

# SECURING OUR FUTURE

Report and Financial Statements for the year ended 31 July 2017



Bringing talent to life...

 Walsall College



# Key Management Personnel, Board of Governors and Professional advisers

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## 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 2016/17:

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 (resigned September 30 <sup>th</sup> 2017)

## Board of Governors

A full list of Governors is given on pages 16-18 of these financial statements. Alison 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 UK, 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

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## NATURE, OBJECTIVES AND STRATEGIES

The members present their report and the audited financial statements for the year ended 31 July 2017.

### 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 Part 3 of the Charities Act 2011 and following the machinery of government changes in July 2016 is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed later in this document.

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
- Links with Local Enterprise Partnerships

Whilst the delivery of public benefit is covered throughout this report, specifically the Governing Body is committed to ensuring that the College:



## Report of the Governing Body *(continued)*

- 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.

### How we measure the benefit, we provide

The College measures the impact of our work in a number of ways, primarily using data, measured against Key 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.

### Implementation of strategic plan

In July 2015 the College adopted a strategic plan for the period 1 August 2016 to 31 July 2017. 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 Transform (previously “Innovate & Inspire”)
- Ambition 4: Energise our Communities and Partners
- Ambition 5: Secure and Transform our Future (previously “Secure our Future”)

## Report of the Governing Body *(continued)*

The College is on target for achieving these objectives.

The College's specific objectives for 2016/17 as defined by the Major Project Plan included:

- Readiness for the Apprenticeship Levy
- Readiness for Apprenticeship Standard Reform
- Post Area Review Actions
  - Black Country Colleges Collaboration
  - explore the potential for partnerships with
    - South Staffordshire College
    - Walsall Adult and Community College
- West Midlands Combined Authority
  - Work with and meet the needs of emerging devolution and combined authority agenda.

Underway objectives from 2015/16 were also achieved or progressed in the year:

- 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

An updated Corporate Strategy for 2017-2020 has been developed, the Strategic Ambitions remain as above.

### 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 to 86.4%.
- Apprenticeship provision overall success rates are outstanding at 79% timely success rates remain at 68% consistent with 2015/16.
- The College has self-assessed as **Outstanding**, maintaining the standard achieved in February 2013 when Ofsted last inspected the College.



## Report of the Governing Body *(continued)*

### Maximise Staff Potential and Performance

- Lesson observations were targeted at 92% “Good” or “Outstanding”. The College achieved 92%; and
- Average sickness days lost per person were 6.39 days during 2015/16.

### Energise our Communities and Partners

- The Business and Sports Hub has grown over the course of the year exceeding its income target by 9%. 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.

### Secure our Future

- It is expected that the College’s financial health as appraised by the Education and Skills Funding Agency will be confirmed as ‘Outstanding’ for 2016/17.
- The College has exceeded the budgeted surplus for the year, generating **£1.5m** positive operating cash, the College’s cash and cash equivalents were **£6.2m** 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 Education and Skills Funding Agency (“ESFA”). The College was assessed by the ESFA as having a “Good” financial health grading based on the results for 2015/16 and the financial plan for 2017/18. It is anticipated that the College will maintain outstanding financial health on the basis of these accounts.

### Financial Position

#### Financial results

The College made a deficit before other gains and losses in the year of £674,000 (2015/16 - surplus of £2,708,000) with total comprehensive income of £2,227,000, (2015/16 - (£4,516,000)).

There is an actuarial gain of £2,901,000 in respect of Pension Schemes (2015/16 – (£4,516,000)) and 2015/16 included £3.5m of Capital Grants income, the overwhelming majority relating to the Business and Sports Hub project.

The College has accumulated reserves of £36,574,000 and cash and short term investment balances of £6,182,000. 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 £793,000. This included land and buildings acquired of £191,000 and equipment purchased of £602,000.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2016/17 the FE funding bodies provided 83% of the College’s total income.

## Report of the Governing Body *(continued)*

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 2017

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 2016/17 and is not expected to trade during the 2017/18 year.

### Treasury policies and objectives

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

The College has a separate treasury management policy in place.

Short term borrowing for temporary revenue purposes 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 £ 3,255 k (2015/16 £ 1,371 k). This improved cash flow was generated by lower than expected reliance on sub-contractors and the settlement of the 2015/16 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 increased by £ 1,459 k from £4,723k at 31 July 2016 to £ 6,182 k at 31 July 2017.



## **Report of the Governing Body *(continued)***

### **Reserves Policy**

The College has no formal Reserves Policy, but recognises the importance of reserves in the financial stability of an organisation, and ensures that there are adequate reserves to support the Colleges core activities. The College currently holds £61,000 in restricted reserves in relation to endowment funds and £213,000 in the revaluation reserve with the remaining £36,300,000 in the income and expenditure account (2015/16 - £34,066,000). 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**

#### **Financial Health**

The College has assessed itself at the end of July 2017 as having a financial health score of outstanding (2015/16 – Good). Across the three constituent indicators the College scores Good for 'Adjusted Current Ratio' and 'Borrowing as a percentage of Income' and Outstanding for 'Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)'. This position is in line with forecast and considered sufficient to deliver the College strategic ambitions.

#### **Student numbers**

In 2016/17 the College has delivered activity that has produced £26,923,000 in recurrent grant funding from the Education and Skills Funding Agency and HEFCE (2015/16 – £26,490,000). The College educated more than 3,400 16-18-year-old students, 2,000 apprentices and drew down £4,030,000 for delivery to adults in the classroom and workplace.

#### **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.

## **Report of the Governing Body** *(continued)*

### **Future prospects**

During the year the College explored 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. Following close working across both management teams, external due diligence and consultation with the banks the Boards of both organisations concluded that a merger did not represent the best option for either College or for the learners of the area at this time. All associated costs have been expensed in the year.

During the year the College has also begun working with Walsall Adult and Community College (WACC) and Walsall Metropolitan Borough Council with the aim of acquiring the assets and ongoing operations of WACC during the 2017/18 academic year.

### **Resources**

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

#### *Financial*

The College has £36,574,000 of net assets (including Pension Liability of £17,136,000) and long term debt of £7,454,000.

#### *People*

The College employs 526 people (expressed as full time equivalents), of whom 218 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.



## **Report of the Governing Body** *(continued)*

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.

### **Government funding:**

The College has a considerable reliance on continued government funding, through the further education sector funding bodies, and through HEFCE. In 2016/17, 83% of the College's revenue was ultimately publicly funded and this level of requirement is expected to continue. There can be no assurance that government policy or practise will remain the same or that public funding will continue at the same levels or on the same terms.

The College is aware of several issues, which may affect future funding, including apprenticeship reforms and the devolution of the adult education budget. The College is working closely with its key stakeholders including the West Midlands Combined Authority to ensure it can support the regional skills agenda for growth. It is recognised that the introduction of the apprenticeship levy will significantly affect the marketplace through the full implications are not yet known as government policy continues to develop.

### **Maths and English**

Government policy clearly identifies the responsibility on colleges to progress young people towards the achievement of grade 9 to 4 (formerly A\*-C) in maths and English at GCSE level. This is reflected in the expectation of Ofsted and is evident in the outcomes of inspections sector wide. Whilst many students achieve a GCSE pass the key milestone of grade 9 to 4 (formerly A\*-C) remains a significant challenge. The College is seeing ongoing improvement and is outperforming the national average for Further Education Colleges. Further improvement remains critical to the lifelong success of our learners and the College continues to prioritise resourcing and focus in this area.

### **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.

### **Maintain adequate funding of pension liabilities**

The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS 102.

Following the last triennial revaluation the College is finalising agreement of a new deficit recovery plan with the West Midlands Pension Fund. The College are confident they have adequate resources to meet the expected final agreed plan.

## Report of the Governing Body *(continued)*

### Failure to maintain the financial viability of the College

The College's current financial health grade is classified as "Outstanding" as described above. The College has manageable levels of borrowing with no current requirement for more, is generating cash surpluses year on year and has sufficient liquid funds to meet its ongoing operational requirements. This does not remove the challenges presented by the constraint on further education funding arising from the ongoing cuts in public sector spending whilst maintaining the student experience. This risk is managed through:

- Rigorous budget setting procedures and sensitivity analysis
- Regular in year budget monitoring
- Robust Financial Control
- Exploring ongoing procurement efficiencies

### 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. In common with the national picture, the College is seeing an increase in numbers of students with both short term and chronic mental health conditions. The College is continuing to develop ways to support staff and students alike in preventing barriers to learning and to minimise any impacts associated with this increase. These values apply equally to staff and governors, as well as students.



## Report of the Governing Body *(continued)*

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.

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.

## **Report of the Governing Body** *(continued)*

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.

### **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.

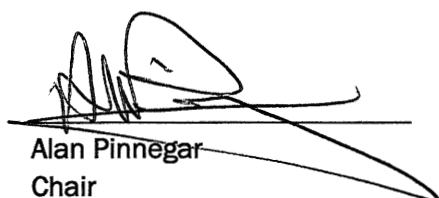
The College operates exclusively within the United Kingdom. Foreign trips do take place from time to time to explore future avenues of business and the majority of Walsall College activity and students are from the Midlands.

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

### **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 12 December 2017 and signed on its behalf by:**



Alan Pinnegar  
Chair

# Statement of Corporate Governance and Internal Control

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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 Code of Good Governance for English Colleges ("the Code"); and
- having due regard to the UK Corporate Governance 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 2017. 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%
Tasleem Akhter	6 July 2017	1 year		Student Governor		0%
Steve Bingham	6 July 2017	3 years				100%
Stuart Bone	21 May 2015	3 years		Governor	Audit	N/A Currently on sabbatical
Leanne Bourne	6 July 2017	1 year		Student Governor		0%
Jack Cousins	19 May 2016	1 year	31 July 2017	Student Governor	Learning & Quality Student Voice	75%
Jaswinder Dhillon	10 July 2017	3 years		Governor	Learning & Quality	60%
Lisa Evans	6 July 2017	3 years		Staff Governor		100%



Name	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance *
Carol Flood	25 March 2014	3 years		Governor	Learning & Quality Audit Student Voice Search & Governance Standards Remuneration	100%
Brian Lowe	22 February 2014	3 years	21 February 2017	Chair of the Corporation	Finance & Resources Search & Governance Standards Remuneration	100%
Pat Morgan-Webb	12 July 2015	3 years		Governor	Student Voice Search & Governance Standards Remuneration	40%
David Owen	11 July 2017	1 year		Associate Governor	Finance and Resources	50%
Akshay Parikh	6 October 2014	3 years	16 September 2016	Governor	Finance & Resources Remuneration	0%
Hiten Patel	15 May 2014	3 years	14 May 2017	Staff Governor	Audit	100%
Stuart Pedley-Smith	22 October 2015	3 years		Governor	Learning & Quality Finance & Resources	80%
Allan Pinnegar	25 March 2017	3 years		Chair of the Corporation	Finance & Resources Search & Governance Standards Remuneration	100%
Donald Sadler	15 May 2017	1 year		Associate Governor	Audit	N/A

Name	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance *
Rani Sahota	4 March 2014	3 years	3 March 2017	Staff Governor	Learning & Quality Student Voice	75%
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	80%
Alan Woods	19 May 2016	3 years		Governor	Audit	100%

Alison Buick acts as the Clerk to the Corporation.

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

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

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

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.

### **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.

### **Corporation Performance**

The Corporation carried out a self-assessment of its own performance for the year ended 31<sup>st</sup> July and graded itself as "Outstanding" on the Ofsted scale. External governors have continued to bring a breadth of relevant corporate knowledge and skills, such as financial management, manufacturing and engineering, as well as a very sharp focus on the priorities of employers.

The existing governance framework is well established and operates well, meeting the needs of the College and the Governors and reflects outstanding practise.

### **Remuneration Committee**

Throughout the year ending 31 July 2017 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 2017 are set out in the notes to the financial statements.

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

### 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 auditors monitor 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.

### 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 they are personally responsible, in accordance with the responsibilities assigned to them in the Financial Memorandum between Walsall College and the funding bodies. They are 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.

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

### ***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 2017 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 2017 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

### ***The risk and control framework***

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

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

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

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.



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

### *Review of effectiveness*

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. Their 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 their review of the effectiveness of the system of internal control by the Audit Committee which oversees the work of the internal auditor, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Senior Management Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Senior Management Team and Audit Committee also receive regular reports from the internal auditor, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Senior Management Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2017 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2017 by considering documentation from the Senior Management Team and internal audit, and taking account of events since 31 July 2017.

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".

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

### *Going concern*

The Corporation has considered its responsibility to notify the Education and Skills Funding Agency of material irregularity, impropriety and non-compliance with Education and 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 Education and 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 12 December 2017 and signed on its behalf by:



Allan Pinnegar  
Chair



Jatinder Sharma OBE  
Accounting Officer

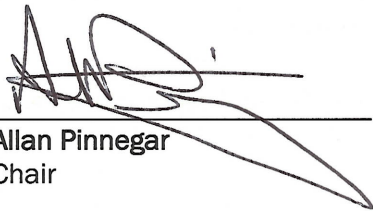
## Governing Body's statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding

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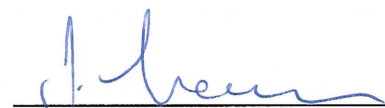
The Corporation has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the College's financial memorandum. As part of our consideration we have had due regard to the 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 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 Education and Skills Funding Agency.



Allan Pinnegar  
Chair



Jatinder Sharma OBE  
Accounting Officer

## Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the College's Financial Memorandum with the ESFA, 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 2016 to 2017 issued by the ESFA, 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
- assess the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the College or to cease operations, or have no realistic alternative but to do so.

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 information about 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 such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.


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

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 ESFA are used only in accordance with the Financial Memorandum with the ESFA and any other conditions that may be prescribed from time to time.

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

Approved by order of the members of the Corporation on 12 December 2017 and signed on its behalf by:

  
Allan Pinnegar  
Chair



# Independent auditor's report to the Corporation of Walsall College

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One Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH

## Opinion

We have audited the financial statements of Walsall College ("the College") for the year ended 31 July 2017 which comprise the Statement of Comprehensive Income and Expenditure, Statement of Changes in Reserves, Balance Sheet, Statement of Cash Flows and related notes, including the accounting policies in note 1. In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2017, and of the College's income and expenditure, gains and losses, changes in reserves, and cash flows, for the year then ended; and
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the College in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

## Other information

The Corporation is responsible for the other information, which comprises the Report of the Governing Body and the Statement of Corporate Governance and Internal control. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

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

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

### **Matters on which we are required to report by exception**

Under the Post-16 Audit Code of Practice 2016 to 2017 (March 2017) issued jointly by the Skills Funding Agency and the Education Funding Agency we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the College; or
- the College's 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.

We have nothing to report in these respects.

### **Corporation's responsibilities**

As explained more fully in their statement set out on page [X], the Corporation is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the College or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report.

Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

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

### The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Corporation, 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 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 College and the Corporation for our audit work, for this report, or for the opinions we have formed.



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**Mark Dawson**

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

*18 December 2017*



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

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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 2016 to 31 July 2017 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 Post-16 Audit Code of Practice issued jointly by the Skills Funding Agency and the 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 Education and Skills Funding Agency has other assurance arrangements in place. This report is made solely to the corporation of Walsall College and the Education and 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 Education 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 the Education and Skills Funding Agency for our work, for this report, or for the conclusion we have formed.

## Respective responsibilities of Walsall College and the reporting accountant

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

Our responsibilities for this engagement are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Post-16 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 1 August 2016 to 31 July 2017 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 Post-16 Audit Code of Practice issued jointly by the Skills Funding Agency and the 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 our conclusion included:

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

This list is not exhaustive and we performed additional procedures designed to provide us with sufficient appropriate evidence to express a limited assurance conclusion on regularity consistent with the requirements of the Post-16 Audit Code of Practice.

### Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2016 to 31 July 2017 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Mark Dawson

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

*18 December 2017*



# Statement of Comprehensive Income and Expenditure

	Notes	Year ended 31 July 2017	Year ended 31 July 2016
		£'000	£'000
<b>INCOME</b>			
Funding body grants	2	26,930	30,143
Tuition fees and education contracts	3	2,985	2,852
Other grants and contracts	4	110	204
Other income	5	2,317	1,934
Investment income	6	3	10
<b>Total income</b>		<b>32,345</b>	<b>35,143</b>
<b>EXPENDITURE</b>			
Staff costs	8	20,513	20,123
Restructuring costs	8	92	480
Other operating expenses	9	8,697	8,285
Depreciation	12	2,850	2,741
Interest and other finance costs	10	867	806
<b>Total expenditure</b>		<b>33,019</b>	<b>32,435</b>
<b>(Deficit)/Surplus before other gains and losses before tax</b>		<b>(674)</b>	<b>2,708</b>
Profit or loss on disposal of assets	12	-	-
Share of operating surplus/(deficit) in joint venture/associate		-	-
<b>(Deficit)/Surplus before tax</b>		<b>(674)</b>	<b>2,708</b>
Taxation	11	-	-
<b>(Deficit)/Surplus for the year</b>		<b>(674)</b>	<b>2,708</b>
Unrealised surplus on revaluation of assets		-	-
Actuarial gain/loss in respect of pension schemes	25	2,901	(7,224)
<b>Total Comprehensive income &amp; expenditure for the year</b>		<b>2,227</b>	<b>(4,516)</b>
<b>Represented by:</b>			
Restricted comprehensive income & expenditure		-	(2)
Unrestricted comprehensive income & expenditure		2 227	(4,514)
		<b>2 227</b>	<b>(4,516)</b>

The notes on pages 36 to 64 form an integral part of these financial statements.

## Statement of Changes in Reserves

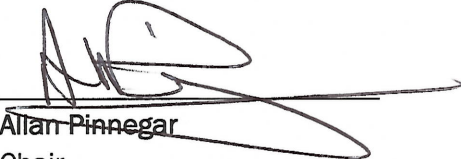
	Income and expenditure account	Revaluation reserve	Restricted Reserve – Expendable Endowment	Total
	£'000	£'000	£'000	£'000
<b>Balance at 1 August 2015</b>	<b>38,573</b>	<b>227</b>	<b>62</b>	<b>38,862</b>
(Deficit) / surplus for year	2,710	-	(2)	<b>2,708</b>
Other comprehensive income and expenditure	(7,224)	-	-	<b>(7,224)</b>
Transfers between revaluation and income and expenditure	7	(7)	-	-
	<b>(4,507)</b>	<b>(7)</b>	<b>(2)</b>	<b>(4,516)</b>
<b>Balance at 31 July 2016</b>	<b>34,066</b>	<b>220</b>	<b>60</b>	<b>34,346</b>
Surplus / (deficit) for the year	(674)	-	-	<b>(674)</b>
Other comprehensive income and expenditure	2,901	-	-	<b>2,901</b>
Transfers between revaluation and income and expenditure reserves	7	(7)	-	-
<b>Total comprehensive income and expenditure for the year</b>	<b>2,025</b>	<b>(7)</b>	<b>-</b>	<b>2,018</b>
<b>Balance at 31 July 2017</b>	<b>36,300</b>	<b>213</b>	<b>60</b>	<b>36,573</b>

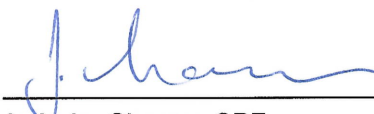
The notes on pages 36 to 64 form an integral part of these financial statements.

## Balance sheet as at 31 July

	Notes	2017 £'000	2016 £'000
<b>Non current assets</b>			
Tangible Fixed assets	12	59,603	61,660
Investments	13	-	-
		<u>59,603</u>	<u>61,660</u>
<b>Current assets</b>			
Stocks		21	18
Trade and other receivables	14	2,586	1,629
Investments	15	13	12
Cash and cash equivalents	20	6,182	4,723
		<u>8,802</u>	<u>6,382</u>
<b>Creditors – amounts falling due within one year</b>	16	(6,874)	(5,950)
<b>Net current assets</b>		<u>1,928</u>	<u>432</u>
<b>Total assets less current liabilities</b>		61,531	62,092
<b>Creditors – amounts falling due after more than one year</b>	17	(7,454)	(8,567)
<b>Provisions</b>			
Defined benefit obligations	19	(17,136)	(18,788)
Other provisions	19	(367)	(391)
<b>Total net assets</b>		<u>36,574</u>	<u>34,346</u>
<b>Restricted reserves</b>			
Expendable endowments		61	60
<b>Unrestricted Reserves</b>			
Income and expenditure account		36,300	34,066
Revaluation reserve		213	220
<b>Total unrestricted reserves</b>		<u>36,574</u>	<u>34,346</u>

The financial statements on pages 32 to 64 were approved and authorised for issue by the Corporation on 12 December 2017 and were signed on its behalf on that date by:

  
Allan Pinnegar  
Chair

  
Jatinder Sharma OBE  
Accounting Officer

The notes on pages 36 to 64 form an integral part of these financial statements.

## Statement of Cash Flows

	Notes	2017 £'000	2016 £'000
<b>Cash flow from operating activities</b>			
(Deficit)/Surplus for the year		(674)	2,708
<b>Adjustment for non-cash items</b>			
Depreciation		2,850	2,741
Decrease in stocks		(3)	1
Decrease/(increase) in debtors		(1,380)	607
(Decrease)/increase in creditors due within one year		1,543	(4,762)
(Decrease) in creditors due after one year		(693)	(778)
(Decrease)/increase in provisions		(25)	(20)
Pensions costs less contributions payable		772	78
Increase in endowment		1	-
Taxation		-	-
<b>Adjustment for investing or financing activities</b>			
Investment income		(3)	(10)
Interest payable		867	806
<b>Net cash flow from operating activities</b>		<u>3,255</u>	<u>1,371</u>
<b>Cash flows from investing activities</b>			
Investment income		3	13
Withdrawal of deposits		-	-
New deposits		-	-
Payments made to acquire fixed assets		(1,009)	(2,897)
		<u>(1,006)</u>	<u>(2,884)</u>
<b>Cash flows from financing activities</b>			
Interest paid		(392)	(408)
New unsecured loans		-	64
Repayments of amounts borrowed		(398)	(374)
		<u>(790)</u>	<u>(718)</u>
<b>Increase/(Decrease) in cash and cash equivalents in</b>		<u>1,459</u>	<u>(2,231)</u>
Cash and cash equivalents at beginning of the year		4,723	6,954
Cash and cash equivalents at end of the year		6,182	4,723

The notes on pages 36 to 64 form an integral part of these financial statements.

# Notes to the Accounts

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## 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 2016 to 2017* 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.

### 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.



## Notes (continued)

### 1 Statement of accounting policies and estimation techniques (continued)

#### 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 £6.8m of loans outstanding with bankers on terms negotiated in 2007. The terms of the existing agreement are for up to another 18 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 £1.6m loan arrangement under the Lennartz ruling which is repayable by 2018/19.

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.

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.



## Notes (continued)

### 1 Statement of accounting policies and estimation techniques (continued)

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.

#### 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 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.

#### Accounting for post-employment benefits

The Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS) principally provide post-employment benefits to employees of the College. These are defined benefit plans, which are externally funded.

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 there is insufficient information available to use defined benefit accounting. 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 interest and other finance costs. Actuarial gains and losses are recognised immediately in Actuarial gain/loss in respect of pension schemes.

## **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 College 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.

#### **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.

#### ***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.



## Notes (continued)

### 1 Statement of accounting policies and estimation techniques (continued)

- *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 2017. 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 £'000	Year ended 31 July 2016 £'000
<b>Recurrent grants</b>		
Education and Skills Funding Agency - Adult	4,030	3,310
Education and Skills Funding Agency - 16-18	16,178	16,855
Education and Skills Funding Agency - Apprenticeship	6,536	5,472
Education and Skills Funding Agency - Traineeships	-	11
Additional Learner Support	18	767
Higher Education Funding Council	161	75
<b>Specific grants</b>		
Release of Capital Grants	(26)	3,450
Education and Skills Funding Agency	33	203
<b>Total</b>	<u>26,930</u>	<u>30,143</u>

## Notes (continued)

### 3 Tuition fees and education contracts

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Adult education fees	669	730
Apprenticeship fees and contracts	200	76
Fees for FE loan supported courses	723	549
Fees for HE loan supported courses	1,208	884
International students fees	(7)	355
Total tuition fees	<u>2793</u>	<u>2,594</u>
Education contracts	192	258
<b>Total</b>	<u><b>2,985</b></u>	<u><b>2,852</b></u>

### 4 Other grants and contracts

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Department for Work and Pensions	-	63
Other grants and contracts	110	141
<b>Total</b>	<u><b>110</b></u>	<u><b>204</b></u>

### 5 Other income

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Catering and residences	359	479
Other income generating activities	967	974
Exams	35	62
High Needs Funding (Element 2 & 3)*	725	-
Non-government capital grants	167	365
Miscellaneous income	64	54
<b>Total</b>	<u><b>2,317</b></u>	<u><b>1,934</b></u>

\*Shown as ALS under Note 2 in 2015/16

## Notes (continued)

### 6 Investment income

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Other interest receivable	3	10
<b>Total</b>	<b>3</b>	<b>10</b>

### 7 Donations and endowments

	2017	2016 £'000
Unrestricted donations	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

### 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:

	2017 No.	2016 No.
Teaching staff	218	222
Non-teaching staff	308	300
	<b>526</b>	<b>522</b>

#### Staff costs for the above persons

	2017 £'000	2016 £'000
Wages and salaries	15,970	16,388
Social security costs	1,497	1,348
Other pension costs	2,813	2,191
Apprenticeship Levy	23	-
<b>Payroll sub total</b>	<b>20,303</b>	<b>19,927</b>
Contracted out staffing services	210	196
	<b>20,513</b>	<b>20,123</b>
Contractual restructuring costs	92	480
<b>Total Staff costs</b>	<b>20,605</b>	<b>20,603</b>

## 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

	2017 No.	2016 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	
	2017 No.	2016 No.	2017 No.	2016 No.
£60,001 to £70,000 p.a.	-	-	2	2
£70,001 to £80,000 p.a.	2	2	1	1
£90,001 to £100,000 p.a.	-	1	-	-
£100,001 to £110,000 p.a.	1	-	-	-
£140,001 to £150,000 p.a.	-	-	-	-
£150,001 to £160,000 p.a.	1	1	-	-
	<u>4</u>	<u>4</u>	<u>3</u>	<u>3</u>

Key management personnel emoluments are made up as follows:

	2017 £'000	2016 £'000
Salaries	401	396
Benefits in kind	3	3
	<u>404</u>	<u>399</u>
Pension contributions	52	50
Total emoluments	<u>456</u>	<u>449</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:

	2017 £'000	2016 £'000
Salaries	151	150
Benefits in kind	<u>3</u>	<u>3</u>
	<u>154</u>	<u>153</u>
Pension contributions	<u>18</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

	2017 £'000	2016 £'000
Teaching costs	2,726	2,607
Non-teaching costs	3,960	3,511
Premises costs	<u>2,011</u>	<u>2,167</u>
<b>Total</b>	<b><u>8,697</u></b>	<b><u>8,285</u></b>
<b>Other operating expenses include:</b>	<b>2017 £'000</b>	<b>2016 £'000</b>
Auditors' remuneration:		
Financial statements audit	30	29
Internal audit	19	19
Other services provided by the financial statements auditor	48	19
Other services provided by the internal auditors	-	-
Losses on disposal of non-current assets	-	-
Hire of assets under operating leases	<u>109</u>	<u>123</u>

**Notes** *(continued)*

**10 Interest and other finance costs**

	2017 £'000	2016 £'000
On bank loans, overdrafts and other loans:	390	408
Other interest	-	-
	<u>390</u>	<u>408</u>
Pension finance costs (note 25)	477	398
<b>Total</b>	<u><b>867</b></u>	<u><b>806</b></u>

**11 Taxation**

	2017 £'000	2016 £'000
The governors do not believe the College was liable for any Corporation Tax arising out of the activities during the period.	-	-
<b>Total</b>	<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
<b>Cost or valuation</b>				
At 1 August 2016	76,970	9,443	-	86,413
Additions	191	602	-	793
Transfer	-	-	-	-
<b>At 31 July 2017</b>	<b>77,161</b>	<b>10,045</b>	<b>-</b>	<b>87,206</b>
<b>Depreciation</b>				
At 1 August 2016	16,606	8,147	-	24,753
Charge for the year	2,212	638	-	2,850
<b>At 31 July 2017</b>	<b>18,818</b>	<b>8,785</b>	<b>-</b>	<b>27,603</b>
<b>Net book value at 31 July 2017</b>	<b>58,343</b>	<b>1,260</b>	<b>-</b>	<b>59,603</b>
<b>Net book value at 31 July 2016</b>	<b>60,364</b>	<b>1,296</b>	<b>-</b>	<b>61,660</b>

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
<b>Net book value based on cost</b>	<b>Nil</b>

**Notes** *(continued)*

**13 Non-current investments**

	2017	2016
	£	£
Investments in subsidiary companies	2	2
<b>Total</b>	<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 2016/17 and 2015/16.

**14 Debtors**

	2017	2016
	£'000	£'000
Amounts falling due within one year:		
Trade receivables	1,178	479
Prepayments and accrued income	660	724
Amounts owed by the ESFA (or predecessors)	736	423
Other debtors	12	3
<b>Total</b>	<u>2,586</u>	<u>1,629</u>

**15 Current investments**

	2017	2016
	£'000	£'000
Endowment investments	13	12
<b>Total</b>	<u>13</u>	<u>12</u>

Endowment investments are represented by:

	2017	20156
	£'000	£'000
Fixed interest stock	6	6
Equities	8	8
	<u>14</u>	<u>14</u>

**Notes** *(continued)*

**16 Creditors: amounts falling due within one year**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Bank loans and overdrafts	404	382
Other loan	16	16
Payments received in advance	594	185
Trade payables	247	258
Corporation tax	-	-
Other taxation and social security	634	614
Accruals and deferred income	3,093	2,208
Other creditors	342	317
Short term employment benefits	674	803
Deferred income - government capital grants	-	-
Deferred income - government revenue grants	-	-
Payment received on account - Lennartz	709	721
Amounts owed to the ESFA	161	446
<b>Total</b>	<b><u>6,874</u></b>	<b><u>5,950</u></b>

**17 Creditors: amounts falling due after one year**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Bank loans	6,379	6,783
Other loan	24	40
Payment received on account - Lennartz	883	1,583
Other creditors	168	161
Obligations under finance leases	-	-
Deferred income - government capital grants	-	-
<b>Total</b>	<b><u>7,454</u></b>	<b><u>8,567</u></b>

## Notes (continued)

### 18 Maturity of debt

#### (a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	2017	2016
	£'000	£'000
In one year or less	404	382
Between one and two years	422	404
Between two and five years	806	864
In five years or more	5,151	5,515
<b>Total</b>	<b>6,783</b>	<b>7,165</b>

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

	2017	2016
	£'000	£'000
In one year or less	16	16
Between one and two years	16	16
Between two and five years	8	24
<b>Total</b>	<b>40</b>	<b>56</b>

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 2016	18,788	210	181	19,179
Expenditure in the period	(943)	-	-	(943)
Additions in period	(709)	(4)	(20)	(733)
At 31 July 2017	17,136	206	161	17,503

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:

	2017	2016
Price inflation	1.3%	1.3%
Discount rate	2.3%	2.3%

### 20 Cash and cash equivalents

	At 1 August 2016	Cash flows	Other changes	At 31 July 2017
	£'000	£'000	£'000	£'000
Cash and cash equivalents	4,723	1,459	-	6,182
Treasury Deposits	-	-	-	-
Total	4,723	1,459	-	6,182

**Notes** *(continued)*

**21 Capital and other commitments**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Commitments contracted for at 31 July	<u>304</u>	<u>424</u>

**22 Lease obligations**

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

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
<b>Future minimum lease payments due</b>		
<b>Land and buildings</b>		
Not later than one year	-	-
Later than one year and not later than five years	-	-
Later than five years	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
<b>Other</b>		
Not later than one year	31	36
Later than one year and not later than five years	22	22
Later than five years	<u>-</u>	<u>-</u>
	<u>53</u>	<u>58</u>

**23 Contingent liabilities**

The College had no contingent liabilities as at 31 July 2017 (2016: *nil*).

**24 Events after the reporting period**

There are no events after the reporting period



## Notes (continued)

### 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.

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 2016.

Total pension cost for the year	2017 £000	2016 £000
Teachers' Pension Scheme: contributions	1,095	1,096
Local Government Pension Scheme:		
Contributions paid	943	1,037
FRS 102 (28) charge	759	63
Charge to the Statement of Comprehensive Income	1,702	1,100
Enhanced pension charge to Statement of Comprehensive Income	16	(5)
<b>Total Pension Cost for Year within staff costs</b>	<b>2,813</b>	<b>2,191</b>

### 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. Retirement and other benefits are paid by public funds provided by parliament.

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 assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%

The new employer contribution rate for the TPS was implemented in September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

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.

## Notes (continued)

### 25 Defined benefit obligations (continued)

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

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

The pension costs paid to TPS in the year amounted to £1,638k (2015: £1,697k)

### 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.

## Notes (continued)

### 25 Defined benefit obligations (continued)

#### 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 2017 were £1,341k, of which employer's contributions totalled £943k and employees' contributions totalled £398k. The agreed contribution rates for future years are 11.5% for employers plus a past service lump sum of £226k 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 2016 updated to 31 July 2017 by a qualified independent actuary.

	At 31 July 2017	At 31 July 2016
Rate of increase in salaries	4.20%	3.75%
Future pensions increases	2.70%	2.00%
Discount rate for scheme liabilities	2.70%	2.60%
Inflation assumption (CPI)	2.70%	2.20%
Commutation of pensions to lump sums	50%	50%

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

	At 31 July 2017 years	At 31 July 2016 years
<b><i>Retiring today</i></b>		
Males	21.8	23.0
Females	24.3	25.7
<b><i>Retiring in 20 years</i></b>		
Males	23.9	25.3
Females	26.6	28.1

## Notes (continued)

### 25 Defined benefit obligations (continued)

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 2017 £'000		Fair Value at 31 July 2016 £'000
	2017		2016	
Equities	63%	22,931	59%	17,379
Government bonds	7%	2,652	7%	2,032
Other bonds	4%	1,396	9%	2,507
Property	7%	2,650	8%	2,331
Cash	5%	1,803	6%	1,880
Other	13%	4,814	11%	3,159
<b>Total fair value of plan assets</b>		<b><u>36,246</u></b>		<b><u>29,288</u></b>
<b>Weighted average expected long term rate of return</b>	<b>2.7%</b>		<b>2.6%</b>	
<b>Actual return on plan assets</b>		<b><u>5,271</u></b>		<b><u>2,972</u></b>

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

	2017 £'000	2016 £'000
Fair value of plan assets	36,246	29,288
Present value of plan liabilities	(53,340)	(48,021)
Present value of unfunded liabilities	(42)	(55)
<b>Net pensions (liability) (Note 19)</b>	<b><u>(17,136)</u></b>	<b><u>(18,788)</u></b>

## Notes (continued)

### 25 Defined benefit obligations (continued)

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

	2017 £'000	2016 £'000
<b>Amounts included in staff costs</b>		
Current service cost	1,702	1,328
Past service cost	-	-
<b>Total</b>	<u>1,702</u>	<u>1,328</u>
<b>Amounts included in investment income</b>		
Net interest income	(477)	(398)
	<u>(477)</u>	<u>(398)</u>

Amount recognised in other comprehensive income:

	2017	2016
Return on pension plan assets	4,506	1,988
Experience losses arising on defined benefit obligations	1,407	-
Changes in assumptions underlying the present value of plan	(4,415)	(9,212)
<b>Other Actuarial Gains</b>	1,403	-
<b>Amount recognised in Other Comprehensive Income</b>	<u>2,901</u>	<u>(7,224)</u>

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

	2017 £'000	2016 £'000
Net defined benefit (liability)/asset in scheme at 1 August	(18,788)	(11,088)
Movement in year:		
Current service cost	(1,660)	(1,328)
Employer contributions	943	1,265
Past Service Costs	(42)	-
Net interest on the defined (liability)	(477)	(398)
Actuarial gain or loss	2,901	(7,224)
Administration costs	(13)	(15)
<b>Net defined (liability) at 31 July</b>	<u>(17,136)</u>	<u>(18,788)</u>

**Notes** *(continued)*

**25 Defined benefit obligations** *(continued)*

**Asset and Liability Reconciliation:**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
<b>Changes in the present value of defined benefit obligations</b>		
Defined benefit obligations at start of period	48,076	36,567
Current service cost	1,660	1,328
Interest cost	1,242	1,382
Contributions by scheme participants	396	435
Experience gains and losses on defined benefit obligations	(1,407)	-
Changes in financial assumptions	5,803	9,212
Changes in Demographic assumptions	(1,388)	-
Estimated benefits paid	(1,388)	(848)
Past service cost	42	-
Curtailments and Settlements	(5)	-
<b>Defined benefit obligations at end of period</b>	<b>53,382</b>	<b>48,076</b>

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£,000</b>
<b>Changes in fair value of plan assets:</b>		
Fair value of plan assets at start of period	29,288	25,479
Interest on plan assets	765	984
Return on plan assets	4,506	1,988
Other actuarial gains/(losses)	1,403	-
Employer contributions	943	1,265
Contributions by scheme participants	396	435
Estimated benefits paid	(1,042)	(848)
Administration costs	(13)	(15)
<b>Fair value of plan assets at end of period</b>	<b>36,246</b>	<b>29,288</b>



## **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 £2,051 which was paid to 4 governors (2016: £3,184; 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 (2016: 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.

**Notes** *(continued)*

**27** Amounts disbursed as agent

**Learner support funds**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Funding body grants	715	760
	<u>715</u>	<u>1,062</u>
Disbursed to students	(583)	(950)
Administration costs	-	(54)
<b>Balance unspent as at 31 July, included in creditors</b>	<u><b>132</b></u>	<u><b>58</b></u>

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.