-
Other funding bodies grants	3,626	127
	5,725	1,683
Disbursed to students	(4,374)	(1,579)
Administration costs	(111)	(81)
Balance unspent at 31 July included in creditors	1,240	23

SFA grants are available solely for students. In the majority of instances, NCG only acts as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the income and expenditure account. The income and expenditure consolidated in NCG's financial statements relates to the purchase of some equipment from the access fund and the payment of accommodation by NCG on the student's behalf.

28. Contingent liability

Rathbone Training has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Growth Plan Series 3 Pension Fund, based on the financial position of the Plan as at 30 September 2014. As of this date the estimated employer debt for Rathbone Training was £664,685. More information with regards to this pension scheme is within note 21.

Independent auditor's report on regularity

to the members of the Corporation of NCG ("the Corporation") and the Skills Funding Agency ("the SFA")

In accordance with the terms of our engagement letter and further to the requirements of the SFA, we have carried out a review to obtain assurance about whether, in all material respects, the expenditure and income of NCG ('the College') for the year ended 31 July 2015 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to the members of the Corporation and the SFA. Our review work has been undertaken so that we might state to the members of the Corporation and the SFA those matters we are required to state to them 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 members of the Corporation and the SFA, for our review work, for this report, or for the opinion we have formed.

Respective responsibilities of the Members of the Corporation and Auditors

The members of the Corporation are responsible, under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations, for ensuring that expenditure and income are applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this review are established in the United Kingdom by our profession's ethical guidance and the audit guidance set out in the Audit Code of Practice and the Regularity Audit Framework issued by the SFA. We report to you whether, in our opinion, in all material respects, the College's expenditure and income for the year ended 31 July 2015 has been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Basis of opinion

We conducted our review in accordance with the Audit Code of Practice and the Regularity Audit Framework issued by the Learning and Skills Council. Our review includes examination, on a test basis, of evidence relevant to the regularity and propriety of the College's income and expenditure.

Opinion

In our opinion, in all material respects the expenditure and income for the year ended 31 July 2015 has been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Ernst & Young LLP
Statutory auditor
Newcastle upon Tyne

Date

Ernst & Young LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

The maintenance and integrity of Newcastle College's website is the responsibility of the governing body; 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.