Wigan & Leigh College

Wigan & Leigh College
Report and financial statements

Wigan & Leigh College

Members' report and financial statements

Contents

Operating and Financial Review

Nature, Objectives and Strategies

The Corporation present their report and audited financial statements for the year ended 31 July 2015.

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting the business of Wigan & Leigh College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

Mission

The College's mission as approved by its Corporation is:

- "To deliver high quality, inclusive education and training to ensure all learners achieve their maximum potential and respond to the needs of our communities".

Public Benefit

Wigan & Leigh College is an exempt charity under the Part 3 of the Charities Act 2011 and from 1st September 2013, is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on page 10 to 12.

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

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

- High-quality teaching;
- Widening participation and tackling social exclusion;
- Excellent employment record for students;
- Strong student support systems;
- Links with employers, industry and commerce.

Implementation of strategic plan

The College adopted a strategic plan for the period 1 August 2015 to 31 July 2020 during the year. This strategic plan includes plans around quality, efficiency and growth. The Corporation monitors the performance of the College against this plan. The plan is reviewed and updated each year. The key objectives within the plan are as follows:

- To ensure excellent outcomes for learners;
- To provide excellent learner guidance and support;
- To deliver outstanding teaching, learning and assessment;
- To ensure provision and services are responsive to individuals, employers, the community and government;
- To have effective governance, leadership and management that supports excellent outcomes for learners;
- To develop and maintain an organisational workforce, profile and culture that is flexible, responsive, accountable and valued;

Operating and Financial Review *(continued)*

- To secure quality and best value in the sustainable use of College buildings, equipment and all other resources, for the benefit of learners;
- To achieve all financial and learner number contractual targets whilst meeting individual needs and recruiting with integrity;
- To ensure that the College achieves a financial surplus of at least 3% of turnover.

The College is on target to achieve these objectives.

Financial objectives

The College's financial objectives are:

- To achieve an annual operating surplus;
- To pursue alternative sources of income, on a selective basis, consistent with the College's core competencies, and the need for a financial contribution to the College's overall finances;
- To generate sufficient levels of income to support the asset base of the College;
- To further improve the College's shorter term liquidity.

A series of performance indicators have been agreed to monitor the successful implementation of the policies.

Operating and Financial Review *(continued)*

Performance indicators

The College is committed to observing the importance of sector measures and indicators and use the FE Choices four key performance indicators;

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

The College is required to complete the annual Finance Record for the Skills Funding Agency. . The Finance Record produces a financial health grading. The current rating of Satisfactory is considered an acceptable outcome at the present time.

Financial position

Financial results

The College generated an operating surplus in the year of £86,000 (2013/14 – £299,000 loss).

The College has accumulated reserves of £13,133,000 and cash balances of £1,374,000. The College wishes to continue to accumulate reserves and cash balances in order to create a contingency fund and fund future capital improvements.

Treasury policies and objectives

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

The College has a separate treasury management policy in place.

Short term borrowing for temporary revenue purposes is authorised by the Principal. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum as revised from 1st April 2012. The college also works closely with its bank to ensure that financial covenants relating to outstanding borrowings are met both now and in the future.

Cash flows

The cash balance at the end of the year stood at £1.4 million (2013/14 £6.2 million).

Liquidity

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 cash flow. During the year this margin was comfortably exceeded.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2014/15 the College delivered activity with a value of £5,435,510 against its adult skills contract with the Skills Funding Agency of £6,017,014. Provision for clawback of £653,832 has been included in the accounts. The college also had about 2,436 full time 16-18 year old students funded by the Education Funding Agency.

Operating and Financial Review *(continued)*

Curriculum developments
Wigan and Leigh College provides learning opportunities for 16-18 year olds, 19+ and Higher Education learners as well as apprentices funded through the Education Funding Agency, Skills Funding Agency, the Higher Education Funding Council for England, the European Social Fund and through individuals and employer contribution. In 2014/15, the college recruited 2,436 full-time learners aged 16 to 18 and 465 full-time adult learners. There were on average 2,579 work-place learners, 618 HE learners and 400 24+ loans. The college enrols learners in all of the subject sector areas of learning but very few learners take courses in land-based subjects. Courses are available from entry level to degree level.

The College has a critical role in supporting local businesses in this economic climate, responding to unemployment levels and delivering skills for priority and emerging economic sectors. The success of the Sector Based Work Academies that were introduced during 2011/12 grew during 2014/15, engaging with local employers to meet training and recruitment needs. The demographics of the Borough show in 2017 there will be about 10%, or 347, fewer 16 year olds leaving than in 2013 (3,705 leavers).

In 2015 the College was inspected by Ofsted and received a grade 3 for meeting the needs and interests of learners and for partnerships. A new Principal, with significant experience and an excellent track record in the sector, was appointed in August 2014. Following this, strategies have been put in place to bring about improvement. The March 2015 Ofsted report did recognise 'swift action in recent months to improve outcomes for learners' and, in 2014/15, the College's overall success rates have increased and stand at 82.1%

Post balance sheet events
The Government announced a review of post 16 education across England especially in the light of current funding cutbacks and perceived sector financial weakness. This would be implemented by carrying out local area reviews. The Greater Manchester region has been selected as one of the first three to be reviewed. The College is one of ten in the region that will be looked at together with a number of sixth form colleges. Amongst the aims of the review is to look at the possibility of mergers and financial efficiencies and work has commenced around these options. At the present time the outcome of the review and its potential impact on the College is unknown. The College has resolved to positively engage with the review process.

Future developments
The College has revised its Property Strategy and has completed an Enhanced Renewal Grant III part funded project in May 2015. The College will continue to review its Property Strategy and bid for future funds if and when these are made available.

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

Financial
The College has £19.9 million of net assets (including £17.6million pension liability) and long term debt of £6.7million.

People
The College employed an average of 458 people in the year, of which 244 are teaching staff.

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

Operating and Financial Review *(continued)*

PRINCIPAL RISKS AND UNCERTAINTIES:

The College has undertaken further work during the year to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation.

Based on the strategic plan, the Risk Management Group undertakes a comprehensive review of the risks to which the College is exposed. 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 four times per year by the Audit Committee. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

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 education sector funding bodies and HEFCE. In 2014/15, 79% of the College's revenue was ultimately public funded. This level of requirement is expected to fall in the coming years due to a combination of funding cuts and income diversification / growth in other areas. Recent announcements have confirmed that 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 a number of issues that may impact on future funding;

- The demand led funding system which applies a series of factors, such as guided learning hours and success rates, to calculate an amount of funding to be received for each learner;
- Machinery of government changes;
- The recently announced Comprehensive Spending Review;
- The recently announced Area Wide Reviews, referred to above, that may result in funding rationalisation.

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.

Operating and Financial Review *(continued)*

2. Tuition fee policy

Ministers have confirmed that the fee assumption remains at 50%. In line with the majority of other colleges, the College will increase tuition fees in accordance with the rising fee assumptions. The price elasticity of adult learning for the College is not yet fully understood. 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;
- Proactive marketing of courses and the availability of loans where applicable;
- For HE courses the College has successfully applied to Offa to increase its fees from 2016/17 and to expand its widening participation activities.

3. Maintain adequate funding of pension liabilities

The financial statements report the share of the pension scheme deficit on the College's balance sheet in line with the requirements of FRS 17.

Stakeholder Relationships
In line with other colleges and with universities, Wigan & Leigh College has many stakeholders. These include:

- Students;
- Education Sector Funding bodies;
- Staff;
- Local employers (with specific links);
- Local Authorities;
- Government Offices/ Regional Development Agencies/LEPs;
- The local community;
- Other FE institutions;
- Trade unions;
- Professional bodies;
- HE institutions.

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

Equal opportunities
The College is committed to ensuring equality of opportunity for all who learn and work here. It respects and values positively differences in race, gender, sexual orientation, disability, religion or belief and age. It strives vigorously to remove conditions which place people at a disadvantage and will actively combat bigotry. This policy is resourced, implemented and monitored on a planned basis. The College's Equal Opportunities Policy is published on the College's Intranet site.

Every attempt is made to facilitate the employment of disabled people by alterations to the working environment where necessary, provision of special equipment, and appropriate training and development for both newly employed people with a disability and existing staff who become disabled whilst employed by the College. 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.

The College seeks to provide equality of opportunity for career development and promotion for its entire staff.

Operating and Financial Review *(continued)*

Disability statement

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

- To upgrade lifts and install ramps, where possible, so that eventually most of the facilities can be accessed by people with a disability.
- To provide specialist equipment for use by students and staff.
- To include the admissions policy for all students in the College Charter. Appeals against a decision not to offer a place are dealt with under the complaints policy.
- To make a significant investment in the appointment of specialist lecturers and support assistants to support students with learning difficulties and/or disabilities. There are a number of inclusive learning officers 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.
- To describe specialist programmes in information guides and ensure that achievements and destinations are recorded and published in the standard College format.
- To include a description of the counselling and welfare services in the College charter.

Staff and Student Involvement

The College considers good communications with its staff to be very important and to this end it publishes a regular newsletter that is available to all staff. There is now a Staff Committee that meets regularly. The Committee includes College Managers and union officials representing the interests of the staff.

Students' interests are represented on a committee of the Corporation that is chaired by a member of the Corporation. In addition there are places for two Student Governors on the Board.

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 9th December 2015 and signed on its behalf by:

Elizabeth Shea
Chair

Wigan & Leigh College

Professional advisers

Financial statements and regularity auditors:	Wylie & Bisset LLP 168 Bath Street Glasgow G2 4TP
Internal auditors:	Baker Tilly Business Services Ltd York House York Street Manchester M2 3BB
Bankers:	Barclays Corporate 1st Floor 3 Hardman Street Manchester M3 3HF
Solicitors (local issues):	Stephensons 10/14 Library Street Wigan WN1 1NN
Solicitors (educational and national issues):	Eversheds Eversheds House 70 Great Bridgewater Street Manchester M1 5ES
Insurance Brokers:	Zurich Municipal Hermes House Southwood Crescent Farnborough Hampshire GU14 ONK
Clerk to the Governors:	Mr Robin H Newton-Syms (to 30/9/15) Mrs Lorna Lloyd Williams (from 1/10/15)

Wigan & Leigh College

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure.

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 English Colleges' Foundation Code of Governance ("the Foundation Code") and The Code of Good Governance for English colleges; and having due regard to the UK Corporate Governance Code ("the Code") in so far as it is applicable to the further education sector;
III. in accordance with the Audit and Accountability Annex to the Foundation Code.

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the College/Board has adopted and complied with the Foundation Code. It has not adopted and therefore does not apply the UK Corporate Governance Code. However, it has reported on its Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code it considers to be relevant to the further education sector and best practice.

In the opinion of the Governors, the College complies with/exceeds all the provisions of the Foundation Code, and it has complied throughout the year ended 31 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 the Corporation during the year and up to the date of signature of this report were as follows:

Name	**Date of Appoint ment**	**Terms of Office**	**Date of Resignation**	**Status of appointment**	**Committee Served**
Elizabeth Shea (Chair) until September 2016	Nov 2013	4 years		Independent Governor	Governing Board (Chair); Search and Governance (Chair); Remuneration (Chair); Curriculum & Student Matters WFTE

David Rogers (Vice Chair) until Dec 2016	Nov 2013	4 years		Independent Governor	Governing Board (Vice Chair) Audit (Chair) Remuneration; Search & Governance Curriculum & Student Matters
Frank Costello	Nov 2011	4 years		Independent Governor	Curriculum & Student Matters (Chair); Resources Remuneration; Search & Governance
Alan Stephenson	Nov 2011	4 years	February 2015	Independent Governor	Curriculum & Student Matters (Chair); Search & Governance; Remuneration
Diane Brennan	Nov 2014	4 years		Independent Governor	Curriculum & Student Matters Resources
Ann Harrison	Feb 2012	4 years		Independent Governor	Curriculum & Student Matters Audit
Susan Loudon	Nov 2014	4 years		Independent Governor	Curriculum & Student Matters Resources
Susan Spibey	Nov 2012	4 years		Independent Governor	Curriculum & Student Matters Audit
Katherine Causey	Nov 2013	4 years		Independent Governor	Curriculum and Student Matters.
Mike Sheehan	Aug 2014	By choice		Principal	Search & Governance; Curriculum & Student Matters; Resources; WFTE
Michael Thomas	March 2015	4 years	September 2015	Independent Governor	Curriculum & Student Matters Audit
Gai Murphy	October 2015	4 years		Independent Governor	Curriculum & Student Matters Resources

Alison Dann	October 2015	4 years		Staff Governor (Academic)	Curriculum & Student Matters Audit
Jennifer Cockram	June 2015	4 years		Staff Governor	Curriculum & Student Matters Resources
Rod Stockwell	Feb 2015	4 years		Independent Governor	Curriculum & Student Matters Resources
Steve Gent	Sep 2011	4 years	February 2015	Staff Governor	Curriculum & Student Matters; Audit
Vicky Round	Nov 2014	4 years	June 2015	Staff Governor	Resources; Curriculum & Student Matters
Daniel Winstanley	March 2015	4 years	July 2015	Staff Governor	
Mahtab Ghadri	Sep 2015	1 years		Student Governor	Curriculum & Student Matters;
Leah Holgarth	Sep 2015	1 year		Student Governor	Curriculum & Student Matters;
Jamie Evans	Nov 2013	1 years		Student Governor	Curriculum & Student Matters;
Ian Dempsey	Nov 2013	4 years	June 2015	Co-opted Members of Committees	Audit
Pauline Hunter	June 2015	4 years		Co-opted Members of Committees	Audit

The average percentage attendance of independent and staff Governors at meetings of the Corporation Board (meetings held) was 72%. Including student governors it was 72 %. Throughout the year the Board considered matters relating to Curriculum and Resources as part of their normal cycle of full Board meetings in addition to holding specific meetings of the relevant committees as required. Attendance at Audit Committee (meetings) was 69%. Remuneration Committee (meeting) 75%, Resources Committee (meetings) 64%, Search and Governance Committee (meetings) 92%, Curriculum and Student Matters Committee (meetings) 73%.

Mr Robin H Newton-Syms acted as the Clerk to the Corporation until 30th September 2015 when Mrs Lorna Lloyd-Williams became Clerk to the Corporation.

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

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

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues. There are six scheduled Corporation meetings each year, which include an Annual General meeting with stakeholders and an annual strategic workshop each year.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Search and Governance, Audit, Remuneration, Resources, Curriculum and Student Matters. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Clerk to the Corporation at:

Wigan & Leigh College
PO Box 53
Parsons Walk
Wigan
WN1 1RS

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

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

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

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

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

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search and Governance Committee comprising of five Governors which are responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding 4 years.

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

Remuneration Committee

Throughout the year ending 31 July 2015, the College's Remuneration Committee comprised the Chair and three other Governors. The committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal and other senior postholders.

Details of remuneration for the year ended 31 July 2015 are set out in note 7 to the financial statements.

Audit Committee

The Audit Committee comprises four Governors (who exclude the Principal and Chair) and an external co-optee who is a Chartered Accountant. The Committee operates in accordance with written terms of reference approved by the Corporation. Its purpose is to advise the Corporation on the adequacy and effectiveness of the College's system of internal control and its arrangements for risk management, control and governance processes.

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

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

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

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

Internal Control

Scope of responsibility

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

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

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of college policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the College for the year ended 31 July 2015 and up to the date of approval of the annual report and financial statements.

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 2015 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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

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

Wigan & Leigh College has an internal audit service, provided by Baker Tilly, which operates in accordance with the requirements of the EFA and SFA's Joint Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the audit committee.

At minimum annually, Baker Tilly provides the governing body with a report on internal audit activity in the College. The report includes the Baker Tilly's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

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

Review of effectiveness

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. The Principal's 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 regularity auditors.

The Principal 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 Executive 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 Executive and 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 Executive and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2015 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2015 by considering documentation from the Executive and internal audit, and taking account of events since 31 July 2015.
Based on the advice of the Audit Committee and the Principal, the Corporation is of the opinion that the College has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for "the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets".

Going Concern

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

Corporation performance

The Corporation believes that it has performed satisfactorily in the period and was effective in its oversight of the College as far as any material matters are concerned.

Approved by order of the members of the Corporation on 9th December 2015 and signed on its behalf by:

Elizabeth Shea
Chair

Michael Sheehan
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 Skills Funding Agency/ Education Funding Agency of material irregularity, impropriety and non-compliance with Skills Funding Agency/Education Funding Agency terms and conditions of funding, under the funding agreement in place between the college and the Skills Funding Agency/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, after due enquiry, and to the best of our knowledge, we are able to identify any material irregular or improper use of funds by the college, or material non-compliance with the Skills Funding Agency/Education Funding Agency's terms and conditions of funding under the college's funding agreement.

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

Approved by order of the members of the Corporation on 9th December 2015 and signed on its behalf by:

Elizabeth Shea
Chair

Michael Sheehan
Principal

Statement of the responsibilities of the members of the Corporation

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

Within the terms and conditions of the Financial Memorandum agreed between the Skills Funding Agency / EFA and the Corporation of the College, the Corporation, through its Principal, is required to prepare financial statements for each financial year in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education and with the Accounts Direction issued jointly by the Skills Funding Agency and the EFA, 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; and
- prepare financial statements on the going concern basis unless it is inappropriate to assume that the College will continue in operation.

The Corporation is also required to prepare an Operating and Financial Review 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 to 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 to safeguard assets of the College and to prevent and detect fraud and other irregularities.

The maintenance and integrity of Wigan & Leigh College website is the responsibility of the governing body 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 Skills Funding Agency/EFA are used only in accordance with the Financial Memorandum with from the Skills Funding Agency/EFA and any other conditions may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and 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 Skills Funding Agency/EFA are not put at risk.

Approved by order of the members of the Corporation on 9th December 2015 and signed on its behalf by:

Elizabeth Shea
Chair

Wigan & Leigh College

Independent Auditor's report to the Corporation of Wigan & Leigh College

We have audited the College financial statements ("the financial statements") on pages 22 to 47. The financial reporting framework that has been applied in their preparation is United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice) as set out in our engagement letter dated 17th October 2014.

This report is made solely to the Corporation, as a body, in accordance with the Financial Memorandum published by the Chief Executive of Skills Funding and our engagement letter dated 17th October 2014.

Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are required under our engagement letter dated 17th October 2014, to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Members of the Corporation of Wigan & Leigh College and Auditors

As explained more fully in the Statement of the Responsibilities of Members of the Corporation, set out on page 18, the Corporation is responsible for the preparation of financial statements which give a true and fair view.

Our responsibility is to audit, and express an opinion on, the financial statements in accordance with our engagement letter dated 17th October 2014, Audit Code of Practice issued by the Learning and Skills Council and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2015 and of the College's surplus of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the revised Joint Audit Code of Practice (Part 1) issued jointly by the Skills Funding Agency and the Young People's Learning Agency and the Audit Code of Practice issued by the Learning and Skills Council requires us to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records.

Wylie & Bisset LLP

Wylie & Bisset LLP
Chartered Accountants
Statutory Auditor

Date: 9th December 2015

Independent Auditor's Report on Regularity to the Corporation of Wigan & Leigh College ("The Corporation") and the Chief Executive of Skills Funding/Secretary of State for Education acting through the Education Funding Agency

This report is produced in accordance with the terms of our engagement letter dated 17th October 2014 for the purpose of reporting on the College's Statement of Regularity, Propriety and Compliance in respect of whether the transactions underlying the College's financial statements for the year ended 31 July 2015 are regular as defined by and in accordance with the Financial Memorandum with the Chief Executive of Skills Funding/Funding Agreement with Secretary of State for Education acting through the Education Funding Agency, in accordance with the authorities that govern them.

The regularity assurance framework that has been applied is set out in the Joint Audit Code of Practice and the Regularity Audit Framework published by the Skills Funding Agency and the Education Funding Agency.

Our review has been undertaken so that we might state to the Corporation of Wigan & Leigh College and the Chief Executive of Skills Funding/Secretary of State for Education acting through the Education Funding Agency those matters we are required to state to them in a report and for no other purpose. This report is made solely to the Corporation of Wigan & Leigh College and the Chief Executive of Skills Funding/Secretary of State for Education acting through the Education Funding Agency in accordance with the terms of our engagement letter. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the corporation of Wigan & Leigh College and the Chief Executive of Skills Funding/Secretary of State for Education acting through the Education Funding Agency, for our review work, for this report, or for the opinion we have formed.

Responsibilities of the Corporation of Wigan & Leigh College
The Corporation of Wigan & Leigh College is responsible under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that financial transactions are in accordance with the framework of authorities which govern them and that transactions underlying the financial statements for the year ended 31 July 2015 are regular.

The Corporation of Wigan & Leigh College is also responsible, under the requirements of the Accounts Direction 2014/15 published by the Skills Funding Agency and the Education Funding Agency for the preparation of the Statement on Regularity, Propriety and Compliance. The Statement confirms 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 Skills Funding Agency/Education Funding Agency's terms and conditions of funding under the College's financial memorandum/funding agreement. It further confirms that any instances of material irregularity, impropriety or funding non-compliance discovered in the year to 31 July 2015 have been notified to the Skills Funding Agency/Education Funding Agency.

Auditor's responsibilities
Our responsibility is to express a reasonable assurance opinion in respect of whether the transactions underlying the College's financial statements for the year ended 31 July 2015 are in all material respects regular, based on the procedures that we have performed and the evidence we have obtained. Our reasonable assurance engagement was undertaken in accordance with the Joint Audit Code of Practice, the Regularity Audit Framework and our engagement letter dated 17th October 2014. The International Standards on Auditing (UK and Ireland) and Joint Audit Code of Practice require that we plan and perform this engagement to obtain reasonable assurance in respect of the Assertion that the transactions underlying the financial statements are in all material respects regular.

Basis of opinion
We have performed procedures on a sample basis so as to obtain information and explanations which we consider necessary in order to provide us with sufficient appropriate evidence to express reasonable assurance that the College's Statement of Regularity, Propriety and Compliance is fairly stated in respect

of whether the transactions underlying the College's financial statements are in all material respects regular for the year ended 31 July 2015.

Opinion

In our opinion the College's Statement of Regularity, Propriety and Compliance is fairly stated in respect of whether the transactions underlying the College's financial statements are in all material respects regular for the year ended 31 July 2015.

Wylie & Bisset LLP
Chartered Accountants
Statutory Auditor

Date: 9th December 2015

Wigan & Leigh College

Income and expenditure account

for the year ended 31 July 2015

	Note	2015 £'000	2014 £'000
Income			
Funding body grants	2	22,193	23,455
Tuition fees and education contracts	3	4,605	5,274
Research grants and contracts	4	163	103
Other income		758	676
Investment income	5	279	204
Total income		**27,998**	**29,712**
Expenditure			
Staff costs	6	17,477	18,811
Exceptional restructuring costs	6	1,214	394
Other operating expenses	8	7,860	9,522
Depreciation	12	1,151	1,062
Interest and other finance costs	9	210	222
Total expenditure		**27,912**	**30,011**
Surplus / (Loss) on continuing operations after depreciation of tangible fixed assets at valuation and before exceptional items and tax		**86**	**(299)**
Loss on demolition of asset	12	-	-
Surplus / (Deficit) on continuing operations after depreciation of assets at valuation, exceptional items and disposal of assets but before tax		**86**	**(299)**
Taxation	10	-	-
Surplus / (Deficit) on continuing operations after depreciation of assets at valuation and tax	11	**86**	**(299)**
Surplus / (Deficit) for the year transferred from accumulated income in endowment funds		-	-
Surplus / (Deficit) for the year retained within general reserves		**86**	**(299)**

The income and expenditure account is in respect of continuing activities.

Wigan & Leigh College

Statement of total recognised gains and losses
for the year ended 31 July 2015

	Note	2015 £'000	2014 (as restated) £'000
Surplus / (Loss) on continuing operations after depreciation of assets at valuation, disposal of assets and tax		86	(299)
Unrealised loss on revaluation of fixed assets (2014 restated)		-	(3,146)
Actuarial (loss) in respect of pension scheme	20	(3,184)	(5,352)
New endowments		-	-
Total recognised (losses) since the last period		**(3,098)**	**(8,797)**

	2015 £'000	2014 (as restated) £'000
Reconciliation		
Opening reserves and endowments (opening restated)	5,754	14,551
Total recognised (losses) for the year (2014 restated)	(3,098)	(8,797)
Closing reserves	**2,656**	**5,754**

Statement of historical cost surpluses and deficits
for the year ended 31 July 2015

	Note	2015 £'000	2014 £'000
Surplus / (Loss) on continuing operations before taxation		86	(299)
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	19	53	26
Realisation of property revaluation loss of previous years	19	-	-
Historical cost surplus / (deficit) for the year before taxation		**139**	**(273)**
Historical cost surplus / (deficit) for the year after taxation		**139**	**(273)**

Wigan & Leigh College

Balance sheet
as at 31 July 2015

	Note	2015 £'000	2014 as restated £'000
Fixed assets			
Tangible assets	12	**47,126**	**44,276**
Current assets			
Debtors	13	1,037	705
Cash at bank and in hand		1,374	6,193
		2,411	6,898
Creditors: Amounts falling due within one year	14	(4,990)	(6,096)
Net current (liabilities) / assets		**(2,579)**	**802**
Total assets less current liabilities		**44,547**	**45,078**
Creditors: Amounts falling due after more than one year	15	(6,733)	(7,387)
Provisions for liabilities and charges	16	(324)	(314)
Net assets excluding pension liability		37,490	37,377
Net pension (liability)	20	(17,563)	(13,878)
Net assets including pension liability		**19,927**	**23,499**
Deferred capital grants	17	17,271	17,745
Reserves			
Revaluation reserve	18	7,086	7,140
Income and expenditure account excluding pension reserve	19	13,133	12,492
Pension reserve	20	(17,563)	(13,878)
Income and expenditure account including pension reserve		2,656	5,754
TOTAL FUNDS		**19,927**	**23,499**

The financial statements on pages 22 to 47 were approved by the Corporation on 9th December 2015 and were signed on its behalf by:

Elizabeth Shea
Chair

Michael Sheehan
Principal

Wigan & Leigh College

Cash flow statement

for the year ended 31 July 2015

	Note	2015 £'000	2014 £'000
Cash flow from operating activities	*21*	**(407)**	**2,708**
Returns on investments and servicing of finance	*23*	(180)	(158)
Taxation	*10*	-	-
Capital expenditure and financial investment	*23*	(3,584)	(4,733)
Cash outflow before use of liquid resources and financing		**(4,171)**	**(2,183)**
Financing	*23*	(648)	(648)
(Decrease) / Increase in cash	*22*	**(4,819)**	**(2,831)**

Reconciliation of net cash flow to movement in net funds/debt

	2015 £'000	2014 £'000
(Decrease)/Increase in cash in the period	(4,819)	(2,831)
Repayments of amounts borrowed (note 23)	648	648
Cash inflow/(outflow) from liquid resources (note 23)		
Cash outflow from decrease in lease financing		
Movement in net funds in period	(4,171)	(2,183)
Net funds at 1 August	(1,842)	341
Net funds at 31 July	**(6,013)**	**(1,842)**

Notes

1 Statement of accounting policies

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

Basis of preparation

These financial statements have been prepared in accordance with the 2007 Statement of Recommended Practice (SORP): *Accounting for Further and Higher Education* and in accordance with applicable Accounting Standards. They conform to guidance published jointly by the Skills Funding Agency and the EFA in the 2014/15 Accounts Direction.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets and in accordance with applicable United Kingdom Accounting Standards.

Going concern

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

The College currently has £7.2m of loans outstanding with bankers on terms negotiated in 2012. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

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

Basis of consolidation

In accordance with FRS 2, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are prepared to 31 July 2015.

Recognition of income

The recurrent grant from the Skills Funding Agency/EFA is that receivable as determined by the results of the funding audit undertaken. The recurrent grant from HEFCE represents the funding allocation attributable to the current financial year and is credited direct to the income and expenditure account.

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 or over achievement for the adult learner responsive funding element 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.

Employer responsive grant income is recognised based on a year-end reconciliation of income claimed and actual delivery with the Skills Funding Agency/EFA. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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

Notes (continued)

1 Statement of accounting policies (continued)

Recognition of income (continued)

Other discrete funding body grants received during the year are taken to income as expenditure is incurred in line with the specific terms and conditions attached to each fund by the funding bodies.

Where the College receives and disburses funds in which it has no direct beneficial interest, such funds are excluded from the income and expenditure account on the grounds that the College does not have direct control over the future economic benefits derived from these funds. The College has applied this policy to certain funds received during the year from the funding bodies (see note 27).

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

Income from grants, contracts and other services rendered is included to the extent the conditions of the funding have been met or the extent of the completion of the contract or service concerned.
All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

Post-retirement benefits

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes which are externally funded and contracted out of the State Earnings Related Pension Scheme (SERPS). Contributions to the TPS are charged as incurred.

Contributions to the TPS scheme are charged to the income and expenditure account 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 quinquennial 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.

The assets of the LGPS are measured using closing market values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

Further details of the pension schemes are given in note 20.

1 Statement of accounting policies *(continued)*

Tangible fixed assets

Land and buildings

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. Land and buildings acquired since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College, which ranges from 10 to 50 years. Leasehold land and buildings are amortised over 50 years or, if shorter, the period of the lease. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Finance costs which are directly attributable to the construction of land and buildings are capitalised as part of the cost of those assets.

Subsequent expenditure on existing fixed assets

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

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

Buildings owned by third parties

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

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

Assets under construction

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

Notes *(continued)*

1 Statement of accounting policies *(continued)*

Equipment

Equipment costing less than £10,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost and is depreciated over its useful economic life as follows:

General equipment	-	3 years on a straight line basis
Telephone equipment	-	5 years on a straight line basis
Specialist TV equipment	-	7 years on a straight line basis
CCTV equipment	-	10 years on a straight line basis

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.

Leased assets

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The relevant assets are capitalised at their fair value at the inception of the lease and depreciated over the shorter of the lease term or the useful economic lives of equivalently owned assets. The capital element outstanding is shown as obligations under finance leases.

The finance charges are allocated over the period of the lease in proportion to the capital element outstanding. Where finance lease payments are funded in full from funding council capital equipment grants, the associated assets are designated as grant-funded assets.

Assets which are held under hire purchase contracts which have the characteristics of finance leases are depreciated over their useful lives.

Investments and endowment assets

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

Stocks

Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

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.

Notes *(continued)*

1 Statement of accounting policies *(continued)*

Taxation (continued)

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

Provisions

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

Cash

Cash for the purposes of the cash flow statement comprises cash in hand and deposits repayable on demand less overdrafts repayable on demand.

Agency arrangements

The College acts as an agent in the collection and payment of discretionary support funds. Related payments received from the main funding body and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in note 27 except for the proportion of the grant received which is available to the College to cover administration costs relating to the grant. The College employs one member of staff dedicated to the administration of Learner Support Fund applications and payments.

Notes *(continued)*

2 Funding body grants

	2015 £'000	2014 £'000
Skills / Education Funding Agency (SFA / EFA) recurrent grants	17,148	19,056
HEFCE recurrent grant	701	724
Skills Funding Agency (SFA) non recurrent grants	3,342	3,081
Releases of deferred capital grants (note 17)	891	517
HE development grant	111	77
	22,193	**23,455**

3 Tuition fees and education contracts

	2015 £'000	2014 £'000
Tuition Fees	3,874	4,199
Education contracts	731	1,075
	4,605	**5,274**

4 Research grants and contracts

	2015 £'000	2014 £'000
European Commission	163	103
	163	**103**

5 Investment income

	2015 £'000	2014 £'000
Other interest receivable	30	65
Pension finance income	249	139
	279	**204**

Notes *(continued)*

6 Staff numbers and costs

The average number of persons employed by the group (including senior post holders) during the year, expressed as full-time equivalents, was as follows:

	2015 Number	**2014 Number**
Teaching staff	244	292
Non-Teaching staff	214	258
	458	**550**

Staff costs for the above persons were as follows:

	2015 £'000	**2014 £'000**
Wages and salaries	13,877	15,303
Social security costs	862	972
Other pension costs (including FRS 17 adjustments of £750,000; 2014 £357,000)	2,738	2,536
Payroll sub total	17,477	18,811
Exceptional restructuring costs	1,214	394
	18,691	**19,205**

The number of staff, including senior post-holders and the Principal, who received annual emoluments, excluding pension contributions but including benefits in kind in the following ranges was:

	2015 Number of senior post-holders	2014 Number of senior post-holders	**2015 Number of other staff**	2014 Number of other staff
£20,001 to £30,000	-	1	N/a	N/a
£30,001 to £40,000	1	-	N/a	N/a
£60,001 to £70,000	-	-	1	-
£70,001 to £80,000	-	-	1	2
£80,001 to £90,000	-	1	1	-
£90,001 to £100,000	2	1	-	-
£130,001 to £140,000	1	-	-	-
£210,001 to £220,000	-	1	-	-
	4	4	**3**	2

Notes *(continued)*

7 Emoluments of senior post holders and members

Senior postholders are defined as the Principal and holders of the other senior posts whom the Governing Body has selected for the purposes of the Articles of Government of the College relating to the appointment and promotion of staff who are appointed by the Governing Body.

	2015 Number	2014 Number
The number of senior post-holders including the Principal was	4	4

Senior post-holders' emoluments are made up as follows:

	2015 £'000	2014 £'000
Salaries	304	420
Benefits in kind	-	-
Pension contributions	27	86
	331	**506**

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

	2015 £'000	2014 £'000
Salaries	136	214
Benefits in kind	-	-
Pension contributions	-	53
	136	**267**

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

The members of the Corporation, other than the Principal and the staff members did not receive any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties. Travel and subsistence reimbursements amounting to £100 (2014 £204) were made to members of the Corporation, other than the Principal and the staff members.

Notes *(continued)*

8 Other operating expenses

	2015 £'000	2014 £'000
Teaching costs	4,048	3,886
Non-teaching costs	2,345	3,192
Premises costs	1,467	2,444
	7,860	**9,522**

Other operating expenses include:

	2015 £'000	2014 £'000
Financial statements audit	20	20
Internal audit	25	25

9 Interest payable

	2015 £'000	2014 £'000
On bank loans and overdrafts repayable within five years	210	222
Pension finance costs	-	-
	210	**222**

10 Taxation

The members do not consider the College was liable for any corporation tax arising out of its activities during either period.

11 Surplus(deficit) on continuing operations for the year

The surplus/(deficit) on continuing operations for the year is made up as follows:

	2015 £'000	2014 £'000
College's surplus/(deficit) for the year	86	(299)
	86	**(299)**

Notes *(continued)*

12 Tangible fixed assets

	Land and Buildings Freehold £'000	Long leasehold £'000	Equipment £'000	Total £'000
Cost or valuation				
At 1 August 2014 as restated *	47,381	1,691	5,748	54,820
Additions	3,738	-	261	3,999
Demolition / Disposals	-	-	(924)	(924)
At 31 July 2015	**51,119**	**1,691**	**5,085**	**57,895**
Accumulated depreciation				
At 1 August 2014	6,353	-	4,191	10,544
Charge for year	840	-	311	1,151
Disposals	-	-	(924)	(924)
At 31 July 2015	**7,192**	**-**	**3,578**	**10,770**
Net book value				
At 31 July 2015	**43,928**	**1,691**	**1,507**	**47,126**
At 31 July 2014 as restated *	41,028	1,691	1,557	44,276

Land and buildings were re-valued in 2014 at depreciated replacement cost by GVA Grimley, a firm of independent chartered surveyors, in accordance with the RICS Statement of Asset Valuation Practice and Guidance notes.

* A prior year adjustment is in respect of the property portfolio valuation which was overstated in 2014. The effect of this adjustment is to decrease tangible assets in the year to 31 July 2014 by £1,955,064 and reduce the revaluation reserve by a corresponding amount.

Notes *(continued)*

13 Debtors

	2015 £'000	2014 £'000
Amounts falling due within one year:		
Trade debtors	853	539
Prepayments and accrued income	184	166
	1,037	**705**

14 Creditors: Amounts falling due within one year

	2015 £'000	2014 £'000
Bank loans and overdrafts	528	528
Lennartz loan	126	120
Payments received in advance	1,312	473
Trade creditors	870	1,302
Other taxation and social security	445	559
Accruals	1,709	1,699
Amounts owed to the SFA	-	1,415
	4,990	**6,096**

15 Creditors: Amounts falling due after more than one year

	2015 £'000	2014 £'000
Bank loans	6,654	7,182
Lennartz	79	205
	6,733	**7,387**

The Lennartz creditor relates to VAT on the College's previously completed capital scheme. Her Majesty's Revenue and Customs has agreed that the College can defer payments of VAT on some of the construction costs over a period of ten years.

Notes *(continued)*

16 Analysis of borrowings

a) *Bank loans and overdrafts*

	2015 £'000	2014 £'000
Bank loans and overdrafts are repayable as follows:		
Within one year	528	528
Between one and two years	424	528
Between two and five years	959	1,063
In five years or more	5,271	5,591
	7,182	**7,710**

The bank loan is secured by negative pledge, bears interest at LIBOR plus 2.25% and is repayable by instalments falling due between 20th January 2012 and 31st January 2027.

b) Provisions for liabilities and charges

	Enhanced Pensions £'000	Other provisions £'000	Total £'000
At 1 August 2014	315	-	315
Expenditure in the period	(23)	-	(23)
Transferred from income and expenditure account	32	-	32
At 31 July 2015	**324**	-	**324**

The enhanced pension provision relates to the cost of staff who have already left the College's employ and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date. This provision has been recalculated in accordance with guidance provided by the LSC and its successor organisations.

The principal assumptions for this calculation are:

	2015	2014
Price inflation	3.46%	4.06%
Discount rate	1.75%	2.25%

Notes *(continued)*

17 Deferred capital grants

	Funding £'000	Other grants £'000	Total £'000
At 1 August 2014	17,745	-	17,745
Cash received:	416	-	416
Released to income and expenditure account	(890)	-	(890)
At 31 July 2015	**17,271**	**-**	**17,271**

18 Revaluation reserve

	£'000
At 1 August 2014 as restated	7,140
Transfer from revaluation reserve to income and expenditure account in respect of:	
Depreciation on revalued assets	(54)
At 31 July 2015	**7,086**

A prior year adjustment is in respect of the property portfolio valuation which was overstated in 2014. The effect of this adjustment is to decrease tangible assets in the year to 31 July 2014 by £1,955,064 and reduce the revaluation reserve by a corresponding amount.

19 Movement on general reserves

	£'000
At 1 August 2014	(1,386)
Deficit on continuing operations after depreciation of assets at valuation and tax	86
Transfer from revaluation reserve to income and expenditure account	54
Actuarial loss in respect of pension scheme	(3,184)
At 31 July 2015	**(4,430)**

Balance represented by

	£'000
Pension reserve	(17,563)
Income and expenditure account excluding pension reserve	13,133
At 31 July 2015	**(4,430)**

Notes *(continued)*

20 Pensions and similar obligations

The College's employees belong to two principal pension schemes, the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS):

Total pension cost for the year	**2015**		**2014**	
	£'000	**£'000**	**£'000**	**£'000**
Teachers Pension Scheme: contributions paid		1,022		1,166
Local Government Pension Scheme:				
Contributions paid	934		960	
FRS 17 charge	750		357	
Charge to the Income and Expenditure Account (staff costs)		1,684		1,317
Enhanced pension charge to Income and Expenditure Account (staff costs)		32		53
Total Pension Cost		**2,738**		**2,536**

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 and the subsequent consultation are:

Notes *(continued)*

20 Pensions and similar obligations *(continued)*

- employer contribution rates were set at 16.48% of pensionable pay (including a 0.08% levy for administration);
- 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 will be applied to future valuations

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 that was implemented from 1 April 2015.

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

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

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

The pension costs paid to TPS in the year amounted to £1,022,000 (2014: £1,166,000).

FRS 17
Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme.

Accordingly, the College has taken advantage of the exemption in FRS17 and has accounted for its contributions to the scheme as if it were a defined-contribution scheme. The College has set out above

Notes *(continued)*

20 Pensions and similar obligations *(continued)*

the information available on the scheme and the implications for the College in terms of the anticipated contribution rates.

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate funds administered by Tameside Metropolitan Borough Council. The total contribution made for the year ended 31 July 2015 was £1,242,000 of which employers contributions totalled £934,000 and employee's contributions totalled £306,000. The agreed contribution rate for future years is 22.7% for employers and range from 5.5% to 12.5% for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based on a full actuarial valuation of the fund as at 31st March 2013 updated to 31st July 2015 by a qualified independent actuary.

	2015	**2014**
Inflation assumption (CPI)	2.9%	3.0%
Rate of increase in salaries (salary increases are assumed to be 1% p.a. until 31 March 2016, reverting to the long term assumption shown thereafter)	3.8%	3.8%
Rate of increase in pensions	2.6%	2.7%
Discount rate for liabilities	3.6%	4.0%
Commutation of pensions to lump sums (pre-April 2008 service)	55.0%	55.0%
Commutation of pensions to lump sums (post-April 2008 service)	80.0%	80.0%

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

	At 31 July 2015	**At 31 July 2014**
Retiring today		
Males	21.4	21.4
Females	24.0	24.0
Retiring in 20 years		
Males	24.0	24.0
Females	26.6	26.6

Notes *(continued)*

20 Pensions and similar obligations *(continued)*

	Long term rate of return expected at 31 July 2015	Value at 31 July 2015 £'000	Long term rate of return expected at 31 July 2014	Value at 31 July 2014 £'000
Equities	3.6%	33,668	6.6%	31,738
Bonds	3.6%	8,536	3.6%	8,046
Property	3.6%	3,319	4.7%	2,682
Cash	3.6%	1,897	3.6%	2,235
Total market value of assets		47,420		44,701
Present value of scheme liabilities		-		-
Unfunded				
Funded		(64,983)		(58,579)
Deficit in the scheme		**(17,563)**		**(13,878)**

Analysis of the amount charged to the income and expenditure account

	2015 £'000	2014 £'000
Employer service cost (net of employee contributions)	1,213	1,249
Past service cost	-	-
Total operating charge	**1,213**	**1,249**

Analysis of pension finance income/(costs)

	2015 £'000	2014 £'000
Expected return on pension scheme assets	2,599	2,557
Interest on pension scheme liabilities	(2,350)	(2,418)
Pension finance income/(costs)	**249**	**139**

Notes *(continued)*

20 Pensions and similar obligations *(continued)*

Amounts recognised in the statement of total recognised gains and losses (STRGL)

	2015 £'000	2014 £'000
Actuarial gain/(loss) on pension scheme assets	458	(1,919)
Actuarial (loss on scheme liabilities	(3,642)	(3,433)
Actuarial (loss) recognised in STRGL	**(3,184)**	**(5,352)**

Movement in deficit during year

	2015 £'000	2014 £'000
Deficit in scheme at beginning of year	(13,878)	(8,308)
Movement in year:		
Current service charge	(1,213)	(1,249)
Contributions	953	927
Past service costs	(490)	(35)
Net interest/return on assets	249	139
Actuarial loss	(3,184)	(5,352)
Deficit in scheme at end of year	**(17,563)**	**(13,878)**

Notes *(continued)*

20 Pensions and similar obligations *(continued)*

Asset and Liability Reconciliation

	2015 £'000	2014 £'000
Reconciliation of Liabilities		
Liabilities at start of period	58,579	52,465
Service cost	1,213	1,249
Interest cost	2,350	2,418
Employee contributions	306	337
Experience gains and losses on scheme liabilities	-	-
Actuarial (gain)/loss	3,642	3,433
Benefits paid	(1,597)	(1,358)
Past Service cost	-	-
Curtailments and settlements	490	35
Liabilities at end of period*	**64,983**	**58,579**

	2015 £'000	2014 £'000
Reconciliation of Assets		
Assets at start of period	44,701	44,157
Expected return on assets	2,599	2,557
Actuarial gain/(loss)	458	(1,919)
Employer contributions	953	927
Employee contributions	306	337
Benefits paid	(1,597)	(1,358)
Assets at end of period	**47,420**	**44,701**

The estimated value of employer contributions for the year ended 31st July 2016 is £987,000

History of experience gains or losses

	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Difference between the expected and actual return on assets:	458	(1,919)	5,653	(1,289)	668
Experience gains and losses on scheme liabilities:	471	371	(56)	(455)	3,016
Total amounts recognised in statement of total recognised gains and losses:	(3,184)	(5,352)	(261)	(2,066)	5,409

Notes *(continued)*

21 Reconciliation of operating surplus/(deficit) to net cash inflow from operating activities

	2015	2014
	£'000	£'000
Surplus/(deficit) on continuing operations after depreciation of assets at valuation and tax	86	(299)
Depreciation (note 12)	1,151	1,062
Deferred capital grants released to income (note 2)	(891)	(517)
Subsidiary company dissolution adjustment	-	-
Interest receivable (note 5)	(30)	(65)
Interest payable (note 9)	210	222
Pension cost less contributions payable (note 20)	750	357
Pension finance income	(249)	(139)
(Increase) in debtors	(332)	(258)
(Decrease) / Increase in creditors	(1,111)	2,315
Increase in provisions	9	30
Net cash (outflow) / inflow from operating activities	**(407)**	**2,708**

22 Analysis of changes in net funds

	At 1 August 2014	Cash flows	Other Changes	**At 31 July 2015**
	£'000	£'000	£'000	**£'000**
Cash at bank and in hand	6,193	(4,819)	-	**1,374**
Bank overdrafts	-	-	-	**-**
	6,193	(4,819)	-	**1,374**
Debts due within 1 year	(648)	(6)	-	**(654)**
Debts due after 1 year	(7,387)	654	-	**(6,733)**
Total	(1,842)	(4,171)	-	**6,013**

Notes *(continued)*

23 Analysis of cash flows for headings netted in the cash flow statement

	2015 £'000	2014 £'000
Returns on investments and servicing of finance		
Interest received	30	64
Interest paid	(210)	(222)
Interest element of finance lease rental payment		
Net cash outflow from returns on investments and servicing of finance	**(180)**	**(158)**
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(4,000)	(6,272)
Sales of tangible fixed assets	-	-
Deferred capital grants received	416	1,539
Net cash outflow for capital expenditure and financial investment	**(3,584)**	**(4,733)**
Financing		
Debt due beyond a year:		
New unsecured loans repayable in 2025	-	-
Repayment of amounts borrowed	(648)	(648)
Capital element of finance lease rental payments		
Net cash outflow from financing	**(648)**	**(648)**

24 Capital commitments

	2015 £'000	2014 £'000
Commitments contracted for at 31 July	-	2,852
Commitments authorised but not contracted for at 31 July	-	-

25 Contingent liability

As a result of a ruling by the European Court of Justice (ECJ) in the Preston case relating to indirect sex discrimination, the employer has an obligation to provide pension scheme benefits for part-time employees. There is therefore a potential liability to provide additional benefits for service before the pension scheme rules were changed to allow access for part-time employees.

The extent of the liability will depend on the service completed by those part-time employees who have registered a valid claim for benefits within the necessary timescales. It is not currently known with certainty how many part-time employees have registered and whether any financial impact that may materialise will be significant. Therefore no provision has been made, but the financial statements include this disclosure as a prudent approach to the potential liability.

26 Related Party Transactions

Due to the nature of the College's operations and the composition of the Board of Governors (being drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the Board of Governors may have an interest. All transactions involving organisations in which a member of the Board of Governors may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures. No transactions were identified which should be disclosed under Financial Reporting Standard 8 'Related Party Disclosures'.

Transactions with the Skills Funding Agency/EFA and HEFCE are detailed in notes 2, 3, 4, 17, 24 and 27.

27 Amounts Disbursed as Agent

Learner support funds	**2015 £'000**	**2014 £'000**
Funding body grants – hardship support	593	629
Funding body grants – childcare	217	204
Funding body grants – residential business	-	-
Funding body grants – other	479	402
Interest earned	-	-
	1,289	1,235
Disbursed to students	(919)	(837)
Administration costs	(49)	(51)
Balance unspent at 31 July, included in creditors	**321**	**347**

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 have therefore been excluded from the income and expenditure account, other than when the College has directly incurred expenditure itself.