Anglo-European College of Chiropractic

(A company limited by guarantee)

Governors' Report and Financial Statements
For the year ended 31 August 2016

Company number 00653859

Legal and administrative information

Company number
00653859

Charity number
306289

Registered office
13-15 Parkwood Road
Bournemouth
Dorset
BH5 2DF

Governors
A Wild (Chair)
S Bartholomew (resigned 22 Mar 16)
C Bertoia
M Copp
A Cormack (resigned 2 Apr 16)
P Dingley
M Gurden
O Haagensen
H Hurst (resigned 2 Apr 16)
T Kaschel (resigned 22 Nov 16)
E Newcomb
P Roberts
A Selby
A Simpson
C Stephens
H Thiel
B Van der Vossen
J Worthington

Advisory Council Members
C Bertoia
M Gurden
O Haagensen
T Kaschel
A Selby
B Van der Vossen
A Wild

Key Management Personnel / Executive
H Thiel (Principal)
J Bolton
P Ford
I Giles (resigned 14 Oct 16)
S Jones (appointed 19 Sept 16)
A Thorkeldsen

Company secretary
S Morris (resigned July 2016)
A Hill (appointed July 2016)

Auditors
RSM UK Audit LLP
Highfield Court
Tollgate
Chandlers Ford, Eastleigh
Hampshire
SO53 3TY

Internal Auditors
BDO LLP
Arcadia House
Maritime Walk - Ocean Village
Southampton
Hampshire
SO14 3TL

Bankers
HSBC Bank Plc
17 Southbourne Grove
Bournemouth
Dorset
BH6 3RG

Solicitors
Mills & Reeve LLP
Francis House
112 Hills Road
Cambridge
CB2 1PH

Solicitors
Frettens LLP
The Saxon Centre
11 Bargates
Christchurch
BH23 1PZ

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Governors' Report (incorporating the Strategic Report)

The Governors present their annual report and the audited financial statements for the year ended 31 August 2016. This report also covers the Trustees' Report as required by Chapter 4 Section 162 of the Charities Act 2011 (hereinafter "Charities Act").

AECC Corporate Governance Statement

Legal status
The AECC is a company limited by guarantee registered with Companies House under number 00653859 and registered with the Charity Commission under charity number 306289. It is governed by its Articles of Association which were last amended in July 2016. The College is directed by its Board of Governors acting under these Articles of Association. The Board has ultimate responsibility for the strategy, performance and sustainability of the institution. It approves the College's, mission and strategy, monitors institutional performance and ensures its effective management. The current Chair of the Board is Mr Adrian Wild and Dr Martin Copp is Deputy Chair.

The College provides indemnity insurance for the governors in accordance with, and subject to the conditions in, section 73F of the Charities Act 1993.

In March 2016, AECC was designated a direct HEFCE-funded institution and in May 2016 awarded Taught Degree Awarding Powers. As a result, the College will admit all new undergraduate and postgraduate students to its own degrees from September 2017. In teaching out the Bournemouth College validated programmes, the College will remain in a franchise agreement with the College for those continuing students who choose not to transfer to an AECC award. The College has Highly Trusted Sponsor Status to recruit international students and an approved Access Agreement for 2017/18.

As part of the journey of becoming a fully independent HEI, the College has submitted a formal application to HEFCE for College College title. At the time of writing, approval of the proposed title is awaited.

Composition of the Board
The articles dictate that the number of Governors (who fulfil the role of directors for company law purposes) shall not be less than four but that there is no maximum number of Governors.

The Principal of the College, an elected Staff Governor and the Student Union President are ex officio members. Four members of the Board are elected from the Advisory Council that includes representatives of chiropractic national associations within the European Chiropractors' Union (ECU). The rest of the Board members are independent lay members elected for their expertise (some of these lay members may also be chiropractors). Appointment is for a term of four years. Members may be re-elected after their initial term.

With the exception of employees of the college the Governors are not paid any remuneration. However, they are entitled to claim reasonable travel and subsistence expenses.

Advisory Council
The Advisory Council that supports the Board of Governors has an ambassadorial role, advises the Board on chiropractic professional matters across Europe, and liaises with students and associations over issues specific to chiropractic. The Advisory Council consists of representatives of the national chiropractic associations, the Student Union President, the Principal, the Staff Governor and the Chair of the Board of Governors. Members of the Executive, Director of Clinic and other interested parties attend Advisory Council meetings.

Organisational structure
The Vice-Principal for Undergraduate Studies and Quality and the Vice-Principal for Postgraduate Studies and Research attend Board meetings. This enables the Board to have a closer working relationship with the Executive and to focus on important strategic issues in a complex higher education market, in both the UK and Continental Europe.

The Board of Governors is legally responsible for the overall management of the AECC. Implementation of the strategy and policies approved by the Board is the responsibility of the Principal and his Executive team.

Committees of the Board

Although the Board meets four times each academic year much of the detailed work is dealt with by formally constituted Committees with their own terms of reference that are reviewed annually. Chairs of the Committees are all independent lay members. The Committees report directly to the Board. Committee minutes are included in the agenda pack of the Board meetings and the Committee Chairs provide a verbal update at the meeting.

Finance and General Purposes Committee
This Committee has responsibility for the detailed scrutiny of the proposed budget and its subsequent management receiving updated forecasts throughout the year. It oversees the effectiveness and efficiency of the estates and physical provision within the College, receiving the minutes of the operational Premises and Estates Committee. It advises the Board on proposals for major changes to or developments to the physical resources of the College.

Remuneration and Human Resources Committee
This Committee considers the salary and conditions of service of the Principal and of the Executive Group. It also considers the overall employment policies in relation to pay scales and total remuneration packages of all other staff and reviews personnel and remuneration policies. The Committee also receives the minutes of the operational Human Resources Policy Committee at its meetings.

Nominations Committee
In addition to keeping under constant review the constitution of the Governing Body and the consideration of potential new Governors and re-appointments, the Committee reviews and decides on Fellowship applications.

Governors' Report (Continued)

Audit Committee

This Committee was set up in December 2014 It provides assurance to the Board on internal controls and corporate governance including, risk management, value for money, the adequacy of systems generating data for regulators and advising on the appointment of the external and Internal auditors. The internal audits for the year, identified in the internal audit programme has been carried out and the recommendations arising have been closely monitored by the Committee with staff invited to meetings to explain their successes and challenges in improving systems and processes. The scheme of delegation together with a variety of policies have been updated providing improved clarity in terms of roles and expectations. Representatives of the internal auditors attend each Audit Committee meeting.

The Chair of the Board and the Chairs of Committees have delegated authority to take urgent decisions within their Committee's remit on the advice of the Principal and with the consent of the Chair of the Board of Governors. A Register of Chairs' decisions is maintained and these are reported to the Committee at its next meeting.

Members of the Board

The current members of the Board are:

Name	Type of Governor	Date of appointment	End of term of office or date of resignation	Attendance	Membership of other committees
Charles Bertoia	Student	03-Sep-15	02-Jul-17	4/4	Advisory Council
Martin Copp	Independent	20-Nov-10	01-Apr-17	4/4	F&GP Nominations Remuneration and Human Resources
Peter Dingley	Independent	05-Jul-14	04-Jul-18	3/4	F&GP
Mark Gurden	Advisory Council	19-Nov-11	18-Nov-18	4/4	Advisory Council Remuneration and Human Resources
Øistein Haagensen	Advisory Council	27-Mar-10	01-Apr-17	4/4	Advisory Council
Timo Kashcel	Advisory Council	23-Nov-13	22-Nov-16	3/4	Advisory Council
Edgar Newcomb	Independent	22-Nov-14	21-Nov-18	4/4	Audit Remuneration and Human Resources
Peter Roberts	Independent	22-Nov-14	21-Nov-18	4/4	F&GP
Alison Selby	Staff	08-Apr-14	07-Apr-17	4/4	Advisory Council
Adrian Simpson	Independent	22-Nov-14	21-Nov-18	4/4	Audit
Christopher Stephens	Independent	23-Nov-13	22-Nov-16	4/4	Nominations
Haymo Thiel	Principal	18-Jun-12	N/A	4/4	F&GP Remuneration and Human Resources
Brenda van der Vossen	Advisory Council	16-Apr-09	01-Apr-17	4/4	Advisory Council
Adrian Wild	Independent	18-Nov-06	01-Apr-19	4/4	Advisory Council F&GP Nominations Remuneration and Human Resources
Judith Worthington	Independent	17-Nov-12	16-Nov-19	4/4	Audit Nominations

Note: Apparent anomalies in the terms of office are due (a) to the reconstitution of the Governing Body which took effect from April 2011 and (b) an increase in the term of office from 3 to 4 years for appointments and re-appointments from November 2014.

Other members of the Board during the financial year were:

Name	Type of Governor	Date of	End of term of	Attendance	Membership of other committees
Stuart Bartholomew	Independent	23-Apr-13	22-Mar-16	2/3	
Adrian Cormack	Independent	14-Nov-09	02-Apr-16	2/3	F&GP
Hugh Hurst	Independent	26-Nov-05	02-Apr-16	3/3	Remuneration and Human Resources
Sarit Sirinan	Student	05-Jul-14	03-Sep-15	-	Advisory Council

Governance

The College is committed to exhibiting best practice in all aspects of corporate governance and has adopted the Committee of College Chairmen Higher Education Code of Governance (published December 2014). The Board reviewed its compliance during the year and is generally compliant with all key aspects of the document. Continuing compliance against the requirements of the code is reviewed on an annual basis. The implementation of Identified actions to sustain compliance are monitored by the Audit Committee.

Compliance of the college has also been mapped against the HEFCE Memorandum of Assurance and Accountability and procedures are being put in place in order that the college becomes fully compliant with this document.

Skills of the Board and recruitment

The Board actively endeavours to maintain the skills mix required for an effective Board, and where a skills gap is identified, nominations for new Governors are sought in a variety of ways, including advertising in the local press and with the National Associations, and publicising vacancies to staff and graduates of the College. This work is underpinned by a procedure for the appointment of Governors.

All nominees are invited to visit the AECC and meet other Governors and senior staff as part of a pre-induction process. Subsequent nominations for independent members of the Board are considered by the Nominations Committee before a recommendation is made to the Board. Appointments are for four years and may be renewed for a second term of office and under exceptional circumstances for a third term.

Governors' Report (Continued)

Training of Governors

All new governors receive a full induction. As part of the introduction to the AECC, Governors are encouraged to meet with the member who they replace and, separately, with the Clerk to the Board. Governors are also issued with the Governance and Management Handbooks which gives detailed information, membership and terms of reference of the Board of Governors and Committees, Academic Board and management committees.

On appointment new Governors are asked to sign a copy of the letter of appointment that requires them, when acting as an AECC director, to conduct themselves in accordance with the Nolan Principles of Public life and AECC's adopted policies and procedures. The induction pack supplied to new Governors includes the AECC Code of conduct and this contains the agreed ethical code of conduct required from members of the College community (employees, executive officers, Governors and patrons) and from the College as an employer and service provider to its students, patients and members of its wider community.

Board development is accessed a variety of ways from presentations by the Executive to attendance at seminars, either for the whole Board or for individual Governors.

Board of Governor appraisals

Individual appraisals are carried out. They help to inform that existing governors continue to have the skills needed on the Board, identify learning and development opportunities and inform where there may be skills gaps.

Register of business interests

A register of interests is held by the Clerk to the Board of Governors and details the interests of members of the Board; this is reviewed annually. At the start of any Board or committee meeting the attendees are asked to formally declare any particular interest in the items on the agenda and these are recorded in the minutes of that meeting.

Risk register

The risk management policy supporting procedures, updated during the year has resulted in a revised risk register focusing on the identified strategic risks to the College with each department is responsible for compiling its own risk register and the risks are scored. The Executive Director of Administration, directed by the Principal, is responsible for ensuring that risk management processes run efficiently and effectively at the College.

The Board of Governors confirm that they have reviewed and considered the major risks to which the AECC is exposed and that they are satisfied that systems have been established to manage those risks. The Board of Governors is ultimately responsible for the identification and management of risks that the AECC may face. It is informed in this task through the work undertaken by the Audit Committee at each of its meetings and its evaluation by the Principal and senior managers. Revisions are made by the Board of Governors or the Audit Committee, if appropriate, to reflect discussions/developments reported at the meetings.

Identification, evaluation and management of risk is an important part of the annual planning cycle and review of strategy. A formal review of the effectiveness of this process is considered annually by the Board.

The Board will then review only the more strategic/higher impact risks.

Clerk to the Board

The Board of Governors has appointed its own secretary and Clerk to the Board and the Chair reviews her performance annually. If necessary, termination of that appointment would be by a decision of the whole governing body. The Clerk is responsible for coordinating legal advice to the Governing Body and advice on all matters of procedure and its responsibilities. The Chair of the Governing Body, the Principal and the Clerk work closely together to expedite business. The Clerk has a duty to advise the Chair in respect of any matters where conflict, potential or real, may occur between the Governing Body and the Principal.

Academic Governance

The management and academic committee structure is overseen by the Board of Governors through Academic Board. The Academic Board is the College's supreme decision-making authority for all academic matters including oversight of the maintenance of standards and quality enhancement, and academic regulations, policies and procedures. Academic Board discharges its responsibilities in part through standing committees and sub-committees, and delegates authority to Assessment Boards for decisions on individual students in terms of their internal progression and award of qualifications. The Academic Board (through the Vice-Principals for undergraduate and postgraduate studies and receipt of Academic Board minutes) reports directly to the Board of Governors.

Institutional management and structure

Implementation of the strategy and policies approved by the Board is the executive responsibility of the Principal and his Executive team. The Principal is Chief Executive of the College with powers delegated by the Board to lead and manage the institution aligned to the College's strategic plan. The Principal is supported by the Executive group and a number of Management Groups:

- Senior Management Group
- Premises and Estates Group
- Clinical Governance Group
- Clinic Advisory Group
- Marketing Group
- Human Resources Policy Group
- Health and Safety Committee

Statement of internal control

BDO's assessment of AECC's systems of internal control risk management, control and governance and economy, efficiency and effectiveness (value for money) as at August 2016 informed the Audit Committee's positive statement on internal controls for this financial year. BDO concluded that:

Governors' Report (Continued)

"The risk management activities and controls in the areas which we examined were found to be suitably designed to achieve the specific risk management, control and governance arrangements. Based on our sample testing, risk management, control and governance arrangements were operating with sufficient effectiveness to provide reasonable assurance that the related risk management, control and governance objectives were achieved throughout the period under review.

The arrangements we examined to promote economy, efficiency and effectiveness were suitably designed to achieve the objectives required by management; and those arrangements were operating with sufficient effectiveness to provide reasonable, but not absolute, assurance that the related objectives were achieved during the period under review."

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

The system of internal control is integrated with the strategic planning process and designed to identify the principal risks to the achievement of policies, aims and objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically. To enable this there is:

- an approved Risk Management Policy.
- a Corporate Risk Register with departmental risk registers and a process to escalate and de-escalate risks to/from the Corporate Risk Register.
- an Audit Committee, with appropriate terms of reference, which meets at least three times a year providing oversight of the process of internal control. The Board receives reports from the Audit Committee at every meeting.
- an annual assurance report from the internal auditors of their independent opinion on the adequacy and effectiveness of specific systems of internal control together with recommendations for improvement.
- the internal auditors review of Risk Management.
- comment made by the External Auditors in their management letter and other reports.
- the work of the managers within the College, who have responsibility for the development and maintenance of the internal control framework, and by comments made by other external review agencies and stakeholders e.g. QAA, HEFCE etc.

Governors are satisfied that internal control processes have been in place throughout the year to 31 August 2016 and up to the date of signing these accounts.

Governors' Report (Continued)

Strategy and vision

In March 2016 we revised our strategic plan. The new 2016 to 2021 Strategic Plan reflects our new position as an institution with TDAP and Institutional Designation. The plan reflects our aim to build on our heritage and reputation and use our new powers, and opportunities to apply for government funding, to invest in our staff and physical infrastructure to enhance learning opportunities, and to move forward with growth and expansion within our specialist area of musculoskeletal health.

Our mission
'A healthier society through education, research and clinical care.'

Our vision
'To be a leading higher education institution in the College sector specialising in chiropractic and other healthcare disciplines, nationally and internationally recognised for quality and excellence.'

Our values
'We are a caring institution, ethical in everything we do, inclusive in our relationships with staff and students, eager to collaborate with others in partnership, and innovative in our approach.'

Main objectives for the year 2015/16

The main objectives for the year were to:

- Achieve professional accreditation of the MChiro (Hons) programme by the European Council on Chiropractic Education.
- Achieve a successful outcome following the Educational Oversight monitoring visit from the QAA in May 2016.
- Implement a new risk management policy and procedures including new departmental and corporate risk registers.
- Finalise and implement an international marketing and student recruitment strategy for under-graduate, post-graduate and CPD provisions, possibly engaging external agents.
- Design and introduce a virtual open day on our web-site and run new applicant visit days.
- Offer and run the MSc Medical Ultrasound programme to a group of Norwegian chiropractors in Oslo.
- Offer the certification programme 'Certified Chiropractic Extremity Practitioners' as part of our CPD provision, as well as another certification/diploma programme (Instrument assisted joint manipulation).
- Implement new marketing strategy to achieve MRI target income budget (to include credit bearing CPD programmes and links/contracts with health insurance companies).
- Employ additional MRI and Quantitative Fluoroscopy radiographer and additional Medical Radiologist to enable expansion of the service.
- Officially open the High Performance Centre.
- Hold or host at least one national conference.
- Start 3 externally funded research projects based on grant submissions during the previous academic year increase network in relation to collaborating institutions.
- Achieve CE marking followed by full Medicines and Health Care Products Regulatory Agency MHRA registration for OSMIA/Quantitative Fluoroscopy and then marketing to UK hospitals for service agreements.
- Continue international collaborations with universities in Poland and Georgia and the European Chiropractors' Union with the aim to establishing chiropractic education in these countries.
- On the assumption of successful outcomes to our TDAP and Institutional Designation applications
    - Enter detailed discussions with Bournemouth College how to manage the transition to an autonomous HEFCE funded and designated institution.
    - Conduct a number of strategy and stakeholder events to prepare for change of title and brand.
    - Implement a robust Academic Quality Framework for academic programmes to be awarded by AECC as of 2017.
    - Write and submit an Access Agreement to the Office for Fair Access.
    - Put into place a student record system and institutional data base to ensure full reporting capability.

Public benefit

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

Achievements and Performance

The accreditation visit by the European Council on Chiropractic Education was held on 19th – 21st of April in view of the new MChiro (Hons) programme and did not raise any concerns or conditions and our next review is currently scheduled for 2021.

We received a Review of Educational Oversight monitoring visit from the QAA on 17th of May 2016. Based upon its analysis of our annual return, other documentary evidence and from meetings with staff and students, the QAA team concluded that we are "making acceptable progress".

Governors' Report (Continued)

The Diploma for Access to Higher Education programme was successfully validated by the Cambridge Access Validating Agency (CAVA) on 28th of April 2016. The CAVA board decided that the programme is validated for five years.

A new risk management policy and procedures have been implemented. These include new departmental and corporate risk registers which will be linked to the new corporate operational plan. The Audit Committee is regularly monitoring the corporate risk register.

An international marketing and student recruitment strategy for under-graduate, post-graduate and CPD provisions has been implemented and one external recruitment agency has been engaged with the remit to concentrate its efforts within the Canadian and Norwegian markets. We have introduced virtual open days on our web-site and started to run new applicant visit days.

We offered the post-graduate MSc Medical Ultrasound programme to a new group of Norwegian chiropractors in Oslo for the second time during 2015/16 and the students have now progressed to their second year. As part of our CPD provision the 'Certified Chiropractic Extremity Practitioner' programme seminars I to VI were delivered during the 2015/16 year with the final seminar to be delivered in the 2016/17 year. Similarly seminars 1 and 2 of an 'Instrument Assisted Joint Manipulation' CPD course were delivered, with the final Part 3 scheduled for the 2016/17 year.

Our new Bournemouth Open and Upright MRI Service failed to reach the income budget targeted for its first year of operation. In retrospect the expectations for the service were set unrealistically high and on the basis of a very rapid initial growth rate of referrals during its first 3 months of operation. Growth in referrers, however has since been steadily improving and we were successful in employing an additional MRI and Quantitative Fluoroscopy radiographer and an additional Medical Radiologist to enable expansion of the service for the coming year. A number of CPD events linked to MRI and introductory evening events to the service were held throughout the year. We have now built up business relationships with all of the major health insurance companies who pay for our scans.

The High Performance Centre underwent a major renovation and refitting programme during July and August 2016. The work and equipment were externally funded. The official opening of the centre has been delayed however it has been in operation on a regular basis.

In September 2015 we held a successful two day conference with close to 300 delegates attending from both the UK and around the world. This conference was run in conjunction with the British Chiropractic Association.

In January 2016, our Director of the Research Institute (IMRCI) was appointed as a part time visiting Professor of Musculo-Skeletal Research in the Faculty of Science and Technology at Bournemouth College. This post will allow him to liaise more closely with the teams at BU and engage in large grant proposals jointly produced between the two institutions. He is also collaborating with the Biophysics Research Unit at Exeter College and Kings College London Centre of Human and Aerospace Physiological Sciences. We had a strong representation at the May 2016 European Chiropractors Union Convention where AECC presented six posters, a number of workshops, and had two platform presentations. Our Director of Research, attended the 14th International Back and Neck pain forum, for which we had a poster accepted, and was at the Innovation in Science and Technology Meeting in London to seek further opportunities for inter-institutional links. In August 2016 we were represented at the Association for Medical Education Europe Conference in Barcelona. The two PhD students jointly supervised with Teesside College have progressed within their first six months, and another PhD student co-supervised with Bournemouth was accepted to give a poster at the World Congress of Pain Conference in Yokohama. Finally, throughout the year we progressed our discussions with the College of Southampton and the Chiropractic Research Collaboration (CRC) for a funded position embedded within the College's Primary Care Research group. We are now in the process of finalising the important details within the mutual MoAs between the three collaborators.

CE marking for OSMIA/Quantitative Fluoroscopy and marketing this as a clinical diagnostic service to UK hospitals did not proceed within the period. We will review the strategic objectives for this service and possibly progress this project within the next period.

Collaborations with a College in Poland have continued in relation to implementing a chiropractic programme but have progressed slowly as the College decided to re-asses its approach to developing such a course. We provided an expert assessment for the European Chiropractors Union linked to a possible chiropractic programme at a College in Georgia; we are not aware of any further developments since.

Following the award of Taught Degree Awarding Powers in May and having achieved Institutional Designation in March 2016, we have officially informed Bournemouth College of our intention to terminate our current agreement as of August 2017 and entered into detailed discussions with BU on how to manage the transfer of students to the AECC as an autonomous HEFCE funded and designated institution for a September 2017 start. We have also started to conduct a number of strategy and stakeholder events to prepare for change of title and brand. In April 2016 we successfully submitted our first Access Agreement to the Office for Fair Access. Much work has gone into creating a bespoke student record system and institutional data base to ensure full reporting capability in relation to the annual accountability returns. This system will continue to undergo further improvements over the coming period.

Plans for Future Periods

Our main objectives for 2016/17 are to:

- Ensure appropriate resources (human and estate) will be in place to function as an autonomous designated institution as of September 2017
- Throughout the academic year work towards implementing TDAP and institutional designation, which will, amongst other items, involve: Re-brand and name change, transition of Academic Policy Framework, transition arrangements for students from BU to AECC programmes and awards, gap analyses, statutory reporting including HESA, VFM Access Agreement
- Achieve satisfactory outcomes related to QAA Higher Education Review visit in the spring of 2017 and as a 5 year follow up to the 2012 QAA IRENI visit and review
- Conduct a number of 'desk-top validation' and full validation events for the current and planned undergraduate and postgraduate awards
- Ensure that a fully functional Student Record System and data-base will be in place by the end of the 2016/17 academic year
- Develop comprehensive IT and Information Governance strategies

Governors' Report (Continued)

- Conduct a review of the Pay and Reward structure currently in place at the institution
- Conduct a 'ProcessFix' review on the current time-tabling function

Risk Management

The Board identified the following risks and indicated the relevant mitigating actions on the corporate risk register:

Risk	Mitigating actions/ Controls
Failure of Board to discharge responsibilities in respect of Companies Act, Charity Commission and HE Code of Governance	Appropriate skills mix and appointment of governors with relevant experience. Regular development and training seminars. Compliance with CUC guidelines and HEFCE Memorandum. Nominations Committee.
Failure to meet statutory reporting requirements in relation to student, staff and estates data, including PREVENT duties.	Allocate resources and monitor development and functionality of SRS and development of HR reporting systems to submit all statutory returns. Staff training and use of external agency. Data validation and reporting policies and procedures in place.
Failure to meet statutory reporting requirements in relation to financial data	Appropriate skills mix of qualified and experienced staff. Continuous and detailed review of information produced. Operation of key accounting controls. Continuous review of changing reporting requirements.
Failure to comply with Data Protection Act and failure to comply with copyright law in the appropriate production and use of teaching and learning resources. Failure to provide adequate IT security.	Develop and monitor IT security and user access policies and procedures. Robust information governance systems in place reinforced by staff training. Allocation of sufficient resources to maintain network security. Copyright policy published. Copyright guidelines in place for staff and students. Training for staff and students.
Failure to meet financial targets for activities (other than HEFCE funded, e.g. CPD, MRI, Spine Centre, Spine and Dine, QF, patient numbers (clinic income)	Effective marketing strategy and implementation. Monitoring competition and meeting market need. Ensuring value for money by regular review.
Failure to maintain and secure buildings and services, and comply with legislation/regulations	Allocation of resources. Annual maintenance and refurbishment schedules. Accessibility audit undertaken. Health and Safety policies in place. Staff training. External security company. Alarm systems and secure access system. Internal maintenance team.
Failure to expand and diversify education provision	Establish expansion as a strategic priority through investment in personnel and resources. Strategy 2016-2021
Failure to recruit and retain students (UG and PG)	Put in place marketing strategy and implementation, and robust admissions policies and procedures. Employ recruitment agent for overseas students. Maintain academic support systems and resources, and non-academic (counselling, financial advice, hardship scheme, SU). Study skills and language support. Implementation of Process Fix recommendations.
Failure of programmes to meet professional and academic standards	External review including QAA, external examiners, PSRB accreditations. Robust quality assurance framework in place. Internal review and monitoring by academic committees. Investment in staff development.
Failure to provide a quality student experience	Investment in estates, resources, staff and SU. Inclusion of students in academic committee membership, regular meetings with students and SU, student representation at Board level. Formal and informal student feedback.
Failure to meet the criteria to charge maximum tuition fees	Prepare for Teaching Excellence Framework. Strengthen activities in access and outreach to students from disadvantaged backgrounds. Received very positive feedback on first draft Access Agreement.
Failure to maintain levels of research and scholarship activity	Collaborate with other researchers. Support staff development in attaining research degrees. Invest in post-doctoral positions to support grant writing and applications.
Failure to recruit and maintain well qualified staff and plan for succession.	Staff appraisal, salary review and promotion pathways. Range of pension schemes. Maintain competitive status in sector. Support staff development. Compliance with DDE/HR policies/employment law. Maintain Investors in People status. Support system in place including counselling.
Clinical negligence/significant adverse events and injury	Staff training. Regular maintenance schedules in place. Incident reporting system and analysis. Clinic Manuals and Handbooks, Policies and Procedures in place.
Failure to comply with legislative and regulatory requirements, and quality and safety standards in clinical service provisions	External review by CQC and PSRBs. Regular clinical audits. Clinic Manuals and Handbooks, Policies and Procedures in place. Regular maintenance of equipment. Training of staff.
Failure to reach satisfactory agreement with BU relating to arrangements for transfer of students and future relationship/ students not choosing to transfer	Put in place facilities on an equivalence basis as far as possible. Provide students with sufficient information to make a choice.

Governors' Report (Continued)

Financial Review

Transition to FRS 102 and the 2015 SORP
The year ended 31 August 2016 is the first year in which the College has applied the new UK GAAP accounting standard FRS102 and SORP:Accounting for Further and Higher Education 2015 to its accounts.

This transition has resulted in transitional changes to the 2014-15 figures, which are explained in Note 24 - Transition to FRS 102 and the 2015 SORP.

Financial and operational performance
The following table summarises the financial results for the current and previous years under FRS 102 as set out in the Consolidated Statement of Comprehensive Income and Expenditure is set out on page 15.

	Year Ended 31 August 2016		Year Ended 31 August 2015	
	Consolidated	College	Consolidated	College
	£'000	£'000	£'000	£'000
Tuition fees and education contracts	7,045	7,045	6,548	6,548
Clinic Income	836	836	805	805
MRI & Imaging	168	168	84	84
Catering	169	169	163	163
Accomodation	1	1	2	2
Library	5	5	6	6
Sundry income	188	188	25	25
Income from subsidiaries	185	-	215	-
Donations and endowments	90	90	53	53
Total income	8,688	8,503	7,901	7,686
Staff costs	(5,276)	(5,276)	(5,110)	(5,110)
Other operating expenses	(2,568)	(2,568)	(2,277)	(2,277)
Depreciation	(380)	(380)	(356)	(356)
Interest and other finance costs	(25)	(25)	(24)	(24)
AECC Enterprises Limited expenditure	(7)	-	(5)	-
Spine Centre Limited expenditure	(149)	-	(182)	-
Total expenditure	(8,405)	(8,249)	(7,954)	(7,767)
Surplus/deficit before other gains losses and share of operating surplus/deficit of joint ventures and associates	283	254	(53)	(81)
(Loss) / Gain on investments	12	12	22	22
Surplus / (Deficit) for the year	295	266	(31)	(59)
Actuarial (loss)/gain in respect of pension schemes	(1,096)	(1,096)	22	22
Total comprehensive income for the year	(801)	(830)	(9)	(37)

Income

Overall total consolidated income has increased by 10% to £8.7m (2015: £7.9m) with total College income being 2.4% better than budget for the year. This increase is primarily due to an increase in tuition fees and education contracts.

This is primarily due to:

- a larger intake in 2015-16 (139 newly enrolled students) versus that in 2014-15 (103 newly enrolled students)
- an additional year group of MSc Chiro students, taking the total number of MSc Chiro students from 75 students in 2014-15 to 155 students in 2015-16
- in 2014/15 there were 65 undergraduate students enrolled on the lower fee of £3,465 per annum, whereas in 2015/16 this had reduced to just 4 students with the rest paying the new higher fees of at least £9,000

A summary of the income derived from tuition fees and education contracts is set out below:

	Year Ended 31 August 2016	Year Ended 31 August 2015
	College	College
	£'000	£'000
Undergraduate masters chiropractic	5,825	5,306
Undergraduate CREM	334	357
Postgraduate masters and CPD	706	640
PG Certificate	6	6
Access	22	26
CPD	152	213
Total	7,045	6,548

As a result of the above, overall total income for the year was £239,000 (3.5%) over budget.

Governors' Report (Continued)

Other income

Other income is higher than the previous year and budget primarily because it includes:

	£'000
Accounts support to Spine Centre	16
Adjustment to historic fixed asset figures, identified by a more accurate fixed asset register system	39
Income from AFC Bournemouth for services provided	52
Total	**107**

The College does not expect this to be repeated in 2016/17.

Expenditure

Overall total consolidated expenditure has increased by 5.7% to £8.4m (2015: £8m) with total College expenditure being only 0.7% over budget for the year. However, the budget was based on fewer students than were actually achieved.

Increased salary related costs

As at 1 September 2015 staff received an annual pay increase that equated to 2.4% on average across the entire College. This affected all payroll related costs.

Holiday accrual

As at 1 September 2015 staff received an annual pay increase that equated to 2.4% on average across the entire College. This affected all payroll related costs.

Change in Key Performance Indicators (KPIs)

Following the implementation of the 2016-2021 Strategic Plan, the College is in the process of developing a more suitable process to better monitor its performance on an ongoing basis. This will include the introduction of fewer more specific and targeted KPIs that are more in keeping with those used by the rest of the HE sector.

Total surplus

The surplus for the year before actuarial loss in repect of the pension scheme was £266k (2015: £59k loss), which £145k over budget. This is primarily due to higher than expected student numbers but is also due to the correction in year of the historical fixed asset figures, highlighted by a more accurate fixed asset register system, of £39k, which was included within other income.

Net pension liability

The net pension liability within the financial statements relates to the Local Government Pension Scheme (a funded defined-benefit scheme, with the assets held in separate funds administered by Dorset Local Authority). The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 22, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 August 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability. The net liability calculated by an independent actuary as at 31 August 2016 was £2,375,000, which is £1,230,000 higher than the previous year.

Reserves policy

The Governors have examined the requirements for cash reserves.

The Governors consider that reserves are primarily needed to cover unforeseen temporary declines in AECC's core income sources, major capital investment and provide adequate working capital to enable AECC to be managed efficiently. The Governors carried out a detailed review in October 2015 and concluded that an appropriate range of reserves to cover these risks to be £1,615,000 to £2,630,000.

At 31 August 2016 AECC had cash reserves of £3,571,519 (consolidated: £3,603,935).

Investment policy and objectives

The Governors' policy is to invest free reserves in low risk cash deposits where the aim is to achieve a return close to the average Bank of England base rate.

Auditors

On behalf of the Governors as a whole, the Audit Committee reviewed the independence and performance of the auditors, RSM UK Audit LLP. After due consideration, the Committee recommended that the incumbent auditors should continue in office.

Governors' Report (Continued)

Statement of Governors' responsibilities

The Governors (who are also directors of Anglo-European College of Chiropractic for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Governors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period. In preparing these financial statements, the Governors are required to:

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

The Governors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006, the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and other relevant accounting standards. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Governors are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and
- the Governors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The Governors are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

This report was approved by the Board of Governors on 23-2-17 and signed on its behalf by

H Thiel
Governor

13-15 Parkwood Road
Boumemouth
Dorset
BH5 2DF

Independent Auditor's Report to the Members and Governors of Anglo-European College of Chiropractic

Opinion on financial statements
We have audited the financial statements of Anglo-European College of Chiropractic (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 31 August 2016 which comprise the Group and Company Statement of Comprehensive Income and Expenditure, the Group and Company Balance Sheets, the Group Cash Flow Statements and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 August 2016 and of the group's income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and the Charities Act 2011.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at http://www.frc.org.uk/auditscopeukprivate

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Governors' Report and the incorporated Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements [and, based on the work undertaken in the course of our audit, the Governors' Report.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the group and the parent charitable company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Governors' Report and the incorporated Strategic Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Act 2011 requires us to report to you if, in our opinion:

- adequate and sufficient accounting records have not been kept by the parent charitable company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of governors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Respective responsibilities of trustees and auditor
As explained more fully in the Statement of Governors' responsibilities set out on page 13, the governors (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed auditors under the Companies Act 2006 and section 151 of the Charities Act 2011 and report in accordance with those Acts.

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

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

Christopher Mantel (Senior Statutory Auditor)
For and on behalf of RSM UK AUDIT LLP, Statutory Auditor
Chartered Accountants
Highfield Court
Tollgate
Chandlers Ford
Eastleigh
Hampshire
SO53 3TY

Date: 30/3/17

Consolidated Statement of Comprehensive Income and Expenditure

Year Ended 31 August 2016

	Notes	Year Ended 31 August 2016 Consolidated £'000	Year Ended 31 August 2016 College £'000	Year Ended 31 August 2015 Consolidated £'000	Year Ended 31 August 2015 College £'000
Income:					
Tuition fees and education contracts	1	**7,045**	**7,045**	6,548	6,548
Funding body grants	2	**-**	**-**	-	-
Research grants and contracts	3	**-**	**-**	-	-
Other income	4	**1,368**	**1,368**	1,084	1,084
Investment income	5	**-**	**-**	-	-
AECC Enterprises Limited income	4	**22**		15	
Spine Centre Limited income	4	**163**		201	
Total income before endowments and donations		**8,598**	**8,412**	7,848	7,632
Donations and endowments	6	**90**	**90**	53	53
Total income		**8,688**	**8,503**	7,901	7,686
Expenditure:					
Staff costs	7	**(5,276)**	**(5,276)**	(5,110)	(5,110)
Other operating expenses		**(2,568)**	**(2,568)**	(2,277)	(2,277)
Depreciation	11	**(380)**	**(380)**	(356)	(356)
Interest and other finance costs	8	**(25)**	**(25)**	(24)	(24)
AECC Enterprises Limited expenditure	4	**(7)**		(5)	
Spine Centre Limited expenditure	4	**(149)**		(182)	
Total expenditure	9	**(8,405)**	**(8,249)**	(7,954)	(7,767)
Surplus/deficit before other gains losses and share of operating surplus/deficit of joint ventures and associates		**283**	**254**	(53)	(81)
Other gains losses and share of operating surplus/deficit of joint ventures and associates:					
Gain/(loss) on disposal of fixed assets		**-**	**-**	-	-
(Loss) / Gain on investments		**12**	**12**	22	22
Surplus / (Deficit) before tax		**295**	**266**	(31)	(59)
Taxation	10	**-**	**-**	-	-
Surplus / (Deficit) for the year		**295**	**266**	(31)	(59)
Actuarial (loss)/gain in respect of pension schemes	22	**(1,096)**	**(1,096)**	22	22
Total comprehensive income for the year		**(801)**	**(830)**	(9)	(37)
Represented by:					
Restricted comprehensive income for the year		**-**	**-**	-	-
Unrestricted comprehensive income for the year		**(801)**	**(830)**	(9)	(37)
Attributable to the College *		**(801)**	**(830)**	(9)	(37)

All items of income and expenditure relate to continuing activities

* The 2015 figures include the FRS 102 holiday accrual

Consolidated and College Statement of Changes in Reserves

Year Ended 31 August 2016

Consolidated

	Note	*Restricted* £'000	*Unrestricted* £'000	**Total £'000**
Balance at 31 August 2014	24	319	5,752	**6,070**
Surplus/(deficit) from the income and expenditure statement		44	(53)	**(9)**
Total comprehensive income for the year		44	(53)	**(9)**
Balance at 31 August 2015	24	363	5,698	**6,061**
Surplus/(deficit) from the income and expenditure statement		0	(798)	**(798)**
Release of restricted funds spent in year		(30)	30	**-**
Total comprehensive income for the year		(30)	(769)	**(798)**
Balance at 31 August 2016		333	4,930	**5,263**

College

	Restricted £'000	*Unrestricted* £'000	**Total £'000**
Balance at 31 August 2014	319	5,737	**6,056**
Surplus/(deficit) from the income and expenditure statement	44	(81)	**(37)**
Total comprehensive income for the year	44	(81)	(37)
Balance at 31 August 2015	363	5,656	**6,018**
Surplus/(deficit) from the income and expenditure statement	-	(830)	**(830)**
Release of restricted funds spent in year	(30)	30	**-**
Total comprehensive income for the year	(30)	(801)	**(830)**
Balance at 31 August 2016	333	4,855	**5,188**

Consolidated and College Balance Sheet

Year Ended 31 August 2016

	Notes	Year Ended 31 August 2016 Consolidated £'000	College £'000	Year Ended 31 August 2015 Consolidated £'000	College £'000
Non-current assets					
Fixed assets	11	**4,990**	**4,989**	5,085	5,084
Investments	12	**-**		-	20
		4,990	**4,989**	5,085	5,104
Current assets					
Stock	14	**53**	**14**	51	15
Trade and other receivables	15	**295**	**261**	199	170
Cash and cash equivalents	20	**3,604**	**3,572**	2,910	2,894
		3,952	**3,847**	3,160	3,079
Less: Creditors: amounts falling due within one year	16	**(1,303)**	**(1,271)**	(1,037)	(1,017)
Net current assets		**2,649**	**2,575**	2,123	2,061
Total assets less current liabilities		**7,639**	**7,564**	7,208	7,165
Creditors: amounts falling due after more than one year	17	**(1)**	**(1)**	(1)	(1)
Provisions					
Pension provisions	18	**(2,375)**	**(2,375)**	(1,145)	(1,145)
Total net assets		**5,263**	**5,188**	6,061	6,018
Restricted Reserves					
Income and expenditure reserve - restricted reserve	19	**333**	**333**	363	363
Unrestricted Reserves					
Income and expenditure reserve - unrestricted		**4,930**	**4,855**	5,698	5,656
Total Reserves		**5,263**	**5,188**	6,061	6,018

The Governors have prepared group accounts in accordance with section 298 of the Companies Act 2006 and section 138 of the Charities Act 2011. The financial statements were approved by the Board of Governors and authorised for issue on 22.12.17 2017 and were signed on its behalf on that date by:

Martin Copp, Governor

Consolidated and College Cash Flow

Year Ended 31 August 2016

	Year Ended 31 August 2016 £'000	Year Ended 31 August 2015 £'000
Cash flow from operating activities		
Surplus for the year	283	(31)
Adjustment for non-cash items		
Finance income		(6)
Interest and other finance costs payable	25	
Waiver in loan stock		(23)
Depreciation charge	380	356
(Increase) / Decrease in stocks	(3)	(1)
Decrease in debtors	(96)	110
Increase in creditors	266	57
Pension cost less contributions payable	135	90
Net cash inflow from operating activities	991	553
Cash flows from investing activities		
Interest paid	(33)	
Interest received	21	48
Purchase of fixed assets	(286)	(746)
	(298)	(698)
(Decrease)/increase in cash and cash equivalents in the year	693	(145)
Cash and cash equivalents at beginning of the year	2,910	3,054
Cash and cash equivalents at end of the year	3,604	2,910

Statement of Accounting Policies

for the year ended 31 August 2016

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

1. **Basis of preparation**

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standards: FRS 102 (effective 1 January 2015). The College is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The financial statements are prepared in accordance with the historical cost convention (modified by the revaluation of fixed assets and derivative financial instruments) and the Companies Act 2006.

The financial statements are prepared on a going concern basis. This assessment has been informed by the College's future financial forecasts / plans and its healthy cash balances.

2. **Basis of consolidation**

The consolidated financial statements include the College and all its subsidiaries for the financial year to 31 August 2016.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of income and expenditure from the date of acquisition or up to the date of disposal. Intra-group transactions are eliminated on consolidation.

The consolidated financial statements do not include the income and expenditure of the Students' Union as the College does not exert control or dominant influence over policy decisions.

3. **Income recognition**

Income from the sale of goods or services is credited to the Consolidated Statement of Comprehensive Income and Expenditure when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Fee income is stated gross of any expenditure which is not a discount and credited to the Consolidated Statement of Income and Comprehensive Expenditure over the period in which students are studying. Where the amount of the tuition fee is reduced, by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Investment income is credited to the statement of income and expenditure on a receivable basis.

Funds the College receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Grant funding

Government revenue grants including funding council block grant and research grants are recognised in income over the periods in which the College recognises the related costs for which the grant is intended to compensate. Where part of a government grant is deferred it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

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

Donations and endowments

Non exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor imposed restrictions are recognised in income when the College is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Donations with no restrictions are recognised in income when the College is entitled to the funds.

Investment income and appreciation of endowments is recorded in income in the year in which it arises and as either restricted or unrestricted income according to the terms applied to the individual endowment fund.

There are two main types of donations and endowments identified within reserves:

1. Restricted donations - the donor has specified that the donation must be used for a particular objective.
2. Unrestricted donations - the donor has not specified what the donation must be used for.

Capital grants

Government capital grants are recognised in income over the expected useful life of the asset. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

4. **Accounting for retirement benefits**

The three principal pension schemes for the College's staff are the Teachers' Pension Scheme (TPS), the Local Government Pension Scheme (LGPS) and a stakeholder pension scheme.

5. **Employment benefits**

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the College. Any unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

6. **Finance leases**

Leases in which the College assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

7. **Service Concession Arrangements**

Fixed assets held under service concession arrangements are recognised on the Balance Sheet at the present value of the minimum lease payments when the assets are bought into use with a corresponding financial liability.

Payments under the service concession arrangement are allocated between service costs, finance charges and financial liability repayments to reduce the financial liability to nil over the life of the arrangement.

8. **Operating leases**

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

9. **Foreign currency**

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in Surplus or Deficit. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

10. **Fixed assets**

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

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Land and buildings

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

Original College freehold land and buildings (Grade II listed building)	100 years
Other freehold buildings	50 years
Refurbishments and repairs	20 years

Leasehold land is depreciated over the life of the lease up to a maximum of 50 years.

Equipment

Equipment, including computers and software, costing less than de minimus per individual item is recognised as expenditure. All other equipment is capitalised.

Capitalised equipment is stated at cost and depreciated over its expected useful life as follows:

Office equipment furniture & fittings	4 to 10 years
Medical and teaching equipment (plant & machinery)	4 to 12 years

Borrowing costs

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised.

11. **Intangible assets and Goodwill**

Goodwill is fully written off in the year it is acquired.

Intangible assets are amortised over 5 years representing the remaining estimated economic life of the assets.

12. Investments

Investments in subsidiaries are carried at cost in the College's accounts.

13. Stock

Stock is held at the lower of cost and net realisable value.

14. Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

15. Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

(a) the College has a present obligation (legal or constructive) as a result of a past event;
(b) it is probable that an outflow of economic benefits will be required to settle the obligation; and
(c) a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

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

A contingent asset arises where an event has taken place that gives the College a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College.

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the notes.

16. Taxation

The College is an exempt charity within the meaning of Part 3 of the Charities Act 2011. It is therefore a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The College receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to fixed assets is included in their cost.

The College's subsidiaries are liable to Corporation Tax in the same way as any other commercial organisation.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are more likely than not to be recovered. Deferred tax assets and liabilities are not discounted.

17. Derivatives

Derivatives are held on the balance sheet at fair value with movements in fair value recorded in the Surplus or Deficit.

18. Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the College, are held as a permanently restricted fund which the College must hold in perpetuity.

Other restricted reserves include balances where the donor has designated a specific purpose and therefore the College is restricted in the use of these funds.

19. Transition to 2015 SORP

The College is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. Some of the FRS 102 recognition, measurement, presentation and disclosure requirements differ from previous UK GAAP. Consequently the College has amended certain accounting policies to comply with FRS 102 and the 2015 FE HE SORP. The Governors have also taken advantage of certain exemptions from the requirements of FRS 102 permitted by FRS 102 chapter 35 "Transition to FRS". An explanation of how the transition to 2015 SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the College is provided in note 24.

Application of first time adoption grants certain exemption from the full requirements of 2015 SORP in the transition period.

19. Transition to 2015 SORP (continued)

The following exemptions have been taken in these financial statements:

- The College has taken advantage of the exemptions provided in FRS 102 1.12 and the 2015 FE HE SORP 3.3 and has not included a separate statement of its own cash flows. These cash flows are included within the Consolidated Statement of Cash Flows, and the College balance sheet discloses cash at both the current and preceeding reporting dates.

20. Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discount

21. Creditors and provisions

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

22. Financial instruments

The trust only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

23. Judgements in applying accounting policies and key sources of estimation uncertainty

Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 22, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 August 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Notes to the Accounts

for the year ended 31 August 2016

1. Tuition fees and education contracts	Year Ended 31 August 2016 Consolidated £	Year Ended 31 August 2016 College £	Year Ended 31 August 2015 Consolidated £	Year Ended 31 August 2015 College £
Full-time home and EU students	4,451,998	4,451,998	3,831,715	3,831,715
Full-time international students	1,661,640	1,661,640	1,798,967	1,798,967
Part-time students	931,021	931,021	917,509	917,509
	7,044,659	7,044,659	6,548,191	6,548,191

2. Funding body grants

None during the year

3. Research grants and contracts

None during the year

4. Other income	Year Ended 31 August 2016 Consolidated £	Year Ended 31 August 2016 College £	Year Ended 31 August 2015 Consolidated £	Year Ended 31 August 2015 College £
Clinic Income	836,095	836,095	805,025	805,025
MRI & Imaging	167,922	167,922	84,105	84,105
Catering	169,212	169,212	162,864	162,864
Accomodation	1,409	1,409	1,500	1,500
Library	4,502	4,502	6,145	6,145
Sundry income	188,474	188,474	24,635	24,635
Income from subsidiaries	184,897	-	215,364	-
	1,552,511	1,367,614	1,299,638	1,084,274

5. Investment income

None during the year

6. Donations and endowments	Year Ended 31 August 2016 Consolidated £	Year Ended 31 August 2016 College £	Year Ended 31 August 2015 Consolidated £	Year Ended 31 August 2015 College £
Unrestricted donations	90,412	90,412	53,175	53,175
	90,412	90,412	53,175	53,175

7. Staff costs	Year Ended 31 August 2016 Consolidated £	Year Ended 31 August 2016 College £	Year Ended 31 August 2015 Consolidated £	Year Ended 31 August 2015 College £
Staff Costs :				
Salaries	4,385,409	4,385,409	4,219,318	4,219,318
Social security costs	349,468	349,468	327,923	327,923
Pension costs	512,575	512,575	504,498	504,498
Staff Training & Development	40,015	40,015	56,392	56,392
Holiday accrual	(11,286)	(11,286)	1,885	1,885
Total	5,276,180	5,276,180	5,110,017	5,110,017

	Year Ended 31 August 2016 £	Year Ended 31 August 2015 £
Total emoluments of the Principal	147,715	138,363

Remuneration of other higher paid staff, excluding employer's pension contributions.

			Year Ended 31 August 2016 No.	Year Ended 31 August 2015 No.
£60,000	to	£69,999	5	3
£70,000	to	£79,999	2	3
£80,000	to	£89,999	1	2
£100,000	to	£109,999	1	1
£120,000	to	£129,999	1	1
			10	10

Average staff numbers by major category :	Year Ended 31 August 2016 No.	Year Ended 31 August 2015 No.
Executive	5	5
Management and specialist	21	20
Academic	28	31
Research	5	7
Other	162	156
	221	219

7. (cont'd)

Compensation for loss of office payable to a senior post-holder:

	£	£
Compensation payable recorded within staff costs	30,000	17,000

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College. Staff costs includes compensation paid to key management personnel.

	£	£
Key management personnel compensation	**510,967**	489,086

Board of Governors

The College's Governors are the trustees for charitable law purposes. Due to the nature of the College's operations and the compositions of the Board of Governors, being partly drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Board of Governors may have an interest. All transactions involving organisations in which a member of the Board of Governors may have an interest are conducted at arms length and in accordance with the College's Financial Regulations and usual procurement procedures.

No Governor has received any remuneration/waived payments from the group during the year (2015-16)

The total expenses paid to or on behalf of 18 Board members was £6,492 (2014-15 - £6,263 to 17 Board members). This represents travel and subsistence expenses incurred in attending Board, Committee meetings and Charity events in their official capacity.

	Year Ended 31 August 2016		Year Ended 31 August 2015	
	Consolidated	College	Consolidated	College
	£	£	£	£
8. Interest and other finance costs				
Bank charges	**32,941**	**32,941**	31,881	31,881
Interest received	**(21,456)**	**(21,456)**	(13,761)	(13,761)
Bad and doubtful debts	**13,268**	**13,268**	6,000	6,000
Interest on loan stock	**36**	**36**	135	135
	24,789	**24,789**	24,255	24,255
9. Analysis of total expenditure by activity				
Academic and related expenditure	**2,642,633**	**2,642,633**	2,619,010	2,619,010
Administration and central services	**2,800,854**	**2,800,854**	2,632,865	2,632,865
Premises (including service concession cost)	**485,084**	**485,084**	453,504	453,504
Residences, catering and conferences	**206,823**	**206,823**	194,647	194,647
Research grants and contracts	**159,300**	**159,300**	179,398	179,398
Other expenses	**2,110,397**	**1,954,443**	1,874,713	1,687,673
	8,405,091	**8,249,137**	7,954,137	7,767,097
Other operating expenses include:				
External auditors remuneration in respect of audit services	**20,725**	**20,725**	15,975	15,975
External auditors remuneration in respect of non-audit services	**2,625**	**2,625**	2,550	2,550
Hire of assets under operating leases	**-**	**-**	-	-
Cost of stock recognised as an expense	**-**		-	

10. Taxation

The charity is exempt from tax on income and gains falling within section 505 of the Taxes Act 1988 or section 252 of the Taxation of Chargeable Gains Act 1992 to the extent that these are applied to its charitable objects.

11. Fixed Assets

	Freehold Land and Buildings	Plant and Machinery	Fixtures, Fittings and Equipment	Intellectual Property	Total
	£	£	£	£	£
Consolidated					
Cost or valuation					
At 1 September 2015	4,920,445	1,925,921	1,916,248	14,000	8,776,614
Additions	20,029	62,071	154,257	-	236,357
Disposals	-	-	-	-	-
Prior year adjustments made in year *	49,888	(1,672)	(60,459)	-	(12,244)
At 31 August 2016	**4,990,362**	**1,986,320**	**2,010,045**	**14,000**	**9,000,727**
Depreciation					
At 1 September 2015	(967,876)	(1,064,249)	(1,645,767)	(14,000)	(3,691,892)
Charge for the year *	(93,635)	(144,862)	(132,511)	-	(371,008)
Disposals	-	-	-	-	-
Prior year adjustments made in year *	(9,931)	42,424	19,707	-	52,200
At 31 August 2016	**(1,071,442)**	**(1,166,688)**	**(1,758,571)**	**(14,000)**	**(4,010,700)**
Net book value					
At 31 August 2016	**3,918,920**	**819,632**	**251,475**	**-**	**4,990,027**
At 31 August 2015	3,952,569	861,672	270,481	-	5,084,722
College					
Cost and valuation					
At 1 September 2015	4,920,445	1,925,921	1,911,050	-	8,757,416
Additions	20,029	62,071	153,926	-	236,026
Disposals	-	-	-	-	-
Prior year adjustments made in year *	49,888	(1,672)	(60,459)		(12,244)
At 31 August 2016	**4,990,362**	**1,986,320**	**2,004,516**	**-**	**8,981,198**
Depreciation					
At 1 September 2015	(967,876)	(1,064,249)	(1,641,610)	-	(3,673,735)
Charge for the year	(93,635)	(144,862)	(132,030)	-	(370,527)
Disposals	-	-	-	-	-
Prior year adjustments made in year *	(9,931)	42,424	19,707	-	52,200
At 31 August 2016	**(1,071,442)**	**(1,166,688)**	**(1,753,933)**	**-**	**(3,992,062)**
Net book value					
At 31 August 2016	**3,918,920**	**819,632**	**250,584**	**-**	**4,989,136**
At 31 August 2015	3,952,569	861,672	269,440	-	5,083,681

* a more accurate fixed asset register system was implemented that highlighted an error within prior years' accounts. This adjustment is to correct that error.

12. Non-Current Investments

College	Shares in subsidiary undertakings	Loan to subsidiary undertakings	Total
	£	£	£
Cost			
At 1 September 2015	2	60,000	60,002
Repayment in year	-	(12,000)	(12,000)
At 31 August 2016	2	48,000	48,002
Provision			
At 1 September 2015	-	40,000	40,000
Released in year	-	(12,000)	(12,000)
Increase in provision in year	-	20,000	20,000
At 31 August 2016	-	48,000	48,000
Net Book Values			
At 31 August 2016	2	-	2
At 31 August 2015	2	20,000	20,002

The loans to the subsidiaries are unsecured and attract interest at base rate plus 2%.

13. Lease obligations

Total rentals payable under operating leases:	Year Ended 31 August 2016 £	Year Ended 31 August 2015 £
Due within one year	7,416	7,416
Due in two to five years	10,392	17,808
Total lease payments due	17,808	25,224

14. Stock

	Year Ended 31 August 2016		Year Ended 31 August 2015	
	Consolidated £	College £	Consolidated £	College £
General consumables	10,241	10,028	15,008	14,678
Goods for resale	42,936	4,107	35,521	-
	53,177	14,135	50,529	14,678

15. Trade and other receivables

	Year Ended 31 August 2016		Year Ended 31 August 2015	
	Consolidated £	College £	Consolidated £	College £
Amounts falling due within one year:				
Trade receivables (after provision for bad debts)	187,532	160,812	32,189	22,280
Amounts due from subsidiary companies	-	-	-	24,485
Other receivables	1,989	-	44,281	1,190
Prepayments and accrued income	105,550	100,207	122,483	122,239
	295,071	261,019	198,953	170,193

16. Creditors : amounts falling due within one year

	Year Ended 31 August 2016		Year Ended 31 August 2015	
	Consolidated £	College £	Consolidated £	College £
Trade payables	445,785	428,859	257,657	248,680
Other creditors	76,398	74,394	77,562	75,521
Social security and other taxation payable	103,323	103,323	99,858	99,858
Accruals and deferred income	677,614	664,790	601,769	593,278
	1,303,120	1,271,366	1,036,846	1,017,337

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

	Year Ended 31 August 2016		Year Ended 31 August 2015	
	Consolidated £	College £	Consolidated £	College £
Loan stock	1,480	1,480	1,480	1,480
	1,480	1,480	1,480	1,480

The loan stock is repayable upon demand. It is secured by a fixed charge on the College's freehold land and buildings.

18. Provisions for liabilities

The Local Government Pension Scheme liability may be analysed as follows:

	2016 Group and College £	2015 Group and College £
Present value of defined benefit obligation	4,921,000	3,385,000
Fair value of Fund assets (bid value)	(2,546,000)	(2,240,000)
	2,375,000	1,145,000

19. Restricted Reserves

	Balance at 31 August 2015 £	Group and Company movement in resources Incoming £	Outgoing £	Balance at 31 August 2016 £
Rehabilitation Centre Fund	18,392	-	(526)	**17,866**
Research Funds	16,059	-	(16,059)	-
Student Hardship Funds	1,370	-	-	**1,370**
New Clinic Fund & Legacy	256,488	-	(5,919)	**250,569**
Kerkut Fund	2,979	-	(1,216)	**1,763**
MRI Fund	67,533	-	(6,139)	**61,394**
	362,821	-	(29,860)	**332,961**

19. Restricted Reserves (continued)

The Rehabilitation Centre Fund was established following a grant from the Diana Princess of Wales Memorial Fund. This was to provide for building, equipment and initial set-up costs for the College's Rehabilitation Centre.

Research Funds represent grants received specifically for defined research projects.

The Student Hardship Funds were established by donations specifically to help students experiencing financial difficulty.

The New Clinic Fund represents donations received specifically for the purpose of building the new clinic.

The Kerkut Fund was established following a grant from the Gerald Kerkut Research Fund. It was used to purchase equipment to measure heart rate variability and evaluate stress responses.

The MRI fund is derived from donations made to help finance the purchase of equipment for the MRI facility.

20. Cash and cash equivalents

	At 1 September 2015	Cash Flows	At 31 August 2016
	£	£	£
Consolidated			
Cash and cash equivalents	2,909,560	694,375	3,603,935
	2,909,560	694,375	3,603,935

21. Subsidiary undertakings

The subsidiary companies (all of which are registered in England & Wales), wholly-owned or effectively controlled by the College, are as follows:

Company	Principal Activity	Status
Spine Centre Limited	Sales of Chiropractic supplies, books & stationery	100% owned
AECC Enterprises Limited	Commercial exploitation of Research	100% owned

22. Pension schemes

The Group principally participates in four pension schemes – The Teachers' Pension Scheme and The Local Government Superannuation Scheme, which are both defined benefit schemes, and the Zurich Scheme and Scottish Widows Scheme, which are both defined contribution schemes.

The Group has capped its contributions to these pension arrangements at an effective rate of 5%. This is implemented by contractual arrangements with employees who take a reduction in salary when company contribution rates exceed 5%.

The amount outstanding at the year end was £48,121 (2015: £46,604). The total pension cost for the year may be analysed as follows:

	2016	2015
	£	£
Teachers' pension scheme	235,702	222,425
Local government superannuation scheme (including FRS 102 adjustments of £134,000 (2015: £132,000)	244,729	249,521
Zurich	8,702	9,029
Scottish Widows	22,015	22,016
Other	1,428	1,507
	512,576	504,498

Teachers' Pension Scheme

The Teachers' Pensions Scheme ("TPS") is a statutory, contributory, defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pensions Regulations 2010. Retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay as-you-go' basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations require an annual account, the Teachers' Pensions Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001 to 31 March 2011, the Account has been credited with a real rate of return (in excess of price increases and currently set at 3.5%), 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' Pensions Scheme

Not less than every four years the Government Actuary ("GA"), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. Many of these were being discussed in the context of the design for a reformed TPS, and as set out in the Proposed Final Agreement, and scheme valuations had been suspended since the last valuation in 2004.

22. Pension schemes (continued)

The contribution rate paid into the TPS is assessed in two parts. First, a standard contribution rate ("SCR") is determined. This is the contribution, expressed as a percentage of the salaries of teachers and lecturers in service or entering service during the period over which the contribution rate applies, which if it were paid over the entire active service of these teachers and lecturers would broadly defray the cost of benefits payable in respect of that service. Secondly, a supplementary contribution is payable if, as a result of the actuarial investigation, it is found that accumulated liabilities of the Account for benefits to past and present teachers, are not fully covered by standard contributions to be paid in future and by the notional fund built up from past contributions. The total contribution rate payable is the sum of the SCR and the supplementary contribution rate.

Valuations of the TPS are now required under the Public Service Pensions Act 2013 every 4 years and are required to be carried out in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury.

An actuarial valuation of the TPS in accordance with these Directions was published in June 2014 assessing the TPS as at 31 March 2012. The GA's report revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £191,500 million. The notional value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £176,600 million. The assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

Employer and employee contribution rates

As from 1 January 2007, and as part of the cost-sharing agreement between employers' and teachers' representatives, the SCR was assessed at 19.75%, and the supplementary contribution rate was assessed to be 0.75% (to balance assets and liabilities as required by the regulations within 15 years). This resulted in a total contribution rate of 20.5%, which translated into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable. The cost-sharing agreement also introduced – effective for the first time for the 2008 valuation – a 14% cap on employer contributions payable.

From 1 April 2013 to 31 March 2014, the employee contribution rate will range between 6.4% and 11.2%, depending on a member's Full Time Equivalent salary and for 2014/15 will range between 6.4% and 12.4%. Thereafter members will be expected to pay an average contribution rate of 9.6%.

The TPS valuation for 2012 determined an employer contribution rate of 16.4% from September 2015 and an employee cost cap of 11.7%, both to be set in regulations until the next valuation as at March 2016, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

There will be further reforms and changes to the TPS with a new 2015 scheme.

The pension costs paid to TPS in the year amounted to £235,702 (2015: £222,425).

The TPS is a multi-employer pension scheme and therefore the College is unable to identify its share of the underlying assets and liabilities of the scheme.

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

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate funds administered by Dorset Local Authority. The agreed contribution rates for future years are 15.5% for employers and range from 5.5% to 8.5% for employees, depending on salary, however this will be reassessed by Dorset County Council in April 2017.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2013 updated to 31 August 2016 by a qualified independent actuary (prepared in accordance with FRS 102):

	As at 31 August 2016	As at 31 August 2015
Rate of increase in salaries	**3.8%**	4.1%
Rate of increase in pensions	**2.3%**	2.6%
Discount rate for scheme liabilities	**2.1%**	3.9%
Inflation assumption (CPI)	**2.3%**	2.6%

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

	As at 31 August 2016	As at 31 August 2015
Retiring today		
Males	**22.9**	22.8
Females	**25.3**	25.2
Retiring in 20 years		
Males	**25.2**	25.1
Females	**27.7**	27.6

22. Pension schemes (continued)

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

	As at 31 August 2016 £'000	As at 31 August 2015 £'000
Equities	1,469	1,237
Gilts	279	266
Cash	27	87
Other Bonds	325	284
Diversified Growth Fund	119	109
Property	261	228
Infrastructure	65	26
Hedge Fund	1	3
Total market value of assets	2,546	2,240
Present value of scheme liabilities	(4,921)	(3,384)
Deficit in scheme	(2,375)	(1,144)

Amounts recognised in the profit & loss statement are:

	As at 31 August 2016 £'000	As at 31 August 2015 £'000
Service cost	202	210
Net interest on the defined liability (asset)	42	42
Administration expenses	2	2
Total loss / (profit)	246	254

Reconciliation of opening and closing balances of the fair value of Fund assets:

	As at 31 August 2016 £'000	As at 31 August 2015 £'000
Opening fair value of Fund assets	2,240	2,027
Interest on assets	89	81
Return on assets less interest	149	21
Other actuarial gains / (losses)	-	-
Administration expenses	(2)	(2)
Contributions by employer including unfunded	112	122
Contributions by Scheme participants and other employers	47	50
Estimated benefits paid plus unfunded net of transfers in	(89)	(59)
Settlement prices received / (paid)	-	-
Closing fair value of Fund assets	2,546	2,240

Reconciliation of opening and closing balances of the defined benefit obligation

	As at 31 August 2016 £'000	As at 31 August 2015 £'000
Opening defined benefit obligation	3,384	3,061
Current service cost	202	210
Interest cost	131	123
Change in financial assumptions	1,246	(1)
Estimted benefits paid net of transfers in	(89)	(59)
Contributions by Scheme participants and other employers	47	50
Closing defined benefit obligation	4,921	3,384

23. Related party transactions

Owing to the nature of the AECC's operations and the composition of the Board of Governors being partly drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Board of Governors may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures. During the year, Chiropractic Governors have purchased goods from the Spine Centre Limited. All such purchases are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

24. Transition to FRS102 and the 2015 SORP

The year ended 31 August 2016 is the first year that the College has presented its financial statements under FRS 102. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended 31 August 2015 and the date of transition to FRS 102 was therefore 1 September 2014. As a consequence of adopting FRS 102, a number of accounting policies have changed to comply with those standards.

An explanation of how the transition to FRS 102 has affected the College's financial position, financial performance and cash flows, is set out below.

	01 September 2014		31 August 2015	
Financial position	Consolidated £	College £	Consolidated £	College £
Total reserves under previous SORP	6,214,415	6,199,664	6,163,149	6,164,222
Stock adjustment re fraud within Spine Centre Ltd	-	-	40,000	-
Fraudulent credit card transactions re fraud within Spine Centre Ltd	-	-	3,091	-
Total reserves under previous SORP (including Spine Centre fraud adjustments)	6,214,415	6,199,664	6,206,240	6,164,222
Employee holiday pay accrual	(143,919)	(143,919)	(145,804)	(145,804)
Total effect of transition to FRS 102	(143,919)	(143,919)	(145,804)	(145,804)
Total reserves under 2015 SORP	6,070,496	6,055,745	6,060,436	6,018,418

25. Recognition of short term employment benefits

No provision for short term employment benefits such as holiday pay was made under the previous UK GAAP.

Under FRS 102 the costs of short-term employee benefits are recognised as a liability and an expense. The annual leave year runs to 31st August each year for both teaching and non-teaching staff and at the reporting date there was a liability of £134,518 (2015: £145,804). In addition, certain employees are entitled to carry forward up to 10 days of any unused holiday entitlement at the end of the leave year. The cost of any unused entitlement is recognised in the period in which the employee's services are received. The 2015 and 2014 figures both include historic balances for certain individuals that exceed the maximum carry forward entitlement, which will be rectified during the year ended 2017.