Knowsley Community College

KNOWSLEY COMMUNITY COLLEGE

Report and Financial Statements

For the year ended 31 July 2017

Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

Key management personnel are defined as members of the College Leadership Team and were represented by the following in 2016/17:

Anne Pryer: Principal; Accounting Officer

Gill Banks: Deputy Principal

Following the merger with St Helens College on 12 December 2017, the Accounting Officer for the purposes of this report and financial statements is Jette Burford, the Chief Executive of the St Helens College.

Board of Governors

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

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

Professional advisers

Financial statements auditors and reporting accountants:
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
1st Floor
31/32 Park Row
Leeds
LS1 5JD

Solicitors:
DLA Piper LLP
India Buildings
Water Street
Liverpool
L2 0NH

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Strategic Report

Overview

The College has been through an exciting and challenging year, working towards a merger with St Helens College that was concluded on 12th December 2017 (after the financial year end), whilst facing financial challenges in the form of funding cuts, strong local competition, and government reforms in apprenticeship delivery and funding.

Despite these challenges the College has maintained delivery of a high quality student experience and worked hard to manage its finances in a sustainable manner. The College generated a deficit before other gains and losses in the year of £1,401k, however this includes several items that have arisen from exceptional issues, rather than underlying performance. These items include LGPS Pension figures of £333k and costs relating to the merger of £366k meaning that the underlying financial results for the Group shows a deficit of £702k.

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, maximizing potential, and changing lives"

Public Benefit

Knowsley Community College is an exempt charity under Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education (previously 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 13.

In Setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the 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 it's 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 thee 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 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.

One of the key developments in the achievement of these plans is the merger with St Helens College, which sees the two organisations join together to strengthen the educational offer to the local communities and the wider Liverpool City Region, to ensure financial strength and sustainability, and to enable investment in student experience and quality to drive improvements in outcomes and achievement.

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.

FINANCIAL POSITION

Financial results

The College generated a deficit before other gains and losses in the year of £1,401,000 (2015/16 – surplus of £96,000), with a total comprehensive income deficit of £1,641,000 (2015/16 - (deficit of £3,211,000).

The results include several items that have arisen from accounting reporting standards, rather than underlying performance. These items include LGPS Pension figures of £333k (2015/16 - £969k) in the main deficit figure and £2,135k (2015/16 - £3,307k) in the total comprehensive income figure, as well as an impairment of assets loss of £2,375k in the total comprehensive income figure.

The College has also been in the process of merging with St Helens College during the 2016/17 year, with a number of costs incurred as part of this process, amounting to £366k in 2016/17.

The underlying financial results for the Group (excluding the above Pension and Merger related costs) shows a deficit of £702k.

The College has an accumulated reserve liability of £3,805k and cash and short term investment balances of £851k.

Tangible fixed asset additions during the year amounted to £1,920k. This was split between land and buildings acquired of £1,873k and equipment purchased of £47k. In the main, this related to refurbishments to the College's Stockbridge Lane campus.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2016/17 the FE funding bodies provided 91% of the Group's total income.

Treasury policies and objectives

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

The College has a separate treasury management policy in place.

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

Cash flows and liquidity

Net cash flow from operating activities was a reduction of £1,248k (2015/16 increase of £555k). The overall net cashflow for the College was a reduction of £1,062k.

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

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Academic Performance in 2016/17

The Principal, Senior Leaders and Governors have maintained their relentless focus on improving teaching, learning and assessment (TLA) in order to impact on the student experience and outcomes. Continuing Professional Development (CPD) is good and has impacted very positively on improving the quality of TLA and the student experience. The observation process of teaching staff is strengthened by rigorous external moderation. Importantly, for 2016/17 the proportion of adequate practice teaching has increased and remains good, but not yet outstanding.

Staff performance remained effective through effective and timely performance management, with individual and corporate targets agreed and set at appraisals. Managers remained effective at following improvement and support processes for teachers and support staff who do not meet the College's standards.

The curriculum continued to be developed through extensive use of LMI and set against local and regional priorities. The Colleges curriculum offer remained broad and responsive and included new development in Higher Education and Logistics. For 16-18 year old students the curriculum has a clear line of sight to support progression to Higher Education and /or employment. Condition of funding has had a considerable impact on the College, with a significant increase in students re-sitting GCSE English and maths. Staffing and resourcing GCSE English and maths remained a challenge in 2016/17 and impacted on overall student achievement. Maths GCSE outcomes are around the rates of similar providers. English and Maths remain an area of continued focus and intervention.

Performance outcomes for 2016/17 remained consistent, in line with national average at 82.1% for classroom based learning.

Overall Apprenticeship outcomes declined marginally, attributed largely to some poorer performing provision through subcontractors. The management and monitoring of apprenticeship performance has been strengthened for 2017/18.

Regarding quality assurance the College was subject to internal and external quality audits, with successful outcomes. Self- assessment and quality improvement planning is very effective, supporting good decision making and performance improvement. The student and stakeholder voice is excellent with high levels of satisfaction. Employer engagement is good through a responsive approach to a wide variety of strategic and operational partners.

Safeguarding continued to be highly effective with appropriate development for staff and students.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2016 to 31 July 2017, the College paid 96 per cent of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

Events after the end of the reporting period

Knowsley Community College merged with St Helens College on 12th December 2017. The merger sees the two organisations joining together to form one of the largest colleges in the region. It enables the organisation to become financially stronger and more resilient, to further invest in quality and student experience, and to expand its educational provision to a wider community. The merger is well supported by many local stakeholders and is receiving support from the Education and Skills Funding Agency. The merger results in the legal entity of Knowsley Community College being dissolved and transferred into St Helens College, although the organisations will maintain local identities and locations.

RESOURCES:

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

Financial

The College has £1 million of net liabilities (but including £9 million pension liability and £11m of deferred capital grants) and long term debt of £6 million.

People

The College employs 194 people (expressed as full time equivalents), of whom 96 are teaching staff.

Reputation

The College is developing a solid reputation locally and nationally. Maintaining a quality brand is essential for the College's success at attracting students and external relationships.

PRINCIPAL RISKS AND UNCERTAINTIES:

The College has undertaken further work during the year to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation. This work included a review and redesign of the College's risk management policy, procedures and risk register to implement best practice.

Based on the strategic plan, the Risk Management Group undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the Risk Management Group will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

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

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

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

1 Government funding

The College has considerable reliance on continued government funding through the further education sector funding bodies and through HEFCE. In 2016/17, 91% of the College's revenue was ultimately publicly funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The College is aware of several issues which may impact on future funding:

- Apprenticeship funding changes
- Government funding cuts
- Exit from the EU

This risk is mitigated in a number of ways:

- Funding is derived through a number of direct and indirect contractual arrangements
- By ensuring the College is rigorous in delivering high quality education and training
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies

- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding.
- Regular dialogue with funding bodies

2 Tuition fee policy

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

This risk is mitigated in a number of ways:

- By ensuring 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 prices change

3 Maintain adequate funding of pension liabilities

The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS 102. The latest Pension Scheme valuation was released in November 2016, which shows a real actuarial Pension deficit of £3.4m, which is 85% funded. This reduces the risk in comparison to the FRS102 reported figures, and the College is mitigating the remaining risk by close monitoring of cash reserves. The impact of the valuation on the College's contributions has been relatively small and is manageable within current operations.

STAKEHOLDER RELATIONSHIPS

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

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

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

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 has updated its access audit during recent developments at each site in the last few year, 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) There is a list of specialist equipment, such as radio aids, which the College can make available for use by students and a range of assistive technology is available in the learning centre.

d) The admissions policy for all students is described in the College charter. Appeals against a decision not to offer a place are dealt with under the complaints policy.

e) The College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.

f) Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.

g) Counselling and welfare services are described in the College Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure leaflets 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 1st December 2017 and signed on its behalf by:

Susan Jee

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Susan Jee

Chair

Statement of Corporate Governance and Internal Control

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

The College endeavours to conduct its business:

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 all the provisions of the Code, and it has complied throughout the year ended 31 July 2017. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted 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 merger were as listed in the table below.

	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance %
Mark Flinn (Chair)	2012 as Chair	4 years	n/a	Chair of Governors	F&GP (Chair) Quality Assurance Remuneration Search & Governance (Chair) and CWG	8 out of 8
Pam Jervis MBE (Deputy Chair)	2012 as Vice Chair	4 years	n/a	Vice Chair of Governors	Quality Assurance (Chair), F&GP and CWG	7 out of 8
Terry Holmes	Co-Opted from 2015	4 years	n/a	Governor	F&GP, Remuneration (Chair) and CWG	7 out of 8
Anne Pryer (Principal)	2014	n/a		Principal	All committees except Audit & Remuneration	8 out of 8
Tim Molton	2013	4 years	n/a	Governor	Audit (Chair) and CWG	6 out of 8
Beth Harrison	2015	4 years	n/a	Governor	Audit	1 out of 8
Julia Tinsley	2015	4 years	n/a	Governor	Audit	7 out of 8
Jim Pinsent	2015	4 years	n/a	Governor	F&GP and CWG	8 out of 8
Aiden Sergent	2016	4 years	n/a	Governor	F&GP (Chair)	6 out of 8
Joe Keegan	2015	4 years	n/a	Governor	F&GP and Quality	4 out of 8
Denise Connolly	2016	4 years	n/a	Staff Governor	Quality Assurance	7 out of 8

	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance %
Benjamin Bennett-Stanley	2016	4 years	n/a	Staff Governor	Quality Assurance	8 out of 8
Michael Molyneux	2016	1 year	n/a	Student Governor	Quality Assurance	3 out of 8
Ross Comer	2016	1 year	n/a	Student Governor	Quality Assurance	2 out of 8

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

The Corporation was 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 met each term.

The Corporation conducted its business through a number of committees. Each committee had terms of reference, which had been approved by the Corporation. These committees were finance and resources, remuneration, standards 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 maintained a register of financial and personal interests of the governors. The register is available for inspection at the above address.

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

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

The Corporation had a strong and independent non-executive element and no individual or group dominates its decision-making process. The Corporation considered 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 was a clear division of responsibility in that the roles of the Chairman and Accounting Officer are separate.

Appointments to the Corporation

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

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

Corporation performance

The Corporation produced a self assessment report for 2016/17 and an action plan for 2017/18 covering the areas of oversight and leadership that it is responsible for. The Corporation of the merged College will monitor progress against these items during 2017/18.

Remuneration Committee

Throughout the year ending 31 July 2017 the College's Remuneration Committee comprised three members of the Corporation. The Committee's responsibilities were to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other key management personnel.

Details of remuneration for the year ended 31 July 2017 are set out in note 8 to the financial statements.

Audit Committee

The Audit Committee comprised three members of the Corporation (excluding the Accounting Officer and Chair). The Committee operated in accordance with written terms of reference approved by the Corporation.

The Audit Committee met on a termly basis and provides a forum for reporting by the College's internal, reporting accountants and financial statements auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also received and considered reports from the main FE funding bodies as they affect the College's business.

The College's internal auditors reviewed the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and reported their findings to management and the Audit Committee.

Management was responsible for the implementation of agreed audit recommendations and internal audit undertakes periodic follow-up reviews to ensure such recommendations have been implemented.

The Audit Committee also advised the Corporation on the appointment of internal, reporting accountants and financial statements auditors and their remuneration for audit and non-audit work as well as reporting annually to the Corporation.

Internal control

Scope of responsibility

The Corporation was 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 had delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between Knowsley Community College and the funding bodies. She was 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 was designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control had been in place in Knowsley Community College for the year ended 31 July 2017 and up to the date of the merger.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College was 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 was a formal ongoing process for identifying, evaluating and managing the College's significant risks that had been in place for the period ending 31 July 2017 and up to the date of merger. This process was regularly reviewed by the Corporation.

The risk and control framework

The system of internal control was 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 had an internal audit service, which operated in accordance with the requirements of the ESFA's *Audit Code of Practice*. The work of the internal audit service was informed by an analysis of the risks to which the College was exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans were endorsed by the Corporation on the recommendation of the audit committee. At minimum, annually, the Head of Internal Audit (HIA) provided the governing body with a report on internal audit activity in the College. The report included the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

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

- the work of the internal auditors
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework
- comments made by the College's financial statements auditors, the reporting accountant for regularity assurance, the appointed funding auditors (for colleges subject to funding audit) in their management letters and other reports.

The Accounting Officer has been advised on the implications of the result of 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 management team received reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also received regular reports from internal audit and other sources of assurance, which included recommendations for improvement. The Audit Committee's role in this area was confined to a high-level review of the arrangements for internal control. The Corporation's agenda included a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its July 2017 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2017 by considering documentation from the senior management team and internal audit.

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

In previous years, the financial statements have been prepared on a going concern basis. However, on 12 December 2017, Knowsley Community College merged with St Helens College. Knowsley Community College was dissolved and the assets and liabilities were transferred to St Helens College. Accordingly, the Board has not prepared the financial statements on a going concern basis. Following the merger, the activities of Knowsley Community College have continued within the merged college. Therefore it is considered reasonable not to make any adjustments to the accounts of Knowsley Community College.

Approved by order of the members of the Corporation on 1st December 2017 and signed on its behalf by:

Susan Jee .... Jette Burford ....

Susan Jee **Jette Burford**

Chair **CEO and Accounting Officer**

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

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

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

Jette Burford

Jette Burford

Accounting Officer

Date: 19/12/17

Susan Jee

Susan Jee

Chair of Governors

Date: 19/12/17

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 Education & Skills Funding Agency and the Corporation of the College, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the *2015 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *College Accounts Direction 2016 to 2017* issued jointly by the (former) 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. As explained in Note 1, on 12 December 2017, Knowsley Community College merged with St Helens College. Knowsley Community College was dissolved and the assets and liabilities were transferred to St Helens College. Accordingly, the Board has not prepared the financial statements on a going concern basis. Following the merger, the activities of Knowsley Community College have continued within the merged college. Therefore it is considered reasonable not to make any adjustments to the accounts of Knowsley Community College.

The Corporation is also required to prepare a Strategic 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 Education & Skills Funding Agency are used only in accordance with the Financial Memorandum with the Education & 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 Education & Skills Funding Agency are not put at risk.

Approved by order of the members of the Corporation on 1st December 2017 and signed on its behalf by:

Susan Jee

....

Susan Jee

Chair

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

Opinion

We have audited the financial statements of Knowsley Community College ("the College") for the period ended 31 July 2017 which comprise the Consolidated Statement of Comprehensive Income and Expenditure, Consolidated and College Statement of Changes in Reserves, Balance Sheets, Consolidated Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

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

Basis for opinion

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

Emphasis of matter – non-going concern basis of preparation

We draw attention to the disclosure made in note 1 to the financial statements which explains that the financial statements are now not prepared on the going concern basis for the reason set out in that note. Our opinion is not modified in respect of this matter.

Other information

The Corporation is responsible for the other information, which comprises the Members' Report and the Corporation's statement of corporate governance and internal control. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Corporation's responsibilities

As explained more fully in their statement set out on page 20, the Corporation is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the parent College or to cease operations, or has no realistic alternative but to do so. The going concern basis of accounting has not been adopted due to the College's dissolution following the merger with St Helens College.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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

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

Amanda Latham

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

20th December 2017

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

In accordance with the terms of our engagement letter dated 7 October 2015 and further to the requirements of the funding agreement 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 2016 to 31 July 2017 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post-16 Audit Code of Practice issued jointly by the Skills Funding Agency and the Education Funding Agency. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which the Education and Skills Funding Agency has other assurance arrangements in place.

This report is made solely to the corporation of Knowsley Community College and the Education and Skills Funding Agency in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of Knowsley Community College and Education and Skills Funding Agency those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the corporation of Knowsley Community College and the Education 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 Post-16 Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2016 to 31 July 2017 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Post-16 Audit Code of Practice issued jointly by the Skills Funding Agency and the Education Funding Agency. We performed a limited assurance engagement as defined in that framework.

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

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

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

The work undertaken to draw our conclusion included:

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

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

Conclusion

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

Amanda Latham

Amanda Latham
For and on behalf of KPMG LLP, Reporting Accountant
1 St Peter's Square
Manchester
M2 3AE
20th December 2017

Consolidated Statements of Comprehensive Income

	Notes	Year ended 31 July 2017		Year ended 31 July 2016	
		Group	College	Group	College
		£'000	£'000	£'000	£'000
INCOME					
Funding body grants	2	9,903	9,903	11,736	11,736
Tuition fees and education contracts	3	1,072	1,072	1,071	1,071
Other grants and contracts	4	-	-	-	-
Other income	5	215	215	224	224
Investment income	6	3	3	17	17
Donations and Endowments	7	-	-	-	-
Total income		**11,193**	**11,193**	**12,998**	**12,998**
EXPENDITURE					
Staff costs	8	7,332	7,332	7,087	7,087
Other operating expenses	9	4,577	4,564	4,825	5,683
Depreciation	12	321	321	524	524
Interest and other finance costs	10	364	364	466	466
Total expenditure		**12,594**	**12,581**	**12,902**	**12,902**
(Deficit)/surplus before other gains and losses		**(1,401)**	**(1,388)**	**96**	**96**
Profit / (Loss) on disposal of assets	12	-	-	-	-
Share of operating surplus/(deficit) in associate		-	-	-	-
(Deficit)/Surplus before tax		**(1,401)**	**(1,388)**	**96**	**96**
Taxation	11	-	-	-	-
(Deficit)/surplus for the year		**(1,401)**	**(1,388)**	**96**	**96**
Unrealised surplus/(deficit) on revaluation/impairment of assets	12	(2,375)	(2,375)	-	-
Actuarial gain/(loss) in respect of pensions schemes	25	2,135	2,135	(3,307)	(3,307)
Total Comprehensive Income for the year		**(1,641)**	**(1,628)**	**(3,211)**	**(3,211)**

Consolidated and College Statement of Changes in Reserves

	Income and expenditure account	Restricted reserves	Total
Group			
Balance at 1st August 2015	1,047		1,047
Surplus/(deficit) from the income and expenditure account	96		96
Other comprehensive income	(3,307)		(3,307)
Transfers between revaluation and income and expenditure reserves	-		-
Total comprehensive income for the year	(2,164)		(2,164)
Balance at 31st July 2016	(2,164)		(2,164)
Surplus/(deficit) from the income and expenditure account	(1,401)		(1,401)
Other comprehensive income	(240)		(240)
Transfers between revaluation and income and expenditure reserves			
Total comprehensive income for the year	(1,641)		(1,641)
Balance at 31 July 2017	(3,805)		(3,805)
College			
Balance at 1st August 2015	1,047		1,047
Surplus/(deficit) from the income and expenditure account	96		96
Other comprehensive income	(3,307)		(3,307)
Transfers between revaluation and income and expenditure reserves	-		-
Total comprehensive income for the year	(2,164)		(2,164)
Balance at 31st July 2016	(2,164)		(2,164)
Surplus/(deficit) from the income and expenditure account	(1,401)		(1,401)
Other comprehensive income	(240)		(240)
Transfers between revaluation and income and expenditure reserves			
Total comprehensive income for the year	(1,641)		(1,641)
Balance at 31 July 2017	(3,805)		(3,805)

Balance sheets as at 31 July

	Notes	Group	College	Group	College
		2017	2017	2016	2016
		£'000	£'000	£'000	£'000
Non current assets					
Tangible Fixed assets	12	22,738	22,738	27,866	27,866
Investments	13	-	-	-	-
		22,738	**22,738**	**27,866**	**27,866**
Current assets					
Stocks		11	11	24	24
Trade and other receivables	14	886	886	821	821
Cash and cash equivalents	20	851	851	1,913	1,913
		1,748	**1,748**	**2,758**	**2,758**
Less: Creditors – amounts falling due within one year	16	(5,242)	(5,242)	(2,452)	(2,452)
Net current assets / (liabilities)		**(3.494)**	**(3.494)**	**306**	**306**
Total assets less current liabilities		**19,244**	**19,244**	**28,172**	**28,172**
Creditors – amounts falling due after more than one year	17	(13,744)	(13,744)	(19,228)	(19,228)
Provisions					
Defined benefit obligations	19	(9,306)	(9,306)	(11,108)	(11,108)
Other provisions	19	-	-	-	-
Total net assets / (liabilities)		**(3,805)**	**(3,805)**	**(2,164)**	**(2,164)**
Restricted reserves					
Restricted Reserves		-	-	-	-
Unrestricted Reserves					
Income and expenditure account		(3,793)	(3,793)	(2,164)	(2,164)
Total reserves		**(3,805)**	**(3,805)**	**(2,164)**	**(2,164)**

The financial statements on pages 27 to 55 were approved and authorised for issue by the Corporation on 1st December 2017 and were signed on its behalf by:

Susan Jee

Chair

Jette Burford

Accounting Officer

Consolidated Statement of Cash Flows

	Notes	2017	2016
		£'000	£'000
Cash flow from operating activities			
(Deficit) for the year		(1,401)	(3,211)
Adjustment for non-cash items			
Depreciation	12	321	524
(Increase)/decrease in stocks		13	(2)
(Increase)/decrease in debtors	14	(65)	(332)
Increase/(decrease) in creditors due within one year	16	(2,195)	222
Increase/(decrease in creditors due after one year	17	1,664	(452)
Increase/(decrease) in provisions	19	-	3,521
Pensions costs less contributions payable	25	54	(214)
Share of operating surplus/(deficit) in associate		-	-
Taxation		-	-
Adjustment for investing or financing activities			
Investment income	6	(3)	(17)
Interest payable	10	364	466
Taxation paid		-	-
Loss on sale of fixed assets	12	-	50
Net cash flow from operating activities		**(1,248)**	**555**
Cash flows from investing activities			
Proceeds from sale of fixed assets		-	-
Disposal of non-current asset investments	13	-	-
Capital grants received		-	-
Investment income	6	3	-
Withdrawal of deposits		-	-
New deposits		-	-
Payments made to acquire fixed assets		(1,149)	(8,246)
		(1,146)	**(8,246)**
Cash flows from financing activities			
Interest paid	10	(85)	(188)
Interest element of finance lease rental payments		-	28
New unsecured loans		2,000	-
Repayments of amounts borrowed	17	(582)	897
Capital element of finance lease rental payments		-	(78)
		1,333	**659**
Increase / (decrease) in cash and cash equivalents in the year		**(1,062)**	**(7,032)**
Cash and cash equivalents at beginning of the year	20	1,913	(4,985)
Cash and cash equivalents at end of the year	20	851	2,044

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 2016 to 2017 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.

Basis of Accounting

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

Going Concern

In previous years, the financial statements have been prepared on a going concern basis. However, on 12 December 2017, Knowsley Community College merged with St Helens College. Knowsley Community College was dissolved and the assets and liabilities were transferred to St Helens College. Accordingly, the Board has not prepared the financial statements on a going concern basis. Following the merger, the activities of Knowsley Community College have continued within the merged college. Therefore it is considered reasonable not to make any adjustments to the accounts of Knowsley Community College.

The activities of the College during the period are set out in the Members' Report. The financial position of the College, its cashflow, liquidity and borrowings are described in the Financial Statements and accompanying notes.

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 Education 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.

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.

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.

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.

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.

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

	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
Education & Skills Funding Agency – Adults	1,964	1,964	1,489	1,489
Education & Skills Funding Agency – 16-18	6,089	6,089	7,943	7,943
Education & Skills Funding Agency - Apprenticeships	1,464	1,464	1,709	1,709
Higher Education Funding Council	52	52	50	50
Specific grants				
Education & Skills Funding Agency	173	173	449	449
Release of government capital grants	161	161	95	95
Total	**9,903**	**9,903**	**11,736**	**11,736**

3 Tuition Fees and Education Contracts

	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult Education Fees	81	81	157	157
Apprenticeship Fees and Contracts	-	-	-	-
Fees for FE Loan Supported Courses	410	410	263	263
Fees for HE Loan Supported Courses	393	393	359	359
International Students Fees	-	-	-	-
Total Tuition Fees	884	884	767	767
Education Contracts	188	188	292	292
Total	**1,072**	**1,072**	**1,071**	**1,071**

4 Other grants and contracts

	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other grants and contracts	-	-	-	-
Total	-	-	-	-

5 Other income

	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering and residences	21	21	10	10
Other income generating activities	11	11	-	-
Other grant income	-	-	-	-
Non-government capital grants	116	116	99	99
Miscellaneous income	67	67	115	115
Total	**215**	**215**	**224**	**224**

6 Investment income

	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other interest receivable	3	3	17	17
	-	**-**	**17**	**17**
Net return on pension scheme (note 25)	-	-	-	-
Total	**3**	**3**	**17**	**17**

7 Donations

	2017	2016
	£'000	£'000
Donations	-	-
Total	**-**	**-**

8 Staff costs – Group and College

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

	2017	2016
	No.	No.
Teaching staff	96	102
Non-teaching staff	99	104
	194	**206**

Staff costs for the above persons

	2017	2016
	£'000	£'000
Wages and salaries	5,725	5,885
Social security costs	477	451
Other pension costs	935	525
	7,137	6,861
Payroll sub total		
Contracted out staffing services	128	-
	7,265	6,861
Fundamental restructuring costs – Contractual	67	226
- Non contractual	-	-
Total Staff costs	**7,332**	**7,087**

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 post holders of the College which comprises the Principal and Deputy Principal. Staff costs include compensation paid to key management personnel for loss of office.

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

	2017	2016
	No.	No.
The number of key management personnel including the Accounting Officer was:	**2**	**2**

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

	Key management personnel		Other staff	
	2017	**2016**	**2017**	**2016**
	No.	**No.**	**No.**	**No.**
£60,001 to £70,000 p.a.	-	-	-	1
£70,001 to £80,000 p.a.	-	-	-	-
£80,001 to £90,000 p.a.	1	1	-	-
£90,001 to £100,000 p.a.	1	1	-	-
£100,001 to £110,000 p.a.	-	-	-	-
£110,001 to £120,000 p.a.	-	-	-	-
£120,001 to £130,000 p.a.	-	-	-	-
£130,001 to £140,000 p.a.	-	-	-	-
	2	**2**	**-**	**1**

Key management personnel emoluments are made up as follows:

	2017	2016
	£'000	**£'000**
Salaries	185	185
Employer's national insurance	23	22
Benefits in kind	-	-
	208	207
Pension contributions	27	26
Total emoluments	**235**	**233**

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 officer) of:

	2017	2016
	£'000	**£'000**
Salaries	100	100
Benefits in kind	-	-
	100	100
Pension contributions	13	12

Compensation for loss of office paid to former key management personnel

No payments were made to former key management personnel for loss of office.

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

9 Other operating expenses

	2017 Group £'000	2017 College £'000	2016 Group £'000	2016 College £'000
Teaching costs	624	624	524	524
Non-teaching costs	3,038	3,038	3,073	3,073
Premises costs	915	915	1,228	1,228
Total	**4,577**	**4,577**	**4,825**	**4,825**

Other operating expenses include:	**2017 £'000**	**2016 £'000**
Auditors' remuneration:		
Financial statements audit	32	26
Internal audit	40	23
Other services provided by the financial statements auditor	59	1
Other services provided by the internal auditors	-	-
Hire of assets under operating leases	17	52
Payments to subcontractors	1,353	1,615

10 Interest and other finance costs – Group and College

	2017 £'000	2016 £'000
On bank loans, overdrafts and other loans:	85	188
Pension finance costs (note 25)	279	278
Total	**364**	**466**

11 Taxation – Group only

	2017 £'000	2016 £'000
United Kingdom corporation tax at 20 per cent	-	-
Total	**-**	**-**

12 Tangible fixed assets (Group & College)

	Land and buildings		Equipment	Total
	Land	Buildings		
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2016	725	30,891	7,121	38,737
Additions	-	1,873	47	1,920
Impairment*	-	(10,369)	-	(10,369)
Disposals	-	-	-	-
At 31 July 2017	**725**	**22,395**	**7,168**	**30,288**
Depreciation				
At 1 August 2016	-	3,992	6,879	10,871
Charge for the year	-	244	76	321
Impairment*	-	(3,642)	-	(3,642)
Elimination in respect of disposals	-	-	-	-
At 31 July 2017	**-**	**594**	**6,955**	**7,550**
Net book value at 31 July 2017	**725**	**21,801**	**213**	**22,738**
Net book value at 31 July 2016	725	26,899	242	27,866

*Impairment of Roby and Kirkby sites, both being held for sale, to reduce net book value to the fair market value of the assets.

13 Non-current investments

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Investments in subsidiary companies	-	-	-	-
Investments in associate companies	-	-	-	-
Other non-current asset investments	-	-	-	-
Total	**-**	**-**	**-**	**-**

14 Debtors

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Amounts falling due within one year:				
Trade receivables	12	12	24	24
Amounts owed by group undertakings:				
Subsidiary undertakings	-	-	-	-
Associate undertakings	-	-	-	-
Prepayments and accrued income	117	117	797	797
Other debtors	757	757	-	-
Total	**886**	**886**	**821**	**821**

15 Current investments

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Short term deposits	-	-	-	-
Total	**-**	**-**	**-**	**-**

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

16 Creditors: amounts falling due within one year

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Bank loans and overdrafts	455	455	379	379
Trade payables	62	62	858	858
Amounts owed to group undertakings:				
Subsidiary undertakings	-	-	-	-
Associate undertakings	-	-	-	-
Other taxation and social security	118	118	130	130
Accruals and deferred income	155	155	319	319
Deferred income - government capital grants	277	277	277	277
Amounts owed to the SFA/EFA	3,269	3,269	489	489
Other creditors	906	906	-	-
Total	**5,242**	**5,242**	**2,452**	**2,452**

17 Creditors: amounts falling due after one year

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Bank loans	3,690	3,690	4,148	4,148
Deferred income - government capital grants	7,783	7,783	12,406	12,046
Other creditors	2,271	2,271	2,674	2,674
Total	**13,744**	**13,744**	**19,228**	**19,228**

18 Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
In one year or less	455	455	379	379
Between one and two years	380	380	704	704
Between two and five years	760	760	3,186	3,186
In five years or more	2,550	2,550	2,933	2,933
Total	**4,145**	**4,145**	**7,202**	**7,202**

19 Provisions

	Group and College		
	Defined benefit obligations	**Other**	**Total**
	£'000	**£'000**	**£'000**
At 1 August 2016	(11,108)	-	**(11,108)**
Expenditure in the period	1,802		**1,802**
Additions in period			
At 31 July 2017	**(9,306)**		**(9,306)**

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

20 Cash and cash equivalents

	At 1 August 2016	Cash flows	Other changes	At 31 July 2017
	£'000	£'000	£'000	£'000
Cash and cash equivalents	1,913	(1,062)		851
Overdrafts		-	-	-
Total	**1,913**	**(1,062)**		**851**

21 Capital and other commitments

	Group and College	
	2017	2016
	£'000	£'000
Commitments contracted for at 31 July	-	-

22 Lease obligations

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

	Group and College	
	2017	2016
	£'000	£'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	-	-
Later than one year and not later than five years	-	-
Later than five years	-	-
	-	-
Other		
Not later than one year	-	11
Later than one year and not later than five years	-	-
Later than five years	-	-
	-	11

23 Contingent liabilities

The College Kirkby site is currently being marked 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.

24 Events after the reporting period

Knowsley Community College merged with St Helens College on 12th December 2017. The merger sees the two organisations joining together to form one of the largest colleges in the region. It enables the organisation to become financially stronger and more resilient, to further invest in quality and student experience, and to expand its educational provision to a wider community. The merger is well supported by many local stakeholders and is receiving support from the Education and Skills Funding Agency. The merger results in the legal entity of Knowsley Community College being dissolved and transferred into St Helens College, although the organisations will maintain local identities and locations.

25 Defined benefit obligations

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

Total pension cost for the year		**2017**		**2016**
		£000		**£000**
Teachers' Pension Scheme: contributions paid		322		525
Local Government Pension Scheme:				
Contributions paid	559		623	
FRS 102 (28) charge	25		320	
Charge to the Statement of Comprehensive Income		584		943
Enhanced pension charge to Statement of Comprehensive Income		-		-
Total Pension Cost for Year within staff costs		**906**		**1,433**

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

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.

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Wirral MBC Local Authority. The total contributions made for the year ended 31 July 2017 were £817,000, of which employer's contributions totalled £657,000 and employees' contributions totalled £160,000. The agreed contribution rates for future years are 15.5% for employers and range from 5.5% to 12.5% for employees, depending on salary.

Principal Actuarial Assumptions

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

	At 31 July 2017	**At 31 July 2016**
Rate of increase in salaries	3.7%	3.2%
Future pensions increases	2.2%	1.8%
Discount rate for scheme liabilities	2.6%	2.6%
Inflation assumption (CPI)	2.2%	2.2%

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

	At 31 July 2017 years	**At 31 July 2016** Years
Retiring today		
Males	21.9	22.5
Females	24.7	25.4
Retiring in 20 years		
Males	24.9	24.9
Females	27.7	28.2

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

	Fair Value at 31 July 2017	Fair Value at 31 July 2016
	£'000	£'000
Equity instruments	12,291	11,065
Government bonds	798	969
Other bonds	2,839	-
Property	1,877	1,728
Cash	1,126	780
Other	4,528	6,534
Total fair value of plan assets	**23,459**	**21,076**
Weighted average expected long term rate of return		
Actual return on plan assets	**2,227**	**(2,321)**

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

	2017	2016
	£'000	£'000
Fair value of plan assets	23,459	21,076
Present value of plan liabilities	(32,765)	(32,184)
Net pensions (liability)/asset (Note 19)	**(9,306)**	**(11,108)**

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

	2017	2016
	£'000	£'000
Amounts included in staff costs		
Current service cost (net of employer contributions)	29	472
Administration expenses	12	219
Effect of curtailments	13	-
Total	**54**	**691**
Amounts included in finance costs		
Net interest cost	279	278
	279	**278**

Amount recognised in Other Comprehensive Income

	2017	2016
Return on pension plan assets	2,227	(2,321)
Experience losses arising on defined benefit obligations		-
Changes in assumptions underlying the present value of plan	(92)	(4,914)
Amount recognised in Other Comprehensive Income	**2,135**	**(7,235)**

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

	2017	2016
	£'000	£'000
Net defined benefit (liability)/asset in scheme at 1 August	(11,108)	(7,587)
Movement in year:		
Current service cost	(686)	(472)
Employer contributions	657	578
Administration expenses	(12)	(42)
Effect of curtailments	(13)	-
Past service cost	-	-
Net interest on the defined (liability)/asset	(279)	(278)
Actuarial gain or loss	2,135	(3,307)
Net defined benefit (liability)/asset at 31 July	**(9,306)**	**(11,108)**

Asset and Liability Reconciliation

	2017	2016
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	32,184	26,393
Current service cost	686	472
Interest cost	827	992
Contributions by Scheme participants	160	143
Experience gains and losses on defined benefit obligations	(2,118)	4,914
Changes in financial assumptions	1,861	-
Estimated benefits paid	(848)	(761)
Past Service cost	-	-
Curtailments and settlements	13	31
Defined benefit obligations at end of period	**32,765**	**32,184**

Changes in fair value of plan assets

	2017	2016
Fair value of plan assets at start of period	21,076	18,806
Interest on plan assets	548	714
Return on plan assets	1,878	1,607
Employer contributions	657	578
Contributions by Scheme participants	160	143
Administration expenses	(12)	(11)
Estimated benefits paid	(848)	(761)
Fair value of plan assets at end of period	**23,459**	**21,076**

26 Related party transactions

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

27 Amounts disbursed as agent

	2017	2016
	£'000	£'000
Funding body grants – bursary support	551	334
Funding body grants – discretionary learner support		586
Funding body grants – residential bursaries	-	-
Other Funding body grants	-	-
Interest earned	-	-
	551	920
Disbursed to students	(390)	(481)
Administration costs	(18)	(39)
Balance unspent as at 31 July, included in creditors	143	400

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