SOUTHPORT COLLEGE

Report and Financial Statements

For the year ended 31 July 2017

Southport College

PROGRESS TO SUCCESS

CONTENTS

KEY MANAGEMENT PERSONNEL, BOARD OF GOVERNORS AND PROFESSIONAL ADVISERS

Key Management personnel

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

John Clarke - Principal: Accounting officer
Eddie Green - Vice Principal Services
Gill Kitchen - Vice Principal Curriculum & Quality

Board of Governors

A full list of Governors is given on page 11 of these financial statements

Professional Advisers

Financial statements auditors and reporting accountants

Grant Thornton UK LLP
Statutory Auditor & Chartered Accountants
4 Hardman Square
Spinningfields
Manchester
M3 3EB

Internal Auditors

ICCA Education Training and Skills
McLaren House
46 Priory Queensway
Birmingham
B4 7LR

Bankers

Bank of Scotland plc
40 Spring Gardens
Manchester
M2 1EN

Solicitors

DLA Piper UK LLP
India Buildings
Water Street
Liverpool
L2 0NH

Whitfields
Marion House
23/25 Elbow Lane
Formby
L37 4AB

MEMBERS' REPORT OF THE GOVERNING BODY

NATURE, OBJECTIVES AND STRATEGIES

The Corporation is pleased to present its report and audited financial statements for the year ended 31 July 2017.

Legal status

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

Mission

Governors reviewed the College's mission during 2016/17 and in September 2017 confirmed the mission statement as follows:

"to provide outstanding education and training for individuals and employers".

Public Benefit

Southport College is an exempt charity under Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on page 11.

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 and the Local Enterprise Partnership (LEP).

Implementation of Strategic Plan

The Corporation monitors the performance of the College against its Strategic Plan which is reviewed and updated each year. In particular, the College continued to develop and enhance its ability to achieve its corporate aims during the year through a range of underpinning activities that included:

- working with other Sefton Colleges to provide excellent sustainable post 16 education for the area;
- developing its 16-18 offer and marketing and admissions processes in order to improve market share;
- continuing to grow apprenticeship and employer facing programmes;
- re-focussing its adult classroom based provision to meet the needs of learners and local employers;
- successfully developing its Higher Education offer;
- achieving continuous improvements in Qualification Success Rates;
- improving Learning Walk Observation grades for Curriculum areas to 95% good or better in 2016/17;
- maintaining a safe and secure environment for students and staff in which equality of opportunity and diversity of backgrounds is valued;
- maintaining outstanding financial health.

MEMBERS' REPORT OF THE GOVERNING BODY

Financial objectives

The financial objectives for 2016/17 were to maintain outstanding financial health by having:

- a current ratio above 2:1;
- earnings before interest, tax, depreciation & amortisation (EBITDA) greater than 3%;
- no borrowings.

All of these objectives were met during the year, ensuring the College maintained its 'Outstanding' classification for financial health.

Performance indicators

The College is committed to observing the importance of sector measures and indicators and the use of the FE Choices data available on the Gov.UK website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the Education and Skills Funding Agency (ESFA). The Finance Record produces a financial health grading and the College is currently rated Outstanding.

FINANCIAL POSITION

Financial results

A deficit before other gains and losses of £845,000 was sustained in the year (2015/16 – £437,000 deficit). This deficit was after charges of £222,000 (2015/16 - £15,000) in relation to restructuring costs and £36,000 (2015/16 - £423,000) in relation to accommodation changes. Total income decreased by £0.3m (c2.3%) as the prior year included a one off LEP grant of £0.4m and the current year includes £0.1m of adult learner support income. Despite a reduction in 16-18 Learner funding, increases in Apprenticeship Income, Higher Education (HE) provision and further growth of 24+ Student Loan provision meant that other income in total remained similar to the prior year. Inflationary pressures (Staff Pay award, increased National Insurance contributions, increased pension contributions and apprenticeship Levy) added c1.4% to the ongoing cost base of the College, however, due to significant non cash costs of Pensions (£0.5m) and Depreciation (£1.2m – which included asset impairment costs of £0.2m) the cash based surplus on which Financial Health is based was £644,000 which results in outstanding Financial Health.

The College had significant reliance on the education sector funding bodies for its principal funding sources, largely from recurrent grants. In 2016/17 they provided 87% (2015/16 89%) of the College's total income.

Tangible fixed asset additions during the year amounted to £0.9m. This was split between land and buildings additions of £0.7m and equipment additions of £0.2m. The major land and building additions related to the continued major refurbishment of the College's Tower Block building (£0.4m), the renovation of the North Wing of the College (£0.2m) and the commencement of the Reception remodelling (£0.1m). The equipment purchases were in relation to the annual rolling programme of IT replacement and other capital equipment for use in delivery of the College's curriculum.

At 31 July 2017 the College had accumulated reserves of £16.4m.The College will continue to use its reserves to support improvements and modifications to its accommodation in line with its Accommodation Strategy and the general upgrading of the College facilities and to protect itself from the short term effect of risks materialising.

Treasury policies and objectives

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

The College has a separate treasury management policy in place which, together with investment performance, is reviewed annually by the Governors. The College does not have any short or long term borrowings.

Cash flows and liquidity

At 31 July 2017, cash balances and short term deposits were £5,909,000, a decrease of £59,000 from the previous year's position. The decrease was the net result of income from operating activities and interest receivable totalling £993,000 being offset by capital expenditure less grants received of £1,052,000.

MEMBERS' REPORT OF THE GOVERNING BODY

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers and funding

Overall the College had 1,161 16-18 learners (2015/16: 1,281) which generated funding of £5.5m compared to a target of £5.6m. No provision for claw-back of funding is required due to the lagged learner funding system operated by the ESFA. Adult Education Budget enrolments decreased from c750 to c640 and the actual funding generated was £120,000 below the allocation, resulting in a provision for clawback being included in the accounts. The College had c300 24+ Student Loan learners which generated £730,000 of income (2015/16: £560,000).

The College apprenticeship programmes saw good growth with 321 starts compared to 287 the previous year. Total funding generated was £981,000 (2015/16 £754,000).

The College grew its HE numbers from 201 to 216 and its income from £1,031,000 to £1,110,000 in 2016/17.

Student achievements

Students continue to succeed at the College. Overall achievement rates have continued to improve and for 2016/17 were 86% - significantly above the National Rate of 82%.

Curriculum developments

The curriculum was particularly influenced by:

Improving Skills Levels for Employment

Curriculum planning continues to be responsive to the needs of employers. Links with the Local Enterprise Partnership for Liverpool City region ensure that the curriculum is designed to meet local and regional priorities.

Employers take an active role in the student experience. During 2016/17, all 16-18 students experienced a work placement and/or a range of work-related learning opportunities which included employer visits, live projects, competitions, social action projects and practical experience within the College's realistic working environments. Career planning is a major aspect of tutorials for all students.

Apprenticeships and Traineeships continue to be a key aspect of the College provision. Traineeships are designed to prepare students for progression on to an Apprenticeship. The Traineeship Programme consists of a range of qualifications including maths, English and employability skills alongside purposeful work experience. The Apprenticeship curriculum offer is diverse and new sectors are introduced in line with employer demand.

During 2016/17, links with Job Centre Plus continued and enabled the delivery of courses designed for JSA claimants which included English for Speakers of Foreign Languages and Employability Skills delivered in off-site venues.

English and maths

There continues to be a major Government focus on raising the levels of English and maths in the population. In 2016/17 the College continued to respond by:

- ensuring that adult learners were given the opportunity to gain English and or maths qualifications alongside their main vocational programme;
- offering GCSE English and maths or functional skills to 16-18 year olds who had not achieved A*-C on entry to the College;
- delivering English and maths qualifications to Apprentices;
- working with community groups, in schools, children's centres and libraries to improve levels of English and maths;
- ensuring that the delivery of all teaching and learning sessions included a focus on improving English and maths;
- continuing the practice of English and maths assessments as part of induction for all learners;
- introducing Core maths at level 3 in key curriculum areas eg Engineering, to enable students to continue to develop maths skills beyond GCSE.

MEMBERS' REPORT OF THE GOVERNING BODY

Curriculum developments (continued)

Higher Education

For 2016/17 the College, in partnership with the University of Cumbria has further developed the HE provision by undergoing successful validation of degree pathways in Computing & IT, Criminology & Social Sciences and Health & Social Care. Further degree pathways, including Nursing, Graphic Design and Forensic Science, are under development for potential delivery in 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 and services or the date on which the invoice was received.

During 2016/17 the College responded to the Government commitment to pay all suppliers as soon as possible and, rather than waiting for the full 30 day payment period, brought forward its payments as soon as invoices were approved. The College incurred no interest charges in respect of late payment for this period.

Events after the reporting period

There were no events after the balance sheet date that could have had an impact on the financial statements.

Future developments

In July 2015 the Department of Business Innovation and Skills issued its document "Reviewing post-16 Education and Training Institutions". This document assumed a need for the sector to be more responsive to local employers' needs and economic priorities and argued that there was 'significant scope for greater efficiency' in the sector to free up resources to support economic growth.

The document set out a national programme of 'area reviews'. The reviews involved FE Colleges and Sixth Form Colleges and whilst they could consider other local post 16 provision such as school sixth forms or University Technical Colleges (UTCs) there was no requirement that these institutions took part.

The primary purpose of these reviews was to address the financial pressures on institutions with an expectation that they would result in 'fewer larger more resilient and more efficient providers.'

Southport College was included in the Liverpool City Region (LCR) review and this review commenced in March 2016 and was completed in October 2016. The outcome of the review was to recommend that provision in Southport was consolidated by the merger of Southport College and King George V Sixth Form College (KGV) followed by a merger between the institutions in the north and south of the borough of Sefton – Southport College / KGV College and Hugh Baird College / South Sefton Sixth Form Centre.

During the course of 2016/17 the College worked with its Professional Advisors and the Transaction Unit in order to secure sufficient funding from the Restructure Fund to progress the merger with KGV. This funding has now been agreed and the College is currently finalising contractual agreements with the merger expected to be completed in January 2018. The merger to form the wider Sefton College will likely take place some time after the 2017/18 financial year.

The Southport / KGV College merger will be a Type B merger with the KGV Corporation being dissolved and Southport College continuing with the assets and liabilities of KGV absorbed within it. Initially the poor financial position of KGV will affect the future financial performance of the College adversely. The College has prepared robust financial forecasts, which have been assessed by the Transaction Unit and have been subject to independent financial Due Diligence. This has enabled the College to secure sufficient funding from the Restructure Fund to ensure the College remains financially resilient over the period of the turnaround of KGV's performance. For these reasons the accounts are continuing to be prepared on a going concern basis.

MEMBERS' REPORT OF THE GOVERNING BODY

RESOURCES

The College has various resources that it can deploy in pursuit of its strategic objectives as follows:-

Tangible

Tangible resources include the College's land and buildings and its general and IT equipment. The College has an accommodation strategy which seeks to ensure that the College facilities are fit for purpose and meet the needs of the curriculum and learners.

Financial

The College has £16.4 million of net assets including cash reserves of £5.9 million.

People

The College employed 254 people (expressed as full time equivalents), of whom 132 were teaching staff.

Reputation

The College has a good reputation locally and the most recent Ofsted inspection report in May 2016 confirmed that the College continues to be "Good". Maintaining a quality brand is essential for the College's success at attracting students and external relationships.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

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.

Government funding

The College has considerable reliance on continued government funding through the ESFA and HEFCE. In 2016/17, 87% of the College's revenue was ultimately public funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

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

- The current economic climate and future public spending plans suggest that there is a significant risk that funding for the education sector as a whole will continue to be reduced. This in turn could result in significant funding cuts to College funding allocations. In addition other government plans and austerity measures could have a significant impact on the operating costs of the College;
- The College faces a declining cohort population of 16-18 learners with ever increasing competition from other providers and school sixth forms. This could lead to a decline in student numbers and consequent cut in funding;
- The ESFA continues to implement changes to its funding methodologies. This could affect learner entitlements, change the focus of funding allocations and potentially negatively impact the overall funding that the College receives.

MEMBERS' REPORT OF THE GOVERNING BODY

PRINCIPAL RISKS AND UNCERTAINTIES (cont'd)

These risks are mitigated in a number of ways by:

- ensuring the College is rigorous in delivering high quality education & training and continued review and revision of the curriculum offer;
- placing considerable focus and investment on maintaining and managing key relationships with various stakeholders, partners and funding bodies;
- ensuring effective marketing and promotional activities are developed;
- setting realistic fee levels which do not impact negatively on recruitment targets;
- seeking to decrease reliance on recurrent funding grants by increasing commercial fee income and securing other funding contracts as appropriate;
- ensuring the right staffing structures are in place to deliver the targets which have been set;
- planning resources flexibly in order to adapt to any potential future funding changes;
- regular dialogue with funding providers.

Merger with KGV

The proposed merger with KGV Sixth Form College will have an adverse impact on the financial health of the College. The report from the LCR Area Based Review recognised this and stated the need for the merger to receive financial support to cover immediate operating deficits. During the course of 2016/17 the College worked with its Professional Advisors and the Transaction Unit in order to secure sufficient funding from the Restructure Fund. This funding, comprising of grant and loans, has now been agreed and the College is currently finalising contractual agreements with the merger expected to be completed in January 2018.

STAKEHOLDER RELATIONSHIPS

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

- Students;
- Education sector funding bodies;
- FE Commissioner;
- Staff;
- The Local Enterprise Partnership;
- Local employers with specific links;
- Local authorities;
- Government Offices;
- The local community;
- HE institutions;
- Other FE institutions;
- Trades unions;
- Professional bodies.

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

MEMBERS' REPORT OF THE GOVERNING BODY

Equal opportunities and employment of disabled persons

The College is committed to creating a safe and secure environment for students and staff in which equality of opportunity and diversity of backgrounds and experiences is valued. To this effect the College:-

- aims to provide the conditions which encourage everyone to participate in learning, eliminate discrimination and actively combat harassment and bullying;
- values the diversity of all individuals who study or work at the College and the contribution they make to its success;
- has a belief and a commitment to the right of everyone to be given equal access to opportunities and to be treated with dignity and respect regardless of any protected characteristic.

The College has specific Equality and Diversity Objectives as follows:-

- To continue to improve the achievement rates of all students, identifying and, where appropriate, addressing any achievement gaps.
- To assess the impact of socio-economic background on student performance and identify areas for further exploration and action.

A pro-active Equality and Diversity Committee is in place, membership of which includes the Principal and a College Governor who reports back to the Corporation on a regular basis to ensure that equality and diversity remain high profile aspects of Corporation business.

As an employer, the College opposes all forms of unlawful and unfair discrimination. The College is committed to treating all employees fairly and with respect. Selection for employment, promotion, training or any other benefit is carried out on the basis of aspiration, aptitude and ability.

It is ensured that all people with disabilities have proper access to their right to equal opportunities and to enter employment with the Corporation and progress their career to achieve their individual potential. For those colleagues in-service who become disabled every effort is made, including re-training where appropriate, to facilitate their continued employment as members of College staff.

The College is proud to display the 'Positive about Disabled People' symbol which has been awarded by JobCentre Plus in recognition of its commitment to the employment, retention, training and career development of its disabled employees.

Disability statement

The College seeks to achieve the objectives set down in the Equality Act 2010 and supports this by:-

- a statement of students' rights and responsibilities which is set out in the Student Charter;
- a programme of specialist provision for those with learning difficulties which is set out in the Disability Statement and which is more fully laid out in a variety of College publications. This is supported by a programme of liaison visits and events with schools, career services and community agencies;
- specialist student support as described in the Student Charter, which is issued to all students during induction, including counselling and welfare services;
- improving physical access to College buildings;
- provision of specialist equipment for students with learning difficulties and disabilities;
- recruiting specialist staff such as Specialist Lecturers, Learning Support Assistants and Care Workers coupled with an underpinning programme of staff development to ensure appropriate support for students;
- ensuring all students have the opportunity to raise any additional support needs through enrolment procedures.

MEMBERS' REPORT OF THE GOVERNING BODY

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 20 November 2017 and signed on its behalf by:-

Signed ....

Chair - Canon J A Fell

Date 30 November 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 August 2016 to 31 July 2017 and up to the date of approval of the annual report and financial statements.

The College conducts 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 accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the Code"); and
iii. having due regard to the UK Corporate Governance Code 2016 insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular that it has adopted and complied with the Code. The College has not adopted and therefore does not apply the UK Corporate Governance Code. However, reporting on Corporate Governance arrangements is drawn from best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.

In the opinion of the governors, the College complies with all the provisions of the Code and it has complied throughout the year ended 31 July 2017. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of the Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted on 1 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.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The Corporation

The members who served the Corporation during the year and any changes since the year end were as follows:

Name	Date of Appointment	Term of Office	Date of Resignation/ End of term of Office	Status of Appointment	Committee Served	Corporation Meeting Attendance Percentage
Mrs G Brown	14 November 2016	4 yrs	31 July 2017	Independent	Governance	71%
Mr J D Clarke	15 August 2011	-	-	Principal	Standards, Resources and Governance	100%
Mr A Davidson	15 March 2015	4 yrs	20 March 2017	Staff	Standards and Governance	50%
Canon J A Fell	21 January: 1994, 1998®, 2002®, 2006®, 2010 ® & 2014 ®	4 yrs	-	Independent	Chair of Corporation, Standards, Resources and Governance	86%
Mrs V Fell	16 March 2010 & 2014 ®	4 yrs	-	Independent	Vice Chair of Corporation (from 5 July 2017), Governance (Chair until 6 November 2017), Remuneration (Chair from 1 August 2016), Resources (from 5 July 2017 until 8 November 2017) and Audit (from 8 November 2017)	86%
Mrs G Fenney	16 March 2010 & 2014 ®	4 yrs	-	Independent	Standards (Chair from 1 August 2016) and Audit (Chair from 20 November 2017)	86%
Mr R E Firth	14 November 2016	4 yrs	-	Independent	Audit (until 5 July 2017), Resources (from 5 July 2017), Governance (from 5 July 2017 – Chair from 7 November 2017), Remuneration	71%
Mr L Gaskell	20 November 2017	1 yr	-	Student	Standards	n/a
Mr M Godfrey	14 November 2016	4 yrs	-	Student	Standards	83%
Mrs V Hayes	20 November 2017	4 yrs	-	Staff	-	n/a
Ms A Kamau	14 November 2016	4 yrs	31 July 2017	Student	Standards	50%
Mrs C Kerr	14 March 2011 & 2015 ®	4 yrs	31 July 2017	Independent	Vice Chair of Corporation, Standards and Governance	86%
Mr M Kundi	1 September 2017	4 yrs	-	Independent	Audit, Standards	n/a
Ms K Marshall	14 November 2016	4 yrs	31 July 2017	Student	Standards	20%
Mrs L Mee	18 September 2013	4 yrs	31 July 2017	Staff	Resources and Governance	86%
Mrs C McClennan	2 July 2014	4 yrs	23 October 2017	Independent	Audit (Chair)	29%
Mrs S McGuire	1 September 2017	4 yrs	-	Independent	Audit (from 20 November 2017), Standards	n/a
Mr K Millington	1 January 2012 & 2016 ®	4 yrs	-	Independent	Resources (Chair from 1 September 2017), Governance (from 5 July 2017)	86%
Mr J Pickering	16 November 2009 & 26 February 2014®	4 yrs	-	Independent	Designate Chair of Corporation (from 5 July 2017), Vice Chair of Corporation (from 21 September 2016 until 5 July 2017), Resources (Chair) until 31 August 2017 and Remuneration	86%
Mrs C Reid	20 November 2017	4 yrs	-	Staff	Standards	n/a
Mr B M Rimmer	21 November: 2000, 2004®, 2008® & 2012®	4 yrs	20 November 2016	Independent	Resources and Governance	100%
Mr R E Uffendell	14 November 2016	4 yrs	23 October 2017	Independent	Audit	86%

® = Re-appointment date

Wendy Ashleigh-Reynolds acted as the Clerk to the Corporation until 15th September 2017. Lesley Venables acted as Interim Clerk to the Corporation from 18th September 2017.

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

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The Corporation (continued)

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

The Corporation meets at least termly. The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation.

The Corporation met on seven occasions during the year. The committees, with the number of occasions on which they met in 2016/17, were as follows:

Committee	Number of Meetings
Resources	5
Standards	5
Audit	4
Governance	6
Remuneration	1

Minutes of all meetings are available on the College's website at Southport.ac.uk or from the Clerk to the Corporation at Southport College, Mornington Road, Southport PR9 0TT.

The Clerk maintains a register of financial and personal interests of the Governors, Senior Postholders, managers and their partners. 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 Corporation for ensuring compliance with all applicable procedures and regulations. 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 and committee meetings. Briefings are also provided on an ad hoc basis.

The Corporation has a strong, balanced and independent non-executive element and no individual or group dominates its decision making processes. 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 Accounting Officer 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 Governance Committee, consisting of eight members of the Corporation (4 independent governors, the Principal and 3 co-opted or associate members), which is responsible for advising the Corporation on the appointment of Governors. The Corporation is responsible for ensuring that appropriate training is provided as required.

The Corporation has approved procedures for the nomination and election of staff and student governors which the Clerk administers in the event of a vacancy or a forthcoming vacancy. Subject to the Clerk receiving more than one nomination, elections are held for staff governors. Student governors are recommended for appointment by the Student Council.

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

Corporation performance

The Corporation carries out a self-assessment of its own performance annually as part of the Leadership and Management aspect of the College Self-Assessment process. The last Self-Assessment Report was finalised in December 2016 and Leadership and Management including Governance was assessed as Good. The next Self-Assessment Report will be finalised in December 2017 and it is currently envisaged that Leadership and Management, including Governance will be assessed as Outstanding.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The Corporation (continued)

Remuneration Committee

During the year the Remuneration Committee comprised three members of the Corporation. The Committee's responsibilities are to make recommendations to the Corporation on the remuneration and benefits of the Accounting Officer, other senior postholders and the Clerk to the Corporation.

Details of remuneration for the year ended 31 July 2017 are set out in note 7 to the financial statements.

Audit Committee

During the year the Audit Committee comprised four members of the Corporation (excluding the Accounting Officer, Chair of the Corporation and members of the Resources Committee) and two co-opted members. The committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee meets at least termly and provides a forum for reporting by the College's internal, and financial statement auditors and regularity reporting accountant, 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 funding bodies as they affect the College's business.

The College's internal auditor reviews the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and reports its findings to management and the Audit Committee.

Management is responsible for the implementation of agreed recommendations and the internal auditor undertakes 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 statement auditors and the regularity reporting accountant and their remuneration for both audit and non-audit work as well as reporting annually to the Corporation.

Internal Control

Scope of responsibility

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

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of 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 / Financial Agreement between the College and its 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 Southport College for the year ended 31 July 2017 and up to the date of approval of the annual report and accounts.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

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 have been in place for the period ending 31 July 2017 and up to the date of approval of the annual report and financial statements. 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; and
- the adoption of formal project management disciplines, where appropriate.

The College has an internal audit service, which operates in accordance with the requirements of the ESFA's Post 16 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. Each year the Internal Auditor provides the governing body with a report on internal audit activity in the College. The report includes the Internal Auditor's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. 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 in the College who have responsibility for the development and maintenance of the internal control framework; and
- comments made by the College's financial statements auditors, the regularity reporting accountant and the appointed funding 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 other sources of assurance, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The senior management team receive reports setting out key performance and risk indicators and consider possible control issues brought to their attention by early warning mechanisms, which are embedded in the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and it 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 November 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 Audit Committee, and taking account of events since 31 July 2017.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

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

Approved by order of the members of the Corporation on 20 November 2017 and signed on its behalf by:-

Signed ……………………

Chair - Canon J A Fell

Date 30 November 2017

Signed ……………………

Accounting Officer - J D Clarke

Date 30 November 2017

STATEMENT OF REGULARITY, PROPRIETY AND COMPLIANCE

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

We confirm, on behalf of the Corporation, that after due enquiry, and to the best of our knowledge, 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 terms and conditions of funding under the College's financial memorandum.

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

Signed ....

Chair - Canon J A Fell

Date 30 November 2017

Signed ....

Accounting Officer - J D Clarke

Date 30 November 2017

STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

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

Within the terms and conditions of the College's Financial Memorandum with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the 2015 Statement of Recommended Practice: Accounting for Further and Higher Education and with the College Accounts Direction for 2016/17 issued by the ESFA, and which give a true and fair view of the state of affairs of the College and of the result for that year.

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

- select suitable accounting policies and then 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 a Members' Report which describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the College.

The Corporation is responsible for keeping proper accounting records, which disclose with reasonable accuracy, at any time, the financial position of the College and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for 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 auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the ESFA are used only in accordance with the Financial Memorandum with the ESFA and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the ESFA are not put at risk.

Approved by order of the members of the Corporation on 20 November 2017 and signed on its behalf by:-

Signed ....

Chair - Canon J A Fell

Date 30 November 2017

Independent auditor's report to the Corporation of Southport College

Opinion

We have audited the financial statements of Southport College (College) for the year ended 31 July 2017 which comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Balance Sheet, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2017 and of the College's deficit of income over expenditure for the year then ended; and
- have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice – Accounting for Further and Higher Education issued in March 2014.

Basis for opinion

We have been appointed as auditor under the College's Articles of Government and report in accordance with regulations made under it. We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the College in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who are we reporting to

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Corporation's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Corporation has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the College's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Corporation is responsible for the other information. The other information comprises the information included in the Report and Financial Statements, set out on pages 2 to 40 other than the financial statements and our auditor's report thereon. The Corporation is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

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

Responsibilities of the Corporation for the financial statements

As explained more fully in the Statement Responsibilities of the Corporation set out on page 17, the College's Corporation is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporation is responsible for assessing the College's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Corporation either intend to liquidate the College or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Grant Thornton UK LLP

Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

Manchester

Date 20/12/17

Reporting accountant's assurance report on regularity

To the corporation of Southport College and Secretary of State for Education acting through the Department for Education ('the Department')

In accordance with the terms of our engagement letter dated 27 September 2017 and further to the requirements of the financial memorandum and funding agreement with the Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that, in all material respects, the expenditure disbursed and income received by Southport College during the period 1 August 2016 to 31 July 2017 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

Respective responsibilities of Southport College and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that, in all material respects, expenditure disbursed and income received during the period 1 August 2016 to 31 July 2017 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Code issued by the Department. We performed a limited assurance engagement as defined in that framework.

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

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

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

The work undertaken to draw our conclusion includes:

- an assessment of the risk of material irregularity and impropriety across the college's activities;
- evaluation of the processes and controls established and maintained in respect of regularity and propriety for the use of public funds through observation of the arrangements in place and enquiries of management;
- consideration and corroboration of the evidence supporting the Accounting Officer's statement on regularity, propriety and compliance and that included in the self-assessment questionnaire (SAQ); and
- limited testing, on a sample basis, of income and expenditure for the areas identified as high risk and included on the SAQ.

Conclusion

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

Grant Thornton UK LLP

Grant Thornton UK LLP
Chartered Accountants
Manchester
Date 20/12/17

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 July 2017

	Notes	2017 £'000	2016 £'000
INCOME			
Funding body grants	2	8,811	9,223
Tuition fees and education contracts	3	1,943	1,754
Other operating income	4	176	186
Investment income	5	73	96
Total income		11,003	11,259
EXPENDITURE			
Staff costs	6	8,155	7,827
Other operating expenses	8	2,312	2,796
Depreciation	11	1,240	912
Interest	9	141	161
Total expenditure		11,848	11,696
DEFICIT BEFORE TAX		**(845)**	**(437)**
Taxation	10	-	-
DEFICIT FOR THE YEAR		**(845)**	**(437)**
Actuarial gain/(loss) in respect of pension scheme	19	762	(1,039)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(83)**	**(1,476)**

STATEMENT OF CHANGES IN RESERVES
For the year ended 31 July 2017

	Income and Expenditure Account £'000	Revaluation Reserve £'000	Total £'000
Balance at 1st August 2015	15,419	2,514	17,933
Deficit from the income and expenditure account	(437)	-	(437)
Other comprehensive income	(1,039)	-	(1,039)
Transfers between revaluation and income and expenditure reserves	125	(125)	-
Balance at 31st July 2016	**13,998**	**2,459**	**16,457**
Deficit from the income and expenditure account	(845)	-	(845)
Other comprehensive income	762	-	762
Transfers between revaluation and income and expenditure reserves	125	(125)	-
Total comprehensive income for the year	42	(125)	(83)
Balance at 31st July 2017	**14,040**	**2,334**	**16,374**

BALANCE SHEET
As at 31 July 2017

	Note	2017 £'000	2016 £'000
NON CURRENT ASSETS			
Tangible Fixed assets	11	18,919	19,265
Fixed asset investments	12	1,000	1,000
		19,919	20,265
CURRENT ASSETS			
Stock		16	16
Trade and other receivables	13	133	234
Cash and cash equivalents		5,909	5,968
		6,058	6,218
Less: CREDITORS: amounts falling due within one year	14	1,459	1,710
NET CURRENT ASSETS		4,599	4,508
TOTAL ASSETS LESS CURRENT LIABILITIES		24,518	24,773
CREDITORS: amounts falling due after more than one year	15	(2,651)	(2,510)
PROVISIONS			
Defined benefit obligations	19	(5,493)	(5,806)
TOTAL NET ASSETS		16,374	16,457
UNRESTRICTED RESERVES			
Income and expenditure account		14,040	13,998
Revaluation reserve		2,334	2,459
TOTAL UNRESTRICTED RESERVES		16,374	16,457

These financial statements on pages 22 to 40 were approved and authorised for issue by the Corporation on 20 November 2017 and were signed on its behalf on that date by:

Signed ....

Chair - Canon J A Fell

Date 30 November 2017

Signed ....

Accounting Officer - J D Clarke

Date 30 November 2017

STATEMENT OF CASH FLOWS
For the year ended 31 July 2017

	2017 £'000	2016 £'000
Cash flow from operating activities		
Deficit for the year	(845)	(437)
Adjustments for non-cash items		
Depreciation	1,240	912
Increase in stocks	-	(1)
Decrease/(Increase) in debtors	74	(37)
Increase/(Decrease) in creditors due within one year	7	(197)
Increase in creditors due after one year	141	39
Pensions costs less contributions payable	308	219
Adjustments for investing or financing activities		
Investment income	(73)	(96)
Interest payable	141	161
Net cash flow from operating activities	**993**	**563**
Cash flows from investing activities		
Investment income	100	64
Transfer of deposits to cash and cash equivalents	-	500
Payments made to acquire fixed assets	(1,152)	(1,208)
	(1,052)	(644)
Decrease in cash and cash equivalents in the year	**(59)**	**(81)**
Reconciliation of net cash flow to movement in net funds		
Decrease in cash in the year	(59)	(81)
Net funds at 1 August	5,968	6,049
Net funds at 31 July	**5,909**	**5,968**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2017

1. STATEMENT OF ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES

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

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (the 2015 FE HE SORP), the Accounts Direction 2016/17 and in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS102.

The preparation of financial statements in compliance with FRS102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the College's accounting policies.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention as modified by the revaluation of certain fixed assets.

Going concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Report of the Governing Body. The financial position of the College, its cashflow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

The College currently has £5.9m of cash and short term deposits and £16.4m of reserves. The College's forecasts and financial projections, which take into account the pending merger with King George V Sixth Form College mentioned in the Members' Report, indicate that it will be able to operate for the foreseeable future.

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

Recognition of income

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under achievement for the Adult Education Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

The recurrent grant from HEFCE represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

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

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

1. STATEMENT OF ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (continued)

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

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

Other discrete Funding Body funds received during the year are taken to income in line with the specific terms and conditions attached to each fund to the extent of the completion of the contract or service concerned.

Accounting for post-employment benefits

Post-employment benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Merseyside Pension Fund (MPF). These are defined benefit plans which are externally funded.

The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution plan and the contributions are recognised as an expense in the Statement of Comprehensive Income in the periods during which services are rendered by employees.

The MPF is a funded scheme. The assets of the MPF are measured using closing fair values. MPF liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred.

Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations.

The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in interest and other finance costs. Actuarial gains and losses are recognised immediately in actuarial gains and losses.

Short term Employment benefits

Short term employment benefits such as salaries and compensated absences (holiday pay) are recognised as an expense in the year in which the employees render service to the College. Any unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

Non-current Assets - Tangible fixed assets

Tangible fixed assets are stated at cost / deemed cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Freehold land and buildings

Land and buildings inherited from the Local Education Authority (LEA) are stated in the balance sheet at valuation at date of transfer on the basis of depreciated replacement cost. Land and buildings acquired since incorporation are included in the balance sheet at cost. Freehold land totalling £880,000 is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of 50 years. Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

1. STATEMENT OF ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (continued)

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset(s) may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Comprehensive Income and Expenditure

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1993, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

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 over its useful economic life to the College of 15 to 50 years:

- 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 asset's life beyond that conferred by repairs and maintenance.

Equipment

Except for computer equipment, equipment costing less than £500 (exclusive of VAT) per individual item is written off to the income and expenditure account in the period of acquisition.

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

Motor vehicles	3 years
Computer equipment	5 years
General equipment	3-10 years
Furniture and fittings	15 years

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 economic life of the related equipment.

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.

Investment Properties

Investment properties are included in the balance sheet at valuation as determined by Senior Postholders with the assistance of independent professional advice.

Leased assets

Costs in respect of operating leases are charged on a straight line basis over the lease term to the Statement of Comprehensive Income and Expenditure.

Investments

Investments held as fixed assets represent long term cash deposits and are stated at the amount originally deposited.

Stocks

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

1. STATEMENT OF ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (continued)

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

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

Maintenance of premises
The cost of day to day and planned maintenance is charged to the income and expenditure account in the period it is incurred.

Discretionary support funds
The College acts as an agent in the collection and payment of certain Discretionary Support Funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure account and are shown separately in note 21, except for the 5 per cent 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.

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

The College is partially exempt in respect of Value Added Tax (VAT), 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.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

- Determine whether there are indicators of impairment of the College's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.

Other key sources of estimation uncertainty:

- Tangible fixed assets

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2017

1. STATEMENT OF ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (continued)

Judgements in applying accounting policies and key sources of 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 19, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2. FUNDING BODY GRANTS

	2017 £'000	2016 £'000
Education and Skills Funding Agency - adult	2,272	2,023
Education and Skills Funding Agency – 16-18	6,092	6,304
Higher Education Income	129	138
Other funding body non-recurrent grants	165	616
Releases of deferred capital grants	153	142
	8,811	9,223

3. TUITION FEES AND EDUCATION CONTRACTS

	2017 £'000	2016 £'000
Adult education fees	231	297
Fees for FE loan supported courses	731	564
Fees for HE loan supported courses	981	893
	1,943	1,754

4. OTHER INCOME

	2017 £'000	2016 £'000
Non-government capital grants	7	7
Miscellaneous Income	169	179
	176	186

5. INVESTMENT INCOME

	2017 £'000	2016 £'000
Other Interest receivable	73	96
	73	96

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2017

6. STAFF COSTS

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

	2017 Number	2016 Number
Teaching staff	132	136
Non teaching staff	122	127
	254	263

Staff costs for the above persons

	2017 £'000	2016 £'000
Wages and salaries	6,210	6,301
Social security costs	521	471
Other pension costs	1,202	1,016
Payroll sub-total	7,933	7,788
Contracted out staffing services	-	24
Staff severance - contractual	200	15
Staff severance – non contractual	22	-
Total staff costs	8,155	7,827

7. KEY MANAGEMENT PERSONNEL

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Executive Team which comprises the Principal (who is also the Accounting Officer), Vice Principal Services and Vice Principal Curriculum & Quality.

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

	2017 Number	2016 Number
The number of key management personnel including the Accounting Officer was:	3	3

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

	2017	2016
£70,001-£80,000	2	2
£110,001-£120,000	1	1
Total staff costs	3	3

7. KEY MANAGEMENT PERSONNEL (continued)

Key management personnel remuneration is made up as follows:

	2017 £	2016 £
Salaries	264,121	260,133
Employers National Insurance	33,084	30,213
Benefits in kind	2,341	2,229
	299,546	292,575
Pension contributions	42,682	41,749
	342,228	334,324

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

The above remuneration includes amounts payable to the Accounting Officer (who is also the highest paid officer) of:

	2017 £	2016 £
Salary	114,437	112,692
Benefits in kind	780	743
	115,217	113,435
Pension contributions	18,493	18,089

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

8. OTHER OPERATING EXPENSES

	2017 £'000	2016 £'000
Teaching costs	575	648
Non teaching costs	996	957
Premises costs	741	1,191
	2,312	2,796
Other operating expenses include:		
Auditors' remuneration		
Internal audit	13	18
Other services from internal audit – due diligence	40	-
Financial Statements external audit	21	20
Other services from external audit – FRS102	-	3
Other services from external audit – TPA	1	1
Other services from external audit – tax compliance	-	1
Hire of equipment – operating leases	40	40

9. INTEREST AND OTHER FINANCE COSTS

	2017 £'000	2016 £'000
Pension finance costs (note 19)	141	161

10. TAXATION

The members do not believe the College was liable for any Corporation Tax arising out of its activities during either period.

11. TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Assets under Construction £'000	Equipment £'000	Total £'000
Cost or valuation				
At 1 August 2016	23,241	440	5,985	29,666
Additions	-	655	239	894
Transfers	1,015	(1,015)	-	-
Disposals	(440)	-	(1,597)	(2,037)
At 31 July 2017	23,816	80	4,627	28,523
Depreciation				
At 1 August 2016	5,551	-	4,850	10,401
Charge for the year	882	-	358	1,240
Disposals	(440)	-	(1,597)	(2,037)
At 31 July 2017	5,993	-	3,611	9,604
Net book value				
At 31 July 2017	17,823	80	1,016	18,919
Inherited	2,335	-	-	2,335
Financed by capital grant	2,545	-	167	2,712
Other	12,943	80	849	13,872
At 31 July 2017	17,823	80	1,016	18,919
At 31 July 2016	17,690	440	1,135	19,265

The depreciation charge for the year includes additional charges of £246,000 in relation to certain land and building assets written off.

Inherited land and buildings were valued in March 1993 at depreciated replacement cost by Grimley J R Eve, a firm of independent property consultants.

If inherited land and buildings had not been valued they would have been included at the following amounts:

	2017 £'000	2016 £'000
At 31 July 2017 and 31 July 2016		
Cost	-	-
Aggregate depreciation based on cost	-	-
Net book value	-	-

12. FIXED ASSET INVESTMENTS

	Investment Properties £'000
Cost or valuation	
At 1 August 2016	1,000
Additions	-
Transfers	-
Disposals	-
At 31 July 2017	1,000
Depreciation	
At 1 August 2016	-
Charge for the year	-
Disposals	-
At 31 July 2017	-
Net book value	
At 31 July 2017	1,000
Inherited	-
Financed by capital grant	-
Investment properties	1,000
Other	-
At 31 July 2017	1,000
At 31 July 2016	1,000

Investment properties are included in the balance sheet at valuation as determined by Senior Postholders with the assistance of independent professional advice.

If Investment properties had not been valued they would have been included at the following amounts:

At 31 July 2017 and 31 July 2016	2017 £'000	2016 £'000
Cost	611	611
Aggregate depreciation based on cost	243	212
Net book value	368	399

13. DEBTORS

	2017 £'000	2016 £'000
Trade receivables	57	10
Prepayments and accrued income	31	58
Amounts owed by the Skills Funding Agency	45	62
Amounts owed by Liverpool City Region	-	104
	133	234

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £'000	2016 £'000
Trade payables	205	296
Other taxation and social security	309	297
Accruals and deferred income	608	916
Deferred Income - government capital grants	156	152
Amounts owed to Funding Bodies	181	49
	1,459	1,710

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2017 £'000	2016 £'000
Deferred Income – government capital grants	2,651	2,510
	2,651	2,510

16. CAPITAL AND OTHER COMMITMENTS

	2017 £'000	2016 £'000
Commitments contracted for at 31 July	153	488

17. LEASE OBLIGATIONS

At 31 July 2017 the College had minimum lease payments under non-cancellable operating leases as follows:

	2017 £'000	2016 £'000
Future minimum lease payments due - other		
Not later than one year	40	40
Later than one year and not later than five years	-	40
Expiring between two and five years inclusive	40	80

18. EVENTS AFTER THE REPORTING PERIOD

There were no post balance sheet events.

19. DEFINED BENEFIT OBLIGATIONS

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

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 the LGPS 31 March 2016.

19. DEFINED BENEFIT OBLIGATIONS (continued)

Total Pension cost for the year

		2017 £'000		2016 £'000
Teachers pension Scheme: contributions paid		533		531
Local Government Pension Scheme:				
Contributions paid	371		310	
FRS 102 (28) charge	341		219	
		712		529
Change in contributions payable		(43)		(44)
Total Pension Cost for Year within staff costs		1,202		1,016

Contributions amounting to £- (2016 £36,000) were payable to the scheme at 31 July and are included within creditors.

Teachers' Pension Scheme

Introduction

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. Retirement and other pension benefits are paid by public funds provided by Parliament.

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

Valuation of the Teachers' Pension Scheme

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

- employer contribution rates were set at 16.4% of pensionable pay;
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay;
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

The new employer contribution rate for the TPS was implemented in September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

19. DEFINED BENEFIT OBLIGATIONS (continued)

Valuation of the Teachers' Pension Scheme (continued)

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

Teachers' Pension Scheme Changes

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

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

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

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

The pension costs paid to TPS in the year amounted to £533,000 (2016: £531,000)

Teachers' Pension FRS 102 (28)

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

Accordingly, the College has taken advantage of the exemption in FRS102 and has accounted for its contributions to the scheme as if it were a defined-contribution scheme. The College has set out above the information available on the scheme and the implications for the College in terms of the anticipated contribution rates.

Merseyside Pension Fund

The Merseyside Pension Fund is a funded multi-employer defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution made for the year ended 31 July 2017 was £542,000 of which employers' contributions totalled £402,000 and employees' contributions totalled £140,000. The agreed contribution rates for future years are 13.2% for employers and between 5.5% and 8.5% 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.

	At 31 July 2017	At 31 July 2016
	%	%
Rate of increase in salaries	2.2	1.7
Future pensions increases	2.2	1.8
Discount rate for scheme liabilities	2.5	2.5
Inflation assumption (CPI)	2.2	1.7

19. DEFINED BENEFIT OBLIGATIONS (continued)

Merseyside Pension Fund (continued)

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

	At 31 July 2017	At 31 July 2016
Retiring today		
Males	21.6	22.5
Females	24.7	25.4
Retiring in 20 years		
Males	24.2	24.9
Females	27.7	28.2

The College's share of the assets and liabilities in the scheme were:

	Value at 31 July 2017 £'000	Value at 31 July 2016 £'000
Equities	8,722	7,920
Government bonds	566	694
Other bonds	2,014	1,780
Property	1,332	1,237
Cash	799	558
Other	3,212	2,897
Total fair value of plan Assets	16,645	15,086
Actual return on plan assets	1,599	1,657

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

	2017 £'000	2016 £'000
Fair Value of plan assets	16,645	15,086
Present value of plan liabilities	22,138	20,892
Net pensions liability	(5,493)	(5,806)

Amounts recognised in the Statement of Comprehensive income in respect of the plan are as follows

Amounts included in staff costs

	2017 £'000	2016 £'000
Current service cost	699	518
Total	699	518

19. DEFINED BENEFIT OBLIGATIONS (continued)

Merseyside Pension Fund (continued)

Amount recognised in Other Comprehensive Income

	2017 £'000	2016 £'000
Return on pension plan assets	1,123	1,146
Experience gains/(losses) arising on defined benefit obligations	361	(2,185)
Amount recognised in Other Comprehensive Income	1,484	(1,039)

Movement in net defined benefit liability during year

	2017 £'000	2016 £'000
Net defined benefit liability in scheme at 1 August	(5,806)	(4,387)
Movement in year:		
Current service cost (net of employee contributions)	(699)	(518)
Employer Contributions	402	310
Net interest on assets	(141)	(161)
Administration expenses	(11)	(11)
Actuarial gain/(loss)	762	(1,039)
Net defined benefit liability in scheme at 31 July	(5,493)	(5,806)

Asset and Liability Reconciliation

	2017 £'000	2016 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	20,892	17,774
Current Service cost	699	518
Interest cost	519	671
Contributions by scheme participants	140	138
Actuarial loss	361	2,185
Past service cost	(473)	(394)
Defined benefit obligations at end of period	22,138	20,892
Changes in fair value of plan assets		
Fair value of plan assets at start of period	15,086	13,387
Expected return on assets	378	510
Actuarial gain	1,123	1,146
Administration expenses	(11)	(11)
Employer contributions	402	310
Contributions by scheme participants	140	138
Benefits paid	(473)	(394)
Fair value of plan assets at end of period	16,645	15,086

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2017

20. RELATED PARTY TRANSACTIONS

Owing 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.

The total expenses paid to or on behalf of Governors during the year was £179 to 4 governors (2016: £346 to 2 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and College events in their official capacity.

No Governor has received any remuneration or waived payments from the College during the year (2016: None).

21. DISCRETIONARY SUPPORT FUNDS

	2017 £'000	2016 £'000
Funding body grants – hardship support	371	584
EFA unspent balance brought forward	44	19
	415	603
Disbursed to and on behalf of students	(345)	(528)
Administration Costs and Interest	(14)	(26)
Balance unspent at 31 July, included in creditors	56	49

Funding body grants are available solely for students; the college acts only as a paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure account.