



Bringing talent to life...

**Operating and Financial Review and Financial
Statements**

For the year ended 31 July 2015

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Operating and Financial Review

NATURE, OBJECTIVES AND STRATEGIES

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

Legal status

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

Mission

The College's mission as approved by its members is:

Walsall College is uniquely and proudly vocational. Our greatest passion is unleashing the potential of individuals, communities and businesses; our greatest legacy is the talent of our learners: skilled, professional and enterprising.

Implementation of strategic plan

The Corporation monitors the performance of the College against the strategic plan. The College's strategic objectives for the 2014/15 year were based on the following five 'Ambitions':

- Ambition 1: ~~Achieve~~ Beyond Outstanding
- Ambition 2: Maximise Staff Potential and Performance
- Ambition 3: Innovate and Inspire
- Ambition 4: Energise our Communities and Partners
- Ambition 5: Secure our Future

The College's performance in line with these ambitions was measured through the year against 19 key performance indicators, giving a clear line of sight from the Board of Governors through to operational level. Each of these were reviewed in turn and rated.

The key elements were as follows:

~~Achieve~~ Beyond Outstanding

- The College achieved record vocational success rates, however the overall success rate has marginally declined by 2% reflecting the distorting effect of an exponential increase in the number of maths and English functional skills enrolments; and
- The College has self-assessed as **Outstanding**, maintaining the standard achieved in February 2013 when the College was inspected by Ofsted.

Operating and Financial Review (continued)

NATURE, OBJECTIVES AND STRATEGIES (continued)

Maximise Staff Potential and Performance

- Lesson observations were targeted at 89% "Good" or "Outstanding". The College achieved **90%** in comparison to 88% in 2013/14; and
- Average sickness days lost per person were 7.2 days during 2014/15. The target for the year was set at 5 days per full time employee in comparison to the 2013/14 actual 5.3 days.

Innovate and Inspire

- There were **3,515** hours of online learning in 2014/15 in comparison to the 2013/14 actual of 2,896 hours.

Energise our Communities and Partners

- During 2014/15 the Job Shop was extensively refurbished and has helped **148** people back into work.
- The number of individuals undertaking apprenticeship training has continued to grow with the overwhelming majority in the locality of the College. In 2014/15 the College trained **654** Walsall resident apprentices, an increase of 30% on 2013/14.

Secure our Future

- Over the 2014/15 year the College re-invested accumulated reserves into the Business and Sports Hub, an £11m development, part funded by the Skills Funding Agency, which has been achieved without any external borrowing.
- It is expected that the College's financial health as appraised by the Skills Funding Agency will be confirmed as '**Good**' for 2014/15. This result marks a planned reduction from 'Outstanding' in 2013/14 as cash has been invested in the Business and Sports Hub Development.
- The College has exceeded the budgeted surplus for the year, generating positive operating cash inflow and £3m of treasury deposit investments at 31 July.

Further details regarding the College's financial performance are outlined below.

FINANCIAL OBJECTIVES

The College wishes to remain financially sound and improve financial returns in terms of reserves and liquidity so as to protect itself from unforeseen adverse changes in enrolments and generate sufficient income to enable continued improvements to its accommodation, equipment and the resources made available to learners.

The College is actively pursuing strategies to minimise the impact of funding cuts.

Operating and Financial Review (continued)

FINANCIAL OBJECTIVES (continued)

Performance Indicators

The College is committed to observing the importance of sector measures and indicators and use the FE Choices website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the Skills Funding Agency. The Finance Record produces a financial health grading. The anticipated rating of "Good" is in line with the College's expectations following the investment of resources in the Walsall Business and Sports Hub.

FINANCIAL POSITION

Financial Performance 2014/15

In 2014/15 the College has generated an operating surplus of **£501k** (2013/14: £1,046k). The College's underlying trading position in 2014/15 was a surplus of **£450k** (2013/14: £1,115k). This excludes the change in the pension deficit and restructuring costs.

The College has accumulated reserves of **£12,070k** (2013/14 £13,640k) and cash balances and investments of **£6,969k** (2013/14: £12,006k). Cash balances and investments comprise of:

	14/15 £'000	13/14 £'000
Endowments	62	60
Investments	3,000	10,000
Cash	3,907	1,946
	<u>6,969</u>	<u>12,006</u>

The College acquired tangible fixed assets during the year of **£9,545k** (2013/14: £1,749k). This includes the development of the Business & Sport Hub (£8,983k) and the purchase of premises at 21 Portland Street (£203k).

The College has the following subsidiary company.

Name	Nature of business	Surplus generated
Broadway Training Limited	Training Provider	This company was non trading throughout the year ended 31 July 2015

The College has strategically exited the sponsorship of academy schools. The College was the sole sponsor of The Mirus Academy which operated within Walsall College Academies Trust. All of the assets and liabilities of The Mirus Academy were transferred to The Matrix Group as at 1 April 2015. Walsall College Academies Trust will be dissolved. The Directors of the Trust are the College Principal and Director of Operations.

The Black Country UTC, where the College was Lead Sponsor alongside the University of Wolverhampton, ceased operations as at 31 August 2015.

In each case there are no liabilities arising in respect of Walsall College.

Operating and Financial Review (continued)

FINANCIAL POSITION (continued)

Walsall College Students Trust Limited is independent and therefore the results are not consolidated with those of the College. Walsall College has no direct control. The Trust's objectives include:

- Advance the education principally, but not necessarily exclusively, of past, present and potential students of Walsall College and the community resident within Walsall.
- Commit to meeting the educational needs and aspirations of Walsall College and the community of Walsall.
- Support equality of access and opportunity.
- Organise social and cultural events and other activities for the benefit of students at Walsall College.
- Provide assistance by way of donation, scholarship, awards or bursaries to students and potential students from underprivileged backgrounds or those who may be financially excluded from the benefit of an education at Walsall College.

Walsall College Students Trust did not trade during 2014/15 and is not expected to trade during the 2015/16 year.

Treasury policies and objectives

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

The College has a separate treasury management policy in place. Short term borrowing for temporary revenue purposes requires authorisation of the Principal. All other borrowing requires the authorisation of the Corporation.

Cash flows

At **£1,132k** (2013/14: £2,886k), operating cash flow in the year was strong. The net cash inflow of £1,960k in the year is stated after balancing £7m decrease in funds on deposit with £5.4m invested in capital expenditure, most notably with regards to the Business and Sports Hub.

Post balance sheet events

There were no adjusting post balance sheet events.

Liquidity

The College has two long-term fixed rate loans with Barclays Bank plc which were aligned to the construction of the Wisemore site and redevelopment of Green Lane campus. The outstanding balance totalled **£7,531k** at the end of 2014/15 (2013/14: £7,881k). The size of the College's total borrowings and its approach to interest rates have been calculated to ensure a reasonable balance between the total cost of servicing debt and operating cash flow.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student Numbers 2014/15 Performance

The College continued to achieve strong student recruitment in 2014/15, particularly in respect of students aged between 16 and 18 as funded by the Education Funding Agency. Learner heads were exceeded at 105% of contract. The financial value of the contract was exceeded by almost **£3.0m** or 22%. This was a planned strategic decision which has been reflected in a very significant increase in contract for 2015/16.

Operating and Financial Review (continued)

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE (continued)

The College has continued to be successful in converting SFA Adult Skills Budget activity into apprenticeships, which was reflected in the contract value increasing by 7% during the year. The College out-turned **102.6%** on the initial contract value and 95% of the revised value after the contract was revised in recognition of this growth.

16-18 Apprenticeships performance continued to grow, increasing in comparison to 2013/14 by 26% at **£2.580m**. As with the Adult Skills Budget, the College has successfully grown this allocation in-year, the final out-turn representing 113% of the initial allocation and 80% of the final allocation.

Curriculum developments

Overall College vocational success rates for 2014/15 exceeded the high performance achieved in 2013/14 and are above national averages on almost all key performance lines. The overall success rate has been diluted by exponential growth in the volume of English and maths qualifications as the College responds to the government agenda and “condition of funding” which was executed for the first time in 2014/15.

The College has compiled a curriculum strategy to provide the rationale and direction for curriculum planning and delivery. It provides clarity on the key strategic direction Walsall College will take in order to respond to key challenges and priorities. The strategy provides clearly articulated priorities evidenced by sound research and analysis from which to plan an appropriate and innovative curriculum offer that meets the needs of individuals, communities and employers both locally, nationally and internationally.

RESOURCES

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

Financial

The College has **£42,688k** of net assets which represents an increase of £72k, a strong result in the context of growth in the pension liability to £11,088k (2013/14: £8,851k) and long term debt of £7.5m.

Tangible resources include fixed assets with a carrying value of £63m.

People

The College employs **535** people (expressed as full time equivalents), of whom 357 are teaching related staff. This excludes assessors who are largely involved in the delivery of apprenticeships.

Reputation

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

PRINCIPAL RISKS AND UNCERTAINTIES

The College has undertaken further work during the year to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation. Risk management has been enhanced within the year with the introduction of a Board Assurance Framework.

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

Operating and Financial Review (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

A risk register is maintained at the College level which is reviewed termly at each meeting of the Audit Committee and annually by the College Corporation. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system. This is supported by a risk management training programme to raise awareness of risk throughout the College.

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

Business and Partnerships:

The College is increasingly looking to broaden its activities and diversify sources of income which are resulting in more actual and proposed partnership arrangements domestically and overseas. On occasion forays into new markets, such as the sponsorship of academies, will not deliver the envisaged results. The relationships with these arm's length organisations present both financial and reputational risks, particularly in the context of the credibility that third parties seek by association with an outstanding college.

International activities are inherently risky with regards to inbound students, immigration issues, the relationship with the UK Border Agency and increasingly with opportunities to expand activities overseas.

Capital developments:

The College has successfully completed the Business and Sports Hub development an £11m investment offering first class facilities including a Sports England standard sports hall, fully equipped gym, restaurant, business incubation and conferencing. As the project transitions from the build phase to the operational phase the risk is changing to reflect the volume of delivery and the impact on learner recruitment.

Major funding contracts:

It is critical that the College continues to deliver training which is aligned to key priorities as defined by the government overall, the Skills Funding Agency and the LEP. The LEP was particularly relevant to significant ESF funding for a Black Country Consortium led by the College, which successfully delivered over £4m of outputs over the last two years. This was high risk throughout the period due to the complexity of funding, the network of partners and the back-loaded increase in funding. The ESF funding contract ran out at the end of 2014/15 therefore there is risk around sustainability given that future bidding rounds are unlikely to give rise to material income streams until significantly into 2016.

Apprenticeships remain a key government objective with the target of 3 million apprentices within this parliament, yet nationally matching individuals with the right skills to appropriate vacancies remains challenging. The impact of apprenticeship reform and new Trailblazer standards remains to be seen.

Government funding:

There are no suggestions that the recent trend of funding cuts will cease which annually increases the pressure on the College. Whilst positive actions have maintained the overall viability of the College by matching resource plans to budgets, over a sustained period they remain a significant threat. The College has become accustomed to annual cuts, particularly in respect of adults on programmes which are not apprenticeships or English and maths. Since the election there is evidence to suggest that these cuts will accelerate which will challenge the FE sector significantly

Operating and Financial Review (continued)

STAKEHOLDER RELATIONSHIPS

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

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

The College recognises the importance of these relationships and engages in regular communication with them through a variety of mechanisms including the College internet site, meetings and social networking.

Equal opportunities and employment of disabled persons

We are building a College community that through its leadership, recruitment, teaching and learning is free from discrimination and secure and confident in its diversity. The College is committed to ensuring that every individual learner and employee is valued, supported and respected. We welcome and celebrate the unique talent and experience of each individual learner and employee.

Effective teaching and learning require a safe environment, free from prejudice and discrimination, where the values and ethos of quality and diversity inform all College activity. Walsall College therefore has zero tolerance of discrimination on grounds of race, sex, age, disability, learning difficulty, mental health, religion or belief and sexual orientation. These values apply equally to staff and governors, as well as students.

Our Single Equality Scheme and associated policies outline how we seek to ensure that the College is free from unlawful discrimination, and strives constantly to move beyond legal compliance towards excellence and best practice in promoting and celebrating equality and diversity.

The College considers all applications fairly. Where an existing employee becomes disabled, every effort is made to ensure that employment continues. The College's policy is to provide training, career development and opportunities for promotion which are, as far as possible, identical to those for other employees. An equalities action plan is published as part of the Single Equality Scheme each year and monitored by managers and governors.

Disability statement

Learners with learning difficulties and/or disabilities are well supported and thrive at Walsall College. We are committed to the development of new and better opportunities for disabled people and aim to develop both practice and delivery options to ensure their success. We operate a social disability model, where the College is proactive in removing barriers to participation and success for learners and employees with a learning difficulty or disability. We will assist disabled staff to succeed in their employment at Walsall College.

Operating and Financial Review (continued)

STAKEHOLDER RELATIONSHIPS (continued)

The legislative framework is The Equalities Act 2010 which consolidated the rights of people with disabilities. We recognise that it covers a broad spectrum of requirements, including:

- Sensory impairment
- Restrictions to mobility
- Mental ill-health
- Long-term debilitating illnesses

The College has maintained comprehensive data on the disabilities of learners collected through the enrolment process and has a planned response to their needs. Although opportunities are available for staff to declare disabilities we feel that some may choose not to do so. We will encourage staff to disclose by increasing the opportunities that they have to do so which will enable us to respond more effectively to their needs. We will work to dismantle any barriers to career progression and self-fulfilment for both staff and students.

We will continue to:

- Support staff and students to feel confident to declare any disability or learning difficulty, particularly “hidden” disability issues, such as mental health and developmental disorders through training and awareness raising campaigns.
- Celebrate the success of those students who have overcome disadvantage to succeed in our College.
- Focus support to ensure retention, success and satisfaction remain high for students and staff with disabilities or learning difficulties.
- Extend our forum for students with learning difficulties or disabilities to include staff.
- Monitor the impact of our activity in improving the conditions and success of disabled staff and students within the College.
- Where appropriate, enhance learners’ ability to live independently by reducing their dependency on additional learning support.
- Conduct reasonable adjustments for both staff and students where needed.

Support services for learners are widely publicised in student literature, available on the intranet and consolidated during induction. Information is readily available to support learners in raising any concerns concerning their wellbeing or fair treatment.

Disclosure of Information to Auditor

The members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College’s auditor is unaware; and each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College’s auditor is aware of that information.

Approved by order of the members of the Corporation on 8 December 2015 and signed on its behalf by:

.....
Brian Lowe
Chair

Operating and Financial Review (continued)

PROFESSIONAL ADVISERS

Financial statements and regularity auditor: KPMG LLP, One Snowhill, Snow Hill Queensway, Birmingham, B4 6GH.

Internal auditors: Baker Tilly, 5 Ridge House, Ridge House Drive, Festival Park, Stoke on Trent, ST1 5SJ.

Bankers: Barclays Bank plc., PO Box 3333, One Snowhill, Snow Hill Queensway, Birmingham, B3 2WN.

Solicitors (from a panel of):
Boodle Hatfield, 240 Blackfriars Road, London SE1 8NW
Pinsent Masons, 3 Colmore Circus Birmingham B4 6BH
HCB Solicitors, 20 Lichfield Street, Walsall, WS1 1TJ

VAT Advisors: Davies Mayers Tax Advisors LLP, Pillar House, 113/115 Bath Road, Cheltenham, GL53 7LS

Public Benefit Statement

Walsall College is committed to demonstrating the benefits its work provides for its stakeholders: this group includes individuals, communities and the wider public. This statement sets out the aims, mission and strategic objectives of the College, outlines the beneficiaries the College serves and the impact and benefits of the learning opportunities we provide.

The trustees of the College have due regard to the Charity Commission's guidance on public benefit.

Our Mission

The Mission Statement of Walsall College states that *“Walsall College is uniquely and proudly vocational. Our greatest passion is unleashing the potential of individuals, communities and businesses; our greatest legacy is the talent of our students: skilled, professional and enterprising.”* The College delivers this mission through its strategic ambitions which have been outlined above (page 1).

Our Beneficiaries

The College has many beneficiaries, both internal and external to the organisation:

- Current and former students are key stakeholders to the College: current students require the resources and technical skills of lecturers in order to maximise their individual potential whilst studying and the College has a duty of care to alumni to maintain and enhance the reputation of the College, thereby strengthening their employability throughout their career.
- The College enjoys strong partnership with a varied range of market leading organisations. These strategic partnerships provide our students with opportunities to work side by side with industry experts in state-of-the-art environments and with market leading technology. Our students emerge from these experiences more commercially astute and aware of the very latest industry developments. The quality of these experiences has a high impact on the employability of our students.
- As a key partner in the EUGANGS project, the College is working to create a qualification specifically for professionals and communities dealing with gangs and resulting criminality. The programme covers interpersonal communication, safe working, policy, social psychology, and social factors.
- The College is a major employer in our own right, employing over 700 staff. We invest around 59% of our total income in our people. This year we have invested in attracting a number of high quality staff into areas including English & maths and construction; these are strategic priorities for the College and success in these areas is key to the long term viability of the College.
- Through a variety of mechanisms, the College supports over 2,000 businesses nationally. Our aim is to break down barriers to achievement, open the doors of the college and to up-skill the local population by filling skills gaps that local employers have in the current market.
- During 2014/15 the College invested £300k to create a new Engineering Manufacturing Workshop at its Green Lane Campus. The College currently supports over 80 engineering apprentices and the new workshop will allow further expansion of this provision. The refurbished space is equipped with the very latest engineering technology and equipment designed to provide students with the employability skills to support the engineering jobs of the future.

Public Benefit Statement (continued)

The Public Benefit we provide

The College is committed to ensuring that it:

- Inspires students and improves the qualifications, skills and employability of our young students and adult learners alike.
- Provide benefits in other areas of public policy. For example, enhancing health and wellbeing and reducing dependency on public services whilst supporting families and up skilling volunteers.
- Offers more than just qualifications. The College incorporates the concept of “the Walsall Graduate” a measure of each full time student’s all round ability, commitment and readiness to enter the world of work and / or higher levels of education and training,
- Transforms the lives of individuals which in turn contribute to the development of cohesive and resilient communities.
- Supports the region’s need to up-skill its adult population and address issues of social deprivation, poverty and economic inactivity.
- Adds value to the activities of companies, communities and trade unions.
- Introduces initiatives such as the business incubation offer within the Business and Sports Hub to support the reversal of the business failure rate within Walsall and surrounding areas.
- Contributes to the overall wellbeing of staff, students and the communities that the College serves by offering opportunities such as access to sports facilities beyond just the traditional curriculum.

How we measure the benefit we provide

The College measures the impact of our work in a number of ways, primarily using data which is measured against internal performance indicators (KPI’s) and against our Service Area Self-Assessment Report (SAR) recommendations. The College critically measures itself against the criteria laid out by Ofsted with the ambition of maintaining outstanding status, demonstrating the commitment to our students, staff, and wider community.

Destination data is used as an indicator of our success against our objectives to support our students into employment and / or higher levels of training.

Statement of Corporate Governance and Internal Control

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

The College endeavours to conduct its business:

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

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

In the opinion of the governors, the College complies with all the provisions of the Foundation Code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31 July 2015. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes account of The English Colleges' Foundation Code of Governance issued by the Association of Colleges in December 2011, which it formally adopted in April 2012, and the Audit and Accountability Annex to the Foundation Code that was issued in March 2013 and adopted by the College in October 2013.

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

Statement of Corporate Governance and Internal Control (continued)

The Corporation

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

Name	Date of Appointment	Term of Office	Date of Resignation	Status of Appointment	Committees Served	Corporation attendance
Brian Lowe	22 February 2014	3 years		Governor	Chair of Corporation Search & Governance Standards (Chair) Remuneration (Chair) Finance & Resources	6/6 100%
Jatinder Sharma	8 December 2011	Ex officio		Principal	Finance & Resources, Search & Governance Standards	6/6 100%
Sheila Abdulrasul	14 October 2014	19 months	13 February 2015	Student Governor	Student Voice	1/3 33%
Judith Ashley	28 February 2013	3 years	30 April 2015	Governor	Learning & Quality Student Voice	4/4 100%
Ryan Ball	7 July 2015	1 year		Student Governor	Learning & Quality Student Voice	1/1 100%
Stuart Bone	21 May 2015	3 years		Governor	Audit	0/1 0%
Bryan Campbell	10 July 2014	1 year	9 December 2014	Student Governor	Learning & Quality Student Voice	N/A
Jaswinder Dhillon	10 July 2014	3 years		Governor	Learning & Quality	6/6 100%
Carol Flood	25 March 2014	3 years		Governor	Learning & Quality (Chair) Audit Search & Governance Standards Remuneration Student Voice	6/6 100%
Dominic Gill	15 May 2014	3 years	22 October 2014	Governor	Audit	0/1 0%

Statement of Corporate Governance and Internal Control (continued)

The Corporation (continued)

Name	Date of Appointment	Term of Office	Date of Resignation	Status of Appointment	Committees Served	Corporation attendance
Bernadette Griffin	7 July 2015	3 years	7 September 2015	Governor		N/A
Angela Henderson	21 May 2015	3 years		Governor	Student Voice	0/1 0%
Lakhbir Jaspal	15 May 2014	3 years	30 June 2015	Governor	Finance & Resources	4/5 80%
Pat Morgan - Webb	12 July 2015	3 Years		Governor	Search & Governance Standards Student Voice (Chair) Remuneration	5/6 83%
David Owen	11 July 2015	1 year		Associate Governor	Finance & Resources	N/A
Akshay Parikh	6 October 2014	3 years		Governor	Finance & Resources Remuneration Search & Governance Standards	5/6 83%
Hiten Patel	15 May 2014	3 years		Staff Governor	Audit	4/5 80%
Allan Pinnegar	25 March 2014	3 years		Governor	Finance & Resources (Chair) Search & Governance Standards Remuneration	5/6 83%
Ginty Ruzgyte	9 December 2014	19 months	7 July 2015	Student Governor	Learning & Quality Student Voice	3/4 75%
Donald Sadler	15 May 2015	1 year		Associate Governor	Audit Committee	N/A
Rani Sahota	4 March 2014	3 years		Governor	Learning & Quality Student Voice	3/5 60%
Alastair Scales	2 February 2015	3 years		Governor	Learning & Quality Audit (Chair) Search & Governance Standards	6/6 100%
Nikola Wisniewska	21 May 2015	1 year		Student Governor	Student Voice	2/2 100%

Statement of Corporate Governance and Internal Control *(continued)*

The Corporation (continued)

Alison Buick acts as the Clerk to the Corporation.

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

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues. The Corporation meets on at least a termly basis.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Finance & Resources, Remuneration, Search and Standards, Audit, Learning & Quality and Student Voice. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the clerk to the Corporation at:

Walsall College, PO Box 4203, Wisemore Campus, Littleton Street West, Walsall WS2 8ES. Minutes are also available on the College website.

The Clerk to the Corporation maintains a register of financial and personal interests of the governors. The register is available for inspection at the above address.

All governors are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Clerk to the Corporation, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Corporation as a whole.

Formal agendas, papers and reports are supplied to governors in a timely manner, prior to Board meetings. Briefings are also provided on an ad-hoc basis.

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

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

Statement of Corporate Governance and Internal Control *(continued)*

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search and Standards Committee comprising of 6 members which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding 3 years.

Remuneration Committee

Throughout the year ending 31 July 2015, the College's Remuneration Committee comprised the governors as listed above. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal and other senior post holders.

Details of senior post holder remuneration for the year ended 31 July 2015 are set out in note 7 to the financial statements. Details of other remuneration can be found in note 6.

Audit Committee

The Audit Committee comprises four members of the Corporation (who exclude the Accounting Officer and Chair). The Committee operates in accordance with written terms of reference approved by the Corporation. Its purpose is to advise the Corporation on the adequacy and effectiveness of the College's system of internal control and its arrangements for risk management, control and governance processes.

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

The College's internal auditor monitors the systems of internal control, risk management controls and governance processes. Under a separate engagement, the College's financial statements audit firm delivers a programme of funding assurance. Internal audit and funding assurance services are provided in accordance with an agreed plan and their findings are reported to management and the Audit Committee.

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

The Audit Committee also advises the Corporation on the appointment of auditors and their remuneration for both audit and non-audit work.

Statement of Corporate Governance and Internal Control *(continued)*

Internal Control

Scope of responsibility

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

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

The purpose of the system of internal control

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

Capacity to handle risk

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

The risk and control framework

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

- Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Corporation
- Regular reviews by the Corporation of periodic and annual financial reports which indicate financial performance against forecasts
- Setting targets to measure financial and other performance
- Clearly defined capital investment control guidelines
- The adoption of formal project management disciplines, where appropriate

The College has an internal audit service and funding assurance service. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this appraisal. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. The funding assurance service annually tests compliance with the funding rules for core income streams.

Statement of Corporate Governance and Internal Control *(continued)*

As a minimum, the internal auditor annually provides the Corporation with a summary report on its activity in the College. The Internal Audit Annual Report includes the auditor's independent opinion on the adequacy and effectiveness of the college's system of risk management, controls and governance processes.

Review of effectiveness

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

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

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

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

Significant internal control problems

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

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

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

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

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

Statement of Corporate Governance and Internal Control *(continued)*

Going Concern

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

Approved by order of the members of the Corporation and were signed on its behalf on 8 December 2015 by:

.....

Brian Lowe

Chair

.....

Jatinder Sharma

Principal

Statement of the responsibilities of the members of the Corporation

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

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

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

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

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

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

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

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

Approved by order of the members of the Corporation and signed on its behalf on 8 December 2015 by:

.....
Brian Lowe
Chair



Independent auditor's report to the Corporation of Walsall College

KPMG LLP

One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

We have audited the College financial statements ("the financial statements") of Walsall College for the year ended 31 July 2015 set out on pages 27-55. The financial reporting framework that has been applied in their preparation is applicable law and UK accounting standards (UK Generally Accepted Accounting Practice).

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

Respective Responsibilities of the Members of the Corporation of Walsall College and Auditor

As explained more fully in the Statement of the Corporation's responsibilities set out on page 22, the Corporation is responsible for the preparation of financial statements which give a true and fair view.

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

Scope of the audit of the Financial Statements

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

Opinion on Financial Statements

In our opinion the financial statements:

- Give a true and fair view of the state of the College's affairs as at 31 July 2015 and of the College's surplus of income over expenditure for the year then ended;
- Have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- Have been properly prepared in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions



Independent auditor's report to the Corporation of Walsall College *(continued)*

Opinion on other matters prescribed by the revised Joint Audit Code of Practice (Parts 1 and 2) issued jointly by the Skills Funding Agency and the Education Funding Agency.

In our opinion:

- Proper accounting records have been kept, and
- The financial statements are in agreement with the accounting records

.....

December 2015

Michael Rowley
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

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

KPMG LLP

One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

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

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

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

Respective responsibilities of Walsall College and the reporting accountant

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

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

Approach

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



Reporting Accountant's Report on Regularity to the Corporation of Walsall College and the Secretary of State for Business, Innovation and Skills acting through the Skills Funding Agency *(continued)*

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

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

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

The work undertaken to draw our conclusion included:

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

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

Conclusion

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

.....
December 2015

Michael Rowley
for and on behalf of KPMG LLP, Reporting Accountant
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Income and Expenditure Account

For the year ended 31 July 2015

	Note	2015 £'000	2014 £'000
Income			
Funding Body Income	2	28,207	28,245
Tuition fees and education contracts	3	3,360	3,090
Other income	4	2,447	2,116
Endowment and Investment income	5	47	60
Total income		34,061	33,511
Expenditure			
Staff costs	6	19,838	19,246
Other operating expenses	8	10,713	9,435
Depreciation	11	2,546	3,255
Interest and other finance costs	9	463	529
Total expenditure		33,560	32,465
Surplus on continuing operations after depreciation of assets at valuation and before exceptional items, disposal of assets and tax		501	1,046
Profit on disposal of assets		-	652
Surplus on continuing operations after depreciation of assets at valuation, exceptional items and disposal of assets but before tax		501	1,698
Taxation	10	-	-
Surplus for the year retained within general reserves		501	1,698

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

Statement of Historical Cost Surpluses and Deficits

For the year ended 31 July 2015

	Notes	2015	2014
		£'000	£'000
Surplus on continuing operations before taxation		501	1,698
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	21	7	7
Disposal of revalued asset	21	-	320
Historical cost surplus for the year before and after taxation		508	2,025

Statement of Total Recognised Gains and Losses

For the year ended 31 July 2015

	Notes	2015	2014
		£'000	£'000
Surplus on continuing operations after depreciation of assets at valuation and tax		501	1,698
Actuarial loss in respect of pension scheme	29	(2,071)	(769)
Appreciation of endowment asset investments	20	2	-
Total recognised (losses)/gains since last report		(1,568)	929
Reconciliation			
Opening reserves and endowments		13,700	12,771
Total recognised (losses)/gains for the year		(1,568)	929
Closing reserves and endowments		12,132	13,700

Balance sheet

As at 31 July 2015

	Note	2015 £'000	2014 £'000
Fixed assets			
Tangible assets	11	63,174	56,175
Investments	12	-	-
Total fixed assets		63,174	56,175
Endowment assets	13	62	60
Current assets			
Stock		19	22
Debtors	14	2,239	1,140
Investments		3,000	10,000
Cash at bank and in hand		3,906	1,946
Total current assets		9,164	13,108
Less: Creditors – amounts falling due within one year	15	(8,526)	(6,760)
Net current assets		638	6,348
Total assets less current liabilities		63,874	62,583
Creditors - amounts falling due after more than one year	16	(9,687)	(10,755)
Provisions for liabilities and charges	18	(411)	(361)
Net assets excluding pension liability		53,776	51,467
Net pension liability	29	(11,088)	(8,851)
NET ASSETS INCLUDING PENSION LIABILITY		42,688	42,616
Deferred capital grants	19	30,556	28,916
Expendable endowments	20	62	60
Total endowments		62	60
Income and expenditure account excluding pension reserve		22,931	22,257
Pension reserve	29	(11,088)	(8,851)
Income and expenditure account including pension reserve	22	11,843	13,406
Revaluation reserve	21	227	234
Total reserves		12,070	13,640
TOTAL		42,688	42,616

The financial statements on pages 27 to 55 were approved by order of the members of the Corporation and were signed on its behalf on 8 December 2015 by:

.....
Brian Lowe
Chair

.....
Jatinder Sharma
Accounting Officer

Cash Flow Statement

For the year ended 31 July 2015

	Note	2015 £'000	2014 £'000
Cash inflow from operating activities	23	1,132	2,886
Returns on investments and servicing of finance	24	(374)	(391)
Taxation	10	-	-
Capital expenditure and financial investment	25	(5,446)	422
Cash (outflow)/inflow before use of liquid resources and financing		(4,688)	2,917
Management of liquid resources	26	6,998	(2,500)
Financing	27	(350)	(334)
Increase in the year	28	1,960	83

Reconciliation of net cash flow to movement in net funds / (debt)

For the year ended 31 July 2015

	Note	2015 £'000	2014 £'000
Increase in cash in the period		1,960	83
Cash outflow from decrease in secured loan		350	334
Cash (inflow)/outflow to liquid resources		(7,000)	2,500
Cash outflow from decrease in lease financing		-	-
Movement in net funds in the period		(4,690)	2,917
Net funds at 1 August		4,113	1,196
Net (debt) / funds at 31 July	28	(577)	4,113

Notes

(forming part of the financial statements)

1 Statement of accounting policies

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

Basis of preparation

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

Basis of accounting

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

Going concern

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

The College currently has £7.5m of loans outstanding with bankers on terms negotiated in 2007. The terms of the existing agreement are for up to another 20 years. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

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

Recognition of income

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

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

Other discrete Skills Funding Agency and EFA grants received during the year are taken to income as expenditure is incurred in line with the specific terms and conditions attached to each fund by the funding bodies.

Notes (continued)

1 Statement of accounting policies (continued)

Recognition of income (continued)

Where the College receives and disburses funds in which it has no direct beneficial interest, such funds are excluded from the income and expenditure account on the grounds that the College does not have direct control over the future economic benefits derived from these funds. The College has applied this policy to certain funds received during the year from the Skills Funding Agency (see note 35).

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

Income from grants, contracts and other services rendered is included to the extent the conditions of the funding have been met or the extent of the completion of the contract or service concerned.

Income from tuition fees is recognised in the period for which it is receivable and includes all fees payable by students or their sponsors, for example the National Health Service.

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

Post-retirement benefits

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

Contributions to the TPS scheme are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payrolls. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method.

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

Further details of the pension schemes are given in note 29.

Enhanced Pensions

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

Notes (continued)

1 Statement of accounting policies (continued)

Tangible fixed assets

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account on an annual basis.

Land and buildings acquired since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. The cost of freehold buildings are analysed over their different component parts and each element is depreciated over its expected useful economic life to the College; which varies from 10 years through to 50 years. Leasehold land and buildings are amortised over 50 years or, if shorter, the period of the lease. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life.

Interest is capitalised where borrowings are specifically related to a capital project. The amount of interest to be capitalised is that which is incurred on that borrowing facility, all other interest is charged to the Income and Expenditure Account in the period in which it is paid

On adoption of FRS 15, the College followed the transitional provisions to retain the book value of land and buildings, which were revalued in 1996, but not to adopt a policy of revaluations of these properties in the future. These values are retained subject to the requirement to test assets for impairment in accordance with FRS 11.

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

Finance costs which are directly attributable to the construction of land and buildings are capitalised as part of the cost of those assets.

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

Subsequent expenditure on existing fixed assets

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

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

Notes (continued)

1 Statement of accounting policies (continued)

Tangible fixed assets (continued)

Buildings owned by third parties

Where land and buildings are used, but the legal rights are held by a third party (for example a charitable trust), they are only capitalised if the College has rights or access to on-going future economic benefit.

These assets are then depreciated over their expected useful economic life.

Assets under construction

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

Equipment

Equipment costing less than £1,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost. Equipment inherited from the Local Education Authority is included in the balance sheet at valuation.

Inherited equipment is fully depreciated. All other equipment is depreciated over its useful economic life as follows:

Motor vehicles and general equipment	-	4 years
Computer equipment	-	2 to 4 years
Furniture and fittings	-	5 to 10 years

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

Leased assets

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

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

Assets which are held under hire purchase contracts which have the characteristics of finance leases are depreciated over their useful lives.

Donations

Donations received to be applied to the cost of a tangible fixed asset are shown on the balance sheet as a deferred capital grant. The deferred capital grant is released to the income and expenditure account over the same estimated useful life that is used to determine the depreciation charge associated with the tangible fixed asset. Donations received for non-depreciable fixed assets, such as land, are recognised in the year they are received.

Notes (continued)

1 Statement of accounting policies (continued)

Investments and endowment assets

Fixed asset investments are carried at historical cost less any provision for impairment in their value. Listed investments held as fixed assets or endowment assets are stated at market value. Current asset investments, which may include listed investments, are stated at the lower of their cost and net realisable value.

Stocks

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

Foreign currency translation

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial year with all resulting exchange differences being taken to the income and expenditure account in the period in which they arise.

Taxation

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

The College is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

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

Liquid resources

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

Provisions

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

Notes (continued)

1 Statement of accounting policies (continued)

Cash

Cash for the purposes of the cash flow statement comprises cash in hand and deposits repayable on demand less overdrafts repayable on demand.

Agency arrangements

The College acts as an agent in the collection and payment of discretionary support funds. Related payments received from the main funding body and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in note 35 except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant. The College employs 2 members of staff dedicated to the administration of Bursary applications and payments.

Notes (continued)

2 Funding Body income

	2015 £'000	2014 £'000
Education Funding Agency Recurrent grant	13,860	15,101
Skill Funding Agency Recurrent grant	4,535	5,146
Additional Learner support	851	1,013
Recurrent grant – HEFCE	183	309
Work based learning - Apprenticeships	4,323	3,898
Work based learning - Traineeships	7	-
Other funds	3,239	879
<i>Releases of deferred capital grants (note 19)</i>		
Buildings	1,080	1,312
Plant	129	587
Total	28,207	28,245

3 Tuition fees and education contracts

	2015 £'000	2014 £'000
Tuition Fees	2,937	2,652
Education contracts	423	438
Total	3,360	3,090

Tuition fees funded by bursaries

Included within the above amounts are tuition fees funded by bursaries of £79k (2013/14: £66k).

4 Other Income

	2015 £'000	2014 £'000
Commercial Sales	729	790
Other Grants	845	497
Nursery Income	422	391
Exams	71	74
Other Income	365	351
Releases of Deferred Capital Grants (note 19)	15	13
Total	2,447	2,116

5 Endowment and investment income

	2015 £'000	2014 £'000
Bank interest receivable	47	60

Notes (continued)

6 Staff costs

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

	2015 No	2014 No.
Teaching Staff	357	345
Non-teaching staff	178	180
Staff costs for the above persons	535	525
	2015 £'000	2014 £'000
Wages and salaries	16,451	16,000
Social security costs	1,250	1,245
Other pension costs (including FRS17 adjustments of £135k (2014: £174k))	2,066	1,945
Payroll sub total	19,767	19,190
Restructuring costs	71	56
	19,838	19,246

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

	Senior Post-holders		Other staff	
	2015 No.	2014 No.	2015 No.	2014 No.
£60,001 to £70,000	-	-	5	4
£70,001 to £80,000	-	-	-	-
£80,001 to £90,000	-	1	-	-
£90,001 to £100,000	1	1	-	-
£100,001 to £110,000	-	-	-	-
£120,001 to £130,000	1	-	-	-
£140,001 to £150,000	-	1	-	-
£150,001 to £160,000	1	-	-	-
	3	3	5	4

In addition to the above bandings there was one further senior post-holder, employed during the current year on a part time basis who falls in to the range £30,001 to £40,000. This equates to 0.6FTE (2014: £30,001 to £40,000: 1).

Notes (continued)

7 Senior post-holders' emoluments

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

	2015	2014
	No.	No.
The number of senior post-holders including the Principal was:	<u>4</u>	<u>4</u>

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

	2015	2014
	£	£
Salary	409,097	364,600
Benefits in kind	2,418	2,204
Pension contributions	46,076	51,500
Total emoluments	<u>457,591</u>	<u>418,304</u>

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

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

	2015	2014
	£	£
Salary	147,840	146,015
Benefits in kind	2,267	2,048
	<u>150,107</u>	<u>148,063</u>
Pension contributions	17,001	20,783

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

The College made the following severance payments totalling £42,150 (2013/14: £nil) to senior post holders during the year. This was agreed by Corporation.

Notes (continued)

8 Other operating expenses

	2015 £'000	2014 £'000
Teaching departments	5,354	3,572
Teaching support services	335	358
Other support services	453	485
Administration and central services	1,011	1,384
General education	1,074	1,081
Premises costs – running costs	1,550	1,449
– maintenance	280	346
– rents and leases	2	9
Planned maintenance	20	21
Catering and residence operations	634	730
Total	10,713	9,435

Other operating expenses include:

	2015 £'000	2014 £'000
Auditors remuneration:		
Financial statements audit	29	28
Internal audit	19	19
Other services provided by the financial statements auditors	12	13
Other services provided by the internal auditors	-	-
Loss on disposal of Fixed Assets	-	12
Hire of other assets – operating leases	107	137

9 Interest payable

	2015 £'000	2014 £'000
On bank loans, overdrafts and other loans:		
Repayable within five years, not by instalments	424	440
Other Interest	8	-
	<u>432</u>	<u>440</u>
On finance leases		-
Pension finance costs (note 29)	31	89
Total	463	529

10 Taxation

The members do not believe the College was liable for any corporation tax arising out of its activities during either period.

Notes (continued)

11 Tangible fixed assets

	Land and Buildings Freehold £'000	Asset under Construction £'000	Fixtures, Fittings & Equipment £'000	Total £'000
Cost or valuation				
At 1 August 2014	66,922	609	8,110	75,641
Additions	249	8,910	386	9,545
Disposals	-	-	-	-
At 31 July 2015	67,171	9,519	8,496	85,186
Depreciation				
At 1 August 2014	12,321	-	7,145	19,466
Charge for year	2,064	-	482	2,546
Elimination in respect of disposals				
At 31 July 2015	14,385	-	7,627	22,012
Net book value at 31 July 2015	52,786	9,519	869	63,174
Net book value at 31 July 2014	54,601	609	965	56,175

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

Land and buildings were valued in 1994 at depreciated replacement cost by Fraser Wood Mayo and Pinsent, a firm of independent chartered surveyors. Other tangible fixed assets inherited from the LEA at incorporation have been valued by the College on a depreciated replacement cost basis with the assistance of independent professional advice.

Land and buildings with a net book value of £54,542,563 (2014: £51,797,452) have been partly financed by exchequer funds, through for example the receipt of capital grants. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum with the Skills Funding Agency, to surrender the proceeds.

The net book value of fixed assets includes an amount of £nil (2014: £nil) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £nil (2014: £nil).

The cost and net book value of inherited assets is nil.

Notes (continued)

12 Investments

	2015 £	2014 £
Investments in subsidiary companies	<u>2</u>	<u>2</u>

The College owns 100 per cent of the issued ordinary £1 shares of Broadway Training Limited, a company incorporated in England and Wales. Broadway Training Limited has not traded throughout the year. The interest in Broadway Training Limited was acquired in November 1993, on its incorporation.

13 Endowment assets

	2015 £'000	2014 £'000
Balance at 1 August	60	58
Appreciation revaluation (note 20)	2	2
Decrease in cash balances	-	-
Balance at 31 July	<u>62</u>	<u>60</u>
Represented by:		
Fixed interest stocks (listed)	6	5
Equities (listed)	8	7
Cash balances (note 28)	48	48
Total	<u>62</u>	<u>60</u>

14 Debtors

	2015 £'000	2014 £'000
Amounts falling due within one year:		
Trade debtors	411	240
Amounts owed by subsidiary undertakings	-	-
Prepayments and accrued income	1,794	841
Other debtors	34	59
Total	<u>2,239</u>	<u>1,140</u>

Notes (continued)

15 Creditors: Amounts falling due within one year

	2015	2014
	£'000	£'000
Bank loans and overdrafts	366	350
Payments received in advance	717	1,079
Trade creditors	288	261
Other taxation and social security	599	618
Other creditors	304	293
Accruals	5,447	3,336
Payments received on Account - Lennartz	700	713
Provision for claw back of recurrent funding	105	110
Total	<u>8,526</u>	<u>6,760</u>

16 Creditors: Amounts falling due after one year

	2015	2014
	£'000	£'000
Bank loans	7,165	7,531
Payments received on Account – Lennartz	2,358	3,068
Other	164	156
Total	<u>9,687</u>	<u>10,755</u>

17 Borrowings

Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	2015	2014
	£'000	£'000
In one year or less	366	350
Between one and two years	382	366
Between two and five years	826	786
In five years or more	5,957	6,379
Total	<u>7,531</u>	<u>7,881</u>

The bank loan is secured on the Wisemore campus. £7m bears a fixed interest of 5.5% (excluding lending margin) and is repayable by instalments over twenty five years until 2035. The remaining £2m is on a fixed interest rate of 3.41% (excluding lending margin) and is repayable by instalments over ten years until 2021.

Notes (continued)

18 Provisions for liabilities and charges

	Enhanced Pensions £'000	Other £'000	Total £'000
At 1 August 2014	228	133	361
Expenditure in the period	(22)	-	(22)
Interest	9	-	9
Actuarial loss over the year	27	-	27
Transferred from income and expenditure	-	36	36
At 31 July 2015	<u>242</u>	<u>169</u>	<u>411</u>

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

Other provisions relate to specific projects where there is a potential for claw back of funds.

19 Deferred capital grants

	Funding Body grants £'000	Other grants £'000	Total £'000
At 1 August 2014	28,861	55	28,916
Cash receivable	2,840	24	2,864
Released to income and expenditure account	(1,209)	(15)	(1,224)
At 31 July 2015	<u>30,492</u>	<u>64</u>	<u>30,556</u>

20 Expendable Endowment

	Year ended 31 July 2015 £'000 Expendable	Year ended 31 July 2014 £'000 Expendable
At 1 August	60	58
Revaluation movement	2	2
(Decrease) in cash balance	-	-
At 31 July	<u>62</u>	<u>60</u>

Notes (continued)

21 Revaluation reserve

	2015	2014
	£'000	£'000
At 1 August	234	561
Transfer from revaluation reserve to general reserve in respect of:		
Disposals	-	(320)
Depreciation on revalued assets	(7)	(7)
At 31 July	227	234

22 Movement on general reserves

	2015	2014
	£'000	£'000
Income and expenditure account reserve		
At 1 August 2014	13,406	12,150
Surplus retained for the year	501	1,698
Transfer from revaluation reserve	7	327
Actuarial (loss)/gain in respect of pension scheme	(2,071)	(769)
At 31 July 2015	11,843	13,406
Balance represented by:		
Pension reserve	(11,088)	(8,851)
Income and expenditure account reserve excluding pension reserve	22,931	22,257
At 31 July 2015	11,843	13,406

23 Reconciliation of operating surplus to net cash inflow from operating activities

	2015	2014
	£'000	£'000
Surplus on continuing operations after depreciation of assets at valuation	501	1,698
Depreciation (note 11)	2,546	3,255
Deferred capital grants released to income (note 19)	(1,224)	(1,912)
Profit on disposal of tangible fixed assets	-	(640)
Interest payable (note 9)	463	529
Interest receivable (note 5)	(47)	(60)
FRS 17 pension cost less contributions payable (note 6)	135	174
Decrease/(increase) in stocks	3	(6)
(Increase)/decrease in debtors	(1,110)	248
(Decrease) in creditors	(187)	(425)
Increase in provisions	50	25
Increase in endowment fund	2	-
Net cash inflow from operating activities	1,132	2,886

Notes (continued)

24 Return on investments and servicing of finance

	2015 £'000	2014 £'000
Interest received	58	49
Interest paid	(432)	(440)
Net cash outflow from returns on investments and servicing of finance	<u>(374)</u>	<u>(391)</u>

25 Capital expenditure and financial investment

	2015 £'000	2014 £'000
Purchase of tangible fixed assets	(7,869)	(1,981)
Sales of tangible fixed assets	-	1,002
Deferred capital grants received	2,423	1,401
Net cash (outflow)/ inflow from capital expenditure and financial investment	<u>(5,446)</u>	<u>422</u>

26 Management of liquid resources

	2015 £'000	2014 £'000
Withdrawal from deposits	7,000	-
Placing of deposits	-	(2,500)
Movement in endowment assets	-	-
Net cash inflow / (outflow) from management of liquid resources	<u>7,000</u>	<u>(2,500)</u>

27 Financing

	2015 £'000	2014 £'000
Debt due beyond a year:		
Repayment of amounts borrowed	(350)	(334)
Capital element of finance lease rental payments	-	-
Net cash outflow from financing	<u>(350)</u>	<u>(334)</u>

Notes (continued)

28 Analysis of changes in net funds

	At 1 August 2014 £'000	Cash Flows £'000	At 31 July 2015 £'000
Cash in hand, and at bank	1,946	1,960	3,906
Endowment asset investments (note 13)	48	-	48
	<u>1,994</u>	<u>1,960</u>	<u>3,954</u>
Debt due within 1 year	(350)	(16)	(366)
Debt due after 1 year	(7,531)	366	(7,165)
Current asset investments	10,000	(7,000)	3,000
Total	<u>4,113</u>	<u>(4,690)</u>	<u>(577)</u>

29 Pensions and similar obligations

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

Total pension cost for the year	2015		2014	
	£'000	£'000	£'000	£'000
Teachers' Pension Scheme: contributions paid		951		896
Local Government Pension Scheme:				
Contributions paid	944		858	
FRS 17 charge	<u>135</u>		<u>174</u>	
Charge to the Income and Expenditure Account (staff costs)		1,079		1,032
Enhanced pension charge to Income and Expenditure Account (staff costs)		36		17
Total Pension Cost for year		<u>2,066</u>		<u>1,945</u>

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

Included in creditors are contributions which were owing to the schemes at 31st July 2015 of £221,965 (2014: £231,328).

Notes (continued)

29 Pensions and similar obligations (continued)

Teachers' Pension Scheme

Introduction

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

The Teachers' Pension Budgeting and Valuation Account

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

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

Valuation of The Teachers' Pension Scheme

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

- Employer contribution rates were set at 16.4% of pensionable pay plus 0.08% as a levy to cover scheme administration;
- Total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- An employer cost cap of 10.9% of pensionable pay.

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

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

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

Notes (continued)

29 Pensions and similar obligations (continued)

Scheme Changes

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

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

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

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

The pension costs paid to TPS in the year amounted to £1,577k (2014: £1,462k).

FRS 17

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

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

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 July 2015 was £1,340k of which employer's contributions totalled £951k and employees' contributions totalled £389k.

The agreed contribution rates for future years are 11.5% for employers plus a past Service Lump Sum of £260k. From April 2008 employees' contributions rates for both existing and new members were set according to bands of previous year's full-time equivalent pay. These bands will be reviewed and updated every April.

Notes (continued)

29 Pensions and similar obligations (continued)

The table below explains the revised contribution rate system:

Band	Full-time equivalent Salary From April 2014	Contribution rate per year
1	£0 - £13,500	5.5%
2	£13,501 - £21,000	5.8%
3	£21,001 - £34,000	6.5%
4	£34,001 - £43,000	6.8%
5	£43,001 - £60,000	8.5%
6	£60,001 - £85,000	9.9%
7	£85,001 - £100,000	10.5%
8	£100,001 - £150,000	11.4%
9	More than £150,000	12.5%

Principal Actuarial Assumptions

	At 31 July 2015	At 31 July 2014
Rate of increase in salaries	3.95%	4.05%
Rate of increase in pensions in payment/inflation	2.20%	2.30%
Discount rate for scheme liabilities	3.80%	4.30%
Inflation assumption (CPI)	2.20%	2.30%
Commutation of pensions to lump sums	50.00%	50.00%

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

	At 31 July 2015	At 31 July 2014
<i>Retiring today</i>		
Males	23.00	22.90
Females	25.60	25.50
<i>Retiring in 20 years</i>		
Males	25.20	25.10
Females	28.00	27.80

Notes (continued)

29 Pensions and similar obligations (continued)

Local Government Pension Scheme (continued)

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

	Long term rate of return expected at 31 July 2015	Value at 31 July 2015 £'000	Long term rate of return expected at 31 July 2014	Value at 31 July 2014 £'000
Equities	59.1%	15,059	7.00%	10,026
Government Bonds	7.6%	1,936	3.20%	1,794
Other Bonds	10.4%	2,650	4.10%	2,310
Property	8.4%	2,140	6.20%	1,929
Cash/Liquidity	4.8%	1,223	0.50%	1,009
Other	9.7%	2,471	7.00%	5,360
Total market value of assets		25,479		22,428
Present value of scheme liabilities				
- Funded		(36,567)		(31,279)
Deficit in the scheme		(11,088)		(8,851)

Analysis of the amount charged to the income and expenditure account

	2015 £'000	2014 £'000
Employer service cost (net of employee contributions)	697	688
Past service cost	-	-
Total operating charge	697	688

Analysis of pension finance costs

	2015 £'000	2014 £'000
Expected return on pension scheme assets	1,333	1,271
Interest on pension liabilities	(1,364)	(1,360)
Pension finance costs	(31)	(89)

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

	2015 £'000	2014 £'000
Actuarial gains on pension scheme assets	984	(733)
Actuarial losses on scheme liabilities	(3,055)	(36)
Actuarial (loss)/gain recognised in STRGL	(2,071)	(769)

Notes (continued)

29 Pensions and similar obligations (continued)

Local Government Pension Scheme (continued)

Movement in deficit during year

	2015	2014
	£'000	£'000
Deficit in scheme at 1 August	(8,851)	(7,819)
Movement in year:		
Employer service cost	(1,086)	(1,039)
Employer contributions	951	887
Past service cost	-	-
Curtailments	-	(22)
Net interest/return on assets	(31)	(89)
Actuarial gain/(loss)	(2,071)	(769)
Deficit in scheme at 31 July	<u>(11,088)</u>	<u>(8,851)</u>

Asset and Liability Reconciliation

	2015	2014
	£'000	£'000
Reconciliation of Liabilities		
Liabilities at start of period	31,279	29,255
Service cost	1,086	1,039
Interest cost	1,364	1,360
Employee contributions	389	351
Actuarial loss	3,055	36
Benefits paid	(606)	(784)
Curtailments	-	22
Past Service cost	-	-
Liabilities at end of period	<u>36,567</u>	<u>31,279</u>
Reconciliation of Assets		
Assets at start of period	22,428	21,436
Expected return on assets	1,333	1,271
Actuarial gain/(loss)	984	(733)
Employer contributions	951	887
Employee contributions	389	351
Benefits paid	(606)	(784)
Assets at end of period	<u>25,479</u>	<u>22,428</u>

The estimated value of employer contributions for the year ended 31st July 2016 is £964k.

Notes (continued)

29 Pensions and similar obligations (continued)

Local Government Pension Scheme (continued)

History of experience gains and losses

	2015	2014	2013	2012	2011
Difference between the expected and actual return on assets:					
Amount £'000	984	(733)	1,569	(620)	886
% of scheme assets	3.9%	3.30%	7.30%	3.40%	5.20%
Experience gains and losses on scheme liabilities:					
Amount £'000	0	753	0	0	364
% of scheme liabilities	0.00%	2.40%	0.00%	0.00%	1.50%
Total amount recognised in STRGL:					
Amount £'000	(2,071)	(769)	975	(924)	1,483
% of scheme liabilities	5.7%	2.50%	3.30%	3.50%	6.10%

30 Post-balance sheet events

There were no post balance sheet events

31 Capital commitments

	2015 £'000	2014 £'000
Commitments contracted for at 31 July	799	33
Authorised but not contracted at 31 July	-	9,057

32 Financial commitments

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

	2015 £'000	2014 £'000
Other:		
Expiring within one year	21	-
Expiring within two and five years inclusive	73	94
	94	94

33 Contingent liability

The College had no contingent liabilities as at 31 July 2015 (2014: nil).

Notes (continued)

34 Related Party Transactions

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

The total expenses paid to or on behalf of the Governors during the year was £596; 3 governors (2014: £382; 3 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiaries in their capacity as governor during the year (2014: Nil).

No other transactions were identified which should be disclosed under Financial Reporting Standard 8 'Related Party Disclosures'.

Walsall College acts as sponsor to two academies – the Black Country University Technical College and The Mirus Academy. The College supports both academies with various services as follows:

Black Country University Technical College

Walsall College undertook the administration of the payroll of the Black Country University Technical College. Payment for this was under a Service Level Agreement.

Charges made by the College to Black Country University Technical College totalled £36,048 (2013/14: £38,188). The charges covered the provision of marketing services, Human Resources services, Payroll and Financial Services and IT Services. There was £9,840 (2014: £nil) outstanding at the end of the period.

The Black Country University Technical College charged the College in 2014/15 £64,937 (2013/14: £105,593) for their use of the sports facilities and for delivery of engineering provision. There was £nil (2014: £50,000) outstanding at the end of the period.

The Mirus Academy

Charges made by the College to The Mirus Academy totalled £75,402 (2013/14: £105,593). The charges covered the provision IT Services and teaching support. There was £11,028 outstanding at the end of the period (2014: £4,330).

35 Amounts Disbursed as Agent

Bursary/Learner support funds

	2015 £'000	2014 £'000
Skills Funding Agency and EFA grants – hardship funds	1,032	1,049
Skills Funding Agency and EFA grants – childcare	236	274
ESOL	-	-
	<u>1,268</u>	<u>1,323</u>
Disbursed to students	(1,130)	(1,177)
Administration costs	(60)	(62)
Balance unspent as at 31 July	<u><u>78</u></u>	<u><u>84</u></u>

Notes *(continued)*

35 **Amounts Disbursed as Agent** *(continued)*

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