Report and Financial Statements for the Year Ended 31 July 2016

Knowsley Community College

Date: January 2017
Version: 1

KNOWSLEY COMMUNITY COLLEGE

KEY MANAGEMENT PERSONNEL, BOARD OF GOVERNORS AND PROFESSIONAL ADVISERS

Key management personnel

Anne Pryer, Principal; Accounting officer

Gill Banks, Deputy Principal

Kevin Williams, Finance Director

Andrew Ellams, Director of Employer Engagement

Jim Parker, Director of Curriculum & Quality

Paul Woods, Head of MIS

Julie Milad, Head of HR

Board of Governors

A full list of Governors is given in page 12 & 13 of these financial statements.

Mr C Williams acted as Clerk to the Corporation throughout the period.

Professional advisers

Financial statements and regularity auditors:
KPMG LLP
1 St Peter's Square
Manchester
M2 3AE

Internal auditors:
PriceWaterhouseCoopers LLP
8 Princes Parade
St Nicholas Place
Liverpool L3 1QJ

Bankers:
Lloyds Bank Plc
1st Floor
31/32 Park Row
Leeds LS1 5JD

Solicitors:
DLA
India Buildings
Water Street
Liverpool L2 ONH

KNOWSLEY COMMUNITY COLLEGE

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

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KNOWSLEY COMMUNITY COLLEGE

REPORT OF THE GOVERNING BODY FOR THE YEAR ENDED 31 JULY 2016

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

NATURE, OBJECTIVES AND STRATEGIES

Legal status

Knowsley Community College (the 'Corporation') was established under the Further and Higher Education Act 1992 for the purpose of conducting Knowsley Community College. The College is an exempt charity for the purposes of part 3 of the Charities Act 2011.

Mission

The mission of the College as approved by its members is that of:

"Raising aspirations, maximising potential, and changing lives"

Public Benefit

Knowsley Community College is an exempt charity under Part 3 of the Charities Act 2011 and, from 1st September 2013, is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on page 18.

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 requirements that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit.

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

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

In delivering its mission, the College also supports the promotion of learning through its facilitation of community broadcasting through "KCC Live" and the organisational relationship with Missionneeds Ltd who run the local radio station for young people.

Implementation of strategic plan

In 2015, the Governing Body identified 4 strategic aims and 26 strategic objectives to be addressed between 2015 and 2018. The three year Strategic Plan supports Local Enterprise Partnership (LEP) priorities for the Liverpool City Region and skills priorities specified in the detailed skills for growth reports. The plan also reflects local priorities identified in the 2014/15 economic analysis undertaken for Knowsley Metropolitan Borough Council (KMBC).

The four strategic aims for the three-year period 2015/18 are:

1. Outstanding provision and outcomes for all
2. Strong finances
3. The College as a social enterprise
4. Develop and grow a highly skilled, professional and creative workforce.

The FE sector continues to go through considerable change in funding and policy. In addition, the College has been subject to considerable scrutiny from Ofsted, the FE Commissioners Office and the Skills Funding Agency. To ensure that the College can demonstrate progress and is robust in its planning assumptions, the Senior team has developed a one year plan for 2015/16 that sits alongside other key documents including:

- Quality Improvement plan
- Action plan for FE Commissioner
- Quality Improvement plan for Apprenticeships

Financial Objectives

The College has the following specific financial objectives for the current three- year financial plan:

1) An underlying operating surplus from 2014/15 onwards

2) Not to breach the bank's (Lloyds Bank Plc) amended loan covenants (which includes maintaining the College reserves above £1 million)

3) Pay expenditure as a percentage of total income (excluding income generated from partners' related activities) to be brought down to a level consistent with the FE sector as a whole (i.e. in the range of 65% to 68%)

4) A current ratio above 1:1 (Current Assets : Current Liabilities)

5) A cash balance of no less than £500,000 at any time

6) To achieve a Financial Health grade of "good" over the lifetime of the Strategic Operational Plan 2015/18

Performance indicators

FE Choices (formerly the "Framework for Excellence") has four key performance indicators:

- Success rates
- Learner destinations
- Satisfaction survey (formerly "Learner views")
- Satisfaction survey (formerly "Employer views")

The College is committed to observing the importance of sector measures and indicators and to use the FE Choices data available on the GOV.UK website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the Skills Funding Agency/Education Funding Agency. The College is assessed by the Skills Funding Agency/Education Funding Agency as having a 'Good' financial grade (based on Financial Record 2015). The current rating of Good is considered an acceptable outcome.

Financial position

Financial results

The College's aim was to build on the solid financial performance in 2014/15 and deliver a second year running of operating surplus in 2015/16. The medium to long-term aim is to reduce the value of loans with Lloyds Bank Plc and KMBC.

In 2015/16 the accounts show that the College delivered an operating surplus of £96,000 (2014/15: £307,000 deficit). This financial performance is a significant improvement on 2014/15 outturn position.

Total income has decreased by £1,928,000 (13%) compared to previous year. Funding body income has fallen by £1,327,000 (10.0%). The College relies significantly on the Skills Funding Agency (SFA) and Education Funding Agency (EFA) as its principal funding sources. In 2015/16, those funding agencies provided 87.2% of the College's total income.

Total staff costs were £7,087,000 (including severance costs) in 2015/16 which was 16.6% lower than 2014/15. When restructuring costs and the FRS17 pension provision are excluded, the decrease in staff costs is £1,261,000. Staff costs represents 55.3% of total income (excluding the release of deferred capital grants), or 66.3% of total income if subcontractor costs are also included to represent the full cost of delivery of College provision.

The College has accumulated reserves of £4,994,000 excluding the pension reserve (Balance on Income & Expenditure account, page 24, -£6114,000 less £11,108,000 pension reserve) and cash balances of £1,913,000. The College wishes to continue to accumulate reserves and cash balances in order to create a contingency fund. The reserves are held in order to:

a) Offset any cash flow problems caused through the timing of funding.
b) Ensure immediate financial stability following expected further funding cuts.
c) Fund the continued improvement of the College infrastructure through capital investment in both buildings and equipment.

Tangible fixed assets additions during the year amounted to £8,246,000. Of this spend amount, £7,130,000 relates to Stockbridge Lane and the remainder was spend against the successful LEP bids achieved in 2015/16.

The College have no 'live' subsidiary companies. A framework of a dormant company exists and may be resurrected if the need arises. For avoidance of doubt, there are no balances and the historic bank account has been closed.

The College currently has a 24% shareholding in Liverpool Media Academy (NW) Ltd. The College no longer has a subcontracting contract with LMA (NW) Ltd; subcontracting arrangements discontinued as at 31 July 2015. Post year-end Liverpool Media Academy (NW) Ltd went into administration. The College has provided a provision of £229,000 within these financial statements for all monies due from Liverpool Media Academy (NW) Ltd; to include its 24% shareholding.

SFA graded the financial statements for 2012/13 as "Inadequate". A *Financial Notice of Concern* was issued subsequently in 2014. The College's performance as recorded in its Financial Report for 2014/15 is 'good'. The College's latest 3-Year Financial Plan shows the College's financial health grade automatically calculated as 'Inadequate'. As Part of the submission of the 3- Year Financial Plan, the College applied for 'moderation' so as to recognise its financial grade as 'satisfactory' in all financial years. In November 2016, the SFA declined the college's bid. The risks associated with the disposal of Roby being sighted as the main reason for declining the bid.

Treasury policy and objectives

Treasury management is the management of the College's cash flows, its banking, money market and capital investment transactions; the effective control of its 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.

Any borrowing for capital purposes must have the specific authority of the Finance & General Purpose Committee. No borrowing can be arranged which would breach any existing covenants.

Cash Flows

College had net cash flow from operating activities of £555,000 (2014/15 £9,133,000). The net cash flow resulted from the management of College resources.

There was a net cash outflow of £8,246,000 in 2015/16 for capital expenditure and financial investment; Cash outflows from financing activities amounted to £659,000.

Loans

The College had three outstanding loans as at 31 July 2016:

- Lloyds Bank Plc (£4,490,000). Principal repayments of £76,000 per quarter
- KMBC (£2,674,000). Agreed repayment schedule concluding December 2018
- North Huyton Communities Future (£75,000). Repayment of loan in full scheduled for December 2017.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2015/16 the College has delivered activity that has produced £11,339,000 in funding body main allocation funding (2014/15: £12,214,000). The College has approximately 4,750 funded and 150 non-funded students.

Student achievements

The forecast overall success rates during 2015/16 improved from 83.0% to 84.5% with success rates for young learners aged 16-18 marginally decreasing from 81.3% to 81.2%. The forecast overall success rates for apprenticeship programmes is 60.0%, decreasing from 64.9% in 2014/15.

Curriculum Developments

The ambition of the College is to create an innovative and responsive curriculum which is underpinned by a robust performance and quality framework and meets the needs of individual students, employers and stakeholders. The College has a dedicated Advanced Manufacturing premises and its standards and reputation are improving year upon year.

The process of Curriculum Planning and Business Development ensures the College has a high level of assurance that Curriculum Area Business Plans are closely aligned to the College's strategic priorities, LEP priorities, local and regional skills gaps, funding allocations, and quality improvement drivers. The sum of all curriculum area plans results in the College meeting or exceeding all volume and quality targets within the budget set. The process also ensures that there is a constant dialogue with curriculum areas regarding their contribution to the College's strategic priorities. The well-established Curriculum and Business Planning process enables College managers to make decisions, promptly and effectively.

Many of the students have low levels of prior educational attainment. The College is situated in one the UK's most poorly performing local authorities areas. The introduction of Study Programmes for 16-19 year-olds ensures that all students who did not achieve a Grade C GCSE in English and/or Maths will continue to study these subjects.

Courses have been designed to ensure students are able to progress and to move securely into the labour market. The major curriculum initiatives this year have been to consolidate the developments and facilities around Advanced Manufacturing, Engineering and Logistics provision. In addition, a partnership with Lee Stafford Education will raise the profile of Hairdressing in Knowsley and across the Liverpool City Region. The reduction to the Adult Skills Budget of 17% necessitated a further review of the curriculum offer to take place to ensure the College was in a position to meet Government priorities of: a) Apprenticeship delivery b) English and maths skills development c) Skills development for courses where competency is a pre-requisite to moving between levels (e.g. Catering).

The College's Work World provision provides outstanding opportunities for adults to develop literacy, numeracy and employability skills in the community. Level 2 provision was reviewed with the decision to reduce allocation in some areas of the College and increase full-cost provision if the demand is there. Access to Higher Education provision was developed to reflect the local priorities and to provide a feeder into the range of newly developed HNCs and HNDs. The balance needs to be maintained to ensure the College meets its 24+ loan allocation by having a through route for students who wish to progress internally.

Other courses prepared students for university. These include:

- Access to Higher Education courses for 19+ learners
- Development of a range of Level 4 courses including HNDs which closely align to industry requirements and enable progression for our students.

Payment Performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges, in the absent of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods and 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%. The average payments to creditors was 7 days in 2014/15. The College incurred no interest charges in respect of late payment for this period.

Management Judgements

Consistent with 2014/15, the College decided to utilise the underspend against its Free Meals Allocation in its 2015/16 revenue accounts to the value of £92,000. The risk assessed rationale being:

- Education Funding Agency (EFA) funding guidance for 2015/16 does not make any reference to potential claw-back of any underspends;
- The EFA document 'Free Meals in future education' (September 2014) states that there will be '....no end of year reconciliation of free meals funding....'. There is a risk that any year-end provisions created could be retained on the balance sheet forever;
- There has been no in-year monitoring processes undertaken by the EFA;
- The outsourced catering company charge the College for the cost of producing free meals which is a legitimate cost to be funded from the funding allocation;
- There seems to be mixed approaches from local FE Colleges suggesting that there is no united consensus or indeed a right or wrong treatment.

Future developments

The College relocated its main campus from Roby to Stockbridge Lane (former Christ the King school) during August 2016. The legal agreements with KMBC are nearly complete. Over £9 million has been spent on the capital project involving Remodelling Works on the existing PFI building and the construction of a new Annexe. The College will enter into a 125-Year lease agreement, of which the initial 18 years will operate within a PFI framework. After the initial 18 years the remainder of the lease will operate under a 'peppercorn rent' agreement.

Outline Planning Approval has been granted for housing development on the Roby site. A competitive tendering exercise was conducted over the summer of 2016. The preferred developer has commissioned various surveys and is currently preparing to submit a detailed planning application, with the aim of contract exchange in February 2017. The Skills Funding Agency has a financial interest in the net sale proceeds as stipulated in the College Capital Investment Fund grant condition letter. Lloyds Bank Plc will also expect a share of the net proceeds as part early repayment of the current loan.

The College were successful with four funding bids from the Liverpool City Region Local Enterprise Partnership. One of the four bids was to develop part (approximately 1/3rd) of the College's Kirkby site as a joint location of the Northern Logistics Academy; joint bid with St Helens College. In addition to new logistics related education/training provision, the centre will also deliver WorkWorld provision as well as being a northern centre for NEET students.

During the late summer of 2015, the College received a competitive bid from a prospective developer for the remaining (2/3rd) part of the Kirkby site. Proactive efforts are continuing to be made to maintain the interest of the developer as the College continues to negotiate with KMBC the lifting of a restrictive covenant placed on the site in 1958. The interested part of the site has been demolished, the cost of which is to be funded from the eventual sale proceeds.

The two larger loans with Lloyds Bank Plc and KMBC encompass an agreed repayment schedule; the latter is forecast to conclude in December 2018.

RESOURCES:

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

Financial

The College has Total Net Liabilities of £2,164,000 (including £11,108,000 pension liability) and long term debt of £19,228,000.

People

The College employs 206 people (expressed as full-time equivalents), of whom 102 are teaching staff including trainer assessors).

Reputation

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

The FE Choices survey placed the College as the second top performing college in the Liverpool City Region for overall employer satisfaction in 2015/16 with a satisfaction rating of 97%, sixth highest in the country, meaning that Knowsley Community College has been in the top ten best performing colleges for two consecutive years.

PRINCIPAL RISKS AND UNCERTAINTIES:

The College has undertaken further work during the year to embed and improve 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 revised strategic plan, the College, through the Audit Committee and the Senior Leadership Team, undertakes regular reviews of the high level risks which the College is exposed. The Senior Leadership Team and key managers across the College identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are implemented and improved and the subsequent year's appraisals will review their effectiveness and progress against risk mitigation actions. In addition to the periodic reviews, the Senior Leadership Team consider risk management issues regularly including consideration of risks associated with new areas of work.

A risk register is maintained at the College level which is reviewed annually by the Audit Committee. 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. Only the highest risks are reported regularly to the Audit Committee; these are seem as strategic risks while others lower score risks as viewed as operational risks. The College commissioned external consultancy support during the year to revamp the College risk management arrangements and to facilitate training to key staff and governors.

Outline below is a description of the principal risks factors that may affect the College. Not all of the factors are within the College's control. Other factors in addition to those listed below may also adversely affect the College:

1. Government funding

The College has considerable reliance on continued government funding through the further education sector funding bodies. In 2015/16, c87% of the College's revenue was ultimately public funded and this level of requirement is expected to continue. 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 new SFA funding methodology was introduced in 2013/14 to coincide with the introduction of 24+ Advance Learning Loans in England.

The EFA funding methodology moved to a system of 'funding course programmes reflecting the needs of the individual learner'. This, along, with traineeships and the Government's implementation of the Wolf review proposals that 16-18 year olds should continue to study Mathematics and English until they eventually achieve a pass at GCSE grade C or equivalent, will continue to have implications for the way in which College design and organise their 16-18 curriculum.

The College understands the main impact on future funding:

- The changing funding formulae for both EFA and SFA may impact on the total income received by the College.

This risk is mitigated in a number of ways:

- Funding is derived through a number of direct and indirect contractual arrangements
- By ensuring that 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
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding
- Regular dialogue with the funding bodies
- Exploring potential new income streams to underpin the College's income levels.

2. Tuition fees policy

Ministers have confirmed that the fee assumption remains at 50%. In line with the majority of the other colleges, Knowsley Community College will seek to increase tuition fees in accordance with the fee assumption. The risk for the College is that demand falls off as fees increase. This will impact on the growth strategy of the College.

The risk is mitigated in a number of ways:

- By ensuring that the College is rigorous in delivering high quality education and training, thus ensuring value for money for students
- Close monitoring of the demand for courses as price changes.

3. Maintain adequate funding of pension liabilities

The financial statements report the share of the pension scheme deficit on the College's balance sheet in line with the requirements of FRS 102.

4. Apprenticeships

The raising of the participation age and the perceived cost of higher education makes apprenticeships a much more attractive pathway for many 16-18 year olds. Alongside this, the advent of the Apprenticeships Levy will encourage large employers to engage more in Apprenticeship activity, whilst SME organisations will still receive some public support to ensure that programmes remain affordable. The College will seek to ensure that it continues to meet the needs of learners who aspire to become apprentices, whilst introducing a new range of provision which meets local employment demand, such as through the Northern Logistics Academy and the simulated work environment.

Through working closely with employers on a local and regional level, the College has the ability and client base to develop further adult apprenticeships provision in line with Government priorities. The lifting of the Notice of Concern was a key milestone for the college, which enabled it to secure growth for the 2016/17 funding year. The College success rate for 2015/16 is still affected by legacy learners who enrolled in previous years, coupled with continued job losses in the Health and Social Care and Business Service sectors, success rates may fluctuate and this remains a key area of concern for the college.

The risk is mitigated in a number of ways:

- Continuing to improve the success rates
- Close dialogue and working with the SFA and FE Commissioner
- Maintaining good working relationships with employers and partners.

5. Area Based Reviews

The Government has invited local areas to participate in the reshaping and re-commissioning of local FE provision through a series of Area Based Reviews of provision. As part of this review a Joint Area Review Delivery Unit was set up (involving BIS, DfE, the funding agencies and the FE Commissioner) which has led on delivering the programme of area reviews across England. The reviews have focused on general further education and involved sixth form Colleges on a voluntary basis. The underlying aim is to move towards fewer, larger, more resilient and efficient colleges. Another key aim is greater specialisation. The review poses a significant risk across the FE sector.

At its 4th Steering Group meeting in October 2016, the Liverpool City Region Area Based Review endorsed the principal of a merger of Knowsley Community College and St Helens College. The related actions will be overseen and monitored by the Combined Authority in line with the Liverpool City Region strategic plan (Building Our Future: The Growth Strategy for Liverpool City Region – launch in June 2016).

6. Demographics

Census data suggests that there is a continuing downward demographic trend for the number of 16-18 year old learners nationally and that the decline in numbers in the borough is set to continue until 2017/18. The data couples with heightened competition from local secondary schools/academies presents a continuous risk to the College. The College is aware of the risk and is working actively to promote and market the College's reputational success with the aim of maintaining the numbers of young learners and apprentices of all ages accessing Knowsley Community College provision.

7. Staffing

Reduced budgets have led to a pay freeze over recent years (including 2015/16). The College has also reduced its payroll staffing year on year and this downsizing has included senior levels within the College.

The College will be doing all it can to maintain staff morale and ensure that the skills, knowledge and experience lost do not detrimentally affect learners' experience.

8. Merger

On 3rd of November 2016 the Corporation of Knowsley Community College considered the outcomes of the due diligence process in respect of St Helens College. Similarly, on the 4th November 2016 the Corporation of St Helens College met to consider the outcomes of the due diligence process for Knowsley Community College. The respective corporations decided to continue with the merger process. The next steps include a second public consultation which will run from the 8th November to the 8th December 2016. Once the public consultation process is complete the outcomes will be considered by the Corporations and a summary of the feedback will be published. Separate consultation processes with the staff on HR issues such as the legal process of transfer of staff from Knowsley Community College to St Helens College (known as the TUPE process) and the measures associated with it, will run concurrently and will start on the 7th November 2016. The merger date is planned for the 9th March 2016.

The College is conscious of the associated risks going forward, and the more immediate risks of being distracted from day to day business. A dedicated risk register is being maintained by the Joint Steering Group which includes:

- Vision, values, stakeholder and communications issues
- Creation of a robust Combined Financial Plan (to include sensitivity analysis on potential funding cuts and savings)
- Liquidity/cash-flow modelling to include disposal of surplus assets
- Retention of students and key staff as well as prospects for growth.

9. Subcontractor investigation

The College was made aware during December 2016 that allegations has been made to the SFA in respect of one of its sub-contractor providers. An investigation is currently ongoing (utilising an 'independent accountant' as per SFA instruction) but the outcome is not yet known. As such, it is impossible to make a reliable estimate of the financial effect on the College.

STAKEHOLDER RELATIONSHIPS

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

- Students
- Education Sector Funding bodies
- Staff
- Local employers (with specific links)
- Local Authorities
- Government Officers / Local Enterprise Partnerships
- The local community
- Other FE institutions
- Trade unions
- Professional bodies

The College recognises the importance of these relationships and engages in regular communications with them through the College internet site and by direct meetings.

Equal opportunities and employment of disabled persons

The College is committed to ensuring equal opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, ability, class and age. We strive vigorously to remove conditions which place people at a disadvantage and actively combat bigotry. This policy is resourced, implemented and monitored on a planned basis. The College's Equal Opportunity Policy is published on the College's Internet site.

The College publishes an Annual Equality Report and Equality Objectives to ensure compliance with all relevant equality legislation including the Equality Act 2010. These are reviewed annually to ensure 'fit for purpose'. The College will undertake equality impact assessments for all new policies and will review periodically thereafter.

The College is a 'Positive about Disabled' employer and has committed to the principles and objectives of the Positive about Disabled standard. The College considers all applications for employment from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion which, are, as far as possible, identical opportunities to those of non-disabled employees.

The College has committed to the 'Mindful Employer' initiative to assist the mental health wellbeing of staff. The College has achieved accreditation to the Committed to Equality (C2E) standard at the gold (highest) level. The College has implemented an updated Equality & Diversity training programme which all staff have attended. Refresher training and training for new starters is carried out on an ongoing basis.

REPORT OF THE GOVERNING BODY FOR THE YEAR ENDED 31 JULY 2016 (continued)

Disability statement

The College seeks to achieve the objectives set down in the Equality Act 2010:

a) As part of its accommodation strategy the College updated its access audit. Experts in this field conducted a full access audit during 2008/09, and the results of this formed the basis of funding capital projects aimed at improving access.

b) The College has appointed an Access Co-ordinator, who provides information, advice and arranges support where necessary for students with disabilities.

c) The College provides specialist equipment according to individual need.

d) The College has a number of Learning Assistants who provide a variety of learning support for individual students. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and /or disabilities.

e) Specialist programmes are described both on the College website and in the College prospectus.

f) Counselling and welfare services are described in the College Student Handbook , which is issued to students together with the Complaints and Disciplinary Procedures at induction.

Disclosure of information to auditors

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

Approved by order of the members of the Corporation on 15th December 2016 and signed on its behalf by:

Signature:

Mr M. Flinn
Chair

15/12/16

KNOWSLEY COMMUNITY COLLEGE

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 2015 to 31st July 2016 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
ii. in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the Code"); and
iii. having due regard to the UK Corporate Governance Code 2014 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/exceeds all the provisions of the Code, and it has complied throughout the year ended 31 July 2016. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted on 2nd July 2015.

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

The Corporation

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

Governor	Date of appointment	Term of Office	Date of resignation	Status of Appointment	Committees Served	% Attendance
Mark Flinn	5 July 2012 as Chair	4 years	n/a	Chair of Governors from 5 July 2012	F&GP (Chair) Quality Assurance Remuneration Search & Governance (Chair) and CWG	95
Pam Jervis MBE	5 July 2012 as Vice Chair	4 years	n/a	Vice Chair of Governors from July 2012	Quality Assurance (Chair), F&GP and CWG	86
Terry Holmes	Co-opted from 30 April 2015	Until 31 July 2016	n/a	Governor	F&GP, Remuneration (Chair) and CWG	71

Governor	Date of appointment	Term of Office	Date of resignation	Status of Appointment	Committees Served	% Attendance
Anne Pryer	11 Aug 2014	n/a		Principal	All committees except Audit & Remuneration	100
John McDonough	1 August 2015	1 year	31 July 2016	Student Governor	Quality Assurance	81
Brendan Farrell	1 August 2015	1 year	31 July 2016	Student Governor	Quality Assurance	18
Aidan Sergent	5 July 2012 5 July 2016	4 years	n/a	Governor	F&GP	72
Stuart Stokes	8 Dec 2011	4 years	7 Dec 2015	Governor	Audit Quality Assurance	50
Steve Evans	7 February 2014	4 years	18 Dec 2015	Staff Governor	Audit	33
Tim Molton	28 March 2013	4 years	n/a	Governor	F&GP, Audit	100
Rev Tim Gill	1 May 2013	4 years	19 May 2015	Governor	Quality Assurance	66
Beth Harrison	13 February 2015	4 years	n/a	Governor	Audit	60
Julia Tinsley	2 July 2015	4 years	n/a	Governor	Quality Assurance	77
Anthony Zeverona	2 July 2015	4 years	30 Nov 2015	Staff Governor	Quality Assurance	100
Jim Pinsent	8 October 2015	4 years	n/a	Governor	F&GP and CWG	92
Joe Keegan	8 October 2015	4 years	n/a	Governor	F&GP	100
Denise Connolly	12 Feb 2016	4 years	n/a	Staff Governor	Quality Assurance	100
Benjamin Bennett-Stanley	12 February 2016	4 years	n/a	Staff Governor	Quality Assurance	86
Cllr Gary See	18 December 2014	4 years	26 July 2015	Governor	Audit	30

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

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

Statement of Corporate Governance and Internal Control (continued)

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are: *Finance and General Purposes, Quality Assurance, Search & Governance, Remuneration, Capital Working Group (on a task and finish basis) and Audit.* Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website at **www.knowsleycollege.ac.uk** or from the Clerk to the Corporation at:

Knowsley Community College
Stockbridge Lane
Huyton
Merseyside
L36 3SD

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

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

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

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

There is a clear division of responsibility in that the roles of the Chair and Principal are separate.

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search Committee which is comprised of the Chair, Vice Chair and Principal, and is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

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

Corporation performance

The Board undertook an evaluation of its performance in 2015/16 which is reported to the first meeting of the Search and Governance Committee in 2016/17. The evaluation also informs the 2016/17 Governance KPIs and Development Plan which is worked up by the Clerk and Chair and approved by the Board. In addition all active Governors have a self-assessment, part populated by the Clerk and which informs one to one review discussions with the Chair.

Remuneration Committee

Throughout the year ending 31 July 2016, the College's Remuneration Committee comprised of members from the Finance and General Purposes Committee (not including the Principal). The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal and other senior post-holders.

Details of remuneration for the year ended 31 July 2016 are set out in note 7 to the financial statements.

Statement of Corporate Governance and Internal Control (continued)

Audit Committee

The Audit Committee is comprised of four members of the Corporation (excluding the Principal) plus two external members. The Committee operates in accordance with written terms of reference approved by the Corporation.

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

The College's internal auditors monitor the systems of internal control, risk management 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 recommendations and internal audit undertake periodic follow up reviews to ensure such recommendations have been implemented.

The Audit Committee also advises the Corporation on the appointment of internal and external auditors and their remuneration for both audit and non-audit work as well as reporting annually to the Corporation.

Internal Control

Scope of responsibility

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

The Corporation has delegated the day to day responsibility to the Principal, as Accounting Officer for maintaining a sound system of 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 Council. She is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an 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 to manage them efficiently, effectively and economically. The system of internal control has been in place in the College for the year ended 31 July 2016, and up to the date of approval of the annual report and accounts.

Capacity to handle risk

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

Statement of Corporate Governance and Internal Control (continued)

The risk and control framework

The system of internal financial 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 is reviewed and agreed by the governing body
- regular reviews by the governing body 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.

Knowsley Community College has an internal audit service, which operates in accordance with the requirements of the Council's Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the College's governing body on the recommendation of the Audit Committee.

At least annually, the internal audit service provides the governing body with a report on internal audit activity in the College. The report includes the Head of Internal Audit (HIA)'s independent opinion on the adequacy and effectiveness of the College's system of risk management, controls, and governance processes.
The following areas were reviewed by college internal during the year:
Corporate Governance
Hair & Beauty (departmental review)
Health & Safety

Review of effectiveness

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

The senior leadership 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 College's departments/faculties and reinforced by risk awareness training. The senior leadership team and the Audit Committee also receive regular reports from Internal Audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports therein from the senior management team and Audit Committee. The emphasis is on obtaining the relevant degree of assurance, not merely reporting by exception. At its December 2016 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2016 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2016.

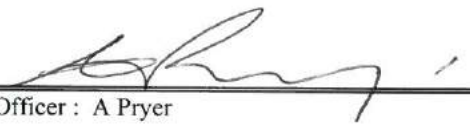
Based on the advice of the Audit Committee and the Accounting Officer, the Corporation is of the opinion that the College has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for "*the effective and efficient use of resources,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

Going Concern

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

Signed:

Chair : Mr M Flinn

Signed: 

Accounting Officer : A Pryer

Date: 15 December 2016

KNOWSLEY COMMUNITY COLLEGE

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

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

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

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

.....

A Pryer
Accounting Officer
Date

15/12/16

.....

M Flinn
Chair of Governors
Date

KNOWSLEY COMMUNITY COLLEGE

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the Financial Memorandum between the Skills Funding Agency and the Corporation of the College, the Corporation, through its Principal (Accounting Officer), is required to prepare financial statements for each financial year in accordance with the *2015 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *College Accounts Direction 2015 to 2016* issued jointly by the Skills Funding Agency and the Education Funding Agency, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation.

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

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

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

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the Funding Agencies are used only in accordance with the Financial Memorandum with the Skills Funding Agency and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place 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 Funding Agencies are not put at risk.

Approved by order of the members of the Corporation on 15 December 2016 and signed on its behalf by:

.....

Mr M Flinn – Chair of Governors

Independent auditor's report to the Corporation of Knowsley Community College

We have audited the College financial statements ("the financial statements") of Knowsley Community College for the year ended 31 July 2016 set out on pages 24 to 54. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

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

Respective Responsibilities of the Corporation of Knowsley Community College and Auditor

As explained more fully in the Statement of the Responsibilities of the Members of the Corporation set out on page 19 the Corporation is responsible for the preparation of financial statements which give a true and fair view.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Corporation; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Report of the Governing Body to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

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

Matters on which we are required to report by exception

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

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

Amanda Latham 20 December 2016

Amanda Latham
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

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

In accordance with the terms of our engagement letter dated 7 October 2015 and further to the requirements of the financial memorandum with Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Knowsley Community College during the period 1 August 2015 to 31 July 2016 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

Respective responsibilities of Knowsley Community College and the reporting accountant

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

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

Approach

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

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 Joint Audit Code of Practice.

Conclusion

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

Amanda Latham 20 December 2016

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

KNOWSLEY COMMUNITY COLLEGE

STATEMENT OF COMPREHENSIVE INCOME

	Notes	*2016*		*2015 (Restated)*	
		£000	*£000*	*£000*	*£000*
Income					
Funding Body Grants	2		11339		12211
Tuition fees and education contracts	3		1418		2367
Other income	4		224		334
Investment income	5		17		14
Total income			12998		14926
Expenditure					
Staff costs	6	7087		8496	
Other operating expenses	7	4825		5683	
Depreciation	10	524		646	
Interest and other finance costs	8	466		408	
Total expenditure			12902		15233
(Deficit)/Surplus before other gains and losses			96		(307)
Profit on Disposal of Assets	10		0		3218
Surplus before tax			96		2911
Taxation	9		0		0
Surplus for the year			96		2911
Actuarial loss in respect of pension schemes	23		(3307)		(1244)
Total Comprehensive Income for year			(3211)		1667

KNOWSLEY COMMUNITY COLLEGE

STATEMENT OF CHANGES IN RESERVES

		Income & Expenditure Account	Revaluation Reserve	Total
		£000	*£000*	*£000*
Restated Balance at 1 August 2014		(4720)	4100	(620)
Surplus/(Deficit) from Income and Expenditure account		2911		2911
Other Comprehensive Income		(1244)		(1244)
Transfers between revaluation and Income & Expenditure reserves		75	(75)	0
		(2978)	4025	1047
Balance at 31 July 2015		(2978)	4025	1047
Surplus/(Deficit) from Income and Expenditure account		96		96
Other Comprehensive Income	23	(3307)		(3307)
Transfers between revaluation and Income & Expenditure reserves		75	(75)	0
Balance at 31 July 2016		(6114)	3950	(2164)

KNOWSLEY COMMUNITY COLLEGE

BALANCE SHEETS AS AT 31 JULY 2016

	Notes	***2016***	***2015*** *(Restated)*
		£000	*£000*
Non current assets			
Tangible fixed assets	10	27866	20144
Investments	11	0	50
		27866	**20194**
Current assets			
Stock		24	22
Trade and Other Receivables	12	821	489
Investments		0	6174
Cash and cash equivalents		1913	3665
Total current assets		2758	10350
Less: Creditors - amounts falling due within one year	13	(2452)	(2230)
Net current assets		**306**	**8120**
Total assets less current liabilities		**28172**	**28314**
Creditors: amounts falling due after more than one year	14	(19228)	(19680)
Provisions		8944	8634
Defined benefit obligations	16	(11108)	(7587)
Total Net Liabilities		**(2164)**	**1047**
Unrestricted reserves			
Income and expenditure account		(6114)	(2978)
Revaluation reserve		3950	4025
Income and expenditure account including pension reserve		**(2164)**	**1047**

The financial statements on pages 23 to 26 were approved by the Corporation on 15 December 2016 and were signed on its behalf by:

M. Flinn
Chair

A. Pryer
Accounting Officer

The accompanying notes form part of the financial statements.

KNOWSLEY COMMUNITY COLLEGE

CASH FLOW STATEMENT

	Notes	2016	2015 (Restated)
		£000	£000
Cash inflow/(outflow) from operating activities			
Surplus/(Deficit) for year		(3211)	1667
Adjustment for non-cash items			
Depreciation		524	646
(Increase)/decrease in stocks		(2)	0
(Increase)/decrease in debtors		(332)	(281)
Increase/(decrease) in creditors due within one year		222	(103)
Increase/(decrease) in creditors due after more than one year		(452)	5456
Increase/(decrease) in provisions		3521	1389
Pension costs less contributions payable		(214)	(38)
Adjustment for investing or financing activities			
Investment income		(17)	(14)
Bond Advance			0
Interest payable		466	411
Loss on sale of fixed assets		50	0
Net Cash flow from operating activities		555	9133
Cash flows from investing activities			
Proceeds from sale of fixed assets		0	0
Disposal of non current asset investments		0	0
Payments made to acquire fixed assets		(8246)	(881)
		(8246)	(881)
Cash flows from financing activities			
Interest paid		(188)	(155)
Interest element of finance lease payments		28	80
Repayments of amounts borrowed		897	602
Capital element of finance lease payments		(78)	0
		659	527
Increase/(decrease) in cash and cash equivalents in the year		(7032)	8779
Cash and cash equivalents at end of the year		(4985)	(6735)
Cash and cash equivalents at beginning of the year		2044	2044

KNOWSLEY COMMUNITY COLLEGE

NOTES TO THE ACCOUNTS

1 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 2015 to 2016 and in with Financial Reporting Standard 2012 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Transition to the 2015 FE HE SORP

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

An explanation of how the transition to the 2015 FE HE SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the College is provided in note 28.

The 2015 FE HE SORP requires colleges to prepare a single statement of comprehensive income, and not the alternative presentation of a separate income statement and a statement of other comprehensive income. This represents a change in accounting policy from the previous period where separate statements for the Income and Expenditure account and for the Statement of Total Recognised Gains and Losses were presented.

The application of first time adoption allows certain exemptions from the full requirements of the FRS 102 and the 2015 FE HE SORP in the transition period. The college has not adopted any of the exemptions. within the financial statements.

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.

1 ACCOUNTING POLICIES (continued)

Going Concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Operating 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 £4.452 million of loans outstanding with bankers. The terms of the existing agreement are for a further 17 years secured by a fixed charge on the College's Roby site. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

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

Recognition of Income

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant 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 adjustment.

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

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset under the accrual method as permitted under 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.

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

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

1 ACCOUNTING POLICIES (continued)

Accounting for post-employment benefits

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

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

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

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.

1 ACCOUNTING POLICIES (continued)

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.

a. Land and buildings

Land and buildings inherited from the local education authority are stated in the balance sheet at valuation on the basis of either open market value or estimated continuing use, as appropriate. Land and buildings acquired since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of 50 years.

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.

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

- **Buildings** – 50 years

Freehold land is not depreciated.

Freehold buildings are depreciated over their expected useful economic life to the College of between 20 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 20 and 50 years.

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 income account within creditors, and are released to the income and expenditure account over the expected useful economic life of the related asset on a systematic 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.

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

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1976, as cost but not to adopt a policy of revaluations of these properties in the future.

Assets under Construction

Assets under construction are accounted for at cost, based on the value of architect's certificates and other direct costs, incurred to 31 July 2016. They are not depreciated until they are brought into use.

1 ACCOUNTING POLICIES (continued)

Subsequent expenditure on existing fixed assets

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

b. Equipment

Equipment costing less than £500 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 depreciated cost.

Inherited equipment is depreciated on a straight-line basis over its remaining useful economic life to the college of 10 years for fixed plant and 5 years for moveable plant. All other equipment is depreciated over its useful economic life as follows:

Motor vehicles	25% per year
Fixtures & Fittings	20% per year
Computer equipment	33 1/3% 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.

Borrowing costs

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

Leased Assets

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

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

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

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

The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

1 ACCOUNTING POLICIES (continued)

Investments

Fixed asset investments are carried at historical cost less any provision for a permanent diminution in their value.

Inventories

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

Cash and cash equivalents

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

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

Financial liabilities and equity

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

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

Maintenance of Premises

The cost of routine corrective maintenance is charged to the income and expenditure account in the period it is incurred.

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 section 478-488 of Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is exempt from levying VAT on most of the services it provides to students. For this reason the College is generally unable to recover input VAT it suffers on goods and services purchased.

1 ACCOUNTING POLICIES (continued)

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax, so that it can only recover around 3% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

Provisions and contingent liabilities

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

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

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

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

Agency Arrangements

The College acts as an agent in the collection and payment of Discretionary Support Grant (DSG). Related payments received from the Funding Council and disbursements to students are excluded from the Income and Expenditure Account and are shown separately in note 24.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the college's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *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 2013 has been used by the actuary in valuing the pensions liability at 31 July 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 FUNDING BODY GRANTS

	2016	*2015*
	£000	*£000*
Recurrent grants		*(Restated)*
Skills Funding Agency	2852	3783
Education Funding Agency	7943	7891
Specific grants		
Skills Funding Agency	304	294
Release of government capital grants	95	95
Education Funding Agency	145	148
Total	**11339**	**12211**

3 TUITION FEES AND EDUCATION CONTRACTS

	2016	*2015 (Restated)*
	£000	*£000*
Adult Education Fees	157	290
Apprenticeship fees and contracts	347	455
Fees for FE loan supported courses	263	388
Total tuition fees	767	1133
Education contracts	651	1234
Total	**1418**	**2367**

4 OTHER INCOME

	2016	*2015 (Restated)*
	£000	*£000*
Catering and residence	10	13
Non-government capital grants	99	99
Miscellaneous income	115	222
Total	**224**	**334**

5 INVESTMENT INCOME

	2016	*2015 (Restated)*
	£000	*£000*
Other interest receivable	17	14
Total	**17**	**14**

6 STAFF COSTS

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

	2016	*2015 (Restated)*
	No.	*No.*
Teaching staff	102	113
Other staff	104	114
	206	227

Staff costs for the above persons:

	2016	*2015 (Restated)*
	£000	*£000*
Wages and salaries	5885	7054
Social security costs	451	501
Other pension costs	525	581
	6861	8136
Fundamental restructuring costs - Contractual	226	360
Total Staff Costs	7087	8496

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 Senior Leadership Team which comprises the Principal, Deputy Principal, and Clerk to the Governors.

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

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

	Senior post-holders		**Other Staff**	
	2016	*2015 (Restated)*	*2016*	*2015 (Restated)*
	£000	*£000*	*£000*	*£000*
£70,001 to £80,000	1	1	1	1
£80,001 to £90,000	-	-	-	-
£90,001 to £100,000	-	-	-	-
£100,001 to £110,000	1	1	-	-
£110,001 to £120,000	-	-	-	-
£120,001 to £130,000	-	-	-	-
	2	2	1	1

One senior post holder, not included within banding above, received emoluments (calculated on a FTE basis) in the range £40,000 to £50,000.

NOTES TO THE FINANCIAL STATEMENTS (contd)

Key management personnel emoluments are made up as follows:

	2016	*2015 (Restated)*
	No.	*No.*
The number of key management personnel :	3	3
	2016	*2015*
Key management emoluments are made up as follows :	*£000*	*£000*
Salaries	202	202
Benefits in kind	-	-
	202	202
Pension contributions	29	22
Total emoluments	231	224

There were no amounts due to key management personnel that were waived in the year, nor any salary sacrifice arrangements in place.

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

	2016	*2015 (Restated)*
	£000	*£000*
Salaries	112	108
Benefits in kind	-	-
	112	108
Pension contributions	12	12
Total emoluments	124	120

The pension contributions in respect of the Principal and senior post-holders are in respect of employer's contributions to the Merseyside Superannuation Scheme and are paid at the same rate as for other employees.

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

7 OTHER OPERATING EXPENSES

		2016	2015 (Restated)
		£000	£000
Teaching departments		524	588
Teaching support services		40	39
Other support services		92	173
Administration and central services		652	433
General education expenditure		621	641
Premises costs	- Running costs	830	1086
	- Maintenance	398	175
	- Rents and Leases	0	4
Catering and residences		53	86
Other expenses		1615	2458
Total		4825	5683

Other operating expenses include:

	2016	2015 (Restated)
	£000	£000
Auditors remuneration		
Financial statements audit	26	26
- other Teachers Pension audit	1	1
- Internal audit	23	23
Hire of plant and machinery - operating leases	52	75

8 INTEREST AND OTHER FINANCE COSTS

	2016	2015 (Restated)
	£000	£000
On bank loans, overdrafts and other loans:	160	75
Pension finance costs (Note 22)	278	253
On Finance Leases	28	80
Total	466	408

9 TAXATION

	2016	*2015*
		(Restated)
	£000	£000
United Kingdom corporation tax	-	-

NOTES TO THE FINANCIAL STATEMENTS (contd)

10 TANGIBLE FIXED ASSETS

	Freehold Land	*Assets under Construction*	*Buildings*	*Fixed Plant*	*Moveable Plant*	*Fixtures & Fittings*	*Computers*	*Motor Vehicles*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*
Cost or valuation									
At 1 August 2015	725	1030	21833	346	2149	1396	2942	70	30491
Additions		7814	214		218				8246
At 31 July 2016	**725**	**8844**	**22047**	**346**	**2367**	**1396**	**2942**	**70**	**38737**
Depreciation									
At 1 August 2015	-		3612	346	2055	1379	2885	70	10347
Charge for year	-		380		82	6	56		524
Assets for sale	-								
At 31 July 2016	**-**	**-**	**3992**	**346**	**2137**	**1385**	**2941**	**70**	**10871**
Net book value									
At 31 July 2016	**725**	**8844**	**18055**	**0**	**230**	**11**	**1**	**0**	**27866**
These assets have been funded as follows:									
Inherited	725		322	-		-	-	-	1047
Capital grant	-	6526	5941	-	218	12	0	-	12697
Other	-	2318	8938	-	12	-	-	-	11268
Revaluation			2854						2854
	725	**8844**	**18055**	**0**	**230**	**12**	**0**	**0**	**27866**
Net book value at 31 July 2015	725	3984	15267	0	94	17	57	0	20144

In accordance with FRS102 the College has reviewed its' treatment of the Kirkby site, which was previously shown as 'assets held for resale' within current assets. The £2,954,000 Kirkby site is now included within building cost above.

NOTES TO THE FINANCIAL STATEMENTS (contd)

11 INVESTMENTS

The College owns 24 per cent of the ordinary issued ordinary capital of Liverpool Media Academy (NW) Ltd. The shares were originally purchased for £49,998, however post year-end Liverpool Media Academy (NW) Ltd has gone into liquidation. The College value of the shares is now nil.

12 DEBTORS

	2016	*2015 (Restated)*
	£000	*£000*
Amounts Falling Due within One Year		
Trade receivables	24	115
Prepayments and accrued income	797	374
Total	**821**	**489**

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016	*2015 (Restated)*
	£000	*£000*
Bank loans and overdrafts (note 16)	379	379
Obligations under Finance Leases	0	78
Trade payables	858	486
Other taxation and social security	130	133
Accruals and Deferred Income	319	694
Deferred Income - government capital grants	277	194
Amounts owed to SFA	489	266
Total	**2452**	**2230**

14 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2016	*2015 (Restated)*
	£000	*£000*
Bank loans	4148	4491
Other Loans	2674	3150
Deferred Income - government capital grants	12406	12039
Total	**19228**	**19680**

15 MATURITY OF DEBT

Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	2016	*2015 (Restated)*
	£000	*£000*
In one year or less	379	379
Between one to two years	704	3379
Between two to five years	3186	1137
In five years or more	2933	3125
Total	**7202**	**8020**

The College has an agreed loan facility payable over twenty two years of £6.3 million with Lloyds TSB Bank Plc.
The loan is unsecured and has approximately eighteen years remaining.

Finance Leases

The net finance lease obligations to which the College is committed are:

	2016	*2015 (Restated)*
In one year or less	-	78
Between one to two years	-	-
Total	**-**	**78**

16 PROVISIONS

	Defined benefit obligations
	£000
At 1 August 2015	(7587)
Expenditure in the year	(3521)
At 31 July 2016	**(11108)**

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Note 22.

17 CASH AND CASH EQUIVALENTS

	At 1 Aug 2015	Cashflows	Other Changes	At 31 July 2016
	£000	*£000*	*£000*	*£000*
Cash in bank and in hand	3665	(1752)	-	1913
Debt due	(7717)	819	-	(6898)
Finance Leases	(78)	78		0
Current asset Investments	6174	(6174)		0
Total	**2044**	**(7029)**	**-**	**(4985)**

18 CAPITAL COMMITMENTS

	2016	*2015*
	£000	*£000*
		(Restated)
Commitments authorised and contracted at 31 July 2016	0	6,174
	0	6,174

The College had £6.174 million held in two Advance Payment Bonds with RBS PLC and KMBC. The drawdowns were actioned following the sign off of completed works by John Turner Construction Group and the College's Project Manager in 2015/16. Capital commitments at the end of 2015/16 were minimal and therefore not appropriate to be disclosed under this note.

19 LEASE OBLIGATIONS

At 31 July 2016 the College had minimum lease payments under non-cancellable operating leases as follows:

	2016	2015 (Restated)
	£000	£000
Land and buildings		
Not later than one year	-	-
Later than one year and no later than five years inclusive	-	-
Later than five years	-	-
	-	-
Other		
Not later than one year	11	43
Later than one year and no later than five years inclusive	-	11
Later than five years	-	-
	11	54

20 CONTINGENT LIABILITIES

The College Kirkby site is currently being marketed for sale. Once a sale has been completed the College may be liable to pay a covenant to the Local Authority. No provision has been made for this provision in these accounts as it is not considered practical to estimate a potential liability at this stage.

The College was made aware during December 2016 that allegations had been made to the SFA in respect of one of its sub-contractor providers. An investigation is currently ongoing but the outcome is not yet known. As such, it is impossible to make a reliable estimate of the financial effect on the College.

21 EVENTS AFTER REPORTING PERIOD

Post year end the College relocated from it's main site Roby to Stockbridge Lane. The main build at Stockbridge Lane is a relatively new Private Finance Initiative (PFI). The College will enter into a new 125-year lease with Knowsley Metropolitan Borough Council. The initial eighteen years of the lease will operate under a PFI arrangement and the rental for the remaining years thereafter will be based on a 'peppercorn rent' arrangement. As part of the capital project, the College also built a separate Annexe within the compound of Stockbridge Lane campus. The Annexe will operate outside the PFI arrangements.

22 Defined benefit obligations

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

Total pension cost for the year	**2016**	**2015**
	£000	**£000**
Teachers' Pension Scheme: contributions paid	525	591
Local Government Pension Scheme:		
Contributions paid	623	731
FRS 102 (28) charge	320	253
Charge to the Statement of Comprehensive	943	984
Enhanced pension charge to Statement of Comprehensive Income	-	-
Total Pension Cost for Year	**1,433**	**1,575**

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2013.

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.

The Teachers' Pension Budgeting and Valuation Account

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

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

Valuation of the Teachers' Pension Scheme

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

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

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

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

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

Scheme Changes

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

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

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

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 £524,259 (2015: £591,000)

FRS 102 (28)

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

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

Local Government Pension Scheme

The MLGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Wirral Local Authority. The total contributions made for the year ended 31 July 2016 were £628,627, of which employer's contributions totalled £484,627 and employees' contributions totalled £143,945. The agreed contribution rates for future years are 12.7% for employers and range from 5.5% to 10.5% for employees, depending on salary.

Principal Actuarial Assumptions

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

	At 31 July 2016	At 31 July 2015
Rate of increase in salaries	3.2%	3.7%
Future pensions increases	1.8%	2.2%
Discount rate for scheme liabilities	2.6%	3.8%
Inflation assumption (CPI)	2.2%	1.7%
Commutation of pensions to lump sums	50.0%	50.0%

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

	At 31 July 2016	At 31 July 2015
	years	years
Retiring today		
Males	22.5	22.4
Females	25.4	25.3
Retiring in 20 years		
Males	24.9	24.8
Females	28.2	28.1

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

	Long-term rate of return expected at 31 July 2016	Fair Value at 31 July 2016 £'000	Long-term rate of return expected at 31 July 2015	Fair Value at 31 July 2015 £'000
Equity instruments	52.5%	11,065	60.1%	11,303
Government Bonds	4.6%	969	13.8%	2,595
Property	8.2%	1,728	8.6%	1,617
Cash	3.7%	780	2.9%	545
Other	31.0%	6,534	14.6%	2.746
Total fair value of plan assets		**21,076**		**18,806**
Actual return on plan assets		**(2,321)**		**(1671)**

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

	2016	2015
	£'000	£'000
Fair value of plan assets	**21,076**	**18,806**
Present value of plan liabilities	**(32,184)**	**(26,393)**
Net pensions (liability)/asset (Note 19)	**(11,108)**	**(7,587)**

Amounts recognised in the Statement of Comprehensive Income in respect of the plan are

	2016	2015
	£'000	£'000
Amounts included in staff costs		
Current service cost	472	451
Past service cost	219	670
Total	**691**	**451**
Amounts included in investment income		
Net interest income	-	-
	-	-
Amount recognised in Other Comprehensive Income		
Return on pension plan assets	(2,321)	(1,671)
Experience losses arising on defined benefit obligations	-	-
Changes in assumptions underlying the present value of plan	(4,914)	(2,182)
Amount recognised in Other Comprehensive Income	**(7,235)**	**(3,853)**

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

	2016 £'000	2015 £'000
Net defined benefit (liability)/asset in scheme at 1 August	(7,587)	(6,198)
Movement in year:		
Current service cost	(472)	(451)
Employer contributions	578	570
Administration and curtailments costs	(42)	(11)
Net interest on the defined (liability)/asset	(278)	(253)
Actuarial gain or loss	(3,307)	(1,244)
Net defined benefit (liability)/asset at 31 July	**(11,108)**	**(7.587)**

Asset and Liability Reconciliation

	2016 £'000	2015 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	26,393	23,079
Current service cost	472	451
Interest cost	992	985
Contributions by Scheme participants	143	154
Experience gains and losses on defined benefit obligations	4914	2182
Changes in financial assumptions	-	-
Estimated benefits paid	(761)	(458)
Past Service cost	-	-
Curtailments and settlements	31	-
Defined benefit obligations at end of period	**32,184**	**26,393**
Changes in fair value of plan assets		
Fair value of plan assets at start of period	18,806	16,881
Interest on plan assets	714	732
Return on plan assets	1607	938
Employer contributions	578	570
Contributions by Scheme participants	143	154
Estimated benefits paid	(761)	(458)
Administration Costs	(11)	(11)
Fair value of plan assets at end of period	**21,076**	**18,806**

23 RELATED PARTY TRANSACTIONS

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

A College governor is a director at North Huyton Communities Future Ltd with whom the College currently has a £75,000 loan outstanding. The College made two payments totalling £150,000 in respect of this loan during the year.

A College governor is Sales and Contracting director of Tribal Education Ltd. Purchase ledger transactions amounted to £3,480 in the year.

24 AMOUNTS DISBURSED AS AGENT

Learner Support Funds	2016	2015 (Restated)
	£000	£000
Funding body grants - discretionary learner support	586	751
Funding body grants - bursary support	334	339
Interest earned	-	-
	920	1090
Disbursed to students	(481)	(865)
Administration Costs	(39)	(54)
Balance unspent at 31 July 2016 included in creditors	400	171

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

25 Transition to FRS102 and 2015 HE SORP

The year ended 31 July 2016 is the first year that the College has presented its financial statements under FRS 102 and the 2015 FE HE SORP. The following disclosures are required in the year of transition. The last financial statements repaired under previous UK GAAP were for the year ended 31 July 2015 and the date of transition to FRS102 and 2015 FE HE SORP was therefore 1 August 2014. As a consequence of adopting FRS102 and the 2015 FE HE SORP, a number of accounting policies have changed to comply with those standards.

An explanation of how the transition to FRS102 and 2015 FE HE SORP has affected the College's financial position and cash flows is shown below.

		1 August 2014 £,000	31 July 2015 £,000
Financial Position			
Total Reserves under previous SORP		432	1465
Employee Annual leave accrual	a	(188)	(188)
Changes to measurement of net finance on defined benefit plan	b	0	(230)
Total Effect of transition to FRS102 and FE HE SORP		(188)	(418)
Total reserves under 2015 FE HE SORP		(620)	1047

		31 July 2015 £,000
Financial Performance		
Surplus for the year under previous SORP		3141
Pensions Provision - actuarial Loss	b	(1244)
Changes to measurement of net finance cost on defined benefit plans	b	(230)
Total Effect of transition to FRS102 and FE HE SORP		(1474)
Total comprehensive income for the year under FE HE SORP		**1667**

a) Recognition of short term employment benefits

No provision for short term employments benefits such as holiday pay was made under the previous UK GAAP.
Under FRS102 the costs of short-term employee benefits are recognised as a liability and an expense. The annual leave year runs to 31st August each year for both teaching and non- teaching staff. The cost of any unused entitlement is recognised in the period in which the employees services are received. An accrual of £188,000 was recognised at 1 August 2014 and at 31 August 2015. Following a re-measurement exercise in 2015/16, the movement on the provision of £125,000 has been charged to the Comprehensive Income in the year ended 31 July 2016.

b) Changes in recognition of defined benefit plan finance costs

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