

## **Worcester Sixth Form College**

### **Key Management Personnel, Board of Governors and Professional Advisers**

#### **Key management personnel**

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

Michael Kitcatt	Principal, Accounting Officer
Edward Senior	Deputy Principal
Ian Birth	Vice Principal
Ruth Scotson	Vice Principal
Barbara Clements	Finance Manager

#### **Board of Governors**

A full list of Governors is given on pages 12-14 of these financial statements.

Mrs Ruth Taylor acted as Clerk to the Corporation until July 2017 and has been temporarily replaced by Joanna Payne.

#### **Professional Advisers**

##### **Financial statements auditors and reporting accountants:**

RSM UK AUDIT LLP  
St Philips Point  
Temple Row  
Birmingham  
B2 5AF

##### **Internal Auditors**

Kendall Wadley  
Granta Lodge  
71 Graham Road  
Malvern  
WR14 2JS

##### **Bankers**

Lloyds Bank plc  
Large Corporate Birmingham  
2<sup>nd</sup> Floor  
125 Colmore Row  
Birmingham, B3 3SF

##### **Solicitors**

HallmarkHulme  
3-5 Sansome Place  
Worcester, WR1 1UQ

**WORCESTER SIXTH FORM COLLEGE**

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**WORCESTER SIXTH FORM COLLEGE**

**Report and Financial Statements**

**for the year ended 31 July 2017**

**OPERATING AND FINANCIAL REVIEW**

**NATURE, OBJECTIVES AND STRATEGIES**

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

**Legal Status**

Under the Further and Higher Education Act of 1992, the College became an independent further education corporation on 1 April 1993. The College is an exempt charity for the purposes of the Charities Act 2011 and is not liable to corporation tax on its educational activities.

The College is not registered for VAT as its main activity of providing education is exempt and non-educational trading income is below the registration limit.

**Mission**

Worcester Sixth Form College is an open access college that provides a wide range of high quality courses to support individual students in achieving their full potential in learning. In particular, the College meets the needs of learners from Worcestershire and adjacent areas aged 16-19, 14-16 year olds in partnership with local schools, and adults returning to education.

Our commitment is to:

- Provide an outstanding range of learning opportunities of the highest quality so as to attract a growing number of students;
- Provide the highest quality support and guidance for students;
- Set the highest standards for the recruitment and development of staff;
- Aspire to the highest standards for the resources and management of the College.

**Public Benefit**

Worcester Sixth Form College is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education for Sixth Form Colleges. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 12-14.

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

**Implementation of strategic plan**

The College has a Quality and Development plan and a two-year financial plan, which is updated on an annual basis. A property strategy is also in place and this too is updated on a regular basis. The Quality and Development plan is mapped against the College's Strategic Aims which are:

- Providing an outstanding range of learning opportunities of the highest quality so as to attract a growing number of students;
- Providing the highest quality support and guidance for students;
- Setting the highest standards for the recruitment and development of staff;
- Aspiring to the highest standards for the resources and management of the College.

Each of the above strategic aims is broken down into a number of individual targets. The Corporation uses the development plan and related documents to monitor the performance of the College.

**Financial objectives**

The College's key financial objectives are:

- maintain a sound financial base (solvency and liquidity);
- improving financial management by producing management accounts each month;
- strengthening procedures for testing the desirability and affordability of any proposal which has a financial implication;
- look at introducing post-implementation review procedures to assess the success or otherwise of recent major investment in building and IT;
- maintain the confidence of funding bodies, suppliers and professional advisors;
- raising awareness of financial issues
- improving the College estate and equipment.

**Performance indicators**

The College is committed to observing the importance of sector measures and indicators. Of particular note in relation to financial performance is the 'Financial Health' rating related to the Finance Record, together with the associated benchmarking data, and is monitoring these through the completion of the annual Finance Record for the Education and Skills Funding Agency (ESFA).

**FINANCIAL POSITION****Financial results**

The College made an operating deficit of £82,000 after depreciation of assets and tax in 2016-17 compared to a deficit of £112,000 in 2015-16. These figures are stated after adjusting the income and expenditure account for the impact of Financial Reporting Standard 102 (FRS 102) Pensions (see Note 20). Before these adjustments, there was an operating surplus of £20,000 (2015-16: surplus of £10,000).

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2016/17, the FE funding bodies provided 94% of the College's total income.

**Capital Expenditure**

Expenditure on capital equipment totalled £129,000. This includes £31,000 relating to the purchase of a new minibus.

### **Revenue Expenditure**

Revenue expenditure in 2016-17 on improvements to, and development of, the College building included:

- £250,000 on planned maintenance
- £240,000 on running costs and maintenance on premises

Premises projects include reflooring staircases in College, and refurbishment of various classrooms.

In addition to the above, revenue expenditure also included:-

- £7,000 (2015-16: £7,000) was spent on teaching related furniture
- £51,000 (2015-16: £175,000) was spent on teaching related computer hardware
- £5,000 (2015-16: £2,000) was spent on teaching related software

### **Cash Balances and Liquidity**

Cash balances at the year-end were £549,000, a decrease of £623,000 compared to July 2016. Debt servicing during the year amounted to £596,000 (£566,000 repayments of capital; £30,000 interest) having paid off two of the outstanding bank loans. Net cash outflows on fixed assets were £137,000.

Net current assets decreased by £384,000 to £27,000 at July 2017 from £411,000 at the end of July 2016, influenced by the repayment of two of the bank loans.

### **College Fund**

College Fund has a number of purposes, the most significant of which was to act as the conduit through which trips are organised. New students are asked to make a contribution of £10, which covers them for their stay at the College. Students are also asked to make a payment of £37 'caution money' as a deposit against the loss or damage of College property; the contribution has remained the same since September 2008 but now includes a non-refundable printer credit of £5 and contribution of £2 to Kloodle. Students were also asked to pay an extra £13 for a contribution to the Broadband upgrade. The balance of £30 is returned in full where all property is returned. A separate database is maintained for College Fund, and a separate bank account. The financial statements auditors (RSM UK Audit LLP) conduct a high level review of the College Fund as part of the audit of the College financial statements. Whilst the accounts are not consolidated with those for the College, the £127,000 (2015-16 £152,000) balance on the Fund is incorporated as a creditor within the College's Report and Financial Statements for the year. The Student Council operates as a cost centre within College Fund.

### **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.

All borrowing requires the authorisation of the Corporation and must comply with the requirements of the Financial Memorandum agreed with the EFA.

**CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE**

**Student numbers**

The funding of the College is based not directly on student numbers but on a funding agreement negotiated between the College and the relevant funding bodies under which it is agreed that a particular level of activity will be funded.

In 2016-17, the College delivered activity that produced £6,598,000 in recurrent funding compared to £7,002,000 in 2015-16, a decrease of £404,000 (6%). In 2016-17 £6,492,000 (2015-16: £6,907,000) was received from the Education Funding Agency (EFA) and £106,000 (2015-16: £95,000) from the Skills Funding Agency (SFA).

**Students aged 16-19**

The majority of students attending the College are full time students aged 16-19. The table below summarises the enrolments for the three years from September 2015. The figures for enrolments in 2017-18 are provisional.

	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>
	04/12/2015	23/11/2016	08/11/17
<b>Total</b>	<b>1592</b>	<b>1463</b>	<b>1365</b>

**Full time adult students**

The number of full time adult (19+) students who completed the academic year was 12 Daytime Students and 16 Access Students. There were also 6 Pre Access students who completed the academic year. There are 13 Daytime students, 17 Access students and 7 Pre Access students currently enrolled in 17-18.

**Evening class programme**

The College continues to offer a range of part time courses mainly in the evening but also during the day. A total of 164 students completed these courses in 2016-17 compared to 149 in the previous year. A total of 207 students have enrolled on courses so far in 2016-17 (November 2016: 231). The ongoing viability of the part time and evening programme is closely monitored.

**Student achievements**

Students on A level courses achieved a pass rate of 98.3% in 2016-17 (2015-16: 99.2%) compared to the national average of 97.9%. (2015-16: 98.1%).

In 2016-17 success rates remained high at 88.5%.

**Curriculum developments**

The College continued to offer a wide choice of daytime Advanced Level and vocational courses during 2016-17. A limited range of individual GCSE and Level 2 vocational subjects that can be integrated into other programmes of study are also offered. No significant changes to the range of full time courses offered were made for 2017-18.

**Payment policy**

Creditors are normally paid within 30 days of the date of receipt of invoice.

**Post-balance sheet events**

There have been no material post balance sheet events.

**FUTURE PROSPECTS**

The College is within the Plan Led Funding arrangements and hence income from the ESFA for 2017-18 has been confirmed as £5,811,000, a decrease of £681,000. This reflects a decrease in student numbers of 129 from the 2016-17 funding allocation.

The funding allocation from the SFA for 2017-18 is £106,000 (including Learner Support funds), which is the same as 2016-17.

Given that the College has sufficient cash balances to absorb any one-off deficits that may result in 2017-18 and that the College has within its powers to restructure itself to mitigate any further deficits the members of the Corporation believe, and have prepared forecasts that support its decision, that the College will continue its activities for the foreseeable future. However the use of the going concern concept in the financial statements is not considered to be appropriate as the College intends to Academise during 2017-18.

**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%. During the accounting period 1 August 2016 to 31 July 2017, the College paid 79.65% of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

**RESOURCES**

The College has various resources that it can deploy in pursuit of its strategic objectives; tangible resources include the main college site.

**Financial**

The College has £4,454,000 of net assets (including £2,279,000 pension liability and Government Capital Grants which are now accounted for as a Creditor) and long term loan funding debt of £709,000.

In addition to the assets owned by the College and shown on the Balance Sheet, the College shares the use of the adjacent Nunnery Wood Sports Centre and the associated all-weather sporting facility, as defined in the management agreements. As part of this arrangement, all parties have a responsibility to contribute to the ongoing and future running and maintenance costs as they arise.

**People**

The College employs 134 people (expressed as full time equivalents) (2015-16: 138), of whom 66 (2015-16: 74) are direct teaching staff.

**Reputation**

The College has a good reputation locally and nationally. Maintaining this reputation is key to the College's success in attracting students and developing and maintaining external relationships.

**PRINCIPAL RISKS AND UNCERTAINTIES:**

The College continues to develop and embed the system of internal control, including financial, operational and risk management, which is designed to protect the College's assets and reputation.

Based on the strategic plan, the Senior Management Team continuously reviews 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.

An annual Risk Management Report is produced and approved by the Corporation. The Senior Management Team 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. Risks identified are allocated to one or more of the Committees of the Corporation as appropriate and each Committee reviews the allocated risks at each meeting. The Audit Committee reviews the Annual Report and recommends it to the Corporation for approval on an annual basis.

The Audit Committee and Governing Body have approved an Assurance Map showing key assurances in place for each risk and the Audit Committee is responsible for monitoring this.

The risk management process is supported by internal communication to raise awareness of risk throughout the College. Training is provided to both staff and governing body members as and when appropriate.

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.

- **Funding**

The College relies very significantly on continued government funding, which provides the majority of College income, approximately 94% in 2016-17, received currently through the Education Funding Agency (EFA) for 16-19 students and the Skills Funding Agency (SFA) for students aged 19 and above, successor bodies to the Learning and Skills Council (LSC).

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. Funding per 16-19 year old student has fallen from approximately £4,500 per student in 2010/11 to roughly £4,000 per student now. This has been as the result of government reductions in the funding available for 16-19 education as well as the introduction of a new funding mechanism based on student hours (with a cap) rather than qualifications. It is anticipated that funding will remain at this level until 2020, meaning that further real term reductions will occur.

Both the level of funding and the timing of changes can adversely affect the College. The College works with other colleges and with representative bodies, including the Sixth Form Colleges Association and the Association of Colleges, to ensure adverse effects of any changes are mitigated as far as is possible. Clearly a reduction in funding per student can have an adverse impact on the quality of provision.

From September 2012 the student timetable for full time students was altered. One effect of this change was to reduce the teaching time per block from 4 hours 40 minutes to 4 hours 20 minutes (subsequently reduced to 4 hours 15 minutes), meaning that students have less time in direct contact with a teacher. The financial benefit of this is to reduce staff costs, thereby improving the long-term financial viability of the College.

The detailed arrangements were amended again from September 2014 to allow for three longer blocks of teaching with a view to improving the quality of teaching and learning and reducing overcrowding in communal areas.

The Senior Management Team reviews the adult and evening class programme offered by the College on a regular basis and following these reviews decided to continue to offer courses in 2016-17 and in 2017-18. A limited range of evening courses continues to be offered in 2017-18 on one evening per week, as in 2016-17.

- **College buildings and capital development**

The importance of accommodation that is sufficient and fit for purpose is well recognised by the College. The current College building was opened in 1964 was fully over-clad and all windows replaced between 2010 and 2012, resulting in major improvements in the quality of the internal accommodation. The first phase of a Science Centre was largely completed during 2013-14 and the facilities are now in use. The College recognises however, that facilities have to continue to be of a high quality and fit for purpose in order to attract students and staff and to provide a high quality education for those attending.

The College will continue to develop plans for the improvement of existing facilities and for additional facilities where appropriate whilst also considering the risks relating to any projects that are undertaken.

- **Competition from other institutions**

The risk from other schools and colleges is recognised in the College Risk Register. In particular, the risk from local 11-16 schools wishing to expand into sixth form provision has been noted.

- **Maintain adequate funding of pension liabilities**

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

## **STAKEHOLDER RELATIONSHIPS**

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

- Students;
- Staff;
- Education Sector Funding Bodies such as the ESFA;
- Sixth Form Colleges Commissioner;
- Local employers;

- Local Authorities;
- Government Offices/ Regional Development Agencies;
- The local community;
- Other Further Education institutions;
- Trade unions;
- Professional bodies;
- Local partner schools and other schools in the area.

The College recognises the importance of these relationships and engages in regular communication with them through a wide range of methods including regular meetings and by use of the College Internet site.

#### *Equal opportunities and employment of disabled persons*

There is a firm commitment to ensuring equality of opportunity for all who work and learn at the College. The College Equality Policy protects people from discrimination on the basis of the following distinguishing qualities of individuals: age, disability, gender reassignment, marriage and civil partnerships, pregnancy and maternity, race religion and belief, sex, and sexual orientation. The policy is resourced, implemented and monitored on a planned basis.

The College Equality Policy, Equality Statement, Equality Quality Improvement Plan, Equality Report and employment data are published on the College website. All are monitored and reviewed on a regular basis.

The College considers all applications from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion, which are, as far as possible, identical to those for other employees. Remploy and the College have committed to a Partnership Agreement to ensure a consistent and quality approach to working together in order to help achieve diversity in employment in the most efficient and cost effective manner, whilst offering a tailored level of support.

#### **Disability statement**

The College makes every effort to ensure that students with special needs are not discriminated against and to achieve the objectives set down in the Equality Act 2010 and earlier anti-discrimination legislation. A significant investment has been and continues to be made to ensure support is available for students with learning difficulties and / or disabilities, with a substantial team of learning support assistants employed. The College property strategy acknowledges issues of access and as part of the construction of the Science Centre referred to elsewhere a second lift has been installed, fully compliant with current legislation, to facilitate access to all floors of both the Science Centre and the rest of the existing building. The College has a range of portable equipment available to support those with particular learning needs. There is an Equality and Diversity Group that meets regularly and focuses on the needs of both students and staff.

**Disclosure of information to auditors**

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

Approved by order of the members of the Corporation on 13 December 2017 and signed on its behalf by:

Signed .....

Gillian Slater, Chair

**LIST OF GOVERNORS**

<b>The members who served the Corporation during the year and up to the date of the signature of this report were as follows:</b>					
<b>NAME</b>	<b>Date of appointment and Re-appointment</b>	<b>Attendance at Corporation Meetings</b>	<b>Date of Resignation</b>	<b>Status of appointment</b>	<b>Committees served at 31/7/17</b>
Prof. Ian Oakes	October 2003 October 2007 October 2011 July 2015	100%	31/12/2016	External	Chair of Corporation Resources
Mr Iain Macleod	July 2011 March 2015	50%		External	Quality
Mr Michael Kitcatt	August 2008	100%		Principal	Ex officio member of all Committees except Audit & Special
Ms Melanie Allcott	November 2007 October 2010 (as Co-optee) July 2016 (External)	50%	12/07/2017	Co-opted to Audit Committee (from Oct 2010)	Chair; Audit Special
Mr David Davis	February 2006 December 2009 December 2013	75%		External	Resources Projects
Mrs Angela Davis	March 2015	75%		External	Resources

<b>The members who served the Corporation during the year and up to the date of the signature of this report were as follows:</b>					
<b>NAME</b>	<b>Date of appointment and Re-appointment</b>	<b>Attendance at Corporation Meetings</b>	<b>Date of Resignation</b>	<b>Status of appointment</b>	<b>Committees served at 31/7/17</b>
Mr Phil Douce	February 2017	100%		External	Resources
Mr William Edmondson	December 2015	100%	Left College in July 2017	Student	Quality
Mr Toby Hooper	October 2016	100%		External	Resources
Mrs Sue Howell	July 2014	100%		External	Resources
Mr Rich Morgan	December 2012	0%	13/12/2016	Staff	Audit (to July 2014) Quality (from July 2014)
Mr Michael McCreedy	September 2001 July 2005 (as co-optee) July 2009 July 2013 July 2014 (as External Governor)	50%		External	Audit
Mrs Gill Slater	December 2010 December 2014	100%		External	Chair of Corporation (effective 01/01/2017) Resources

**The members who served the Corporation during the year and up to the date of the signature of this report were as follows:**

NAME	Date of appointment and Re-appointment	Attendance at Corporation Meetings	Date of Resignation	Status of appointment	Committees served at 31/7/17
Mrs Deborah Tiffany	December 2008 December 2012 December 2016	100%		External	Vice-Chair of Corporation (effective 01/01/17) Chair; Quality
Miss Barbara Saraiva	December 2016	33%	Left College in July 2017	Student	Quality
Mr Richard Reece	July 2015 July 2016 (as External Governor)	75%		External	Audit
Mrs Sheila Bratt	December 2015	100%		Parent	Quality
Mr Alex Daw	December 2016	33%		Staff	Quality
Mrs Sarah Shimmin	March 2016	100%		Staff	Quality

Attendance at Governing Body meetings is measured from the date of appointment and therefore relates to the meetings an individual member is entitled to attend.

All appointments are normally for a term of four years, with the exception of a staff, parent and student governor who is appointed for a term of up to two years. Staff and student representatives must, however, continue to be employed or study at the College to remain as Members.

Gillian Slater (Chair), 13<sup>th</sup> December 2017

## **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 1<sup>st</sup> August 2016 to 31<sup>st</sup> July 2017 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:-

- in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership)
- having due regard to the UK Corporate Governance Code 2014 ('the Code') insofar as it is applicable to the further education sector.

The College has adopted The English Colleges' Foundation Code of Governance ('the Foundation Code') with effect from 1 August 2014.

In the opinion of the Corporation, the College complies with the provisions of the Code in so far as they apply to the further education sector, and has complied throughout the year ended 31 July 2017. The Corporation 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.

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 membership of the Corporation is set out on pages 12-14. It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct. The agreed membership of the Corporation is 19, including one parent, two staff members and two student members, excluding co-optees.

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

The Corporation conducts its business through a number of Committees, each of which has its terms of reference approved by the Corporation. Throughout the year ended 31 July 2017 these Committees were Resources, Quality, Audit, Special and Disaster Management.

Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Clerk to the Corporation at:

**Worcester Sixth Form College**  
**Spetchley Road**  
**Worcester**  
**WR5 2LU**

Minutes are also published on the College website: [www.wsfc.ac.uk](http://www.wsfc.ac.uk)

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

The Corporation normally meets four times a year and there is a members' conference once a year. There is normally a meeting of the Quality, Resources and Audit Committees at least once per term and this is planned to continue for future committee meetings. The Special Committee and Disaster Management Committee would meet only if circumstances dictate a need for them to do so.

All Governors are able to take independent professional advice in furtherance of their Corporation duties at the College's expense, and have access to the Clerk to the Corporation, who is responsible to the Corporation for ensuring that all 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 Corporation meetings. Briefings are also provided on a regular basis.

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

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

### **Appointments to the Corporation**

New appointments to the Corporation are considered and approved by the Corporation as a whole. The Quality Committee is responsible for the selection and nomination of any new member for consideration by the Corporation and the Corporation is responsible, through the Principal, for ensuring that appropriate training of new members is provided.

Members of the Corporation, with the exception of the parent and student governors, are appointed for a term not exceeding 4 years, upon which they may be re-elected. Staff, parent and student governors are normally appointed for a term not exceeding 2 years.

### **Resources Committee**

The Resources Committee will consider and advise the Governing Body on all aspects of the Governing Body's finances, financial policies and controls and strategy. It consists of 7 members of the Governing Body including the Principal.

The committee will examine annual estimates and accounts and recommend their approval to the Corporation.

It will ensure that short-term budgets are in line with agreed longer term plans and that they are followed.

It will consider any other matters relevant to the financial duties of the Corporation and make recommendations accordingly.

The committee will also ensure that the Corporation has adequate information to enable it to discharge its financial responsibilities.

It will scrutinise at least termly a report on the College's financial position and performance.

It will also establish and review the building and grounds maintenance programmes.

### **Audit Committee**

Colleges are required by their Instrument and Articles of Governance, their financial memorandum with the Funding Provider and by the Funding Provider's Audit Code of Practice to appoint an Audit Committee.

The Audit Committee consists of up to 5 members and excludes the Principal.

The committee is independent, advisory and reports to the Corporation.

It has the right of access to obtain all the information it considers necessary and to consult directly with the internal and external auditors.

The committee is responsible for identifying and approving appropriate performance measures for internal and external audit and for monitoring their performance.

It must also satisfy itself that satisfactory arrangements are in place to promote economy, efficiency and effectiveness.

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

Management is responsible for the responses to audit reports and implementation of agreed recommendations. Internal audit undertake periodic follow up reviews to ensure agreed recommendations have been implemented.

The Audit Committee also advises the Corporation on the appointment of internal and financial statement auditors and their remuneration for both audit and non-audit work.

### **Management**

The Principal, Deputy Principal, two Assistant Principals and the Finance Manager form the senior management team and are responsible for the day to day management of the College.

## **Internal Control**

### ***Scope of responsibility***

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

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

### ***The purpose of the system of internal control***

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Worcester Sixth Form College for the year ended 31 July 2017 and up to the date of approval of the annual report and accounts.

### ***Capacity to handle risk***

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2017 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

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

The system of internal control is based on a framework of regular management information, 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.

Worcester Sixth Form College has an internal audit service that operates in accordance with the requirements of the Joint Audit Code of Practice (JACOP) issued by the SFA and EFA. The work of the

internal audit service is informed by an analysis of the risks to which the college is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. The Audit Committee produces an Annual Report that summarises the work of the Committee and of the audit providers in mitigating risks and the report takes into account the work carried out by internal and external providers, and others.

### **Review of effectiveness**

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

- the work of the internal auditors
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework
- comments made by the College's financial statements auditors and regularity auditors in their management letters and other reports.

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

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

The Audit Committee's role in this area is confined to a high level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

At its December 2017 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2017 by considering documentation from the senior management team and taking account of events since 31 July 2017.

Based on the advice of the Audit Committee and the Principal (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**

A three year financial forecast has been produced for the SFA Transaction Unit as part of the academisation process (covering 2017/18 to 2020/21) which shows a small deficit for most years due to the drop in student numbers. This trend is starting reverse with an increase in 2017/18 first year students. The College however maintains a healthy cash balance during this time. These plans have been produced on a conservative basis and reflecting the ongoing squeeze on funding in real

terms. It is also worth noting Worcester Sixth Form College's excellent track record of achieving surpluses despite significant real cuts at the same time as investing considerably in capital developments and it is hoped that sufficient savings will be made in year to achieve a nil or surplus balance during this time.

The College has recently experienced a decline in student numbers and its response to this is to reduce costs (particularly staffing costs, which is possible as fewer teaching groups will now be required); in the medium term, it expects the reduction in student numbers to be reversed through the impact of the growing numbers of students in years 7 to 11 in local high schools and of the considerable amount of house building taking place in Worcester and the surrounding area.

The Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 13<sup>th</sup> December 2017 and signed on its behalf by:

Signed

Signed

Gillian Slater, Chair  
(Accounting Officer)

Michael Kitcatt, Principal

**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 Funding Agency of material irregularity, impropriety and non-compliance with Education Funding Agency terms and conditions of funding, under the funding agreement in place between the College and the Education Funding Agency. As part of its consideration the Corporation has had due regard to the requirements of the funding agreement.

We confirm, on behalf of the Corporation, that to the best of its knowledge, the Corporation believes it is able to identify any material irregular or improper use of funds by the College, or material non-compliance with the Education Funding Agency terms and conditions of funding under the College's funding agreement.

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

Approved by order of the members of the Corporation on 13<sup>th</sup> December 2017 and signed on its behalf by:

Signed

Signed

Gillian Slater, Chair

Michael Kitcatt, Principal  
(Accounting Officer)

## WORCESTER SIXTH FORM COLLEGE

### STATEMENT OF THE RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

The members of the Corporation (who act as trustees for the charitable activities of the College) are required to present audited financial statements for each financial year.

The law applicable to charities in England and the terms and conditions of the Funding Agreement between the Education Funding Agency and the Corporation of the College, requires the corporation of the college to prepare financial statements and the Operating and Financial Review for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions, the annual Accounts Direction issued jointly by the Skills Funding Agency and the Education Funding Agency, and applicable United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards), and which give a true and fair view of the state of affairs of the College and of the College's surplus/deficit of income over expenditure for that period.

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

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

The Corporation is 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 Charities Act 2011 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 funds from the Education Funding Agency are used only in accordance with the authorities that govern them as defined by and in accordance with Further & Higher Education Act 1992, subsequent legislation and related regulations and the Funding Agreement with the Education Funding Agency and any other conditions that may be prescribed from time to time.

Approved by order of the members of the Corporation on 13<sup>th</sup> December 2017 and signed on its behalf  
by:

Signed .....

Gillian Slater, Chair

**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 July 2017

<b>INCOME</b>	<b>Notes</b>	<b>2017</b>	<b>2016</b>
		<b>£'000</b>	<b>£'000</b>
Funding body grants	3	6,767	7,100
Tuition fees and education contracts	4	116	91
Other income	5	416	353
<b>Total income</b>		<b>7,299</b>	<b>7,544</b>
<b>EXPENDITURE</b>			
Staff costs	6	5,327	5,311
Other operating expenses	7	1,578	1,853
Depreciation	10	381	311
Interest and other finance costs	8	95	100
<b>Total expenditure</b>		<b>7,379</b>	<b>7,575</b>
<b>(Deficit)/surplus before other gains and losses</b>		<b>(82)</b>	<b>(31)</b>
Loss on disposal of tangible fixed assets	10	-	(81)
<b>(Deficit) before tax</b>		<b>(82)</b>	<b>(112)</b>
Taxation		-	-
<b>(Deficit) for the year</b>		<b>(82)</b>	<b>(112)</b>
Actuarial gain/(loss) in respect of defined benefit pension schemes		677	(890)
<b>Other comprehensive income for the year</b>		<b>677</b>	<b>(890)</b>
<b>Total Comprehensive Income for the year</b>		<b>595</b>	<b>(1002)</b>
<b>Unrestricted comprehensive income for the year</b>		<b>595</b>	<b>(1002)</b>
<b>Total Comprehensive Income for the year attributable to:</b>			
Corporation of the college		595	(1002)

**BALANCE SHEET**

**As at 31 July 2017**

	Notes	2017 £'000	2016 £'000
<b>Fixed assets</b>			
Tangible assets	10	11,537	11,780
		<u>11,537</u>	<u>11,780</u>
<b>Current assets</b>			
Stocks		-	-
Debtors	11	92	111
Cash at bank and in hand		549	1,171
		<u>641</u>	<u>1,282</u>
<b>Current liabilities</b>			
Creditors – amounts falling due within one year	12	(619)	(871)
		<u>22</u>	<u>411</u>
<b>Net current assets</b>			
		<u>11,559</u>	<u>12,191</u>
<b>Total assets less current liabilities</b>			
Creditors – amounts falling due after more than one year	13	(4,826)	(5,477)
<b>Provisions for liabilities</b>			
Defined benefit pension schemes	20	(2,279)	(2,855)
		<u>4,454</u>	<u>3,859</u>
<b>Total net assets</b>			
<b>Reserves</b>			
<b>Unrestricted Reserves</b>			
Income and expenditure reserve		1,279	609
Revaluation reserve	14	3,175	3,250
		<u>4,454</u>	<u>3,859</u>
<b>Attributable to the college corporation</b>			
		<u>4,454</u>	<u>3,859</u>
<b>Total reserves</b>			
		<u>4,454</u>	<u>3,859</u>

The financial statements on pages 26-57 were approved and authorised for issue by the Corporation on **13<sup>th</sup> December 2017** and were signed on its behalf on that date by:

**Gillian Slater**  
**Chair**

**Michael Kitcatt**  
**Principal**  
**(Accounting Officer)**

**STATEMENT OF CHANGES IN RESERVES**

**For the year ended 31 July 2017**

	Income and expenditure reserve	Revaluati on reserve	Total
<b>Balance at 1 August 2015</b>	(112)	-	(112)
Deficit for the year	(890)	-	(890)
Other Comprehensive Income	-	-	-
Transfers between revaluation and income and expenditure reserves	75	(75)	-
<b>Total comprehensive income for the year</b>	(927)	(75)	(1002)
<b>Balance at 31 July 2016</b>	609	3,250	3,859
Deficit for the year	(82)	-	(82)
Other Comprehensive Income	677	-	677
Transfers between revaluation and income and expenditure reserves	75	(75)	-
<b>Total comprehensive income for the year</b>	671	(75)	595
<b>Balance at 31 July 2017</b>	1,279	3,175	4,454

**STATEMENT OF CASHFLOWS**

**For the year ended 31 July 2017**

	Notes	2017	2016
		£'000	£'000
<b>Operating activities</b>			
Cash generated from operations	17	108	277
<b>Net cash flows from operating activities</b>		108	277
<b>Investing activities</b>			
Capital Grants received		-	-
Purchase of tangible fixed assets		(137)	(60)
<b>Net Cash flows from investing activities</b>		(137)	(60)
<b>Financing activities</b>			
Interest paid		(27)	(34)
Repayments of borrowings		(566)	(132)
<b>Net Cash flows from financing activities</b>		(593)	(166)
<b>Increase / (decrease) in cash and cash equivalents in the year</b>		<b>(622)</b>	<b>51</b>
<b>Cash and cash equivalents at beginning of the year</b>		1,171	1,120
<b>Cash and cash equivalents at end of the year</b>		<b>549</b>	<b>1,171</b>

**NOTES TO FINANCIAL STATEMENTS****For the year ended 31 July 2017****1. ACCOUNTING POLICIES****General information**

Worcester Sixth Form College is a corporation established under the Further and Higher Education Act 1992 as an open access college providing a wide range of high quality courses to support individual students in achieving their full potential in learning. The address of the College's principal place of business is given on page 16. The nature of the College's operations are set out in the Operating and Financial review.

**Basis of accounting**

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

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently applied to all the years presented, unless otherwise stated. Details of the transition to FRS 102 are disclosed in note 22.

These financial statements are prepared in accordance with Financial Reporting Standard 102 ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland’ (FRS 102). The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

In accordance with the 2015 FE HE SORP and FRS 102, the College in its 2016 financial statements took advantage of the following exemptions available to it.

- *Revaluation as deemed cost*

The inherited assets were revalued on inheriting these from the local authority at a frozen valuation. This is now being held as the deemed cost of these assets.

Comparative figures were been restated to reflect the adjustments made, except to the extent that the College has taken advantage of exemptions to retrospective application of FRS 102 permitted by FRS 102 Chapter 35 ‘Transition to this FRS’.

The financial statements are presented in sterling which is also the functional currency of the College.

Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

**NOTES TO FINANCIAL STATEMENTS****For the year ended 31 July 2017****1. ACCOUNTING POLICIES continued****Going concern**

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

The College currently has £754,000 of loans outstanding with Lloyds. The outstanding balance is on a loan taken out in February 2014 for the construction of a Science Centre. The College's forecasts and financial projections indicate that it will be able to comply with the terms of the loan agreements and covenants for the foreseeable future.

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

**Recognition of income**

- Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved.  
Any under achievement of the adult skills budget allocation outside of the permitted tolerance level is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body at the end of November following the year end. This process may involve negotiations in respect of over achievement or adjustment to clawback in respect of underachievement, however where negotiations are subsequent to the year end, they are not reflected in the income recognised.  
16-18 learner-responsive funding is not normally subject to a reconciliation and is therefore not subject to contract adjustments, the income recognised is for the used funds for the year.
- Non-recurrent grants from the funding bodies or other government bodies received in respect of the acquisition of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the asset.
- Income from tuition fees is recognised in the period for which it is received and includes all fees payable by students or their sponsors.
- Income from grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned.

**NOTES TO FINANCIAL STATEMENTS****For the year ended 31 July 2017****1. ACCOUNTING POLICIES continued****Retirement benefits**

- Retirement benefits to employees of the College are provided by the Teachers Pension Scheme (TPS) and the Local Government Superannuation Scheme (LGPS). These are defined benefit schemes which are externally funded and the assets are held separately from those of the College.
- 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 costs payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective benefit method. As stated in Note 20, 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 scheme and the contributions recognised as they are paid each year. Differences between contributions payable in the year and actually paid are shown as either accruals or prepayments.
- The LGPS is a funded scheme, and the assets of the scheme are held separately. Pension schemes are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. 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. The net interest cost on the net defined benefit liability/asset is charged to comprehensive income and included within finance costs. Re-measurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts include in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

**Tangible Fixed Assets****a) Land and Buildings**

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at deemed cost at the date of transition to FRS102, less accumulated depreciation.

Land and buildings acquired since incorporation are included in the balance sheet at cost, less accumulated depreciation. 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 creditor and are

**NOTES TO FINANCIAL STATEMENTS****For the year ended 31 July 2017****1. ACCOUNTING POLICIES continued**

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.

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

**b) Subsequent expenditure on fixed assets**

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

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

**c) Impairments of fixed assets**

An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, an estimate is made of the recoverable amount of the asset.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use, are recognised as impairment losses. Impairment of revalued assets, are treated as a revaluation loss. All other impairment losses are recognised in comprehensive income.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in comprehensive income or, for revalued assets, as a revaluation gain. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

**d) Equipment**

Equipment costing less than £1,000 per individual item is written off to the income and expenditure account in the period of acquisition. All equipment is capitalised at cost.

## **NOTES TO FINANCIAL STATEMENTS**

**For the year ended 31 July 2017**

### **1. ACCOUNTING POLICIES continued**

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

Motor vehicles and general equipment	20% per year
Other specialised equipment	10% per year
Computer equipment	25% per year
Fixtures & Fittings	10% per year
Major equipment e.g. Lift	5% per year
Photovoltaic panels and related equipment	4% per year
Buildings	2% 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 creditor and released to the income and expenditure account over the expected useful economic life of the related equipment.

#### **Leased assets**

Costs in respect of operating leases are charged to comprehensive income on a straight-line basis over the lease term.

#### **Stocks**

Stocks are credited to the balance sheet until utilised.

#### **Taxation**

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes.

Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is not registered for Value Added Tax as its relevant income is significantly less than the current HM Revenue & Customs limit, therefore 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.

#### **Agency Arrangements**

The College acts as an agent in the collection and payment of discretionary learner support funds. Related payments received from funding bodies and subsequent disbursements to students are excluded from the income and expenditure account and are shown separately in note 21.

**NOTES TO FINANCIAL STATEMENTS****For the year ended 31 July 2017****1. ACCOUNTING POLICIES continued****Financial Instruments Policy**

The Group has chosen to adopt Sections 11 and 12 of FRS 102 in full in respect of financial instruments.

*Financial assets and liabilities*

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

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 financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets measured at fair value through the profit or loss, which are initially measure at fair value (which is normally the transaction price excluding transaction costs), unless arrangement constitutes a financing transaction. A financial asset or financial liability that is payable or receivable in one year is measured at the undiscounted amount expected to be received or paid net of impairment, unless it is a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and financial liabilities are offset only when there is a current legally enforceable right to set off the recognised amounts and the intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

**2. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

*Critical areas of judgement*

In preparing these financial statements, management were of the opinion that there were none to make.

*Critical accounting estimates and assumptions*

- *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, maintenance programmes, economic utilisation and physical condition of the assets are taken into account. Residual value assessments consider issues such as future market conditions and the remaining life of the asset.

**NOTES TO FINANCIAL STATEMENTS****For the year ended 31 July 2017****2. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY continued**

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 20, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 July 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

- *Impairment of fixed assets*

The College considers whether tangible fixed assets are impaired. Where an indication of impairment is identified the estimation of the recoverable amount of the asset or the recoverable amount of the cash-generating unit is required. These will require an estimation of the future cash flow and selection of an appropriate discount rates in order to calculate the net present value of those cash flows.

**NOTES TO FINANCIAL STATEMENTS**

**For the year ended 31 July 2017**

**3 FUNDING BODY GRANTS**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
<b>Recurrent grants</b>		
Skills Funding Agency	102	95
Education Funding Agency	6,492	6,907
Releases of government capital grants	173	98
<b>Total</b>	<b>6,767</b>	<b>7,100</b>

**4 TUITION FEES AND EDUCATION CONTRACTS**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Tuition fees	82	54
Education contracts	34	37
<b>Total</b>	<b>116</b>	<b>91</b>

**5 OTHER INCOME**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Catering	271	302
Other grant income	46	47
Non-government capital grants	20	4
Miscellaneous income	79	-
<b>Total</b>	<b>416</b>	<b>353</b>

**NOTES TO FINANCIAL STATEMENTS**

**For the year ended 31 July 2017**

**6 STAFF COSTS AND KEY MANAGEMENT PERSONNEL REMUNERATION**

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

	<b>2017</b>	<b>2016</b>
	<b>No.</b>	<b>No.</b>
Teaching staff	64	74
Non-teaching staff	70	64
	<b>134</b>	<b>138</b>

**Staff costs for the above persons**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	4,237	4,274
Social security costs	382	320
Other pension costs	708	717
	<b>5,327</b>	<b>5,311</b>

**Key management personnel compensation**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Leadership Team which comprises the Principal, Deputy and Vice Principals, as well as the Finance Manager. No compensation has been paid to key management personnel for loss of office.

**NOTES TO FINANCIAL STATEMENTS**

**For the year ended 31 July 2017**

**6 STAFF COSTS AND KEY MANAGEMENT PERSONNEL REMUNERATION continued**

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

	<b>2017</b>	<b>2016</b>
	<b>No.</b>	<b>No.</b>
The number of key management personnel including the Accounting Officer was:	<b>5</b>	<b>6</b>

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

	<b>Key management personnel</b>	
	<b>2017</b>	<b>2016</b>
	<b>No.</b>	<b>No.</b>
£10,001 to £20,000 p.a.	-	2
£30,001 to £40,000 p.a	1	-
£50,001 to £60,000 p.a	-	2
£60,001 to £70,000 p.a.	2	1
£80,001 to £90,000 p.a.	1	-
£100,001 to £110,000 p.a	1	1
	<b>5</b>	<b>6</b>

No other staff earned over £60,000 in the financial year 16-17, or 15-16.

**NOTES TO FINANCIAL STATEMENTS**

**For the year ended 31 July 2017**

**6 STAFF COSTS AND KEY MANAGEMENT PERSONNEL REMUNERATION continued**

Key management personnel (including the Accounting Officer) total compensation is made up as follows:	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Salaries	301	296
National Insurance	36	32
	<u>337</u>	<u>328</u>
Pension contributions	48	47
<b>Total emoluments</b>	<u>385</u>	<u>375</u>

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 of key management personnel) of:

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Salaries	93	92
National Insurance	12	11
	<u>105</u>	<u>103</u>
Pension contributions	15	15
<b>Total</b>	<u>120</u>	<u>118</u>

The College provides no benefits in kind.

The emoluments of the key management personnel are recommended to the Corporation by members of the Resources Committee, excluding the Principal. No pay awards were made to key management personnel during the year under review, other than the general award as below. No compensation for loss of office payments were made to any key management personnel in either year.

**NOTES TO FINANCIAL STATEMENTS**

**For the year ended 31 July 2017**

**6 STAFF COSTS AND KEY MANAGEMENT PERSONNEL REMUNERATION continued**

A general pay award of 1% was made to all staff, including key management personnel, teaching staff and support staff, effective from 1 September 2016. Payments totalling £18,000 were made to qualifying support staff in respect of support staff standards payments; these were the result of a nationally agreed scheme.

**Governors' remuneration**

The total expenses paid to or on behalf of members of the Governing Body during the year was £50; 1 governor (2016; £2,173; 2 governors). This represents travel expenses and training incurred in attending meetings and other events in their official capacity. No Governor has received any remuneration or waived payments from the College during the year (2016; None) in their capacity as governors; the Accounting Officer only receives remuneration in respect of services provided undertaking his role as Principal .

**7 OTHER OPERATING EXPENSES**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Teaching costs	309	542
Non-teaching costs	754	750
Premises costs	515	561
<b>Total</b>	<b>1,578</b>	<b>1,853</b>

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
<b>Deficit before taxation is stated after charging/ (crediting):</b>		
Auditors' remuneration:		
Financial statements audit	13	14
Internal audit	8	5
Other services provided by the financial statements auditor	9	6
Losses on disposal of tangible fixed assets	-	81
Operating lease rentals	27	52

**NOTES TO FINANCIAL STATEMENTS****For the year ended 31 July 2017****8 INTEREST PAYABLE AND OTHER FINANCE COSTS**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Interest on bank loans, overdrafts	27	34
	<hr/>	<hr/>
	27	34
Net interest on defined pension liability (note 20)	68	66
	<hr/>	<hr/>
<b>Total</b>	<b><u>95</u></b>	<b><u>100</u></b>

**9 TAXATION**

The members do not believe the College was liable for any Corporation Tax arising out of its activities during the year ended 31 July 2017 (2016: nil).

**NOTES TO FINANCIAL STATEMENTS**

**For the year ended 31 July 2017**

**10 TANGIBLE FIXED ASSETS**

	Land	Buildings	Equipment	Assets in the course of Construction	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>					
At 1 August 2016	1,417	13,685	777	-	15,879
Additions	-	-	137	-	137
Disposals	-	-	(26)	-	(26)
Transfers	-	-	-	-	-
<b>At 31 July 2017</b>	<b>1,417</b>	<b>13,685</b>	<b>888</b>	<b>-</b>	<b>15,990</b>
<b>Depreciation</b>					
At 1 August 2016	-	3,654	445	-	4,099
Charge for the year	-	348	33	-	381
Elimination in respect of disposals	-	-	(26)	-	(26)
<b>At 31 July 2017</b>	<b>-</b>	<b>4,001</b>	<b>452</b>	<b>-</b>	<b>4,454</b>
<b>Net book value at 31 July 2017</b>	<b>1,417</b>	<b>9,684</b>	<b>436</b>	<b>-</b>	<b>11,537</b>
Net book value at 31 July 2016	1,417	10,031	332	-	11,780
Inherited	1,417	1,759	-	-	3,176
Financed by Capital Grant	-	4,211	12	-	4,223
Other	-	3,712	426	-	4,138
	<b>1,417</b>	<b>9,682</b>	438	-	<b>11,537</b>

**NOTES TO FINANCIAL STATEMENTS**

**For the year ended 31 July 2017**

**10 Tangible fixed assets continued**

The College has chosen not to revalue the assets under the new FRS102, and to use a previous valuation of fixed assets as deemed costs, therefore continuing to use the “frozen” valuation from the date of adoption of FRS15. The historical cost of the assets was £ nil.

**11 DEBTORS**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Amounts falling due within one year:		
Trade debtors	38	30
Prepayments and accrued income	54	81
<b>Total</b>	<b>92</b>	<b>111</b>

**12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Bank loans and overdrafts	45	132
Trade creditors	172	178
Other taxation and social security	29	144
Accruals and deferred income	237	218
Amounts owed to the SFA/EFA	30	85
Government Grants (Capital)	106	114
<b>Total</b>	<b>619</b>	<b>871</b>

**NOTES TO FINANCIAL STATEMENTS**

**For the year ended 31 July 2017**

**13 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Bank loans	709	1,188
Government Grants	4,117	4,289
<b>Total</b>	<b>4,826</b>	<b>5,477</b>

Bank loans are repayable as follows:

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
In one year or less	45	132
Between one and two years	45	132
Between two and five years	135	396
In five years or more	529	660
<b>Total</b>	<b>754</b>	<b>1,320</b>

There is 1 loan currently being held with the bankers, Lloyds. The loan was taken out to fund the new Science block, and was for £900k, split into £450k (on a fixed rate of 2.12% and margin of 1.95%, with a break cost of £16k), and £450k on a variable rate of 1.95% margin, with no breakage costs if the repayment falls on a payment date. This is being paid back over 20 years with capital repayments of £45k pa.

**NOTES TO FINANCIAL STATEMENTS**

**For the year ended 31 July 2017**

**14 REVALUATION RESERVE**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
At 31 July 2016	3,250	3,325
Transfer from revaluation reserve to I&E account	(75)	(75)
<b>At 31 July 2017</b>	<b>3,175</b>	<b>3,250</b>

**15 PROVISIONS FOR LIABILITIES**

	<b>Defined benefit obligations</b>	<b>Total</b>
	<b>(note 24)</b>	
	<b>£'000</b>	<b>£'000</b>
At 1 August 2016	(2,855)	(1,843)
Movements in period charged to total comprehensive income	576	(1,012)
<b>At 31 July 2017</b>	<b>(2,279)</b>	<b>(2,855)</b>

**NOTES TO FINANCIAL STATEMENTS**

**For the year ended 31 July 2017**

**16 FINANCIAL INSTRUMENTS**

The College has the following financial instruments:

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
<b>Financial assets</b>		
Debt instruments measured at amortised cost	33	56
Total	<u>33</u>	<u>56</u>
<b>Financial liabilities</b>		
Measured at amortised cost	1,193	1,801
Total	<u>1,193</u>	<u>1,801</u>

**NOTES TO FINANCIAL STATEMENTS**

**For the year ended 31 July 2017**

**17 NOTES TO CASH FLOW STATEMENT**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
<b>(Deficit) after tax for the year</b>	(82)	(112)
Adjustment for:		
Depreciation	381	311
Bank Interest payable	27	34
Loss on disposal of fixed assets	-	82
Pensions costs less contributions payable	101	122
Capital Grants released to income	(180)	(100)
Operating cash flow before movements in working capital	247	337
Increase in debtors	19	34
Decrease in creditors	(158)	(94)
<b>Cash generated from operations</b>	<b>108</b>	<b>277</b>

**18 CAPITAL COMMITMENTS**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Commitments contracted for at 31 July 2017	-	-
Authorised but not contracted for at 31 July 2017	-	-
	-	-

**19 COMMITMENTS UNDER OPERATING LEASES**

The total future minimum lease payments under non-cancellable operating leases as follows:

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
<b>Payments due</b>		
Not later than one year	34	40
Later than one year and not later than five years	39	49
Later than five years	-	-
	<b>73</b>	<b>89</b>

**NOTES TO FINANCIAL STATEMENTS**

**For the year ended 31 July 2017**

**20 RETIREMENT BENEFITS**

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 Local Government Pension Scheme (LGPS), as administered by Worcestershire County Council. Both are multi-employer defined-benefit plans.

<b>Total pension cost for the year</b>	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Teachers' Pension Scheme: contributions paid	458	429
Local Government Pension Scheme:		
Contributions paid	332	232
FRS 102 (28) charge	33	56
Charge to the Statement of Comprehensive Income	365	288
<b>Total Pension Cost for Year within staff costs</b>	<b>823</b>	<b>717</b>

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

**Teachers' Pension Scheme**

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. 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.

**NOTES TO FINANCIAL STATEMENTS****For the year ended 31 July 2017****20 RETIREMENT BENEFITS continued****Valuation of the Teachers' Pension Scheme**

Not less than every four years the Government Actuary ("GA"), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors.

The latest actuarial valuation 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 in June 2014. The key results of the valuation and subsequent consultation are:

- Total scheme liabilities for service (pensions currently payable and the estimated cost of future benefits) of £191.5 billion
- Value of notional assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) of £176.6 billion
- Notional past service deficit of £14.9 billion
- Assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings
- Rate of real earnings growth is assumed to be 2.75%
- Assumed nominal rate of return is 5.06%

The new employer contribution rate was 14.1% until 1 September 2015, when it increased to 16.48% (including a 0.08% administration fees), with an employer cost cap of 10.9% of pensionable pay. The employer contribution rate will be payable until the next valuation as at March 2016, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The pension costs paid to TPS in the year amounted to £458,000 (2016: £466,000)

The TPS is a multi-employer pension plan and there is insufficient information to account for the scheme on as a defined benefit plan so it is accounted for as a defined contribution plan.

**NOTES TO FINANCIAL STATEMENTS**

**For the year ended 31 July 2017**

**20 RETIREMENT BENEFITS continued**

**Local Government Pension Scheme**

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Worcestershire County Council. The total contributions made for the year ended 31 July 2017 were £307,000 (2016: £305,000), of which employer's contributions totalled £234,000 (2016: £232,000) and employees' contributions totalled £73,000 (2016: £73,000). The agreed contribution rates for future years are 17.3% 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 2013 updated to 31 July 2017 by a qualified independent actuary.

	<b>2017</b>	<b>2016</b>
Rate of increase in salaries	3.7%	3.2%
Future pensions increases	2.2%	1.8%
Discount rate	2.5%	2.5%
Inflation assumption (CPI)	2.2%	1.7%

The average life expectancy for a pensioner retiring at 65 on the reporting date is:

	<b>2017</b>	<b>2016</b>
	Years	Years
<i>Retiring today</i>		
Males	22.6	23.5
Females	25.6	25.9
<i>Retiring in 20 years</i>		
Males	24.8	25.8
Females	27.9	28.2

**NOTES TO FINANCIAL STATEMENTS**

**For the year ended 31 July 2017**

**20 RETIREMENT BENEFITS continued**

The College's share of the assets in the plan at the balance sheet were:

	Fair Value of assets	
	2017	2016
	£'000	£'000
Equity instruments	5,059	4,023
Debt Instruments	306	304
Property	223	217
Cash/Liquidity	76	111
Other	212	169
<b>Total fair value of plan assets</b>	<b>5,876</b>	<b>4,824</b>
Present value of scheme liabilities	(8,155)	(7,679)
<b>(Deficit) in scheme at 31 July</b>	<b>(2,279)</b>	<b>(2,855)</b>
 <b>Actual return on plan assets:</b>	 <b>781</b>	 <b>486</b>

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

	2017	2016
	£'000	£'000
Current service cost	360	283
Net interest on the defined benefit pension liability	68	66
Curtailments		-
Administrative costs	5	5
<b>Total</b>	<b>423</b>	<b>354</b>

**NOTES TO FINANCIAL STATEMENTS**

**For the year ended 31 July 2017**

**20 RETIREMENT BENEFITS continued**

	<b>2017</b>
	<b>£'000</b>
<b>Changes in fair value of plan assets</b>	
<b>Fair value of plan assets at start of period</b>	4,824
Return on plan assets	124
Return on plan assets (excluding net interest on the defined benefit liability)	658
Administrative Expenses	(5)
Employer contributions	332
Contributions by scheme participants	76
Benefits paid	(133)
<b>Fair value of plan assets at end of period</b>	<b>5,876</b>
 <b>Changes in Plan Liabilities</b>	
<b>Fair value of plan liabilities at start of period</b>	7,679
Service cost	360
Interest cost	192
Employee contribution	76
Actuarial loss/(gain)	(19)
Benefits paid	(133)
<b>Fair value of plan liabilities at end of period</b>	<b>8,155</b>

Key Management Compensation Disclosure is given in Note 6

**NOTES TO FINANCIAL STATEMENTS**

**For the year ended 31 July 2017**

**21 RELATED PARTY TRANSACTIONS**

Key Management Compensation Disclosure is given in Note 6

**22 AMOUNTS DISBURSED AS AGENT  
LEARNER SUPPORT FUNDS**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Funding brought forward from previous financial year	80	83
Funding body grants – bursary support	4	24
Funding body grants – discretionary learner support	180	212
	264	319
Disbursed to students	(222)	(224)
Administration costs	(11)	(11)
Balance unspent as at 31 July, included in creditors	31	84
	264	319

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.