



Bringing talent to life...

**Report and Financial Statements
for the year ended 31 July 2016**

Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

Key management personnel are defined as members of the College Executive Team with significant financial responsibility and were represented by the following in 2015/16:

Jatinder Sharma	Principal and CEO; Accounting officer
Fazal Dad	Deputy Principal – Delivery and Success
James Norris	Assistant Principal – Commercial Development
Peter Merry	Director of Finance

Board of Governors

A full list of Governors is given on page 19 of these financial statements. Mrs A Buick acted as Clerk to the Corporation throughout the period.

Professional advisers

Financial statements and reporting accountants:	KPMG LLP, One Snowhill, Snow Hill Queensway, Birmingham, B4 6GH.
Internal auditor:	RSM Tenon, 5 Ridge House, Ridge House Drive, Festival Park, Stoke on Trent, ST1 5SJ.
Funding Assurance Provider:	KPMG LLP, One Snowhill, Snow Hill Queensway, Birmingham, B4 6GH.
Banker:	Barclays Bank plc., PO Box 3333, One Snowhill, Snow Hill Queensway, Birmingham, B3 2WN.
Solicitors (from a panel of):	Boodle Hatfield, 240 Blackfriars Road, London SE1 8NW Pinsent Masons, 3 Colmore Circus Birmingham B4 6BH HCB Solicitors, 20 Lichfield Street, Walsall, WS1 1TJ
VAT Advisor:	Davies Mayers Tax Advisors LLP, Pillar House, 113/115 Bath Road, Cheltenham, GL53 7LS

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Report of the Governing Body

NATURE, OBJECTIVES AND STRATEGIES

The members present their report and the audited financial statements for the year ended 31 July 2016.

Legal status

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

The Corporation was incorporated as Walsall College of Arts and Technology. On 1 October 2001, the Secretary of State granted consent to the Corporation to change the College's name to Walsall College.

Mission

Walsall College's mission statement is as follows:

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.

Public Benefit

Walsall College is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on page 19.

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

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

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

The College's full Public Benefit Statement is included at page 15.

Report of the Governing Body *(continued)*

Implementation of strategic plan

In July 2015 the College adopted a strategic plan for the period 1 August 2015 to 31 July 2016. This strategic plan includes property and financial plans. The Corporation monitors the performance of the College against these plans. The plans are reviewed and updated each year. The College's continuing strategic objectives are to:

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

The College is on target for achieving these objectives.

The College's specific objectives for 2015/16 are defined by the Major Project Plan which included 23 defined activities of which 17 were fully achieved and 6 were in progress. These included the following areas of achievement:

- Managing the Area Review process
- Further growth in apprenticeships and preparations for the introduction of the Apprenticeships Levy
- Shaping the development of the West Midlands Combined Authority
- Maximising recruitment of full time learners
- Building on the work experience offer to students
- Developing the College's offer which could be funded through loans
- Review of the IT and Engineering curriculum
- Refreshing the adult offer for the introduction of the Adult Education Budget
- Building on the staff development required to upskill our workforce
- Improving student progression
- Building on the use of technology
- Rationalising provision and services where efficiencies could be determined

The objectives still in progress include:

- Maximising the results for English and maths provision and in particular high grades at GCSE
- Refreshing the support systems for apprenticeships provision
- Further increasing Higher Education provision
- Re-shaping the curriculum to reflect the reform of vocational provision

Report of the Governing Body *(continued)*

Financial objectives

The College's financial objectives are 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.

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

Performance indicators

The College's performance is appraised against its strategic ambitions through a series of key performance indicators, giving a clear line of sight from the Board of Governors through to operational level. Each of these were reviewed in turn and rated. The key elements were as follows

Outstanding Provision and Services

- The College achieved record vocational success rates, which has resulted in the overall success rate improving by 3% to 85%.
- Apprenticeship provision overall success rates are outstanding at 82% however timely success rates remain an area of focus; and
- The College has self-assessed as **Outstanding**, maintaining the standard achieved in February 2013 when the College was inspected by Ofsted.

Maximise Staff Potential and Performance

- Lesson observations were targeted at 92% "Good" or "Outstanding". The College achieved 93% in comparison to 91% in 2014/15; and
- Average sickness days lost per person were 5.42 days during 2015/16. The target for the year was set at 5 days per full time employee in comparison to the 2014/15 actual 7.22 days.

Innovate and Inspire

- There were 7,050 hours of online learning in 2015/16 in comparison to the 2014/15 actual of 3,515 hours.

Energise our Communities and Partners

- The gym at the Business and Sports Hub has increased membership four-fold over the course of the year from 50 members in 14/15 to 207 members at the end of 15/16. This facility is open to College staff, students and the public. The College sports hall and dance studio is also available to the public and can be hired.
- The number of individuals undertaking apprenticeship training has continued to grow with the overwhelming majority in the locality of the College. In 2015/16 the College trained 845 apprentices based in Walsall businesses in comparison to 793 in 2014/15.

Report of the Governing Body *(continued)*

Secure our Future

- It is expected that the College's financial health as appraised by the Skills Funding Agency will be confirmed as 'Good' for 2015/16 in accordance with the College's financial plan.
- The College has exceeded the budgeted surplus for the year, generating £1.4m positive operating cash, the College's cash and cash equivalents were £4.7m at 31 July.

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

The College is committed to observing the importance of sector measures and indicators and uses the FE Choices data available on the GOV.UK 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 College was assessed by the Skills Funding Agency as having a "Good" financial health grading based on the results for 2014/15 and the financial plan for 2016/17. It is anticipated that the College will maintain Good financial health on the basis of these accounts.

Financial Position

Financial results

The College generated a surplus before other gains and losses in the year of £2,708k in comparison to a deficit of £1,019k in 2014/15. This has been heavily influenced by the adoption of FRS 102 and the decision to adopt the performance method of accounting for government capital grants. Before the restatement the surplus for 2014/15 was £501k. A reconciliation of the financial restatement is included at note 28. The most significant adjustment was the reversal of £1.2m of capital grant releases.

Similarly, the result for 2015/16 is stated after the recognition of some £3.5m of capital grants, the overwhelming majority relating to the Business and Sports Hub project which was formally handed over in September 2015.

Total comprehensive income and expenditure amounted to (£4,516k) (2014/15 - (£2,719k)). This was largely a result of a significant increase in the College's local government pension fund liability from £11.1m to £18.8m which generate an actuarial loss of £7.2m in 2015/16.

The College has accumulated reserves of £34,346k and cash and short term investment balances of £4,723k. The College wishes to continue to accumulate reserves and cash balances in order to maintain working capital and to facilitate future re-investment.

Tangible fixed asset additions during the year amounted to £1,227k. This included land and buildings acquired of £194k, assets in the course of construction of £86k and equipment purchased of £947k. The cost of the asset in the course of construction totalling £9.6m was transferred to the appropriate asset category on completion of the Business and Sports Hub which was handed over to the College in September 2015 at a total cost of £10,715k. The Hub was formally opened on 26 September 2015.

Report of the Governing Body *(continued)*

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2015/16 the FE funding bodies provided 86% of the College's total income.

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 2016

The College has strategically exited the sponsorship of academy schools. The College was the sole sponsor of The Mirus Academy which operated within Walsall College Academies Trust. All of the assets and liabilities of The Mirus Academy were transferred to The Matrix Group as at 1 April 2015. Walsall College Academies Trust was dissolved on 7 June 2016. The Directors of the Trust were the College Principal and Director of Operations.

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

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

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 2015/16 and is not expected to trade during the 2016/17 year.

Report of the Governing Body *(continued)*

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 is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

Cash flows and liquidity

The College generated net cash flow from operating activities of some £1,371k (2014/15 £3,553k). At the end of 2014/15 the College had significant creditors in respect of the cessation of the ESF Skills Support in the Workplace project where the College was consortium lead for the Black Country and in relation to the construction of the Business and Sports Hub.

Accordingly, the College's overall cash and cash equivalents reduced from £6,954k at 31 July 2015 to £4,723k.

Reserves Policy

The College has no formal Reserves Policy, but recognises the importance of reserves in the financial stability of an organisation, whilst ensuring that adequate resources are provided for the College's core business. The College currently holds £60k in restricted reserves in relation to endowment funds and £220k in the revaluation reserve with the remaining £34,066k in the income and expenditure account (2014/15 - £38,573k). In accordance with the strategic ambition to Secure Our Future it is the Corporation's intention to generate annual operating surpluses and associated net positive cash inflow in order to fund re-investment back into the College for the benefit of staff, students and the local community.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2015/16 the College has delivered activity that has produced £26,490k in recurrent grant funding from the Skills Funding Agency, the Education Funding Agency and HEFCE (2014/15 - £23,759k). The College educated more than 3,300 16-18-year-old students, 2,000 apprentices and drew down more than £3.8m for delivery to adults in the classroom and workplace.

Report of the Governing Body *(continued)*

Student achievements

The College continues to drive high levels of success with the overall success rate increasing by 3% to 85% though there remain challenges in particular around English and maths.

Curriculum developments

During the course of the 2015/16 the College's curriculum strategy has been refreshed to meet the ambition of offering provision which appeals to students whilst meeting the needs of stakeholders including the Local Enterprise Partnership and reflecting evolving government policy. The College is committed to training young people and adults alike to equip them with the skills and competences required to enter employment, further their careers and / or education and to positively contribute socially within the communities that the College serves.

The 2015/16 year saw growth across a range of key areas in recognition of these demands, including, in particular, apprenticeships, engineering and higher level provision.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The College's policy is to pay suppliers on the next purchase ledger run after the debt became due. On the rare occasion where this is not possible the College aims to communicate this with suppliers to arrange a mutually agreeable payment date.

Events after the end of the reporting period

The College has not identified any significant post balance sheet events.

Future prospects

The College actively participated in the Black Country Area Based Review, a process which has now largely concluded. The report concluded:

"While initial financial assessment and college accounts indicate this college is in a strong position, with the financial resilience needed to remain independent, the college wishes to explore the opportunities to develop its provision in partnership with others to improve the offer for local learners and employers."

Accordingly, the College is currently in the process of exploring a potential merger with South Staffordshire College, a General Further Education College serving Penkridge, Cannock, Tamworth and Lichfield with a catchment area that adjoins Walsall. The Corporation supports the development of this proposal on the basis that it furthers the objectives of the College in meeting its strategic ambitions.

Report of the Governing Body *(continued)*

RESOURCES

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

Financial

The College has £34,346k of net assets which represents a decrease of £4,516k, largely driven by the growth in the pension liability to £18,788k (2014/15: £11,088k).

Tangible resources include fixed assets with a carrying value of £62m.

People

The College employs 580 people (expressed as full time equivalents), of whom 295 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 which is underpinned by an overall Board Assurance Framework. 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.

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.

Report of the Governing Body *(continued)*

Government funding:

The College has a high degree of dependency on public funding and therefore sensitivity to changes in government policy is high. The trend across recent years has seen significant funding cuts particularly in respect of adults which annually increases the pressure on the College. Positive actions have maintained the overall viability of the College by matching resource plans to budgets and moving the College's offer to respond to new priorities, particularly around apprenticeships.

Ensuring parity of high quality teaching and learning is a key objective and is of particular importance in responding to growth around apprenticeships and practical courses delivered at Green Lane against the backdrop of constrained resources.

Potential merger with South Staffordshire College

The College is progressing the potential merger with South Staffordshire College on the basis that it aligns to the overall ambitions and strategy. As with any merger potential savings are likely to follow initial costs. The process is contingent upon operational plans supporting the merged institution being stronger than the sum of its parts. There are numerous key stakeholders that are key to the successful completion of the merger, including the Skills Funding Agency, learners, the local community, banks and pension schemes.

Maths and English

Government policy clearly identifies the responsibility on colleges to progress young people towards the achievement of grade A*-C in maths and English at GCSE level. This is also reflected in the expectation of Ofsted and is evident in the outcomes of recent inspections. As with Colleges throughout the country this represents a significant challenge which therefore consequentially translates into maths and English being given significant focus within the College.

Safeguarding and Wellbeing

The College gives safeguarding and the wellbeing of staff and students the very highest priority. Whilst the College has been commended by Ofsted for best practice for safeguarding, there remain high inherent risks in and around the local communities that the College serves in respect of PREVENT and Child Sexual Exploitation. The College also is responsible for an ever growing number of apprentices in and students undertaking external work experience in accordance with the objectives of the Study Programme and as such it is paramount employer workplaces are a safe environment for our students.

Report of the Governing Body *(continued)*

STAKEHOLDER RELATIONSHIPS

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

- Students;
- Education sector funding bodies;
- FE Commissioner;
- Staff;
- Local employers (with specific links);
- Local authorities;
- Local Enterprise Partnerships (LEPs);
- The local community;
- Other FE institutions;
- Trade unions;
- Professional bodies.

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

Equal opportunities

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 age, disability, gender reassignment, race, religion or belief, sex, sexual orientation, marriage and civil partnership, and pregnancy and maternity. 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.

Report of the Governing Body *(continued)*

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

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

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

We will continue to:


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

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

Disclosure of information to auditors

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

Approved by order of the members of the Corporation on 13 December 2016 and signed on its behalf by:



Brian Lowe
Chair

Public Benefit Statement

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

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

Our Mission

The Mission Statement of Walsall College states that *"Walsall College is uniquely and proudly vocational. Our greatest passion is unleashing the potential of individuals, communities and businesses; our greatest legacy is the talent of our students: skilled, professional and enterprising"*.

Our Beneficiaries

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

- Current and former students are key stakeholders to the College: current students require the resources and technical skills of lecturers in order to maximise their individual potential whilst studying and the College has a duty of care to alumni to maintain and enhance the reputation of the College, thereby strengthening their employability throughout their career.
- The College enjoys strong partnership with a varied range of market leading organisations. These strategic partnerships provide our students with opportunities to work side by side with industry experts in state-of-the-art environments and with market leading technology. Our students emerge from these experiences more commercially astute and aware of the very latest industry developments. The quality of these experiences has a high impact on the employability of our students.
- The College is a major employer in our own right, employing over 700 staff. We invest around 57% of our total income in 2015/16 in our people. This year we have invested in attracting a number of high quality staff into areas including English & maths and construction; these are strategic priorities for the College and success in these areas is key to the long term viability of the College.
- Through a variety of mechanisms, the College supports over 2,000 businesses nationally. Our aim is to break down barriers to achievement, open the doors of the College and to up-skill the local population by filling skills gaps that local employers have in the current market.
- During 2015/16 the College completed the Business and Sports Hub. This has not only provided state of the art sports and conferencing facilities which are available to the students of the College and the wider public but also through our business incubation centre we are helping fledgling companies to grow with through partnerships involving the Princes Trust, Virgin Start-up and Walsall Council.

Public Benefit Statement *(continued)*

- One of a number of projects the College is currently undertaking is with The Royal Bank of Scotland, the aims of which are to increase employment prospects, qualifications achieved and confidence of our students. The value to the College of this grant was £40k.

The Public Benefit we provide

The Governing Body is committed to ensuring that the College:

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

Modern Slavery Act 2015

Slavery and human trafficking are abuses of a person’s freedoms and rights. The College is totally opposed to such abuses in our engagements with students and other partners, our indirect operations and our supply chain as a whole.

The College operates exclusively within the United Kingdom. Foreign trips do take place from time to time to explore future avenues of business and the majority of Walsall College activity and students are from the Midlands.

Walsall College does not support or deal with any business knowingly involved in slavery or human trafficking.

Public Benefit Statement *(continued)*

How we measure the benefit we provide

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

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

This is further substantiated through statistics from the department of education which shows 74% of adult learners were in sustained employment based on 2013/14 data.

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:

- in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- 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
- having due regard to the UK Corporate Governance Code ("the Code") insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the College has adopted and complied with the 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 Code, and it has complied throughout the year ended 31 July 2016. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted in July 2015.

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

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

The Corporation

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

Name	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance *
Jatinder Sharma	9 December 2011	Ex Officio		Governor	Finance & Resources Search & Governance Standards	100%
Mikail Ali	5 July 2016	1 year		Student Governor	Student Voice	100%
Ryan Ball	7 July 2015	1 year		Student Governor	Learning & Quality Student Voice	80%
Stuart Bone	21 May 2015	3 years		Governor	Audit	33% Currently on 6 month sabbatical
Jack Cousins	19 May 2016	1 year		Student Governor	Learning & Quality Student Voice	100%
Jaswinder Dhillon	10 July 2014	3 years		Governor	Learning & Quality	100%
Carol Flood	25 March 2014	3 years		Governor	Learning & Quality Audit Student Voice Search & Governance Standards Remuneration	100%
Angela Henderson	21 May 2015	3 years	25 February 2016	Governor	Student Voice	50%
Brian Lowe	22 February 2014	3 years		Chair of the Corporation	Finance & Resources Search & Governance Standards Remuneration	100%

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

Name	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance *
Pat Morgan-Webb	12 July 2015	3 years		Governor	Student Voice Search & Governance Standards Remuneration	100%
David Owen	11 July 2016	1 year		Associate Governor	Finance and Resources	100%
Akshay Parikh	6 October 2014	3 years	16 September 2016	Governor	Finance & Resources Remuneration	40%
Hiten Patel	15 May 2014	3 years		Staff Governor	Audit	80%
Stuart Pedley-Smith	22 October 2015	3 years		Governor	Learning & Quality Finance & Resources	75%
Allan Pinnegar	25 March 2014	3 years		Vice Chair of Corporation	Finance & Resources Search & Governance Standards Remuneration	80%
Donald Sadler	15 May 2016	1 year		Associate Governor	Audit	67%
Rani Sahota	4 March 2014	3 years		Staff Governor	Learning & Quality Student Voice	80%
Alastair Scales	2 February 2015	3 years		Governor	Learning & Quality Audit Search & Governance Standards Remuneration	100%
Chris Stephenson	22 October 2015	3 years		Governor	Finance & Resources	50%
Nikola Wisniewska	21 May 2015	1 year	25 January 2016	Student Governor	Student Voice	0%
Alan Woods	19 May 2016	3 years		Governor	Audit	0%

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

Alison Buick acts as the Clerk to the Corporation.

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

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

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:

- audit;
- finance and resources;
- learning and quality;
- remuneration;
- search and governance standards; and
- student voice.

Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website at walsallcollege.ac.uk or from the Clerk to the Corporation at:

Walsall College
Wisemore Campus
Littleton Street West
Walsall
WS2 8ES

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 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 and Accounting Officer are separate.

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

Appointments to the Corporation

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

Other than the Principal who is appointed ex officio, members of the Corporation are appointed for a term of office not exceeding three years.

Remuneration Committee

Throughout the year ending 31 July 2016 the College's Remuneration Committee comprised five members of the Corporation. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other designated postholders.

Details of remuneration for the year ended 31 July 2016 are set out in the notes to the financial statements.

Audit Committee

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

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

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

Management is responsible for the implementation of agreed recommendations and internal audit undertake periodic follow up reviews to ensure such recommendations have been implemented. The Audit Committee also advises the Corporation on the appointment of auditors and their remuneration for both audit and non-audit work.

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

Internal control

Scope of responsibility

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

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

The College maintains a Board Assurance Framework (BAF) that provides a framework of key risks and management responses to them. This document gives the Board the assurance that the College understands the operating environment it works in and the preventative measures in place to mitigate these risks.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of 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 2016 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2016 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

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

The risk and control framework

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

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

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

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

Review of effectiveness

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. His 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 reporting accountant for regularity assurance, the appointed funding auditors (for colleges subject to funding audit) in their management letters and other reports.

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

The Senior Management Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Senior Management Team and Audit Committee also receive regular reports from the internal auditor, which include recommendations for improvement.

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

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 2016 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2016 by considering documentation from the Senior Management Team and internal audit, and taking account of events since 31 July 2016.

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".

Going concern

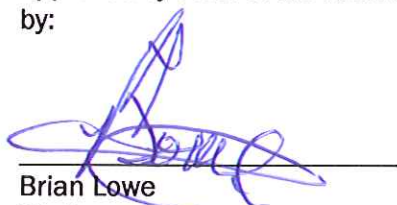
The Corporation has considered its responsibility to notify the Skills Funding Agency of material irregularity, impropriety and non-compliance with Skills Funding Agency terms and conditions of funding, under the financial memorandum in place between the College and the Skills Funding Agency. As part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

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

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

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 on 13 December 2016 and signed on its behalf by:



Brian Lowe
Chair



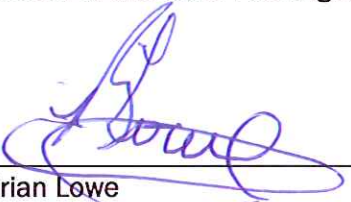
Jatinder Sharma OBE
Accounting Officer

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

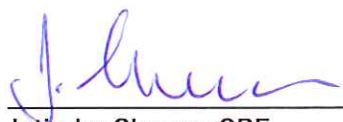
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Brian Lowe
Chair



Jatinder Sharma OBE
Accounting Officer

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the Financial Memorandum between the Skills Funding Agency 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 *2015 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *College Accounts Direction 2015 to 2016* issued jointly by the Skills Funding Agency and the Education Funding Agency, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- 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 Report of the Governing Body which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

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

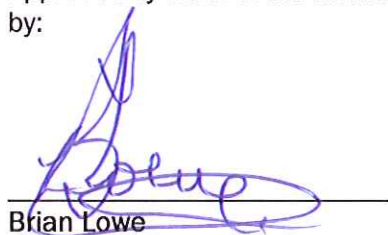
The maintenance and integrity of the College website is the responsibility of the Corporation of the College; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial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

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from the Skills Funding Agency are used only in accordance with the Financial Memorandum with the Skills Funding Agency and any other conditions that may be prescribed from time to time.

Statement of responsibilities of the Members of the Corporation *(continued)*

Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the Skills Funding Agency are not put at risk.

Approved by order of the members of the Corporation on 13 December 2016 and signed on its behalf by:



Brian Lowe
Chair

Independent auditor's report to the Corporation of Walsall College

KPMG LLP

One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

We have audited the Walsall College financial statements ("the financial statements") for the year ended 31 July 2016 set out on pages 34 to 67. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 auditor's report and for no other purpose.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Corporation of Walsall College and Auditor

As explained more fully in the Statement of the Responsibilities of the Members of the Corporation set out on page 27, 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 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.

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

In addition, we read all the financial and non-financial information in the Members' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit.

If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

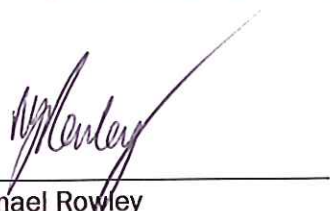
In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2016 and of the College's income and expenditure, gains and losses and changes in reserves and of the College's cash flows for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Joint Audit Code of Practice (June 2016) issued jointly by the Skills Funding Agency and the Education Funding Agency requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the College; or
- the College financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.



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

21 December 2016

Reporting accountant's assurance report on regularity to the Corporation of Walsall College and Secretary of State for Education acting through Skills Funding Agency

KPMG LLP

One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

In accordance with the terms of our engagement letter dated 1 October 2015 and further to the requirements of the financial memorandum with Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Walsall College during the period 1 August 2015 to 31 July 2016 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

Respective responsibilities of Walsall College and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Joint Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2015 to 31 July 2016 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Reporting accountant's assurance report on regularity *(continued)*

Approach

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

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

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

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

The work undertaken to draw to our conclusion includes:

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

Reporting accountant's assurance report on regularity *(continued)*

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2015 to 31 July 2016 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



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

21 December 2016

Statement of Comprehensive Income and Expenditure

	Notes	Year ended 31 July 2016	Year ended 31 July 2015
		£'000	£'000
INCOME			
Funding body grants	2	30,143	26,998
Tuition fees and education contracts	3	2,852	3,360
Other grants and contracts	4	204	845
Other income	5	1,934	1,611
Investment income	6	10	47
Total income		35,143	32,861
EXPENDITURE			
Staff costs	8	20,123	19,828
Restructuring costs	8	480	71
Other operating expenses	9	8,285	10,642
Depreciation	12	2,741	2,546
Interest and other finance costs	10	806	793
Total expenditure		32,435	33,880
Surplus/(deficit) before other gains and losses before tax		2,708	(1,019)
Profit or loss on disposal of assets	12	-	-
Share of operating surplus/(deficit) in joint venture/associate		-	-
Surplus/(deficit) before tax		2,708	(1,019)
Taxation	11	-	-
Surplus/(deficit) for the year		2,708	(1,019)
Unrealised surplus on revaluation of assets		-	-
Actuarial loss in respect of pensions schemes	25	(7,224)	(1,700)
Total Comprehensive income & expenditure for the year		(4,516)	(2,719)
Represented by:			
Restricted comprehensive income & expenditure		(2)	2
Unrestricted comprehensive income & expenditure		(4,514)	(2,721)
		(4,516)	(2,719)

The notes on pages 38 to 67 form an integral part of these financial statements.

Statement of Changes in Reserves

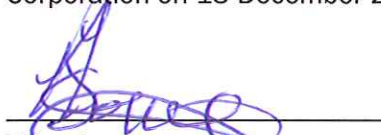
	Income and expenditure account	Revaluation reserve	Restricted Reserve – Expendable Endowment	Total
	£'000	£'000	£'000	£'000
Balance at 1 August 2014	41,287	234	60	41,581
(Deficit) / surplus from the income and expenditure account	(1,021)	-	2	(1,019)
Other comprehensive income and expenditure	(1,700)	-	-	(1,700)
Transfers between revaluation and income and expenditure reserves	7	(7)	-	-
	(2,714)	(7)	2	(2,719)
Balance at 31 July 2015	38,573	227	62	38,862
Surplus / (deficit) from the income and expenditure account	2,710	-	(2)	2,708
Other comprehensive income and expenditure	(7,224)	-	-	(7,224)
Transfers between revaluation and income and expenditure reserves	7	(7)	-	-
Total comprehensive income and expenditure for the year	(4,507)	(7)	(2)	(4,516)
Balance at 31 July 2016	34,066	220	60	34,346

The notes on pages 38 to 67 form an integral part of these financial statements.

Balance sheet as at 31 July

	Notes	2016 £'000	2015 £'000
Non current assets			
Tangible Fixed assets	12	61,660	63,174
Investments	13	-	-
		<u>61,660</u>	<u>63,174</u>
Current assets			
Stocks		18	19
Trade and other receivables	14	1,629	2,239
Investments	15	12	14
Cash and cash equivalents	20	4,723	6,954
		<u>6,382</u>	<u>9,226</u>
Less: Creditors – amounts falling due within one year	16	(5,950)	(12,352)
Net current assets/(liabilities)		<u>432</u>	<u>(3,126)</u>
Total assets less current liabilities		62,092	60,048
Creditors – amounts falling due after more than one year	17	(8,567)	(9,687)
Provisions			
Defined benefit obligations	19	(18,788)	(11,088)
Other provisions	19	(391)	(411)
Total net assets		<u>34,346</u>	<u>38,862</u>
Restricted reserves			
Expendable endowments		60	62
Unrestricted Reserves			
Income and expenditure account		34,066	38,573
Revaluation reserve		220	227
Total unrestricted reserves		<u>34,346</u>	<u>38,862</u>

The financial statements on pages 34 to 67 were approved and authorised for issue by the Corporation on 13 December 2016 and were signed on its behalf on that date by:


Brian Lowe
Chair


Jatinder Sharma OBE
Accounting Officer

The notes on pages 38 to 67 form an integral part of these financial statements.

Statement of Cash Flows

	Notes	2016 £'000	2015 £'000
Cash flow from operating activities			
Surplus/(deficit) for the year		2,708	(1,019)
Adjustment for non-cash items			
Depreciation		2,741	2,546
Decrease in stocks		1	3
Decrease/(increase) in debtors		607	(1,110)
(Decrease)/increase in creditors due within one year		(4,762)	2,863
(Decrease) in creditors due after one year		(778)	(702)
(Decrease)/increase in provisions		(20)	50
Pensions costs less contributions payable		78	176
Taxation		-	-
Adjustment for investing or financing activities			
Investment income		(10)	(47)
Interest payable		806	793
Net cash flow from operating activities		<u>1,371</u>	<u>3,553</u>
Cash flows from investing activities			
Investment income		13	58
Withdrawal of deposits		-	8,500
New deposits		-	-
Payments made to acquire fixed assets		(2,897)	(7,869)
		<u>(2,884)</u>	<u>689</u>
Cash flows from financing activities			
Interest paid		(408)	(432)
New unsecured loans		64	-
Repayments of amounts borrowed		(374)	(350)
		<u>(718)</u>	<u>(782)</u>
(Decrease) / increase in cash and cash equivalents in the		<u><u>(2,231)</u></u>	<u><u>3,460</u></u>
 Cash and cash equivalents at beginning of the year	20	6,954	3,494
 Cash and cash equivalents at end of the year	20	4,723	6,954

The notes on pages 38 to 67 form an integral part of these financial statements.

Notes to the Accounts

1 Statement of accounting policies and estimation techniques

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

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2015 to 2016* and in accordance with Financial Reporting Standard 102 – “*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the College's accounting policies.

Transition to the 2015 FE HE SORP

The College is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the College has amended certain accounting policies to comply with FRS 102 and the 2015 FE HE SORP. The governors have also taken advantage of certain exemptions from the requirements of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS'.

An explanation of how the transition to the 2015 FE HE SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the College is provided in note 28. The 2015 FE HE SORP requires colleges to prepare a single statement of comprehensive income, and not the alternative presentation of a separate income statement and a statement of other comprehensive income. This represents a change in accounting policy from the previous period where separate statements for the Income and Expenditure account and for the Statement of Total Recognised Gains and Losses were presented.

The application of first time adoption allows certain exemptions from the full requirements of the FRS 102 and the 2015 FE HE SORP in the transition period. The following exemptions have been taken in these financial statements:

- Revaluation as deemed cost – at 1 August 2014, the College has retained the carrying values of freehold properties as being deemed cost and measured at fair value

Notes (continued)

1 Statement of accounting policies and estimation techniques (continued)

- Lease incentives – the College has continued to recognise the residual benefits associated with lease incentives on the same basis as that applied at the date of transition

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention as modified by the use of previous valuations as deemed cost at transition for certain non-current assets.

Going concern

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

The College currently has £7.2m of loans outstanding with bankers on terms negotiated in 2007. The terms of the existing agreement are for up to another 19 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. The College also has a £2.3m loan arrangement under the Lennartz ruling which is repayable by 2017/18.

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

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

The recurrent grant from HEFCE represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

Notes (continued)

1 Statement of accounting policies and estimation techniques (continued)

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

Government and other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

Income from tuition fees is stated gross of any expenditure which is not a discount and is recognised in the period for which it is received.

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

Accounting for post-employment benefits

Post-employment benefits to employees of the College are principally provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit plans, which are externally funded and contracted out of the State Second Pension.

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method. The TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values.

LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

Actuarial gains and losses are recognised immediately in other recognised gains and losses.

Notes (continued)

1 Statement of accounting policies and estimation techniques (continued)

Short term Employment benefits

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

Enhanced Pensions

The actual cost of any enhanced ongoing 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 ongoing pension of a former member of staff is charged in full to the College's income 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 spreadsheet provided by the funding bodies.

Non-current Assets - Tangible fixed assets

Tangible fixed assets are stated at cost / deemed cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Land and buildings

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.

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

- Buildings 50 years
- Refurbishments 10 years

Freehold land is not depreciated.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above.

Notes (continued)

1 Statement of accounting policies and estimation techniques (continued)

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 may not be recoverable.

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, certain of which were revalued in 1994, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

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.

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets after initial purchase it is charged to income in the period it is incurred, unless it increases the future benefits to the College, in which case it is capitalised and depreciated on the relevant basis.

Equipment

Equipment costing less than £1,000 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost.

Capitalised equipment is depreciated on a straight-line basis over its remaining useful economic life as follows:

- | | |
|--|---------------|
| • motor vehicles and general equipment | 4 years |
| • computer equipment | 2 to 4 years |
| • furniture, fixtures and fittings | 5 to 10 years |

Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred.

Notes (continued)

1 Statement of accounting policies and estimation techniques (continued)

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives relating to leases signed after 1 August 2014 are spread over the minimum lease term. The College has taken advantage of the transitional exemptions in FRS 102 and has retained the policy of spreading lease premiums and incentives to the date of the first market rent review for leases signed before 1 August 2014.

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as finance leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Investments

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

Other investments

Listed investments held as non-current assets and current asset investments, which may include listed investments, are stated at fair value, with movements recognised in Comprehensive Income. Investments comprising unquoted equity instruments are measured at fair value, estimated using a valuation technique.

Stock

Stock is stated at the lower of their cost and net realisable value, being selling price less costs to complete and sell. Where necessary, provision is made for obsolete, slow-moving and defective items.

Notes (continued)

1 Statement of accounting policies and estimation techniques (continued)

Cash and cash equivalents

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

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. An investment qualifies as a cash equivalent when it has maturity of 3 months or less from the date of acquisition.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

All loans, investments and short term deposits held by the College are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the Group has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

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 period with all resulting exchange differences being taken to income 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 sections 478-488 of the 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.

The College is partially exempt in respect of Value Added Tax, so that it can only recover around 1.68% of the 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.

Notes (continued)

1 Statement of accounting policies and estimation techniques (continued)

Provisions and contingent liabilities

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.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the statement of comprehensive income in the period it arises.

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

Contingent liabilities are not recognised in the balance sheet but are disclosed in the notes to the financial statements.

Agency arrangements

The College acts as an agent in the collection and payment of discretionary support funds including grants for free meals in FE and other discretionary employer apprenticeship incentive grants. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, management have made the following judgements:

- Determine whether there are indicators of impairment of the College's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Notes (continued)

1 Statement of accounting policies and estimation techniques (continued)

Other key sources of estimation uncertainty

- *Tangible fixed assets*

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 25, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 July 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 Funding body grants

	Year ended 31 July 2016 £'000	Year ended 31 July 2015 £'000
Recurrent grants		
Skills Funding Agency	8,793	8,865
Education Funding Agency	17,622	14,711
Higher Education Funding Council	75	183
Specific grants		
Skills Funding Agency	203	-
Government capital grants	3,450	-
Other funds	-	3,239
Total	30,143	26,998

Notes (continued)

3 Tuition fees and education contracts

	Year ended 31 July 2016 £'000	Year ended 31 July 2015 £'000
Adult education fees	730	622
Apprenticeship fees and contracts	76	93
Fees for FE loan supported courses	549	683
Fees for HE loan supported courses	884	775
International students fees	355	764
Total tuition fees	2,594	2,937
Education contracts	258	423
Total	2,852	3,360

4 Other grants and contracts

	Year ended 31 July 2016 £'000	Year ended 31 July 2015 £'000
Department for Works and Pensions	63	356
Other grants and contracts	141	489
Total	204	845

5 Other income

	Year ended 31 July 2016 £'000	Year ended 31 July 2015 £'000
Catering and residences	479	382
Other income generating activities	974	769
Exams	62	71
Non-government capital grants	365	24
Miscellaneous income	54	365
Total	1,934	1,611

Notes (continued)

6 Investment income

	Year ended 31 July 2016 £'000	Year ended 31 July 2015 £'000
Other interest receivable	10	47
Total	10	47

7 Donations and endowments

	2016 £'000	2015 £'000
Unrestricted donations	-	-
Total	-	-

8 Staff costs

The average number of persons (including key management personnel) employed by the College during the year, described as full-time equivalents, was:

	2016 No.	2015 No.
Teaching staff	295	357
Non-teaching staff	285	178
	<u>580</u>	<u>535</u>

Staff costs for the above persons

	2016 £'000	2015 £'000
Wages and salaries	16,388	16,400
Social security costs	1,348	1,250
Other pension costs	2,191	2,089
Payroll sub total	<u>19,927</u>	<u>19,739</u>
Contracted out staffing services	196	89
	<u>20,123</u>	<u>19,828</u>
Contractual restructuring costs	480	71
Total Staff costs	<u>20,603</u>	<u>19,899</u>

Notes (continued)

8 Staff costs (continued)

Key management personnel

Key management personnel are defined as members of the College Executive Team with significant financial responsibility.

Emoluments of Key management personnel, Accounting Officer and other higher paid staff

	2016 No.	2015 No.
The number of key management personnel including the Accounting Officer was:	<u>4</u>	<u>4</u>

The number of key management personnel and other staff who received annual emoluments, excluding pension contributions but including benefits in kind, in the following ranges was:

	Key management personnel		Other staff	
	2016 No.	2015 No.	2016 No.	2015 No.
£60,001 to £70,000 p.a.	-	2	2	5
£70,001 to £80,000 p.a.	2	-	1	-
£90,001 to £100,000 p.a.	1	1	-	-
£140,001 to £150,000 p.a.	-	1	-	-
£150,001 to £160,000 p.a.	1	-	-	-
	<u>4</u>	<u>4</u>	<u>3</u>	<u>5</u>

Key management personnel emoluments are made up as follows:

	2016 £'000	2015 £'000
Salaries	396	409
Benefits in kind	<u>3</u>	<u>3</u>
	399	412
Pension contributions	<u>50</u>	<u>46</u>
Total emoluments	<u>449</u>	<u>458</u>

Notes (continued)

8 Staff costs (continued)

The above emoluments include amounts payable to the Accounting Officer (who is also the highest paid officer) of:

	2016 £'000	2015 £'000
Salaries	150	148
Benefits in kind	3	2
	<u>153</u>	<u>150</u>
Pension contributions	<u>17</u>	<u>17</u>

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

9 Other operating expenses

	2016 £'000	2015 £'000
Teaching costs	2,607	5,133
Non-teaching costs	3,511	3,595
Premises costs	2,167	1,914
Total	<u>8,285</u>	<u>10,642</u>
Other operating expenses include:	2016 £'000	2015 £'000
Auditors' remuneration:		
Financial statements audit	29	29
Internal audit	19	19
Other services provided by the financial statements auditor	19	12
Other services provided by the internal auditors	-	-
Losses on disposal of non-current assets	-	-
Hire of assets under operating leases	<u>123</u>	<u>107</u>

Notes *(continued)*

10 Interest and other finance costs

	2016 £'000	2015 £'000
On bank loans, overdrafts and other loans:	408	424
Other interest	-	8
	<u>408</u>	<u>432</u>
Pension finance costs (note 25)	<u>398</u>	<u>361</u>
Total	<u><u>806</u></u>	<u><u>793</u></u>

11 Taxation

	2016 £'000	2015 £'000
The governors do not believe the College was liable for any Corporation Tax arising out of the activities during the period.	-	-
	<u>-</u>	<u>-</u>
Total	<u><u>-</u></u>	<u><u>-</u></u>

Notes (continued)

12 Tangible fixed assets

	Freehold Land and buildings	Equipment	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2015	67,171	8,496	9,519	85,186
Additions	194	947	86	1,227
Transfer	9,605	-	(9,605)	-
At 31 July 2016	<u>76,970</u>	<u>9,443</u>	<u>-</u>	<u>86,413</u>
Depreciation				
At 1 August 2015	14,385	7,627	-	22,012
Charge for the year	2,221	520	-	2,741
At 31 July 2016	<u>16,606</u>	<u>8,147</u>	<u>-</u>	<u>24,753</u>
Net book value at 31 July 2016	<u>60,364</u>	<u>1,296</u>	<u>-</u>	<u>61,660</u>
Net book value at 31 July 2015	<u>52,786</u>	<u>869</u>	<u>9,519</u>	<u>63,174</u>

Land and buildings inherited from the LEA at incorporation were valued in 1994 at depreciated replacement cost by Fraser Wood Mayo and Pinsent a firm of independent chartered surveyors.

If fixed assets had not been revalued before being deemed as cost on transition they would have been included at the following historical cost amounts:

	£'000
Cost	Nil
Aggregate depreciation based on cost	Nil
Net book value based on cost	<u>Nil</u>

Notes (continued)

13 Non-current investments

	2016	2015
	£	£
Investments in subsidiary companies	2	2
Total	<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. The Company has not traded during 15/16 and 14/15.

14 Debtors

	2016	2015
	£'000	£'000
Amounts falling due within one year:		
Trade receivables	479	411
Prepayments and accrued income	724	1,794
Amounts owed by the SFA/EFA	423	-
Other debtors	3	34
Total	<u>1,629</u>	<u>2,239</u>

15 Current investments

	2016	2015
	£'000	£'000
Bank treasury deposit	-	-
Endowment investments	12	14
Total	<u>12</u>	<u>14</u>

Treasury deposits are held with banks and building societies operating in the London market and licensed by the Financial Conduct Authority with more than three months' maturity at the balance sheet date. The interest rates for these deposits are fixed for the duration of the deposit at time of placement.

Endowment investments are represented by:

	2016	2015
	£'000	£'000
Fixed interest stock	5	6
Equities	7	8
	<u>12</u>	<u>14</u>

Notes (continued)

16 Creditors: amounts falling due within one year

	2016	2015
	£'000	£'000
Bank loans and overdrafts	382	366
Other loan	16	-
Payments received in advance	185	717
Obligations under finance leases	-	-
Trade payables	258	288
Corporation tax	-	-
Other taxation and social security	614	599
Accruals and deferred income	3,011	5,675
Other creditors	317	304
Deferred income - government capital grants	-	3,598
Deferred income - government revenue grants	-	-
Payment received on account - Lennartz	721	700
Amounts owed to the SFA/EFA	446	105
Total	5,950	12,352

Due to the implementation of FRS102 the 2015 figures (with 2016 comparatives) have been restated to include:

	2016	2015
	£'000	£'000
Short term employment benefits	803	782
Deferred income – government capital grants	-	3,598

17 Creditors: amounts falling due after one year

	2016	2015
	£'000	£'000
Bank loans	6,783	7,165
Other loan	40	-
Payment received on account - Lennartz	1,583	2,358
Other creditors	161	164
Obligations under finance leases	-	-
Deferred income - government capital grants	-	-
Total	8,567	9,687

Notes *(continued)*

18 Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	2016	2015
	£'000	£'000
In one year or less	382	366
Between one and two years	404	382
Between two and five years	864	826
In five years or more	5,515	5,957
Total	<u><u>7,165</u></u>	<u><u>7,531</u></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.

(b) Other unsecured loan

	2016	2015
	£'000	£'000
In one year or less	16	-
Between one and two years	16	-
Between two and five years	24	-
Total	<u><u>56</u></u>	<u><u>-</u></u>

The loan is a public benefit entity concessionary loan, which is unsecured, interest free and is repayable in equal instalments over the next four years.

Notes (continued)

19 Provisions

	Defined benefit obligations	Enhanced pensions	Other	Total
	£'000	£'000	£'000	£'000
At 1 August 2015	11,088	242	169	11,499
Expenditure in the period	(1,265)	-	-	(1,265)
Additions in period	8,965	(32)	12	8,945
At 31 July 2016	<u>18,788</u>	<u>210</u>	<u>181</u>	<u>19,179</u>

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Note 25.

Other provisions relate to specific projects where there is a potential for clawback of funds. The enhanced pension provision relates to the cost of staff who have already left the College's employ 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 guidance issued by the funding bodies.

The principal assumptions for this calculation are:

	2016	2015
Price inflation	1.3%	1.8%
Discount rate	2.3%	3.5%

20 Cash and cash equivalents

	At 1 August 2015 £'000	Cash flows £'000	Other changes £'000	At 31 July 2016 £'000
Cash and cash equivalents	3,954	769	-	4,723
Treasury Deposits	3,000	(3,000)	-	-
Total	<u>6,954</u>	<u>(2,231)</u>	<u>-</u>	<u>4,723</u>

Notes (continued)

21 Capital and other commitments

	2016	2015
	£'000	£'000
Commitments contracted for at 31 July	<u>424</u>	<u>799</u>

22 Lease obligations

At 31 July the College had minimum lease payments under non-cancellable operating leases as follows:

	2016	2015
	£'000	£'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	-	-
Later than one year and not later than five years	-	-
Later than five years	<u>-</u>	<u>-</u>
Other		
Not later than one year	36	21
Later than one year and not later than five years	22	73
Later than five years	<u>-</u>	<u>-</u>
	<u>58</u>	<u>94</u>

23 Contingent liabilities

The College had no contingent liabilities as at 31 July 2016 (2015: nil).

Notes (continued)

24 Events after the reporting period

There are no events after the reporting period

25 Defined benefit obligations

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

Total pension cost for the year	2016 £000	2015 £000
Teachers' Pension Scheme: contributions paid	1,096	951
Local Government Pension Scheme:		
Contributions paid	1,037	944
FRS 102 (28) charge	63	158
Charge to the Statement of Comprehensive Income	1,100	1,102
Enhanced pension charge to Statement of Comprehensive Income	(5)	36
Total Pension Cost for Year within staff costs	2,191	2,089

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2013. Contributions amounting to £223k (2015: £222k) were payable to the scheme at 31 July and are included within creditors.

Teachers' Pension Scheme

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

Notes (continued)

25 Defined benefit obligations (continued)

The Teachers' Pension Budgeting and Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act. The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Valuation of the Teachers' Pension Scheme

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

- New employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- 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 was implemented in September 2015.

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

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

Scheme Changes

Following the Hutton report in March 2011 and the subsequent consultations with trade unions and other representative bodies on reform of the TPS, the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015. The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected. In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three-and-a-half-year period, for people who would fall up to three and a half years outside of the 10-year protection.

Notes (continued)

25 Defined benefit obligations (continued)

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

The pension costs paid to TPS in the year amounted to £1,697k (2015: £1,577k)

FRS 102 (section 28)

Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension plan. The College is unable to identify its share of the underlying assets and liabilities of the plan.

Accordingly, the College has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The College has set out above the information available on the plan and the implications for the College in terms of the anticipated contribution rates.

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Wolverhampton City Council. The total contributions made for the year ended 31 July 2016 were £1,446k, of which employer's contributions totalled £1,037k and employees' contributions totalled £409k. The agreed contribution rates for future years are 11.5% for employers plus a past service lump sum of £276k and range from 5.5% to 12.5% for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2013 updated to 31 July 2016 by a qualified independent actuary.

	At 31 July 2016	At 31 July 2015
Rate of increase in salaries	3.75%	3.95%
Future pensions increases	2.00%	2.20%
Discount rate for scheme liabilities	2.60%	3.80%
Inflation assumption (CPI)	2.20%	2.20%
Commutation of pensions to lump sums	50%	50%

Notes (continued)

25 Defined benefit obligations (continued)

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 2016 years	At 31 July 2015 years
<i>Retiring today</i>		
Males	23.0	23.0
Females	25.7	25.6
<i>Retiring in 20 years</i>		
Males	25.3	25.2
Females	28.1	28.0

The College's share of the assets in the plan at the balance sheet date and the expected rates of return were:

		Fair Value at 31 July 2016 £'000		Fair Value at 31 July 2015 £'000
	2016		2015	
Equities	59%	17,379	59.1%	15,059
Government bonds	7%	2,032	7.6%	1,936
Other bonds	9%	2,507	10.4%	2,650
Property	8%	2,331	8.4%	2,140
Cash	6%	1,880	4.8%	1,223
Other	11%	3,159	9.7%	2,471
Total fair value of plan assets		<u>29,288</u>		<u>25,479</u>
Weighted average expected long term rate of return	2.6%		3.8%	
Actual return on plan assets		<u>2,972</u>		<u>2,335</u>

Notes (continued)

25 Defined benefit obligations (continued)

The amount included in the balance sheet in respect of the defined benefit pension plan is as follows:

	2016	2015
	£'000	£'000
Fair value of plan assets	29,288	25,479
Present value of plan liabilities	(48,021)	(36,519)
Present value of unfunded liabilities	(55)	(48)
Net pensions (liability) (Note 19)	<u>(18,788)</u>	<u>(11,088)</u>

Amounts recognised in the Statement of Comprehensive Income in respect of the plan are as follows:

	2016	2015
	£'000	£'000
Amounts included in staff costs		
Current service cost	1,328	1,109
Past service cost	-	-
Total	<u>1,328</u>	<u>1,109</u>

Amounts included in investment income

Net interest income	(398)	(361)
	<u>(398)</u>	<u>(361)</u>

Amount recognised in other comprehensive income:

	2016	2015
Return on pension plan assets	1,988	1,355
Experience losses arising on defined benefit obligations	-	(3,055)
Changes in assumptions underlying the present value of plan	(9,212)	-
Amount recognised in Other Comprehensive Income	<u>(7,224)</u>	<u>(1,700)</u>

Movement in net defined benefit (liability)/asset during year:

	2016	2015
	£'000	£'000
Net defined benefit (liability)/asset in scheme at 1 August	(11,088)	(8,851)
Movement in year:		
Current service cost	(1,328)	(1,109)
Employer contributions	1,265	951
Net interest on the defined (liability)	(398)	(361)
Actuarial gain or loss	(7,224)	(1,700)
Administration costs	(15)	(18)
Net defined (liability) at 31 July	<u>(18,788)</u>	<u>(11,088)</u>

Notes *(continued)*

25 Defined benefit obligations *(continued)*

Asset and Liability Reconciliation:

	2016 £'000	2015 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	36,567	31,279
Current service cost	1,328	1,109
Interest cost	1,382	1,341
Contributions by scheme participants	435	389
Experience gains and losses on defined benefit obligations	-	-
Changes in financial assumptions	9,212	3,055
Estimated benefits paid	(848)	(606)
Past service cost	-	-
Defined benefit obligations at end of period	<u>48,076</u>	<u>36,567</u>

	2016 £'000	2015 £,000
Changes in fair value of plan assets:		
Fair value of plan assets at start of period	25,479	22,428
Interest on plan assets	984	980
Return on plan assets	1,988	1,355
Employer contributions	1,265	951
Contributions by scheme participants	435	389
Estimated benefits paid	(848)	(606)
Administration costs	(15)	(18)
Fair value of plan assets at end of period	<u>29,288</u>	<u>25,479</u>

Notes (continued)

26 Related party transactions

Owing 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 such organisations 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 £3,184 which was paid to 4 governors (2015: £596; 3 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2015: None).

Walsall College acted as sponsor to two academies – the Black Country University Technical College and ceased operations at 31 August 2015. Black Country UTC Limited (Company number 07556132) and has now been dissolved. The trading activities for The Mirus Academy were transferred to the Matrix Trust as at 1 April 2015 and Walsall College Academies Trust (Company Number 07754696) was dissolved on 7 June 2016. The College supported both academies with various services as follows:

Black Country University Technical College

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

Charges made by the College to Black Country University Technical College totalled £2,880 (2014/15: £36,048). The charges covered the provision of marketing services, human resources services, payroll and financial services and IT services. There was £nil (2015: £9,840) outstanding at the end of the period.

The Black Country University Technical College charged the College £nil in 2015/16 (2014/15: £64,937) for the use of the sports facilities and for delivery of engineering provision. There was £nil (2014: £nil) outstanding at the end of the period.

The Mirus Academy

Charges made by the College to The Mirus Academy totalled £nil (2014/15: £75,402). The charges covered the provision IT Services and teaching support. There was £nil outstanding at the end of the period (2014/15: £4,330).

Notes (continued)

27 Amounts disbursed as agent

Learner support funds

	2016 £'000	2015 £'000
Funding body grants – bursary support	760	1,032
Funding body grants – discretionary learner support	302	236
Funding body grants – residential bursaries	-	-
Other Funding body grants	-	-
Interest earned	-	-
	<hr/> 1,062	<hr/> 1,268
Disbursed to students	(950)	(1,130)
Administration costs	(54)	(60)
	<hr/> <hr/> 58	<hr/> <hr/> 78
Balance unspent as at 31 July, included in creditors		

Funding body grants are available solely for students. In the majority of instances, the College only acts as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the Statement of Comprehensive Income.

28 Transition to FRS 102 and the 2015 FE HE SORP

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

An explanation of how the transition to FRS 102 and the 2015 FE HE SORP has affected the College's financial position, financial performance and cash flows, is set out below.

Notes *(continued)*

28 Transition to FRS 102 and the 2015 FE HE SORP *(continued)*

	Note	1 August 2014 £'000	31 July 2015 £'000
Financial Position			
Total reserves under previous SORP		13,640	12,069
Employee leave accrual	(a)	(832)	(782)
Release of non-government capital grants	(b)	28,713	30,556
Deferred Income – capital grants		-	(3,043)
Endowment transferred to Total Reserves		60	62
Changes to measurement of net finance cost on defined benefit plans	(c)	-	-
Total effect of transition to FRS 102 and 2015 FE HE SORP		27,941	26,793
Total reserves under 2015 FE HE SORP		41,581	38,862
Financial performance			
Surplus for the year after tax under previous SORP			501
Release of non-government grants received	(b)		24
Reversal of capital grants amortisation	(b)		(1,224)
Pensions provision – actuarial loss			-
Employee leave accrual	(a)		51
Changes to measurement of net finance cost on defined benefit plans	(c)		(371)
Total effect of transition to FRS102 and 2014 SORP			(1,520)
Surplus for the year under 2015 SORP			(1,019)
Actuarial losses			(1,700)
Total comprehensive income for the year under 2015 FE HE SORP			(2,719)

Notes (continued)

28 Transition to FRS 102 and the 2015 FE HE SORP (continued)

a) Recognition of short term employment benefits

No provision for short term employment benefits such as holiday pay was made under the previous UK GAAP. Under FRS 102 the costs of short-term employee benefits are recognised as a liability and an expense. The annual leave year runs to 31 August each year for both teaching and non-teaching staff meaning that, at the reporting date, there was an average of 9.6 days unused leave for full time staff and 6.8 days for fractional staff. In addition, certain employees are permitted to carry forward up to 5 days of any unused holiday entitlement at the end of the leave year. The cost of any unused entitlement is recognised in the period in which the employee's services are received. An accrual of £832k was recognised at 1 August 2014, and £782k at 31 August 2015. Following a re-measurement exercise in 2015/16, the movement on this provision of £21k has been credited to Comprehensive Income in the year ended 31 July 2016.

b) Capital grants accounted for under performance model

The College has previously been in receipt of certain capital grants. Under the previous UK GAAP and 2007 SORP, these were able to be capitalised and amortised over the remaining useful economic life of the relevant fixed assets. Under the 2015 SORP the grants have been accounted for under the performance model and treated as if they had been credited to Comprehensive Income immediately that the performance conditions had been met. A corresponding adjustment has been made to the income recognised in the 2015 results that related to the annual amortisation of the capital grants involved.

c) Change in recognition of defined benefit plan finance costs

The net pension finance cost recognised in the Income and Expenditure account for the year ended 31 July 2015 under the previous UK GAAP was the net of the expected return on pension plan assets and the interest on pension liabilities. FRS 102 requires the recognition in the Statement of Comprehensive Income, of a net interest cost, calculated by multiplying the net plan obligations by the market yield on high quality corporate bonds (the discount rate applied). The change has had no effect on net assets as the measurement of the net defined benefit plan obligation has not changed. Instead, the decrease in the surplus for the year has been mirrored by a reduction in the actuarial losses presented within Other Comprehensive Income.

d) Presentation of actuarial gains and losses within Total Comprehensive Income

Actuarial gains and losses on the College's defined benefit plans were previously presented in the Statement of Total Recognised Gains and Losses (STRGL), a separate statement to the Income and Expenditure account. All such gains and losses are now required under FRS 102 to be presented within the Statement of Comprehensive Income, as movements in Other Comprehensive Income.

