

Riverside College

Widnes & Runcorn

Report and Financial Statements

for the year ended 31 July 2017

Key Management Personnel, Board of Governors and Professional Advisers

Key Management Personnel

Key Management Personnel are defined as members of the Senior Management Team and were represented by the following in 2016/17:

Mary Murphy	Principal; Accounting Officer
Thalia Bell	Deputy Principal Curriculum
Julie Holland	Deputy Principal Finance and Resources
Leeann Bellfield	Assistant Principal
Alan Brown	Assistant Principal Quality

Board of Governors

A full list of Governors is given on page 13 of these financial statements.

Lesley Venables acted as Clerk to the Corporation throughout the period.

Financial statement and regularity auditors:

KPMG LLP
1 Peter's Square
Manchester
M2 3AE

Bankers:

Barclays
Corporate Banking Centre
7th Floor, 1 Marsden Street
Manchester
M2 1HW

Solicitors:

Burnetts
6 Victoria Place
Carlisle
Cumbria
CA1 1ES

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Members' Report

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 Riverside College Halton (hereafter referred to as the College). The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

Vision and Values

Governors reviewed the College's vision and values during 2016/17 which are currently as follows:

Our Vision:

We believe in the power of education to enhance and transform lives.
We strive to be sector-leading in everything we do.

Our Values:

1. Teaching and learning is our priority and the needs and safety of our students always come first.
2. As members of the College we are partners in the success of the organisation and we are all accountable for our results.
3. High standards are at the heart of all that we do. In our pursuit of excellence we recognise that individually and collectively we can always improve.
4. Within our College community we all treat each other with respect, trust, openness, care and consideration. We celebrate student and staff success.
5. We are an inclusive college where we promote and protect equality and diversity.
6. We work in partnership with employers and other stakeholders so that we can make a positive contribution to local, regional and national economic development.

Public Benefit

The 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 on page 13.

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 vision, 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

Members' Report *(continued)*

- Links with employers, industry and commerce
- Active participation in community projects
- Links with Local Enterprise Partnerships (LEPs)

Implementation of Strategic Plan

In 2016/17, the College prepared a strategic plan for the period 2017/18 to 2019/20. The Plan consists of four chapters covering all areas of College delivery, including property and finance. The chapters are:

Chapter One: Vision, Values and Strategic Aims

Chapter Two: The Environment

Chapter Three: Targets

Chapter Four: Monitoring Performance

The governing body monitors the performance of the College against this plan using a series of key performance indicators for each chapter displayed in a dashboard. The plans are reviewed and updated each year. The College's continuing strategic aims are:

1. To achieve high **quality** outcomes for our students by prioritising teaching and learning.
2. To continue to improve levels of **efficiency** and remain in outstanding financial health.
3. To maximise opportunities for **growth**.

The College is on target for achieving these aims.

Financial Objectives

The College's financial strategic goals are:

- To remain financially stable in this period of austerity, whilst implementing a staged approach to property developments
- To ensure the efficient and effective deployment of College finances.
- To improve accommodation, learning environments and equipment across the College.
- To ensure there is adequate budgetary provision to recognise and reward both staff and students and celebrate success.
- To support investment in areas of growth by ensuring that all business plans deliver a satisfactory return and that delivery in these areas is reported appropriately, monitored tightly and controlled

A series of performance indicators have been agreed to monitor the successful implementation of the goals. Detailed monitoring is undertaken by the Finance and Resources Committee, with regular reports to the full governing body.

Performance Indicators

The key performance indicators used by the College are:

- Success rates – compared against national averages
- Value Added – compared against national averages
- Delivery of funding targets – compared with contract
- Financial Health – as calculated by the Education and Skills Funding Agency (ESFA) planning tool

The College is committed to observing the importance of sector measures and indicators and to using the FE choices 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. The College is assessed by the ESFA as having an 'Outstanding' financial health grading. The current rating of 'Outstanding' is considered an acceptable outcome.

Members' Report *(continued)*

Financial Position

Financial Results

The College's underlying operating surplus in the year is £1,030,931 (2015/16: £1,588,416). This is prior to defined benefit charges of £342,000 and an impairment of the Runcorn campus of £956,319. After accounting for these adjustments, together with an actuarial pension gain of £2,444,000, the College generated a total comprehensive surplus for the year of £2,176,612 (2015/16: deficit £1,117,584).

The College has total reserves of £5,428,727 and cash balances of £6,552,908. The College wishes to continue to accumulate reserves and cash balances to create working capital to adequately maintain the estate and allow for some investment in the development of priority areas.

Tangible fixed asset additions during the year amounted to £2,776,098. This was made up of equipment purchases of £1,041,492 to enhance curriculum and ILT delivery and £1,734,606 to address the refurbishment of the College estate and the establishment of the IDEA Centre on the Cronton site. The Centre opened in September 2017.

The College has significant reliance on the education sector funding bodies for its principal funding sources, largely from recurrent grants. In 2016/17 the funding bodies provided 88% of the College's total income.

The Runcorn campus is currently not in use. The site value in the balance sheet has been impaired to its current estimated market value at the date of signing of these Financial Statements.

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, which is appended to the Financial Regulations. All borrowing requires the authorisation of the Board and has to comply with the requirements of the Financial Memorandum.

Cash Flows

The College had an operating cash outflow of £705,709 (2015/16 – cash inflow £1,869,699). The net cash outflow includes the receipt of capital grants (£0.9m) and capital investment of £2.8m.

The College has a £3m rolling credit facility in place to cover the time taken to acquire a receipt from the sale of the Runcorn Campus. As cash flow is strong it is unlikely that this facility will be fully utilised.

Liquidity

The size of the College's total borrowing and its approach to interest rates have been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cash-flow. During the year this margin was comfortably exceeded.

Reserves

The College recognises the importance of generating reserves in maintaining financial stability, whilst ensuring that adequate resources are provided to meet the College's core business aims. The College currently holds no restricted reserves. As at the balance sheet date, after accounting for a pension actuarial gain of £2,444,000 and an impairment of the Runcorn campus (£956,319), the College held reserves of £5,428,727 (2015/16: £3,252,115).

Members' Report *(continued)*

It is the College's intention to increase reserves over the life of the Strategic Plan, by generating annual operating surpluses.

Current and Future Development and Performance

Student Numbers

In 2016/17 the College has overachieved its funding target of £17,564,000 in funding body main allocation funding (2015/16: £16,006,407). The College had approximately 5,000 mainstream-funded and 1,000 non-mainstream-funded learners.

Student Achievements

Students continue to prosper at the College. Success rates rose again in 2016/17, 87%, are improved on the success rates for 2015/16, 84%. Whilst it is too early to make predictions about the success rates for 2017/18, there is no reason not to expect the upward trends of the last few years to continue.

Curriculum Developments

In 2016/17 the main curriculum and College achievements were:

- 16-18 enrolment and funding targets have been exceeded with 2,990 students enrolled against a target of 2,741 (+249).
- Overall achievement rates have improved from 83.6% in 2015/16 to 86.6% in 2016/17 and Apprenticeship achievement rates remain strong (over 5% above national averages).
- Significant growth in apprenticeships from £1.3m in 2015/16 to £1.7m in 2016/17.
- The Great Teaching initiative is progressing at pace leading to an increase in 16-18 achievement rates including maths and English.
- Value added on vocational courses is outstanding.
- The College continues to be rated as 'good' by Ofsted following a short inspection in September 2016.

The College continues to develop its curriculum and offers courses in all fifteen subject sector areas. The most significant areas of the College's work are A Levels, Preparation for Life and Work, Visual & Performing Arts, Hairdressing & Beauty Therapy, Health & Social Care and Business. A particular strength is in making students ready for the next stage in their lives, whether this is employment or higher education.

In 2016/17 provision has been offered at the Kingsway site, the Cronton site and CRMz, a specialist learning environment. The College is currently implementing a phased approach to property development following an in-depth appraisal of accommodation on all existing sites. This has resulted in improved accommodation and facilities on the Cronton and Kingsway sites.

The IDEA (Innovation, Digital, Engineering and Applications) Centre at Cronton, which supports a range of sectors including Advanced Manufacturing, Digital, Health and Life Sciences, opened in May to great acclaim from local employers. The intention is to develop digital natives in line with LCR4.0 in order to unlock future skills potential.

Apprenticeships are offered in over 26 frameworks. There are over 700 learners accessing apprenticeships, working with over 500 employers, most recently Alstom, Heroux Devtec and Howdens.

Members' Report *(continued)*

The College continues to work closely with local universities to develop and deliver a range of foundation degrees and higher education provision delivered on employers' premises.

The College continues to expand its HE offer and has introduced Engineering, IT, Education and Health and Social Care at levels 4, 5 and 6.

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 target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2016 to 31 July 2017, the College paid 88 per cent of its invoices (>5,500) within 30 days. The College incurred no interest charges in respect of late payment for this period.

Events after the end of the reporting period

There were no post-balance sheet events which affect the basis of the calculation of the financial statements.

Future Developments

The College has planned income of £18,698,000 for 2017/18 from mainstream activity. This represents a growth in student numbers over 2016/17 and with improved capacity and facilities on the two main sites the College is aiming to make further increases over the next three years.

The College aims to significantly increase its contribution by introducing a number of efficiency measures across the College sites, including improved timetabling, class sizes, staff utilisation and procurement measures. The College would like to reduce dependency on mainstream activity and is seeking opportunities, particularly in the areas where the College currently performs well, such as Higher Education and full cost work.

Resources

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

Tangible resources include the College sites at Kingsway and Cronton.

Financial

The College has £5.4 million of net assets (including £6.4m defined benefit pension liability) and long term debt of £3.3 million.

People

The College employs 350 people (expressed as full time equivalents), of whom 190 are teaching staff.

Reputation

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

Members' Report *(continued)*

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 Risk Management Group undertakes a comprehensive review of the risks to which the College is exposed. It identifies systems and procedures, including specific preventable 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 mitigating actions. In addition to the annual review, at each meeting, the Risk Management Group also considers any risks which may arise as a result of the College undertaking work in a new area or from changes to the external environment.

A risk register is maintained at College level which is reviewed at each meeting of the Audit Committee and the Board. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

This is supported by a risk management training programme to raise awareness of risk throughout the College.

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

1. Government funding

The College has considerable reliance on continued Government funding. In 2016/17, 88% of the College's revenue was ultimately publicly funded and this level of requirement is expected to continue in 2017/18. There can be no assurance that government policy or practice 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 impact on College structure and future funding, including apprenticeship reforms and the devolution of the adult education budget. The College, in conjunction with its key stakeholders, is developing a strategy for growth in response to the devolution agenda and to the apprenticeship reform. It is recognised that the introduction of the apprenticeship levy will significantly affect that marketplace though the full implications are not yet known as government policy continues to develop.

These risks are mitigated in a number of ways:

- Preparing prudent financial plans for future years which include current best estimates of the reductions in funding for classroom-based learning.
- By ensuring the College is rigorous in delivering high quality education and training.
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies.
- Actively seeking to diversify the College's income streams to reduce the dependence on core funding.
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding.

2. Failure to achieve planned retention, achievement and success rates.

The College has demonstrated rapid improvements in learner's performance in recent years and has set challenging targets for increasing success rates over the next three years. Its ability to achieve these targets will be directly affected by the quality of teaching and learning and the availability of adequate resources.

Members' Report *(continued)*

This risk is mitigated in a number of ways:

- By ensuring that key performance indicators are rigorously set and monitored.
- Ensuring that action plans are addressed both efficiently and effectively.
- By ensuring that there are adequate resources within the College to effect changes to accommodation and equipment in line with curriculum need.

Stakeholder Relationships

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

- Students
- Education sector funding bodies
- FE Commissioner
- Local Authorities
- Local Enterprise Partnerships (LEPs)
- Staff
- Local employers (with specific links)
- Relevant Government Offices
- The local community
- Other FE and HE institutions
- Trade unions
- Professional bodies.

The College recognises the importance of these relationships and engages in regular communication with them through the College internet and intranet sites and by meetings.

Equality & Diversity

The College is committed to ensuring equality of opportunity for all learners and staff. The College respects and values positively differences between individuals. The College's Equality & Diversity Policy (and accompanying Codes of Practice) sets out how it will work to eliminate unlawful discrimination, harassment or victimisation, promote equality of opportunity for all and foster good relations between those people who have a protected characteristic and those who have not. The implementation of this Policy is sufficiently resourced and is monitored on a regular basis by management and governors.

Disability Statement

The College seeks to achieve the objectives set down in the Equality Act 2010 and the Disability Discrimination Act 1995 as amended by the Special Education Needs and Disability Acts 2001 and 2005.

- a) As part of its accommodation strategy the College regularly undertakes access audits.
- b) The College has an Additional Learning Support Co-ordinator, who provides information, advice and arranges support where necessary for students with disabilities.
- c) There is a list of specialist equipment, such as radio aids, which the College can make available for use by students and a range of assistive technology is available through the Additional Learning Support office.
- d) Outline guidance on admissions is described in the College's Equality and Diversity Policy. Appeals against a decision not to offer a place are dealt with under the complaints policy.
- e) The College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing

Members' Report *(continued)*

programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.

- f) Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.
- g) Counselling and welfare services are described in the College Student Guide, which is issued to students at induction, together with leaflets on the complaints and disciplinary procedures.

Disclosure of information to auditors

The governors 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. Each governor 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 Board of Governors on 18th December 2017 and signed on its behalf by:



Wesley Rourke
Chair

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1st August 2016 to 31st July 2017 and up to the date of approval of the annual report and financial statements.

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 2016 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 which has been adopted by the Board.

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

The Corporation

The members who served 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
Valerie Allen	18.07.2011 07.07.2015	4 years 4 years		External	Audit (from 15.12.2014); Search & Governance (from 18.07.2011 – Chair from Sept 2015), Remuneration (from 01.08.2017), Vice-Chair of Board (from 01.08.2017)	Board 75% Audit 100% Search 50%
Ethan Bartlett	17.10.2016	1 year	31.07.2017	Student	Quality & Standards (from 17.10.2016)	Board 50% Q&S 100%
Karen Banks	10.07.2017	4 years		External	Audit (from 10.07.2017) and Quality & Standards (from 10.07.2017)	Board 100% Audit 100% Q&S n/a
Alan Bennett	23.05.2005 26.03.2009 25.03.2013 07.07.2015	4 years 4 years 2.25 years 2+ years	31.07.2017	External	Chair of Board (from 01.08.2011 to 31.07.2017); Search & Governance (from 01.08.2011 - Chair from 01.08.2011 to 12.10.2015); Finance & Resources (Chair from 01.08.2016 to 31.07.2017); Remuneration (from 01.08.2011 to 31.07.2017 – Chair from 01.08.2011 to 31.07.2017); Quality & Standards (from 01.01.2007 – Chair from 01.08.2007 to 31.07.2015)	Board 75% F&R 67% Q&S 75% S&G 100% Remun. 100%
Jayne Caslin	07.07.2014 04.07.2016	2 years 2 years		Staff	Quality & Standards (from 01.08.2014)	Board 100% Q&S 100%
Sarah Hardman	01.08.2017	1 year		Student	Quality & Standards (from 01/08.2017)	Board 100% Q&S n/a
Sue Hopper	26.09.2006 12.07.2010 07.07.2014	4 years 4 years 4 years		External	Quality & Standards (Chair from Nov 2015); Search & Governance; Audit (from 01.08.2011 to 14.10.2013 and from 01.08.2014 to 20.09.2015); Remuneration (from 01.08.2010)	Board 100% Q&S 100% S&G 100% Remun. 100%
Tony McDermott	14.12.2015	4 years		External	Quality & Standards (from 14.12.2015); Finance & Resources (from 14.12.2015)	Board 100% F&R 67% Q&S 100%
Neil McGrath	18.07.2011 07.07.2015	4 years 4 years		External	Audit (Chair from 26.09.2011 to 20.09.2015)	Board 50% Audit 67%
Tom McInerney	04.07.2016	4 years		External	Audit (from 01.09.2016); Quality & Standards (from 01.09.2016)	Board 100% Q&S 75% Audit 0%

Name	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance
Mary Murphy	01.09.2013	In post		Principal	Finance & Resources; Search & Governance	Board 100% F&R 67% S&G 100%
Peter O'Donnell	15.07.2007 18.07.2011 07.07.2015 04.07.2016	4 years 4 years 2 years 1 year	31.07.2016 31.07.2017	External Co-opted non-governor	Finance & Resources from 16.07.2007 to 31.07.2016 (Chair from 03.10.2011 to 31.07.2016); Remuneration (18.07.2011 to 31.07.2016) Vice Chair of Board (01.08.2011 to 31.07.2016). Finance & Resources (from 01.08.2016 to 31.07.2017)	F&R 100%
Lynn Pegler	17.10.2016	4 years		External	Audit from 17.10.2016	Board 100% Audit 100%
Wesley Rourke	12.07.2010 07.07.2014	4 years 4 years		External	Vice-Chair of Board (from 01.08.2016 to 31.07.2017); Audit from 12.07.2010 to 31.07.2017 (Chair from 21.09.2015 to 31.07.2017); Search & Governance (from 02.11.2015); Remuneration (from 01.08.2016 – Chair from 01.08.2017); Finance & Resources (from 01.08.2017)	Board 100% Audit 100% S&G 100% Remun. 100% F&R n/a
Melanie Simmonds	17.12.2012	4 years	12.12.2016	External	Audit (from 14.10.2013 to 17.03.2014 and from 21.09.2015 to 12.12.2016); Quality & Standards (17.12.2012 to 17.03.2014); Remuneration (from 13.10.2015 to 12.12.2016)	Board 0% Audit 50% Remun. 100%
Ben Smith	01.08.2017	1 year		Student	Quality & Standards (from 01.08.2017)	Board 100% Q&S n/a
Susan Smith	04.07.2016	4 years		External	Finance & Resources (from 04.07.2016)	Board 100% F&R 67%
Denise Whitney	15.10.2014	2 years	14.10.2016	Staff	Audit (from 15.10.2015 to 14.10.2016)	Board 100% Audit 100%

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

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

The Board is provided with regular and timely data 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 Board meets each term as a minimum.

The Board conducts its business through a number of committees, with limited delegated authority. A derivative of the Carver model of governance is in operation, whereby agendas focus on setting strategy, approving a policy framework and monitoring executive performance. Each committee has terms of reference, which have been approved by the Board. These committees are Quality and Standards, Finance and Resources, Remuneration, Search and Governance and Audit. Minutes of all meetings, except those deemed to be confidential by the Board, are available on the College's website or from the Clerk to the Governors at:

Riverside College Halton
Kingsway
Widnes
Cheshire
WA8 7QQ

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

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

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

The Board has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Board considers that each of its external 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 Principal are separate.

The Board is engaged in a continuous review of its own effectiveness through assessments of individual and collective performance of governors, SMT and the Clerk. Processes are reviewed at least annually to ensure that they meet best practice and incorporate current initiatives (eg the Code). Arrangements on governance were measured against set criteria and found to be in line with best practice and the guidance in the Code.

Appointments to the Board

Any new appointments to the Board are a matter for the consideration of the Board as a whole. The Board has a Search and Governance Committee, consisting of four governors, which is responsible for the selection and nomination of any new member for the Board's consideration. The Board is responsible for ensuring that appropriate training is provided as required.

Governors are appointed for a term of office not exceeding four years. Reappointments are only made after consideration by the Search and Governance Committee of issues such as individual attendance and contribution, which then makes a recommendation to the full Board.

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

Remuneration Committee

Throughout the year ending 31 July 2017, the College's Remuneration Committee comprised four governors. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal, other senior post-holders and the Clerk to the Governors.

Details of the remuneration of the senior post-holders for the year ended 31 July 2017 are set out in note 6 to the financial statements.

Audit Committee

The Audit Committee comprised five governors (excluding the Principal and Chair). The Committee operates in accordance with written terms of reference approved by the Board and based on the requirements of the Post-16 Audit Code of Practice.

The Audit Committee meets on a termly basis and provides a forum for reporting by the College's internal, regularity and financial statements 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 extended assurance auditors monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit Committee.

Management is responsible for the implementation of agreed audit recommendations and periodic follow-up reviews are undertaken to ensure that any such recommendations have been implemented.

The Audit Committee also advises the Board on the appointment of internal (or equivalent), regularity and financial statements auditors and their remuneration for both audit and non-audit work as well as reporting annually to the Board.

Internal Control

Scope of responsibility

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

The Board 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 she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between the College and the funding bodies. The Principal is also responsible for reporting to the Board any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an 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 at the College for the year ended 31 July 2017 and up to the date of approval of the annual report and accounts.

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

Capacity to handle risk

The Board 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 Board 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 ended 31 July 2017 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Audit Committee and the Board.

The risk and control framework

The system of internal control is based on a framework of regular management information, administrative 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 are reviewed and agreed by the Board;
- regular reviews by the Board 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 not appointed an internal audit service for the year ended 31 July 2017. For that year, College management and Governors have assessed the internal controls and developed a Board Assurance Framework, clearly showing the mapping of assurance sources against the risks identified.

The College analysed the risks to which it was exposed and a programme of assurance was agreed with the Audit Committee. External consultants were procured to provide reports on this assurance activity which included reviews of Human Resources processes and key financial controls.

The extended assurance service operated in accordance with the requirements of the Joint Audit Code of Practice.

Review of effectiveness

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

- the work of the extended assurance consultants;
- 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, regularity and appointed funding auditors in their management letters and other reports.

The Principal has been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the extended assurance auditor and other sources of assurance (and Risk Management Group, if appropriate), and a plan is in place to address weaknesses and ensure the continuous improvement of the system.

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 the Audit Committee also receive regular reports from extended assurance audits and other sources of assurance, 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 Board gives a high level

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

Review of effectiveness (continued)

of priority to consideration of risk and controls and the Board 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 October 2017 meeting, the Board considered documentation on the assessment of internal controls from the senior management team and extended assurance audits, and took into account events since 31 July 2017.

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

Going concern

The College currently has £3.3m of loans outstanding with bankers on various terms negotiated as stated in Note 14. The terms of the existing agreements are for up to another 10 years. The College's forecast and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

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

Approved by order of the Board of Governors on 18th December 2017 and signed on its behalf by:



Wesley Rourke
Chair



Mary Murphy
Principal

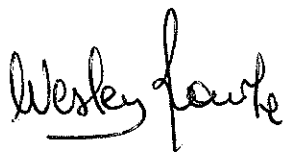
Statement of Regularity, Propriety and Compliance

The Board has considered its responsibility to notify the ESFA of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the financial memorandum. As part of its consideration the Board has due regard to the requirements of the financial memorandum.

We confirm, on behalf of the Board, that after due enquiry, and to the best of its knowledge, the Board believes it is able to identify any material irregular or improper use of funds by the College, or material non-compliance with the ESFA's terms and conditions of funding under the College's financial memorandum.

We further confirm that no instances of material irregularity, impropriety or funding non-compliance discovered to date if any instances are identified after the date of this statement, these will be notified to the ESFA.

Approved by order of the Board of Governors on 18th December 2017 and signed on its behalf by:



Wesley Rourke
Chair



Mary Murphy
Accounting Officer

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the 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 company'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 company or to cease operations, or have no realistic alternative but to do so.


The Corporation is also required to prepare a Members Report which describes what it is trying to do and how it is going about it, including 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.

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 18th December 2017 and signed on its behalf by:



Wesley Rourke
Chair

Independent Auditor's Report to the Corporation of Riverside College Halton

Opinion

We have audited the financial statements of Riverside College Halton ("the College") for the year ended 31st July 2017 which comprise the Statement of Comprehensive Income, the Statement of Changes in Reserves, the Balance Sheet, the 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 31st 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 Members' Report and the Corporation's 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.

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 20, 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.

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.



Sue Suchoparek
For and on behalf of KPMG LLP, Statutory Auditor
1 St Peter's Square
Manchester
M2 3AE

Date: 19th December 2017

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

In accordance with the terms of our engagement letter dated 1 December 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 Riverside College Halton 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 Riverside College Halton 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 Riverside College Halton 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 Riverside College Halton and the Education and Skills Funding Agency for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Riverside College Halton and the reporting accountant

The corporation of Riverside College Halton 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 period 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.

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.



Sue Suchoparek
For and on behalf of KPMG LLP, Reporting Accountant
1 St Peter's Square
Manchester
M2 3AE

Date: 19th December 2017

Statement of Comprehensive Income and Expenditure
for the year ended 31 July 2017

	Note	2017 £	2016 £
Income			
Funding body grants	2	17,441,744	16,666,694
Tuition fees and education contracts	3	1,456,495	1,282,745
Other income	4	873,635	1,375,763
Investment income	5	18,418	30,508
		<hr/>	<hr/>
Total income		19,790,292	19,355,710
		<hr/> <hr/>	<hr/> <hr/>
Expenditure			
Staff costs	6	11,881,684	11,122,670
Other operating expenses	7	5,555,416	5,196,698
Depreciation	10	1,321,142	1,230,887
Impairment of Runcorn campus	10	956,319	750,000
Interest payable	8	343,119	483,039
		<hr/>	<hr/>
Total expenditure		20,057,680	18,783,294
		<hr/> <hr/>	<hr/> <hr/>
(Deficit)/surplus on continuing operations before other gains and losses		(267,388)	572,416
		<hr/>	<hr/>
(Deficit)/surplus before tax		(267,388)	572,416
		<hr/>	<hr/>
Taxation	9	-	-
		<hr/>	<hr/>
(Deficit)/surplus for the year		(267,388)	572,416
		<hr/> <hr/>	<hr/> <hr/>
Actuarial gains/(losses) in respect of pension scheme	16	2,444,000	(1,690,000)
		<hr/>	<hr/>
Total comprehensive income for the year		2,176,612	(1,117,584)
		<hr/> <hr/>	<hr/> <hr/>

The statement of comprehensive income is in respect of continuing activities

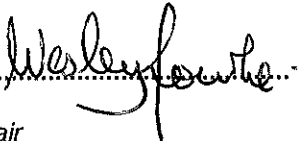
Statement of Changes in Reserves
for the year ended 31 July 2017

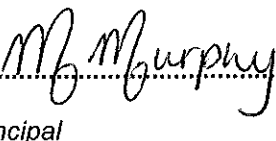
	Income and expenditure account £
Balance at 1st August 2015	4,369,699
Surplus from the income and expenditure account	572,416
Other comprehensive income	(1,690,000)
	<hr/>
Balance at 31st July 2016	3,252,115
Deficit from the income and expenditure account	(267,388)
Other comprehensive income	2,444,000
	<hr/>
Total comprehensive income for the year	2,176,612
	<hr/> <hr/>
Balance at 31st July 2017	5,428,727
	<hr/> <hr/>

Balance Sheet
as at 31 July 2017

	Note	2017 £	2016 £
Non current assets			
Fixed assets	10	16,496,337	15,997,700
		<hr/>	<hr/>
		16,496,337	15,997,700
Current assets			
Trade and other receivables	11	788,908	717,361
Cash and cash equivalents		6,552,908	7,258,617
		<hr/>	<hr/>
		7,341,816	7,975,978
Creditors: Amounts falling due within one year	12	(4,335,633)	(4,658,623)
		<hr/>	<hr/>
Net current assets		3,006,183	3,317,355
		<hr/>	<hr/>
Total assets less current liabilities		19,502,520	19,315,055
Creditors: Amounts falling due after more than one year	13	(6,254,437)	(6,075,469)
		<hr/>	<hr/>
Provisions			
Other provisions	15	(1,439,356)	(1,505,471)
Defined benefit obligations	16	(6,380,000)	(8,482,000)
		<hr/>	<hr/>
Total net assets		5,428,727	3,252,115
		<hr/>	<hr/>
Reserves			
Income and expenditure account		5,428,727	3,252,115
		<hr/>	<hr/>
Total reserves		5,428,727	3,252,115
		<hr/>	<hr/>

The financial statements on pages 25 to 48 were approved by the Board on 18th December 2017 and were signed on its behalf by:

.....

 Chair

.....

 Principal

Statement of Cash Flows
for the year ended 31 July 2017

	Note	2017 £	2016 £
Cash inflow from operating activities			
Deficit for the year		(267,388)	572,416
Adjustments for non-cash items			
Depreciation	10	1,321,142	1,230,887
Impairment of Runcorn campus	10	956,319	750,000
Pension cost less contributions payable		342,000	266,000
Increase in debtors		(71,547)	(337,189)
(Decrease)/Increase in creditors due within one year		(206,436)	136,640
Increase in creditors due after one year		667,942	284,501
(Decrease)/increase in provisions		(66,115)	48,578
Adjustment for investing or financing activities			
Interest receivable	5	(18,418)	(30,508)
Interest payable	8	120,022	112,525
Net cash flow from operating activities		<u>2,777,521</u>	<u>3,033,850</u>
Cash flows from investing activities			
Interest receivable	5	18,418	30,508
Payments to acquire fixed assets	10	(2,776,098)	(1,368,900)
		<u>(2,757,680)</u>	<u>(1,338,392)</u>
Cash flow from financing activities			
Interest payable	8	(120,022)	(112,525)
New loans	14	-	1,000,000
Repayment of amounts borrowed		(605,528)	(713,234)
		<u>(725,550)</u>	<u>174,241</u>
(Decrease)/Increase in cash and cash equivalents in the year	17	<u>(705,709)</u>	<u>1,869,699</u>
Cash and cash equivalents at the beginning of the year		<u>7,258,617</u>	<u>5,388,918</u>
Cash and cash equivalents at the end of the year		<u><u>6,552,908</u></u>	<u><u>7,258,617</u></u>

Notes to the Accounts

(forming part of the financial statements)

1 Statement of accounting policies

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

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.

Basis of consolidation

In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are prepared to 31 July 2017.

Going concern

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

The College currently has loans outstanding with bankers on various terms negotiated as stated in Note 14. The terms of the existing agreements are for up to another 10 years. The College's forecast and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

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

Recognition of income

Revenue Grant Funding

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 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.

Notes to the Accounts *(continued)*

1 Statement of accounting policies *(continued)*

Recognition of income *(continued)*

Revenue Grant Funding *(continued)*

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.

Capital Grant Funding

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual model as permitted by FRS 102. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

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

Fee Income

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

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

Investment Income

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

Agency Arrangements

The College acts as an agent in the collection and payment of certain discretionary support funds. 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

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

Teachers' Pension Scheme

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.

Cheshire Local Government Pension Scheme (LGPS)

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

Notes to the Accounts *(continued)*

1 Statement of accounting policies *(continued)*

Cheshire Local Government Pension Scheme (LGPS) (continued)

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 gains and losses.

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.

Further details of the pension schemes are given in note 16.

Non-current assets - Tangible fixed assets

Tangible fixed assets are stated at 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. Land and buildings acquired since Incorporation are included in the balance sheet at cost. Freehold land is not depreciated as it is considered to have an infinite useful life. Freehold buildings are depreciated over their expected useful economic life to the College of 50 years. Improvements to freehold buildings have been depreciated over their expected useful economic life to the College of 20 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

On adoption of FRS102, the College followed the transitional provisions to retain the book value of land and buildings, which were re-valued in 1996, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

Notes to the Accounts *(continued)*

1 Statement of accounting policies *(continued)*

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.

Finance costs which are directly attributable to the construction of land and buildings are not capitalised as part of the cost of those assets.

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

Subsequent expenditure on existing fixed assets

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

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

Buildings owned by third parties

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

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

Equipment

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

Inherited equipment is depreciated on a straight line basis over its remaining useful economic life to the College and is now fully depreciated. All other equipment is depreciated over its useful economic life as follows:

Motor vehicles and general equipment	-	20% per year
Computer equipment	-	25% per year
Furniture and fittings	-	25% per year

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

Stocks

Stocks are not valued in the balance sheet unless considered material to the operations of the College.

Maintenance of premises

The cost of routine corrective maintenance is charged to the income and expenditure account in the period it is incurred. The College has a ten year planned maintenance programme which is reviewed on an annual basis.

Notes to the Accounts *(continued)*

1 Statement of accounting policies *(continued)*

Foreign currency translation

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

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Charitable 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 a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

Deferred taxation

Except where otherwise required by accounting standards, full provision without discounting is made for all timing differences which have arisen but not reversed at the balance sheet date.

Liquid resources

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

Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, management have made the following judgement.

The value of the Runcorn campus has been impaired to market value.

Other key sources of estimation uncertainty:

Tangible fixed assets

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

Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 26, 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 2016 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.

Notes to the Accounts (continued)

1 Statement of accounting policies (continued)

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.

Provisions

Provisions are recognised when the College has a present legal or constructive obligation as a result of a past event and 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.

Cash and cash equivalents

Cash includes cash in hand and deposits repayable on demand less overdrafts repayable on demand.

2 Funding body grants

	2017 £	2016 £
Education and Skills Funding Agency – adult	2,110,937	1,954,021
Education and Skills Funding Agency – 16-18	12,777,284	12,705,414
Education and Skills Funding Agency – Apprenticeships	1,901,794	1,346,972
Education and Skills Funding Agency non- recurrent grants	290,572	237,982
HEFCE recurrent grant	107,591	127,294
Release of deferred capital grant	253,566	295,011
	<hr/>	<hr/>
	17,441,744	16,666,694
	<hr/> <hr/>	<hr/> <hr/>

3 Tuition fees and education contracts

	2017 £	2016 £
UK Higher Education Learners	737,764	563,187
UK Further Education Learners	718,731	719,558
	<hr/>	<hr/>
Total fees paid by or on behalf of individual learners	1,456,495	1,282,745
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Accounts *(continued)*

4 Other income

	2017 £	2016 £
Other income	853,635	867,581
Other grant income	20,000	508,182
	<u>873,635</u>	<u>1,375,763</u>

5 Investment income

	2017 £	2016 £
Other interest receivable	18,418	30,508
	<u>18,418</u>	<u>30,508</u>

6 Staff numbers and costs

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

	2017 Number	2016 Number
Teaching departments – teaching staff	190	180
Teaching departments – other staff	50	50
Teaching support services	28	28
Other support services	11	11
Administration and central services	49	49
Premises	22	22
	<u>350</u>	<u>340</u>

Staff costs for the above persons were as follows:

	2017 £	2016 £
Wages and salaries	9,115,767	8,750,818
Social security costs	815,803	662,501
Other pension costs	1,776,469	1,521,941
	<u>11,708,039</u>	<u>10,935,260</u>
Payroll sub total		
	11,708,039	10,935,260
Contracted out lecturing services	173,645	187,410
	<u>11,881,684</u>	<u>11,122,670</u>

Notes to the Accounts *(continued)*

6 Staff numbers and costs *(continued)*

	2017 £	2016 £
Teaching departments – teaching staff	6,769,190	6,230,427
Contracted out lecturing services	173,645	187,410
Teaching departments – other staff	1,484,394	1,463,149
Teaching support services	664,626	634,098
Other support services	257,941	237,952
Administration and central services	1,837,376	1,778,834
Premises	557,512	559,800
FRS 102 (28) charge	137,000	31,000
	<u>11,881,684</u>	<u>11,122,670</u>

Total staff costs, split by type of contract, were:

	2017 £	2016 £
Employment costs for staff on permanent contracts	11,449,562	10,798,587
Employment costs for staff on short-term and temporary contracts	258,477	136,673
Contracted out lecturing services	173,645	187,410
	<u>11,881,684</u>	<u>11,122,670</u>

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Senior Management Team which comprises the Principal, Deputy Principals and Assistant Principals.

Emoluments of key management personnel and other higher paid staff

The number of key management personnel who received annual emoluments, excluding pension contributions and employer's national insurance, in the following ranges was:

	2017	2017	2016	2016
	Key management personnel	Number of other higher paid staff	Key management personnel	Number of other higher paid staff
£60,001 to £70,000	2	-	2	-
£70,001 to £80,000	1	-	1	-
£80,001 to £90,000	1	-	1	-
£110,001 to £120,000	1	-	1	-

A consolidated pay award of 1.00% was made in year.

Notes to the Accounts *(continued)*

6 Staff numbers and costs *(continued)*

	2017	2016
	Number	Number
The number of key management personnel including the Principal was	5	5
Key management personnel emoluments are made up as follows:		
	2017	2016
	£	£
Salaries	403,027	389,567
Pension contributions	67,682	63,611
	<u>470,709</u>	<u>453,178</u>

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

	2017	2016
	£	£
Salaries	113,887	111,379
Pension contributions	18,765	18,136
	<u>132,652</u>	<u>129,515</u>

The pension contributions in respect of the Principal and key management personnel are in respect of employer's contributions to either the Teachers' Pension Scheme or the Local Government Pension Scheme and are paid at the same rate as for other employees.

The members of the Board other than the Principal and the staff members did not receive any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

Overseas activities

No overseas expenditure was incurred by governors, key management personnel or other higher paid staff.

Notes to the Accounts (continued)

7 Other operating expenses

	2017 £	2016 £
Teaching departments	381,885	385,676
Teaching support services	144,591	31,709
Other support services	13,150	73,458
Administration and central services	846,387	978,060
General education	1,051,724	828,559
Premises costs – running costs	725,932	775,600
– maintenance	547,666	696,650
– rents and leases	313,031	280,634
Planned maintenance	689,876	665,767
Catering and residence operations	92,608	95,130
Franchised provision	719,803	355,447
Other expenses	28,763	30,008
	<u>5,555,416</u>	<u>5,196,698</u>

Other operating expenses include:

Auditors' remuneration:

Financial statements audit	30,360	28,242
Extended assurance	8,910	13,200
Other services provided by the Financial Statements Auditor		
TPA	840	840
Sub-contracting Review/FRS102	9,540	6,000

8 Interest payable

	2017 £	2016 £
On bank loans and overdrafts:		
Repayable wholly or partly in more than five years	120,022	112,525
Interest cost on defined benefit obligation	205,000	235,000
Interest on enhanced pension provision	18,097	135,514
	<u>343,119</u>	<u>483,039</u>

9 Taxation

The governors do not believe the College was liable for any corporation tax arising out of its activities during the year and the previous year.

Notes to the Accounts *(continued)*

10 Tangible fixed assets

	Land and Buildings			Total
	Freehold	Assets in the course of construction	Equipment	
	£	£	£	
Cost or valuation				
At 1 August 2016	25,491,117	342,559	12,353,835	38,187,511
Additions	1,734,606	-	1,041,492	2,776,098
Disposals	-	-	-	-
Transfer	342,559	(342,559)	-	-
At 31 July 2017	27,568,282	-	13,395,327	40,963,609
Accumulated depreciation				
At 1 August 2016	11,678,831	-	10,510,980	22,189,811
Charge for year	474,882	-	846,260	1,321,142
Impairment (Runcorn campus)	956,319	-	-	956,319
At 31 July 2017	13,110,032	-	11,357,240	24,467,272
Net book value				
At 31 July 2017	14,458,250	-	2,038,087	16,496,337
At 31 July 2016	13,812,286	342,559	1,842,855	15,997,700
Inherited	4,673,639	-	-	4,673,639
Financed by capital grant	3,486,361	-	310,288	3,796,649
Other	6,298,250	-	1,727,799	8,026,049
	14,458,250	-	2,038,087	16,496,337

Land and buildings were valued for the purpose of the 1994 financial statements at depreciated replacement cost by White Young, a firm of independent chartered surveyors, in accordance with the RICS Statement of Asset Valuation Practice and Guidance notes. Other tangible fixed assets inherited from the local education authority at incorporation have been valued by the Board on a depreciated replacement cost basis with the assistance of independent professional advice.

Land and buildings with a net book value of £4,673,639 (2016: £4,787,158) have been partly financed from exchequer funds, through for example the receipt of capital grants. Should these assets be sold, the College may be liable, under the terms of the financial memorandum with the funding bodies, to surrender the proceeds.

Fixed assets include land and buildings with a net book value of £3,796,649 (2016: £3,196,305) which have been partially funded by a grant from the funding bodies. The Education and Skills Funding Agency does not have the power to guarantee future funding streams to colleges and cannot guarantee that this funding will continue after the current year. Provision has not, therefore, been made for anticipated future receipts.

Notes to the Accounts (continued)

10 Tangible fixed assets (continued)

The Runcorn campus has been impaired to its market value. The net book value of tangible fixed assets includes an amount of £nil (2016: £nil) in respect of assets held under finance leases. The depreciation charge on these assets for the year was nil (2016: £nil).

11 Trade and other receivables

	2017 £	2016 £
Amounts falling due within one year:		
Trade receivables	407,844	187,355
Prepayments and accrued income	381,064	530,006
	<hr/>	<hr/>
	788,908	717,361
	<hr/>	<hr/>

12 Creditors: Amounts falling due within one year

	2017 £	2016 £
Bank loans and overdrafts (note 14)	585,952	702,506
Trade payables	333,609	239,208
Other taxation and social security	408,427	377,365
Accruals and deferred income	2,781,123	3,044,544
Deferred income – government capital grants	226,522	295,000
	<hr/>	<hr/>
	4,335,633	4,658,623
	<hr/>	<hr/>

13 Creditors: Amounts falling due after more than one year

	2017 £	2016 £
Bank loans (note 14)	2,685,190	3,174,164
Deferred income – government capital grants	3,569,247	2,901,305
	<hr/>	<hr/>
	6,254,437	6,075,469
	<hr/>	<hr/>

14 Maturity of debt

Bank loans and overdrafts

	2017 £	2016 £
Bank loans and overdrafts are repayable as follows:		
Within one year	585,952	702,506
Between one and two years	560,522	587,384
Between two and five years	1,174,668	1,386,780
In five years or more	950,000	1,200,000
	<hr/>	<hr/>
	3,271,142	3,876,670
	<hr/>	<hr/>

Notes to the Accounts (continued)

14 Maturity of debt (continued)

The College currently has seven bank loans, the details of which are as follows:

Runcorn Campus

A bank loan on the Runcorn Campus is repayable by monthly instalments of £10,700 falling due between 1 August 2002 and 31 July 2017, totalling £1,300,000. This is an unsecured loan covered by a letter of negative pledge. This means that the College cannot use any part of the former Widnes and Runcorn Sixth Form College campus as collateral without the lender's permission. Should the site be disposed of loans will either be repaid or secured on other College assets. The balance outstanding at 31st July 2017 is £254k. This bank loan is split with half being subject to a floating variable interest rate and the remainder being borrowed at a fixed interest rate of 6.13233%.

New build at Cronton Campus

A bank loan for £750,000 was drawn down in January 2006 and was also covered by a letter of negative pledge. The interest rate to be applied on the loan is 0.65% over base and will be repaid over a period of 15 years.

Development of Kingsway Campus

A secured bank loan of £1,500,000 was drawn down in December 2009. This loan is at a fixed rate of interest of 5.25% and will be repaid over ten years.

Development of Kingsway and Cronton Campuses

A secured bank loan of £900,000 was drawn down in February 2011. This loan is at a fixed rate of interest of 3.81% and was fully repaid in 2015/16.

Development of Kingsway and Cronton Campuses

A new secured bank loan of £500,000 was drawn down in December 2011. This loan is at a variable rate and was fully repaid in 2016/17.

Development of Kingsway and Cronton Campuses

Two new secured bank loans of £1,000,000 each were drawn down in November 2013 and February 2016. These loans are at a variable rate and will be repaid over ten years.

Development of Kingsway and Cronton Campuses

A new secured bank loan of £500,000 was drawn down in July 2017. This loan is at a variable rate and will be repaid over ten years.

Development of Kingsway and Cronton Campuses

A £3,000,000 rolling credit facility was set up in year. The first £1,000,000 of this facility was drawn down in July 2017. This facility is at a variable rate.

Notes to the Accounts *(continued)*

15 Provisions for liabilities and charges

	Enhanced Pension Provision	Other Provisions	Total
	£	£	£
At 1 August 2016	1,383,646	121,825	1,505,471
Expenditure in the period	(84,212)	-	(84,212)
Transferred from income and expenditure account	18,097	-	18,097
	<hr/>	<hr/>	<hr/>
At 31 July 2017	1,317,531	121,825	1,439,356
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Other provisions are for a European grant

£
121,825
<hr/> <hr/>

16 Defined benefit obligations

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

Total pension cost for the year	2017	2017	2016	2016
	£	£	£	£
Teachers' Pension Scheme: contributions paid		869,335		994,589
Local Government Pension Scheme:				
Contributions paid	790,000		741,000	
FRS 102 (28) charge	137,000		31,000	
	<hr/>		<hr/>	
Charge to the Statement of Comprehensive Income		927,000		772,000
Enhanced pension charge to Statement of Comprehensive Income		-		-
		<hr/>		<hr/>
Total Pension Cost for Year		<u>1,796,335</u>		<u>1,766,589</u>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2016.

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 to the Accounts (continued)

16 Defined benefit obligations (continued)

The Teachers' Pension Budgeting and Valuation Account

Although teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. 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 Act. Retirement and other pension 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 pensions' increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Valuation of the Teachers' Pension Scheme

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

- employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay.

The new employer contribution rate for the TPS has been implemented from September 2015.

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

<https://www.teacherspensions.co.uk/news/employers/2016/06/publication-of-the-valuation-report.aspx>

Scheme Changes

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

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2016 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 £869,334 (2016: £638,738)

Notes to the Accounts *(continued)*

16 Defined benefit obligations *(continued)*

FRS 102 (28)

Under the definitions set out in Financial Reporting Standard 102 (28.11) the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the Scheme.

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

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 July 2017 was £970,000, of which employer's contributions totalled £790,000 and employees' contributions totalled £180,000. The agreed contribution rates for future years are 20.9% plus £164,000 for employers and 2.75% to 9.9% for employees dependant on salary.

FRS 102

The following information is based upon a full actuarial valuation of the funds as at 31 March 2013 updated to 31 July 2017 by a qualified independent actuary.

Principal Actuarial Assumptions	At 31 July 2017	At 31 July 2016
Rate of increase in salaries	2.80%	2.90%
Rate of increase for pensions in payment / inflation	2.50%	1.90%
Discount rate for liabilities	2.70%	2.40%
Inflation assumption (CPI)	2.50%	1.90%

Commutation of pensions to lump sums

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
<i>Retiring today</i>	
Males	22.30
Females	24.50
<i>Retiring in 20 years</i>	
Males	23.90
Females	26.50

Notes to the Accounts *(continued)*

16 Defined benefit obligations *(continued)*

The College's share of the assets and liabilities in the Scheme and the expected rates of return were:

	Long-term rate of return expected at 31 July 2017	Value at 31 July 2017	Long-term rate of return expected at 31 July 2016	Value at 31 July 2016
		£'000		£'000
Equities	2.40%	10,139	2.40%	12,709
Bonds	2.40%	10,392	2.40%	8,319
Property	2.40%	1,521	2.40%	1,617
Cash	2.40%	3,295	2.40%	462
Total market value of assets		25,347		23,107
Present value of Scheme liabilities		(31,727)		(31,589)
Deficit in the Scheme		(6,380)		(8,482)

Analysis of the amount recognised in the statement of comprehensive income:

	2017 £'000	2016 £'000
Amounts included in staff costs		
Employer service cost (net of employee contributions)	927	772
Losses on curtailment	-	-
Past service cost	-	-
Total operating cost	927	772

Amounts included in investment income

Interest income on plan assets	(558)	(749)
Interest cost on defined benefit obligation	763	984
Net interest	205	235

Amount recognised in other comprehensive income

	2017 £'000	2016 £'000
Return on pension plan assets	1,388	1,391
Experience losses arising on defined benefit obligations	2,343	414
Changes in assumptions underlying the present value of liabilities	(1,287)	(3,495)
Amount recognised in other comprehensive income	2,444	(1,690)

Notes to the Accounts *(continued)*

16 Defined benefit obligations *(continued)*

Movement in deficit during year

	2017 £'000	2016 £'000
Deficit in scheme at 1 August	(8,482)	(6,526)
Movement in year:		
Employer service cost (net of employee contributions)	(927)	(772)
Employer contributions	790	741
Net interest on assets	(205)	(235)
Actuarial gain/(loss)	2,444	(1,690)
Deficit in scheme at 31 July	<u>(6,380)</u>	<u>(8,482)</u>

Asset and Liability Reconciliation

	2017 £'000	2016 £'000
Reconciliation of Liabilities		
Liabilities at start of period	31,589	27,161
Service cost	927	772
Interest cost	763	984
Employee contributions	180	175
Changes in financial assumptions	1,287	3,495
Other experience	(2,343)	(414)
Benefits paid	(676)	(584)
Losses on curtailment	-	-
Liabilities at end of period	<u>31,727</u>	<u>31,589</u>

Reconciliation of Assets

	2017 £'000	2016 £'000
Assets at start of period	23,107	20,635
Interest on plan assets	558	749
Return on plan assets	1,388	1,391
Employer contributions	790	741
Employee contributions	180	175
Benefits paid	(676)	(584)
Assets at end of period	<u>25,347</u>	<u>23,107</u>

The estimated value of the employer contributions for the year ended 31st July 2018 is £774,000.

Notes to the Accounts (continued)

17 Cash and cash equivalents	At 1 August 2016	Cash flows	At 31 July 2017
	£	£	£
Cash and cash equivalents	7,258,617	(705,709)	6,552,908
Debts due after 1 year	(3,174,164)	488,974	(2,685,190)
Debts due within 1 year	(702,506)	116,554	(585,952)
Total	<u>3,381,947</u>	<u>(100,181)</u>	<u>3,281,766</u>

18 Capital commitments	2017	2016
	£	£
Commitments contracted for at 31 July	2,750,000	2,954,000
Commitments authorised but not yet contracted for at 31 July	-	-

19 Contingent liability

The College had no contingent liability as at 31 July 2017.

20 Related party transactions

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

General Welding Supplies (NW) Limited, a company which V Allen has an interest. Transactions totalling £2,621 (2016: £20,400) relating to the purchase of specialist equipment took place. There were no amounts outstanding at the year-end (2016: £nil).

Halton Chamber of Commerce, which V Allen is Vice-Chair, had transactions of £1,266 in year relating to membership. There were no amounts outstanding at the year-end.

21 Post-balance sheet events

There were no post balance sheet events.

Notes to the Accounts *(continued)*

22 Amounts disbursed as agent

	2017 £	2016 £
Grants	569,698	769,504
Interest earned	-	-
	<hr/>	<hr/>
	569,698	769,504
Disbursed to students	569,698	769,504
	<hr/>	<hr/>
Balance unspent at 31 July	-	-
	<hr/> <hr/>	<hr/> <hr/>

Funding Body grants are available solely for learners. In the majority of instances, the College only acts as a paying agent. In these circumstances, the grants and related disbursements have therefore been excluded from the income and expenditure account, other than when the College has directly incurred expenditure.