

Walsall College

**Operating and Financial Review and Financial
Statements**

For the year ended 31 July 2014

Operating and Financial Review and Financial Statements

Contents

Operating and Financial Review	1
Public Benefit Statement	10
Statement of Corporate Governance and Internal Control	12
Statement of the responsibilities of the members of the Corporation	19
Independent auditors' report to the Corporation of Walsall College	20
Independent regularity report to the Corporation of Walsall College and the Chief Executive of Skills Funding	21
Income and expenditure account	23
Statement of Historical Cost Surpluses and Deficits	24
Statement of Total Recognised Gains and Losses	24
Balance sheet	25
Cash flow statement	26
Reconciliation of net cash flow to movement in net funds/debt	26
Notes	27-51

Operating and Financial Review

NATURE, OBJECTIVES AND STRATEGIES

The members present their report and the audited financial statements for the year ended 31 July 2014.

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 2013/14 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

At the outset of the year the 93 KPIs used in 2012/13 were refined to 18 top-level indicators. These are aligned to the Strategic Ambitions, with the intention of giving a clear line of sight from the Board of Governors through to operational level. Each of these were reviewed in turn and rated. Nine were determined to be fully achieved, seven partially achieved and two not achieved.

The key elements were as follows:

Achieve Outstanding

- Overall success rates were maintained at 88% in line with target and ahead of national averages; and
- The College has self-assessed as **Outstanding**, maintaining the standard achieved in February 2013 when the College was inspected by Ofsted, achieving an overall effectiveness **Outstanding** grade, the first General FE College to achieve this under the current Ofsted inspection framework. Outstanding grades were achieved in all three components:
 - o Outcomes for learners;
 - o Quality of teaching, learning and assessment; and
 - o Effectiveness of leadership and management.

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 88% in comparison to 87.2% in 2012/13; and
- Average sickness days lost per person reduced dramatically to 5.3 days. The target for the year was set at 7.5 days per full time employee in comparison to the 2012/13 actual 8.8 days.

Innovate and Inspire

- There were 2,896 hours of online learning in 2013/14 in comparison to a target of 3,500 hours and the 2012/13 actual 2,893 hours.

Energise our Communities and Partners

- Since opening in February 2013 The Job Shop has supported over 1438 local JCP claimants with training to help get them back in to work;
- We have increased employer engagement, rising from 286 employers in 2012/13 to 387 employers in 2013/2014; and
- The number of individuals undertaking apprenticeship training has risen by 26%, with the overwhelming majority in the locality of the College.

Secure our Future

- It is expected that the College's financial health will be confirmed as "Outstanding" maintaining the result first achieved in the 2012/13 year; and
- The College has exceeded the budgeted surplus for the year, generating positive cash inflow with an unprecedented £10m of treasury deposit investments at 31 July. This is facilitating the construction of the Walsall Business and Sports Hub.

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 current rating of Outstanding is in line with the College's expectations however the investment of resources in the Walsall Business and Sports Hub is anticipated to reduce financial health to Good from 2014/15.

FINANCIAL POSITION

Financial Performance 2013/14

In 2013/14 the College has generated an operating surplus of £1,698k (2012/13: £1,268k surplus). The College's underlying trading position in 2013/14 was a surplus of £1,115k (2012/13: £1,007k). This excludes the change in the pension deficit and restructuring cost in 2013/14 and 2012/13.

The College has accumulated reserves of £13,640k (2012/13 £12,711k) and cash balances and investments of £12,006k (2012/13 £9,423k). Cash balances and investments comprise of:

	13/14 £'000	12/13 £'000
Endowments	60	60
Investments	10,000	7,500
Cash	1,946	1,863
	<u>12,006</u>	<u>9,423</u>

The College acquired tangible fixed assets during the year of £1,749k (2012/13 £672k). This included the purchase of Unit 99 Portland Street (£260k) and the development of the Business & Sports Hub (£1,196k).

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 2014

Working with the University of Wolverhampton, the College is Lead Sponsor for the Black Country University Technical College, which opened in Walsall in September 2011. In addition, the College is the sole sponsor of The Mirus Academy which operates within Walsall College Academies Trust. The Directors of the Trust are the College Principal and Director of Operations. A number of College employees fulfil governor roles at The Mirus Academy.

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 2013/14 and is not expected to trade during the 2014/15 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 £2,886k (2012/13 £1,008k), operating cash flow in the year was strong. The net cash inflow of £83k in the year is stated after a £2.5m increase in funds on deposit.

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 £7,881k at the end of 2013/14 (2012/13 £8,215). 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 2013/14 Performance

The College successfully implemented the new funding methodology for 2013/14 with the concept of the "study programme". Target learner heads were exceeded at 103.1% of contract. The financial value of the contract was exceeded by almost £1.8m or 11.9%. This was a planned strategic decision which is expected to benefit future funding settlements.

Operating and Financial Review (continued)

Current and future development and performance (continued)

The full SFA Adult Skills Budget was increased during the 2013/14 year on account of exceptional growth in the delivery of adult apprenticeships. The College out-turned 140% on the initial contract value and 95% of the revised value after the contract was revised in recognition of this growth. The College also achieved the full value of the non-apprenticeship and non-traineeship adult skills element of the Adult Skills Budget. Cumulatively the final funding claim for the Adult Skills Budget represented 101% of contract.

16-18 Apprenticeships performance in 2013/14 was challenging throughout the period. The final out-turn of £2.051m was some 9.0% short of the final funding allocation.

Curriculum developments

Overall College success rates for 2013/14 matched the high performance achieved in 2012/13 and are above national averages on almost all key performance lines.

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.

The College's range of key performance indicators are mapped to the strategic ambitions as part of the reporting mechanism to the Corporation. The College Corporation over a number of years has set targets and been active in monitoring performance. As benchmarks develop so the College will be better placed to take appropriate action in the light of the overall performance rating.

RESOURCES

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

Financial

The College has £43million of net assets (including £8.9million pension liability) and long term debt of £7.9million.

Tangible resources include fixed assets with a carrying value of £56million.

People

The College employs 525 people (expressed as full time equivalents), of whom 345 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.

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.

Capital developments:

The College has successfully applied for capital funding through the Skills Funding Agency for the Walsall Business and Sports Hub. During the 2013/14 year, the College acquired the land adjoining the Wisemore site and immediately before the balance sheet date, the Governing Body approved the appointment of the main build contractor. As a major project there will be an impact both on management time in overseeing the build and implementing the plans for the activities which will be delivered within the Hub. The development will also require significant investment from cash reserves. The success of the development will be defined by 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 is particularly relevant to significant ESF funding for a Black Country Consortium led by the College. This ESF funding contract runs out at the end of 2014/15 therefore there is risk around sustainability of income streams as colleges become less dependent on traditional funding streams. Apprenticeships remain a key government objective yet nationally matching individuals with the right skills to appropriate vacancies remains challenging. The impact of apprenticeship reform following the Richard Review 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. This is particularly the case when viewed in conjunction with pressure on the College's cost base including, *inter alia*, pensions reform and associated increases to National Insurance contributions.

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. This includes the sponsorship of academies. 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. Both sponsored academies failed to meet the required standards in 2013/14.

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. The reduction in the acceptable visa rejection rate from 20% to 10% heightens the risk in this area.

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/ Regional Development Agencies/ 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 has 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:


- Through training and awareness raising campaigns 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.
- Continue to 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/disability 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.
- Reasonable adjustments will be conducted 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 9 December 2014 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: 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

As a registered charity Walsall College is committed to demonstrating the benefits its work provides for 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 had regard to the Charity Commission's guidance on public benefit.

This document should be read in conjunction with the College's Strategic Plan entitled "Our Strategic Ambitions 2013/14 – 2015/16" which can be found on our website by following this link: <https://www.walsallcollege.ac.uk/about/our-mission/>.

Our Mission

The Mission Statement of Walsall College can be found in the "Our Strategic Ambitions 2013/14 – 2015/16" document. This 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.

Externally we are dedicated to the education and training of a wide range of students from pre-entry level to Higher Education degrees, as well as a large number of apprenticeship students. Locally, apprenticeships account for 85% of our internal delivery. The makeup and background of the community we serve is changing rapidly: Walsall College is adapting to this new environment and is creating solutions for the challenges that population growth, youth unemployment and changes to the ethnic diversity of the borough have created.

We are committed to addressing inequalities through our internal quality system. Our Equalities Objectives, which underpin our Single Equality Scheme (SES), provide focus and a tool for monitoring performance through our strategic plan.

Students with a disability continue to experience outstanding success, and for the past 3 years have consistently achieved slightly higher than their peers who do not have a disability (91% of students with disability achieved success at Walsall College in 2010/11, rising to 93% in 2012/13).

The College makes an impact upon the wider community. We are a major employer in our own right with over 650 staff and we are recognised for supporting 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.

In the year 2013/14, we have facilitated start-up companies run by our current and former students:

- Re Space delivers 3D workshops in local schools giving younger pupils access to technology they wouldn't normally come into contact with; and
- Loud Online has created a broadcasting service that is operated and driven by current College media students.

We are committed to maximising staff potential through extensive performance review, professional development and mentoring schemes. Over 25% of our leavers for 2013/14 are entering full time, part time or voluntary employment or will be self-employed. 67% are progressing onto a higher level of study, either internally in the College or elsewhere.

We are committed to upskilling our staff and developing their potential in the workplace. We encourage our apprentices to develop their careers by becoming full time members of staff within the College and we have a comprehensive Personal Development Review process available to all staff.

Public Benefit Statement (continued)

The Public Benefit we provide

The College is committed to ensuring that we:

- Inspire our students and improve the qualifications, skills and employability of our young students and adult learners alike.
- Provide benefits in other areas of public policy. For example we enhance health and wellbeing and reduce dependency on public services whilst supporting families and up skilling volunteers.
- Offer 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.
- Transform the lives of individuals which in turn contribute to the development of cohesive and resilient communities.
- Support the regions need to up-skill its adult population and address issues of social deprivation, poverty and economic inactivity.
- Add value to the activities of companies, communities and trade unions.

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.

We also use destination data as an indicator of our success against our objectives.

We are the first general Further Education College to receive an Outstanding OFSTED rating under the current framework demonstrating our commitment to our students, staff, and wider community.

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 2014. 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.

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%

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
Judith Ashley	28 February 2013	3 years		Governor	Learning & Quality Student Voice	5/6 83%
Jeremy Bridgman	13 December 2012	3 years	14 November 2013	Staff	Learning & Quality Student Voice	2/2 100%
Bryan Campbell	10 July 2014	1 year		Student Governor	Learning & Quality Student Voice	N/A
Amolak Dhillon	1 August 2011	3 years	31 July 2014	Governor	Audit (Chair) & Search Governance Standards Remuneration	6/6 100%
Jaswinder Dhillon	10 July 2014	3 years		Governor	Learning & Quality	N/A
Carol Flood	25 March 2014	3 years		Governor	Learning & Quality (Chair) Audit Search & Governance Standards Remuneration Student Voice	5/6 83%
Dominic Gill	15 May 2014	3 years	22 October 2014	Governor		0/1 0%
Peter Gordon	25 March 2011	3 years	24 March 2014	Staff	Student Voice & (Chair) Learning Quality	4/4 100%
Bradley Hesom	12 December 2013	18 Months	10 July 2014	Student Governor	Student Voice	2/3 67%
Lakhbir Jaspal	15 May 2014	3 years		Governor	Finance & Resources	1/1 100%
Tim Johnson	7 July 2011	3 years	24 January 2014	Governor	Finance & Resources	2/3 67%
Alastair Scales	2 February 2012	3 years		Governor	Learning & Quality Audit Search & Governance Standards	6/6 100%

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
Pat Morgan - Webb	12 July 2012	3 Years		Governor	Search & Governance Standards Student Voice Remuneration	4/6 67%
David Owen	11 July 2014	1 year		Associate Governor	Finance Resources &	N/A
Akshay Parikh	6 October 2011	3 years		Governor	Finance Resources, Remuneration, Search & Governance Standards	1/3 33%
Hiten Patel	15 May 2014	3 years		Staff Governor	Audit	2/2 100%
Allan Pinnegar	25 March 2014	3 years		Governor	Finance Resources (Chair) & Search & Governance Standards Remuneration	5/6 83%
Jane Preece	15 July 2011	3 years	14 July 2014	Governor	Audit Remuneration Search & Standards	5/6 83%
Donald Sadler	15 May 2014	1 year		Associate Governor	Audit Committee	N/A
Rani Sahota	4 March 2014	3 years		Governor	Learning Quality & Student Voice	2/3 67%
Karim Mohamed	11 July 2013	1 year	10 July 2014	Student	Student Voice Learning & Quality	6/6 100%

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.

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

The Corporation (continued)

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.

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.

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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.

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 2014, 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 2014 are set out in note 7 to the financial statements. Details of other remuneration can be found in note 6.

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

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 and financial statement auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the main FE funding bodies, as they affect the College's business.

The College's internal auditors monitor the systems of internal control, risk management controls and governance processes, as well as providing funding assurance, in accordance with an agreed plan of input and report their findings to management and the Audit Committee.

Management is responsible for the implementation of agreed 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 internal and financial statements auditors and their remuneration for both audit and non-audit work.

There is currently one vacant post in the Audit Committee.

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 breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an 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 2014 and up to the date of approval of the annual report and financial statements.

Statement of Corporate Governance and Internal Control (continued)

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 2014 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 analysis. 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.

As a minimum, the Head of Internal Audit (HIA) annually provides the Corporation with a summary report on internal audit activity in the College. The Head of Funding Assurance (HFA) annually provides a report on the outcome of this strand of assurance work.

The Internal Audit Annual Report includes the HIA's independent opinion on the adequacy and effectiveness of the college's system of risk management, controls and governance processes.

Review of effectiveness

As Accounting Officer, the Principal 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.

Statement of Corporate Governance and Internal Control (continued)

Review of effectiveness (continued)

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 internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and 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 2014 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2014 by considering documentation from the Senior Management Team and internal audit, and taking account of events since 31 July 2014.

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

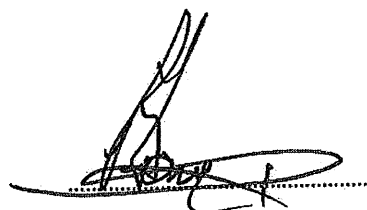
The Corporation has considered its responsibility to notify the Skills Funding Agency of material irregularity, impropriety and non-compliance with Skills Funding Agency terms and conditions of funding, under the financial memorandum in place between the College and the Skills Funding Agency. As part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

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

Going Concern

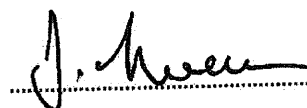
After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation and were signed on its behalf on 9 December 2014 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 9 December 2014 by:



Brian Lowe
Chair

KPMG LLP

One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Independent auditor's report to the Corporation of Walsall College

We have audited the College financial statements ("the financial statements") of Walsall College for the year ended 31 July 2014 set out on pages 23 to 51. 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 15, 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 2014 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

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



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

10 December 2014

KPMG LLP

One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Independent Auditor's Report on Regularity to the Corporation of Walsall College and the Chief Executive of Skills Funding.

This report is produced in accordance with the terms of our engagement letter dated 22 April 2013 for the purpose of reporting on the College's Statement of Regularity, Propriety and Compliance in respect of whether the transactions underlying the College's financial statements for the year ended 31 July 2014 are regular as defined by and in accordance with the Financial Memorandum with the Chief Executive of Skills Funding, and in accordance with the authorities that govern them.

The regularity assurance framework that has been applied is set out in the Joint Audit Code of Practice and the Regularity Audit Framework published by the Skills Funding Agency and the Education Funding Agency.

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

Responsibilities of the Corporation of Walsall College

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 financial transactions are in accordance with the framework of authorities which govern them and that transactions underlying the financial statements for the year ended 31 July 2014 are regular.

The Corporation of Walsall College is also responsible, under the requirements of the Accounts Direction for 2013/14 Financial Statements published by the Skills Funding Agency and the Education Funding Agency, for the preparation of the Statement on Regularity, Propriety and Compliance. The Statement confirms that, to the best of its knowledge, the Corporation believes it is able to identify any material, irregular or improper use of funds by the College, or material non-compliance with the Skills Funding Agency's terms and conditions of funding under the College's financial memorandum. It further confirms that any instances of material irregularity, impropriety or funding non-compliance discovered in the year to 31 July 2014 have been notified to the Skills Funding Agency.

Auditor's responsibilities

Our responsibility is to express a reasonable assurance opinion that the College's Statement on Regularity, Propriety and Compliance is fairly stated in respect of whether the transactions underlying the College's financial statements for the year ended 31 July 2014 are in all material respects regular, based on the procedures that we have performed and the evidence we have obtained. Our reasonable assurance engagement was undertaken in accordance with the Joint Audit Code of Practice, the Regularity Audit Framework and our engagement letter dated 22 April 2013. The International Standards on Auditing (UK and Ireland) and Joint Audit Code of Practice require that we plan and perform this engagement to obtain reasonable assurance in respect of the Assertion that the transactions underlying the financial statements are in all material respects regular.

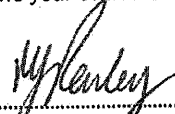
Basis of opinion

We have performed procedures on a sample basis so as to obtain information and explanations which we consider necessary in order to provide us with sufficient appropriate evidence to express reasonable assurance that the College's Statement on Regularity, Propriety and Compliance is fairly stated in respect of whether the transactions underlying the College's financial statements are in all material respects regular for the year ended 31 July 2014.

Independent Auditor's Report on Regularity to the Corporation of Walsall College and the Chief Executive of Skills Funding. (Continued)

Opinion

In our opinion the College's Statement on Regularity, Propriety and Compliance is fairly stated in respect of whether the transactions underlying the College's financial statements are in all material respects regular for the year ended 31 July 2014.


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

10 December 2014

Walsall College
Income and Expenditure Account
For the year ended 31 July 2014

	Note	2014 £'000	2013 £'000
Income			
Funding Body Income	2	28,245	28,975
Tuition fees and education contracts	3	3,090	3,539
Other income	4	2,116	1,994
Endowment and Investment income	5	60	49
Total Income		33,511	34,557
Expenditure			
Staff costs	6	19,246	19,250
Other operating expenses	8	9,435	9,962
Depreciation	11	3,255	3,508
Interest and other finance costs	9	529	569
Total expenditure		32,465	33,289
Surplus on continuing operations after depreciation of assets at valuation and before exceptional items, disposal of assets and tax		1,046	1,268
Profit on disposal of assets	15	652	-
Surplus on continuing operations after depreciation of assets at valuation, exceptional items and disposal of assets but before tax		1,698	1,268
Taxation	10	-	-
Surplus for the year retained within general reserves		1,698	1,268

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

Walsall College
Statement of Historical Cost Surpluses and Deficits
For the year ended 31 July 2014

	Notes	2014	2013
		£'000	£'000
Surplus on continuing operations before taxation		1,698	1,268
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	22	7	7
Disposal of revalued asset	22	320	-
Historical cost surplus for the year before and after taxation		<u>2,025</u>	<u>1,275</u>

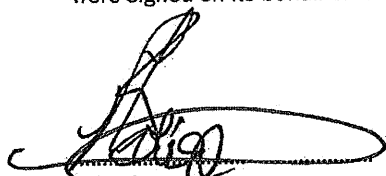
Statement of Total Recognised Gains and Losses
For the year ended 31 July 2014

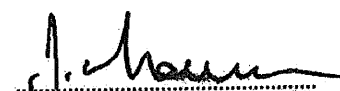
	Notes	2014	2013
		£'000	£'000
Surplus on continuing operations after depreciation of assets at valuation and tax		1,698	1,268
Actuarial (loss)/gain in respect of pension scheme	30	(769)	975
Appreciation of endowment asset investments	21	-	2
Total recognised gain since last report		<u>929</u>	<u>2,245</u>
Reconciliation			
Opening reserves and endowments		12,771	10,526
Total recognised gain for the year		929	2,245
Closing reserves and endowments		<u>13,700</u>	<u>12,771</u>

Walsall College
Balance sheet
As at 31 July 2014

	Note	2014 £'000	2013 £'000
Fixed assets			
Tangible assets	11	56,175	57,693
Investments	12	-	-
Total fixed assets		56,175	57,693
Endowment assets	13	60	60
Current assets			
Stock		22	16
Debtors	14	1,140	1,377
Asset held for resale	15	-	350
Investments		10,000	7,500
Cash at bank and in hand		1,946	1,863
Total current assets		13,108	11,106
Less: Creditors – amounts falling due within one year	16	(6,760)	(5,720)
Net current assets		6,348	5,386
Total assets less current liabilities		62,583	63,139
Creditors - amounts falling due after more than one year	17	(10,755)	(11,848)
Provisions for liabilities and charges	19	(361)	(336)
Net assets excluding pension liability		51,467	50,955
Net pension liability	30	(8,851)	(7,819)
NET ASSETS INCLUDING PENSION LIABILITY		42,616	43,136
Deferred capital grants	20	28,916	30,365
Expendable endowments	21	60	60
Total endowments		60	60
Income and expenditure account excluding pension reserve		22,257	19,969
Pension reserve	30	(8,851)	(7,819)
Income and expenditure account including pension reserve	23	13,406	12,150
Revaluation reserve	22	234	561
Total reserves		13,640	12,711
TOTAL		42,616	43,136

The financial statements on pages 23 to 51 were approved by order of the members of the Corporation and were signed on its behalf on 9 December by:


Brian Lowe
Chair


Jatinder Sharma
Accounting Officer

Walsall College
Cash Flow Statement
For the year ended 31 July 2014

	Note	2014 £'000	2013 £'000
Cash inflow from operating activities	24	2,886	1,008
Returns on investments and servicing of finance	25	(391)	(390)
Taxation	10	-	-
Capital expenditure and financial investment	26	422	(128)
Cash inflow before use of liquid resources and financing		2,917	490
Management of liquid resources	27	(2,500)	(2,500)
Financing	28	(334)	(353)
Increase/(decrease) in the year	29	83	(2,363)
 Reconciliation of net cash flow to movement in net funds/(debt)			
		2014 £'000	2013 £'000
Increase/(decrease) in cash in the period		83	(2,363)
Cash outflow from decrease in secured loan		334	318
Cash outflow to liquid resources		2,500	2,500
Cash outflow from decrease in lease financing		-	35
Movement in net funds in the period		2,917	490
Net funds at 1 August		1,196	706
Net funds at 31 July	29	4,113	1,196

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 2013/14 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 £7.9m of loans outstanding with bankers on terms negotiated in 2007. The terms of the existing agreement are for up to another 21 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 36).

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 30.

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 36 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

	2014 £'000	2013 £'000
Education Funding Agency Recurrent grant	15,101	14,964
Skill Funding Agency Recurrent grant	5,146	5,586
Additional Learner support	1,013	1,984
Recurrent grant – HEFCE	309	438
Work based learning - Apprenticeships	3,898	4,057
Other funds	879	95
Releases of deferred capital grants (note 20)		
Buildings	1,312	1,842
Plant	587	9
Total	28,245	28,975

3 Tuition fees and education contracts

	2014 £'000	2013 £'000
Tuition Fees	2,652	3,084
Education contracts	438	455
Total	3,090	3,539

Tuition fees funded by bursaries

Included within the above amounts are tuition fees funded by bursaries of £66k (2012/13: £123k).

4 Other Income

	2014 £'000	2013 £'000
Commercial Sales	790	809
Other Grants	497	300
Nursery Income	391	439
Exams	74	74
Other Income	351	356
Releases of Deferred Capital Grants (note 20)	13	16
Total	2,116	1,994

5 Endowment and investment income

	2014 £'000	2013 £'000
Bank interest receivable	60	49

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:

	2014 No	2013 No.
Teaching Staff	345	334
Non-teaching staff	180	179
Staff costs for the above persons	525	513

	2014 £'000	2013 £'000
Wages and salaries	16,000	16,044
Social security costs	1,245	1,247
Other pension costs (including FRS 17 adjustments of £174k; (2013:£134k)	1,945	1,853
Payroll sub total	19,190	19,144
Restructuring costs	56	106
	19,246	19,250

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	
	2014 No.	2013 No.	2014 No.	2013 No.
£60,001 to £70,000	-	-	2	3
£70,001 to £80,000	-	-	2	-
£80,001 to £90,000	1	2	-	-
£90,001 to £100,000	1	-	-	-
£100,001 to £110,000	-	-	-	-
£110,001 to £120,000	-	1	-	-
£120,001 to £130,000	1	-	-	-
£130,001 to £140,000	-	-	-	-
£140,001 to £150,000	1	-	-	-
	3	3	4	3

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: 1. This equates to 0.6FTE (2013: £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.

	2014	2013
	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:

	2014	2013
	£	£
Salary	364,600	331,956
Benefits in kind	2,204	1,995
Pension contributions	51,500	48,734
Total emoluments	<u>418,304</u>	<u>382,685</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:

	2014	2013
	£	£
Salary	146,015	125,150
Benefits in kind	2,048	1,843
	<u>148,063</u>	<u>126,993</u>
Pension contributions	20,783	19,500

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.

Notes (continued)

8 Other operating expenses

	2014 £'000	2013 £'000
Teaching departments	3,572	3,649
Teaching support services	358	304
Other support services	485	412
Administration and central services	1,384	1,637
General education	1,081	1,065
Premises costs – running costs	1,449	1,506
– maintenance	346	320
– rents and leases	9	20
Planned maintenance	21	288
Catering and residence operations	730	761
Total	9,435	9,962

Other operating expenses include:

	2014 £'000	2013 £'000
Auditors remuneration:		
Financial statements audit	28	35
Internal audit	19	20
Other services provided by the financial statements auditors	13	6
Other services provided by the internal auditors	-	-
Loss on disposal of Fixed Assets	12	-
Hire of other assets – operating leases	137	116

9 Interest payable

	2014 £'000	2013 £'000
On bank loans, overdrafts and other loans:		
Repayable within five years, not by instalments	440	425
Other interest	-	10
	440	435
On finance leases	-	2
Pension finance costs (note 30)	89	132
Total	529	569

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 2013	66,052	-	7,873	73,925
Additions	870	609	270	1,749
Disposals	-	-	(33)	(33)
At 31 July 2014	66,922	609	8,110	75,641
Depreciation				
At 1 August 2013	10,275	-	5,957	16,232
Charge for year	2,046	-	1,209	3,255
Elimination in respect of disposals	-	-	(21)	(21)
At 31 July 2014	12,321	-	7,145	19,466
Net book value at 31 July 2014	54,601	609	965	56,175
Net book value at 31 July 2013	55,777	-	1,916	57,693

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 £51,797,452 (2013: £52,479,248) 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 (2013: £nil) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £nil (2013: £3,022).

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

Notes (continued)

12 Investments

	2014 £	2013 £
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

	2014 £'000	2013 £'000
Balance at 1 August	60	58
Appreciation revaluation (note 21)	-	2
Decrease in cash balances	-	-
Balance at 31 July	<u>60</u>	<u>60</u>
Represented by:		
Fixed interest stocks (listed)	5	5
Equities (listed)	7	7
Cash balances (note 29)	48	48
Total	<u>60</u>	<u>60</u>

14 Debtors

	2014 £'000	2013 £'000
Amounts falling due within one year:		
Trade debtors	240	487
Amounts owed by subsidiary undertakings	-	8
Prepayments and accrued income	841	810
Other debtors	59	72
Total	<u>1,140</u>	<u>1,377</u>

15 Asset Held for Resale

	2014 £'000	2013 £'000
Shelley Campus	<u>-</u>	<u>350</u>

The College sold a former campus in April 2014 and the net book value of the campus had been transferred from Fixed Assets to Asset Held for Resale in 2012/13. The profit on sale is shown in the Income & Expenditure account on page 22. The net book value of the asset was £350k.

Notes (continued)

16 Creditors: Amounts falling due within one year

	2014 £'000	2013 £'000
Bank loans and overdrafts	350	334
Payments received in advance	84	171
Trade creditors	261	440
Other taxation and social security	618	668
Other creditors	293	307
Accruals	4,331	3,017
Payments received on Account - Lennartz	713	710
Provision for claw back of recurrent funding	110	73
Total	<u>6,760</u>	<u>5,720</u>

17 Creditors: Amounts falling due after one year

	2014 £'000	2013 £'000
Bank loans	7,531	7,881
Payments received on Account - Lennartz	3,068	3,820
Other	156	147
Total	<u>10,755</u>	<u>11,848</u>

18 Borrowings

Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	2014 £'000	2013 £'000
In one year or less	350	334
Between one and two years	366	350
Between two and five years	786	1,152
In five years or more	6,379	6,379
Total	<u>7,881</u>	<u>8,215</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)

19 Provisions for liabilities and charges

	Enhanced Pensions £'000	Other £'000	Total £'000
At 1 August 2013	232	104	336
Expenditure in the period	(21)	-	(21)
Interest	10	-	10
Actuarial loss over the year	7	-	7
Transferred from income and expenditure	-	29	29
At 31 July 2014	228	133	361

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.

20 Deferred capital grants

	Funding Body grants £'000	Other grants £'000	Total £'000
At 1 August 2013	30,303	62	30,365
Cash receivable	457	6	463
Released to income and expenditure account	(1,899)	(13)	(1,912)
At 31 July 2014	28,861	55	28,916

21 Expendable Endowment

	Year ended 31 July 2014 £'000	Year ended 31 July 2013 £'000
At 1 August	58	58
Revaluation movement	2	2
(Decrease) in cash balance	-	-
At 31 July	60	60

Notes (continued)

22 Revaluation reserve

	2014 £'000	2013 £'000
At 1 August	561	568
Transfer from revaluation reserve to general reserve in respect of:		
Disposals	(320)	-
Depreciation on revalued assets	(7)	(7)
At 31 July	234	561

23 Movement on general reserves

	2014 £'000	2013 £'000
Income and expenditure account reserve		
At 1 August 2013	12,150	9,900
Surplus retained for the year	1,698	1,268
Transfer from revaluation reserve	327	7
Actuarial (loss)/gain in respect of pension scheme	(769)	975
At 31 July 2014	13,406	12,150
Balance represented by:		
Pension reserve	(8,851)	(7,819)
Income and expenditure account reserve excluding pension reserve	22,257	19,969
At 31 July 2014	13,406	12,150

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

	2014 £'000	2013 £'000
Surplus on continuing operations after depreciation of assets at valuation	1,698	1,268
Depreciation (note 11)	3,255	3,508
Deferred capital grants released to income (note 20)	(1,912)	(1,867)
Profit on disposal of tangible fixed assets (notes 8 and 15)	(640)	-
Interest payable (note 9)	529	569
Interest receivable (note 5)	(60)	(49)
FRS 17 pension cost less contributions payable (note 6)	174	134
(Increase)/decrease in stocks	(6)	3
Decrease/(increase) in debtors	248	(361)
(Decrease) in creditors	(425)	(2,220)
Increase in provisions	25	23
Net cash inflow from operating activities	2,886	1,008

Notes (continued)

25 Return on Investments and servicing of finance

	2014 £'000	2013 £'000
Interest received	49	47
Interest paid	(440)	(435)
Interest element of finance lease rental payment	-	(2)
Net cash outflow from returns on investments and servicing of finance	<u>(391)</u>	<u>(390)</u>

26 Capital expenditure and financial investment

	2014 £'000	2013 £'000
Purchase of tangible fixed assets	(1,981)	(143)
Sales of tangible fixed assets	1,002	-
Deferred capital grants received	1,401	15
Net cash inflow/(outflow) from capital expenditure and financial investment	<u>422</u>	<u>(128)</u>

27 Management of liquid resources

	2014 £'000	2013 £'000
Placing of deposits	(2,500)	(2,500)
Net cash outflow from management of liquid resources	<u>(2,500)</u>	<u>(2,500)</u>

28 Financing

	2014 £'000	2013 £'000
Debt due beyond a year:		
Repayment of amounts borrowed	(334)	(318)
Capital element of finance lease rental payments	-	(35)
Net cash outflow from financing	<u>(334)</u>	<u>(353)</u>

Notes (continued)

29 Analysis of changes in net funds

	At 1 August 2013 £'000	Cash Flows £'000	At 31 July 2014 £'000
Cash in hand, and at bank	1,863	83	1,946
Endowment asset investments (note 13)	48	-	48
	<u>1911</u>	<u>83</u>	<u>1,994</u>
Debt due within 1 year	(334)	(16)	(350)
Debt due after 1 year	(7,881)	350	(7,531)
Current asset investments	7,500	2,500	10,000
Total	<u>1,196</u>	<u>2,917</u>	<u>4,113</u>

30 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	2014		2013	
	£'000	£'000	£'000	£'000
Teachers' Pension Scheme: contributions paid		896		878
Local Government Pension Scheme:				
Contributions paid	858		812	
FRS 17 charge	<u>174</u>		<u>134</u>	
Charge to the Income and Expenditure Account (staff costs)		1,032		946
Enhanced pension charge to Income and Expenditure Account (staff costs)		17		29
Total Pension Cost for year		<u>1,945</u>		<u>1,853</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 2010. Included in creditors are contributions which were owing to the schemes at 31st July 2014 of £231,328 (2013: £216,289).

Notes (continued)

30 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)

30 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 £1,462k (2013: £1,372k).

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 2014 was £1,238k of which employer's contributions totalled £887k and employees' contributions totalled £351k. 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)

30 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 2014	At 31 July 2013
Rate of increase in salaries	4.05%	4.15%
Rate of increase in pensions in payment/inflation	2.30%	2.40%
Discount rate for scheme liabilities	4.30%	4.60%
Inflation assumption(CPI)	2.30%	2.40%
Commutation of pensions to lump sums	50%	50%

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

	At 31 July 2014	At 31 July 2013
<i>Retiring today</i>		
Males	22.90	22.10
Females	25.50	24.80
<i>Retiring in 20 years</i>		
Males	25.10	23.90
Females	27.80	26.70

Notes (continued)

30 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 2014	Value at 31 July 2014 £'000	Long term rate of return expected at 31 July 2013	Value at 31 July 2013 £'000
Equities	7.00%	10,026	7.00%	9,088
Government Bonds	3.20%	1,794	3.30%	1,801
Other Bonds	4.10%	2,310	4.30%	2,401
Property	6.20%	1,929	5.70%	1,865
Cash/Liquidity	0.50%	1,009	0.50%	879
Other	7.00%	5,360	7.00%	5,402
Total market value of assets		22,428		21,436
Present value of scheme liabilities				
- Funded		(31,279)		(29,255)
Deficit in the scheme		(8,851)		(7,819)

Analysis of the amount charged to the income and expenditure account

	2014 £'000	2013 £'000
Employer service cost (net of employee contributions)	688	635
Past service cost	-	-
Total operating charge	688	635

Analysis of pension finance costs

	2014 £'000	2013 £'000
Expected return on pension scheme assets	1,271	1,088
Interest on pension liabilities	(1,360)	(1,220)
Pension finance costs	(89)	(132)

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

	2014 £'000	2013 £'000
Actuarial (losses)/gains on pension scheme assets	(733)	1,569
Actuarial (losses) on scheme liabilities	(36)	(594)
Actuarial (loss)/gain recognised in STRGL	(769)	975

Notes (continued)

30 Pensions and similar obligations (continued)

Local Government Pension Scheme (continued)

Movement in deficit during year

	2014 £'000	2013 £'000
Deficit in scheme at 1 August	(7,819)	(8,528)
Movement in year:		
Employer service cost	(1,039)	(968)
Employer contributions	887	836
Past service cost	-	-
Curtailments	(22)	(2)
Net interest/return on assets	(89)	(132)
Actuarial gain/(loss)	(769)	975
Deficit in scheme at 31 July	<u>(8,851)</u>	<u>(7,819)</u>

Asset and Liability Reconciliation

	2014 £'000	2013 £'000
Reconciliation of Liabilities		
Liabilities at start of period	29,255	26,703
Service cost	1,039	968
Interest cost	1,360	1,220
Employee contributions	351	333
Actuarial loss	36	594
Benefits paid	(784)	(565)
Curtailments	22	2
Past Service cost	-	-
Liabilities at end of period	<u>31,279</u>	<u>29,255</u>

Reconciliation of Assets

	2014 £'000	2013 £'000
Assets at start of period	21,436	18,175
Expected return on assets	1,271	1,088
Actuarial gain/(loss)	(733)	1,569
Employer contributions	887	836
Employee contributions	351	333
Benefits paid	(784)	(565)
Assets at end of period	<u>22,428</u>	<u>21,436</u>

The estimated value of employer contributions for the year ended 31st July 2015 is £906k.

Notes (continued)

30 Pensions and similar obligations (continued)

Local Government Pension Scheme (continued)

History of experience gains and losses

	2014	2013	2012	2011	2010
Difference between the expected and actual return on assets:					
Amount £'000	(733)	1,569	(620)	886	1,018
% of scheme assets	3.30%	7.30%	3.40%	5.20%	7.00%
Experience gains and losses on scheme liabilities:					
Amount £'000	753	0	0	364	0
% of scheme liabilities	2.40%	0.00%	0.00%	1.50%	0.00%
Total amount recognised in STRGL:					
Amount £'000	(769)	975	(924)	1,483	(387)
% of scheme liabilities	2.50%	3.30%	3.50%	6.10%	-1.70%

31 Post-balance sheet events

There were no post balance sheet events

32 Capital commitments

	2014 £'000	2013 £'000
Commitments contracted for at 31 July	33	-
Authorised but not contracted at 31 July	9,057	163

33 Financial commitments

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

	2014 £'000	2013 £'000
Other:		
Expiring within one year	-	22
Expiring within two and five years inclusive	94	27
	94	49

34 Contingent liability

The College had no contingent liabilities as at 31 July 2014 (2013: nil).

Notes (continued)

35 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 £382; 3 governors (2013: £353; 1 governor). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2013: 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 undertakes the administration of the payroll of the Black Country University Technical College. Payment for this is under a Service Level Agreement.

Charges made by the College to Black Country University Technical College totalled £38,188 (2012/13: £27,747). The charges covered the provision of marketing services, Human Resources services, Payroll and Financial Services and IT Services. There was £nil (2013: £8,718) outstanding at the end of the period.

The Black Country University Technical College charged the College in 2013/14 £105,593 (2012/13: £31,475) for their use of the sports facilities and for delivery of the Engineering provision. There was £50,000 (2013: £nil) outstanding at the end of the period.

The Mirus Academy

Charges made by the College to The Mirus Academy totalled £105,593 (2012/13: £103,392). The charges covered the provision IT Services and teaching support. There was £4,330 outstanding at the end of the period (2013: £13,943).

36 Amounts Disbursed as Agent

Bursary/Learner support funds

	2014 £'000	2013 £'000
Skills Funding Agency and EFA grants – hardship funds	1,049	954
Skills Funding Agency and EFA grants – childcare	274	405
ESOL	<u>1,323</u>	<u>1,359</u>
Disbursed to students	(1,177)	(1,180)
Administration costs	<u>(62)</u>	<u>(66)</u>
Balance unspent as at 31 July	<u>84</u>	<u>113</u>

Notes (continued)

36 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.