Solihull College

Members' Report and Consolidated Financial Statements

For the year ended 31 July 2014

Contents

REPORT OF THE MEMBERS OF THE CORPORATION FOR THE YEAR TO 31 JULY 2014

NATURE, OBJECTIVES AND STRATEGIES

Operating and Financial Review

The members present their report and the audited financial statements for the year ended 31st July 2014.

Legal Status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Solihull College. The Corporation is responsible for:

- the determination and periodic review of the educational character and mission of the College and for oversight of its activities;
- publishing arrangements for obtaining the views of staff and students on the determination and periodic review of the educational character and mission of the institution and the oversight of its activities;
- approving the quality strategy of the College;
- the effective and efficient use of resources, the solvency of the College and the Corporation and for safeguarding their assets;
- approving annual estimates of income and expenditure;
- the appointment, grading, suspension, dismissal and determination of the pay and conditions of service of the holders of senior posts and the Clerk; and
- setting a framework for the pay and conditions of service of all other staff.

Mission

"Solihull College will make significant contributions to the local and regional economies and beyond, by providing high quality vocational education and training for individuals, employers and the wider community".

Vision

Our vision is to be the organisation of choice for learning for young people, adults and employers through their recognition of our excellent and distinctive experiences in vocational education and training.

Objectives

In July 2011, the College adopted a Strategic Plan for the period 2011 to 2014. In October 2013 the Corporation set the annual priorities for 2013/14 in line with the strategic goals. The Corporation monitored the performance of the College against the plan, and the achievement of the key annual priorities throughout 2013/14.

Public Benefit Statement

Solihull College is an exempt charity under the Part 3 of the Charities Act 2011 and from 1st September 2013, is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 20 to 21.

Operating and Financial Review *(continued)*

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

- Deliver high-quality teaching and service for students, employers and the wider community;
- Enable skills acquisition at a range of levels to underpin training for the workers of the future;
- Listen to learners, staff, employers, partners and the wider community to continuously improve our service;
- Respond to local, regional and national priorities to provide appropriate vocational training for the continued economic development of Solihull, West Midlands and beyond;
- Strive for value or money in all aspects of provision and procurement;
- Develop and promote opportunities internationally to promote the College and the locality;
- Embrace diversity and promote inclusivity;
- Create a safe environment for students, staff and all visitors to the College; and
- Embrace change and opportunities in the best interests of the College and the communities it serves.

To achieve this, the College aims to forge effective dialogue and relationships with all stakeholders to plan delivery to meet the needs of the communities the College serves.

Operating and Financial Review ***(continued)***

Strategic Goals 2013 - 2016

The College's strategic goals are:

1. **All students enjoying their learning, being ambitious and having very high standards of academic and personal achievement enabling them to progress to employment, further study and enterprise.**
2. **Excellent leadership and management that will ensure the highest possible standards of teaching, training, learning, assessment and support.**
3. **Innovative and responsive programmes that meet the needs of students and employers respond to the demands of the economy and continuously explore new market opportunities.**
4. **Effective strategies to shape plans with partners that respond to local economic growth opportunities and social priorities.**
5. **Resources and inclusive learning environments that are of a consistently high quality, support the College's evolution, promote sustainability and inspire learning.**
6. **Outstanding management processes that maintain financial stability and continuously improve the efficient use of resources.**

The College's annual priorities for 2013/14 and the underpinning objectives are set out below:

1. We will have all students enjoying their learning, being ambitious and having high standards of academic and personal achievement enabling them to progress to employment, further study and enterprise	• All curriculum areas will self-assess as outstanding or good. • Outstanding feedback from surveys for teaching and learning. • Overall long course success rates will be at least in the upper quartile for FE colleges. • Attendance will be 88% for full-time students and 86% for part-time students. • 84% of students will progress to positive destinations including employment, apprenticeships and higher / further education. • All 16 – 18 full-time students will develop their enterprise and employability skills.
2. Excellent leadership and management that will ensure the highest possible standards of teaching, training, learning, assessment and support	• At least 85% of teaching and learning observations will be good and outstanding. • At least 50% of 16 – 18 students will achieve GCSE Maths and English. • All full-time students and substantial part-time students will have a detailed individual learning plan that includes stretching and challenging targets. • 'Value added' at Level 3 will be in the top quartile for FE colleges. • Further develop governor engagement with students and their learning experience.

Operating and Financial Review *(continued)*

3. Innovative and responsive programmes that meet the needs of students and employers, respond to the demands of the economy and continuously explore new market opportunities	• 16 – 24 Apprenticeships will increase by at least 10% and work related higher education by at least 8%. • All full time 16 – 18 year old students will have a 'programme of study' designed to meet their needs and those of the world of work. • The number of NEETS and unemployed progressing on to employment or education to be at least 70% for NEETS and 55% for unemployed. • Growth for employer partnerships and the vocational specialisms that directly support local skill needs and priorities as identified by the Local Enterprise Partnership. • A 14 – 16 full-time strategy will be developed in preparation for a September 2015 intake.
4. Effective strategies to shape plans with partners that respond to local economic growth opportunities and social priorities	• To be a key and proactive partner in the development of strategies with the LEP, major employers, local authorities and the community and voluntary sector that respond to local and regional skills needs. • Work through the Economic Development Teams of local authorities to successfully attract inward investment and target local people for local jobs. • To be an essential and proactive partner with the key decision making and influencing groups including the Local Strategic Partnership, the Employment and Skills Board and the Chamber of Commerce to ensure the College continues to make significant contribution to the economic and social wellbeing of its communities. • Successful rollout of the Community Learning Trust with the local authority and the voluntary sector to engage the local community in the design and delivery of their learning.
5. Resources and inclusive learning environments that are of a consistently high quality, support the College's evolution, promote sustainability and inspire learning	• A new Property Strategy for 2014 – 2018. • A new 16 – 19 teaching block and refectory for September 2014 at the Blossomfield campus. • Further develop the College's Sustainability Policy. • Continue to develop the IT network to support the future communication needs of the College and its students. • A website that provides the 'best in the sector' external digital communication platform. • Access to information that will continuously improve and monitor individual and organisational performance at all levels and for all stakeholders. • Embed the College's 'University Centre' concept for higher education students.

Operating and Financial Review *(continued)*

6. Outstanding management processes that maintain financial stability and continuously improve the efficient use of resources.	• Recruitment, income and contribution targets for each curriculum area will be met. • Continue the year on year growth for 16 – 18 full-time, higher education and 19+ adult recruitment. • All financial targets and financial / resource KPI's will be met. • Resources invested to directly support growth strategies and quality priorities. • Students will engage directly with the design and monitoring of services and support that impact on their learning experience.

The College has made significant progress during the year towards achieving these priorities.

Operating and Financial Review *(continued)*

Financial Objectives and Review of Outturn for the Year

The College's overall financial objective is to have outstanding financial management; that maintains financial stability and continuously improves the efficient use of resources.

This is to enable to College to:

- Provide education in accordance with the College's Strategic Plan;
- Continue to generate sufficient funds to enable maintenance of its accommodation and equipment to appropriate sector standards;
- Protect itself from unforeseen adverse changes in enrolments and income;
- Maintain / attain the confidence of funders, suppliers, bankers and auditors; and
- To invest in College's infrastructure.

During 2013/14, the College achieved an operating surplus of £363,000 (Group £364,000). Overall, the College's financial health score is outstanding based on SFA definitions.

The following detailed financial performance indicators were set by the Corporation for the College and were monitored each month as part of the Performance Monitoring Report.

Target (excluding Trust)	Actual (excluding Trust)
A current ratio of at least 1.5, (solvency)	Actual current ratio at 31st July 2014 was 2.5.
A cash based operating surplus of at least 3% of income for all years (performance)	Operating surplus (excluding depreciation and capital grant releases) as a proportion of income (excluding capital grant releases) was 5%.
Borrowing as a percentage of net assets excluding pension reserves to be less than 15% (gearing)	Borrowing at 31st July 2014 was 18%. This relates to the loan required for the Blossomfield Campus redevelopment.
Meeting the banking covenants agreed as part of loan negotiations for the Blossomfield Redevelopment	All banking covenants were achieved.
Aiming to ensure that staffing costs are no more than 67% of total income (based on SFA income definitions)	Staffing costs (excluding restructuring) at 31st July 2014 was 67% of total income

The College has significant reliance on the Skills Funding Agency (SFA) and Education Funding Agency (EFA) for its principal funding source and in 2013/14 the College saw a decrease in grant income of 12%.

Operating and Financial Review *(continued)*

In addition, the following Annual Priorities within the College's Strategic Plan are particularly relevant to financial management:

- A new property strategy for 2014 – 2018 to develop a new 16 – 18 Teaching and Refectory extension for September 2014 at the Blossomfield Campus;
- Recruitment, income and contribution targets for each curriculum area;
- Continued year on year growth for 16 – 18 full-time, Higher Education(HE) and 19+ adult recruitment; and
- Resources invested to directly support growth strategies and quality priorities.

During Inspection of the College in May 2010, the inspectors graded Financial Management and Control as outstanding. Inspectors confirmed that the College had entered into a significant capital expenditure programme that was improving its accommodation significantly without any deterioration on the College's financial health. The business planning processes were fully embedded with robust processes for setting the contribution targets for each curriculum area which were monitored monthly as part of the monthly Finance Performance Monitoring Reports. Financial and other returns were submitted on time and were unqualified where applicable. Finance and funding briefings continued to be included within Governors' induction sessions. Staff from curriculum and support departments have been given enquiry access to the finance system so that up to date information can be received and an on-line ordering system is in place for all areas of the College.

Tangible fixed asset additions during the year amounted to £5,506,000. This was split between land and buildings acquired of £4,893,000 and equipment purchased of £613,000. In the main, assets under construction of £4,064,000 relate to the New Computer Teaching Centre on the Blossomfield Campus.

The College no longer has any subsidiary companies. Solihull College Foundation Trust, an independent charity, is governed by its Trustees, one of which holds a senior position at the College – the Deputy Principal. The Trust has been consolidated into the College financial statements.

Operating and Financial Review *(continued)*

Performance Indicators

2013-2014	ANNUAL KPIs	National Benchmark	Actual 2012-2013	Actual 2013-2014	Target 2013-2014
Recruitment	16-18 FT numbers	n/a	3,467	3,504	3,497
	16-18 Apprenticeships new starts	n/a	167	170	337
	Internal progression	n/a	40%	50%	45%
	HE numbers full time first years	n/a	210	260	230
Teaching, Learning and Outcomes for Learners	**Success rates:**				
	16-18	80%	83%	86%	85%
	19+	77%	79%	83%	82%
	HE	n/a	80%	80%	80%
	Apprenticeships	76%	73%	73%	80%
	Teaching Obs % Good / Outstanding	n/a	85%	85%	85%
	Student satisfaction [1- low, 10-high]	n/a	8.5	8.6	8.6

The College agrees recruitment targets based on the funding agreements with the SFA / EFA. The Key Performance Indicators continue to be student success rates, student recruitment, apprenticeship success rates, and learner and employer feedback that incorporate the indicators from the Framework for Excellence.

Progress against the majority of these performance indicators is reported to the Corporation on a monthly basis. Student success rates are reported in the autumn term of the following year and to date; the 2013/14 outcomes indicate a 3% increase on 2012/13 results and indications are that success rates for the Further Education (FE) provision will be good with very positive value added.

Recruitment targets for 2013/14 were slightly over achieved for 16-18 full-time income and there was a small reduction in Apprenticeships. HE was above target and the Adult Skills was over the SFA allocation. This meant the College had to reduce provision mid-year and therefore was not able to achieve the unemployed offer recruitment target.

The College is committed to observing the importance of sector measures and indicators and uses the FE Choices website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the SFA. The Finance Record produces a financial health grading. The current rating of Outstanding is considered a strong outcome.

Operating and Financial Review *(continued)*

Treasury Policies and Objectives

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

The College has a separate Treasury Management Policy in place.

Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Regulations.

Cash flows

The operating cash outflow of £0.1million (2012/13 £2.2million inflow), was in line with expectation. The net cash outflow of £3.4million resulted from capital expenditure, loan repayment and finance of £6.4million offset by investments maturing of £3.1million.

Liquidity

During 2008/09, the College entered into a long term bank loan of £11.7million to support the re-development of the Blossomfield Campus. This was fully drawn down in the financial year ended 31st July 2012.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

OFSTED Report

The College was inspected in May 2010 and the report was published in June 2010. The College is judged to be a 'good' College with outstanding partnership work and outstanding financial management. Six curriculum areas were inspected and all were judged to be 'good'.

Student Numbers

The EFA student number target was achieved; Adult Learner responsive was above target.

Student Achievements

The College vocational programmes for 16-18 year olds and adults show overall good success rates for 2013/2014 at 85% for long courses. The overall success rates for apprenticeship programmes at 75% are expected to be above national rates.

Operating and Financial Review *(continued)*

Curriculum Development

The College has clear progression routes, with provision delivered flexibly to meet the needs of learners, including vulnerable learners, and employers. Wider aspects of the curriculum, including tutorial and enrichment programmes are considered to be very effective. The College has revised its curriculum offer appropriately to reflect both national and local priorities and uses information to inform further development well.

Curriculum delivery in partnership with employers and in work based and community settings is extensive and a key strength of the College. The College continues to deliver a wide range of employer focussed programmes. Higher Education provision was judged to be particularly strong in its vocational relevance and employer involvement when the Integrated Quality and Enhancement Review (IQER) process was held in early 2011. The College works in partnership with three key university partners consolidating strong and effective curriculum partnerships.

Employer Engagement is a key priority for this College. It works with a wide range of local employers including large companies and SME's. It has a strong and growing track record with bespoke provision and specialisms in areas of particular regional need for up skilling such as Professional and Management Studies, Aerospace, Engineering, Construction, Health and Social Care, Retail and Finance.

The new build and refurbishment of the Blossomfield Campus provides outstanding vocational specialist facilities and resources; which supports both growth in learner numbers and innovation in the delivery and structure of the curriculum.

The new Construction and Motor Vehicle Centre on the Woodlands Campus opened in September 2013. It replaced inadequate accommodation for these two curriculum areas. During the year the College has built a New Computer Teaching Block on the Blossomfield Campus to accommodate further growth in learner numbers.

Payment Performance

The Late Payments of Commercial Debts (Interest) Act 1998 requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The College has maintained its commitment to comply with this Act.

Post Balance Sheet Events

There have been no significant post balance sheet events.

Operating and Financial Review *(continued)*

Future Developments

During a time of significant changes and challenges across the FE sector, the Annual Priorities provide a robust framework which allows the College to monitor and evaluate the pace and direction of the College to ensure its ambitions are achieved. The College is expecting some increase in student numbers over the next few years due to the improved capacity provided by the new building at Blossomfield and expansion in the North of the Borough.

The governors have endorsed the Strategic Priorities as follows:

- 16 – 18 learner responsive;
- Growth of Apprenticeships and Traineeships;
- Growth of Higher Education;
- Growth of full cost and loans work;
- Maintaining the level of adult learning;
- Increasing international work; and
- Examining a 14 – 16 offer.

Work is underway in developing a number of plans to ensure that the College is prepared and able to resource the Strategic Priorities.

RESOURCES

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

Tangible resources include the main campus on Blossomfield Road and the Woodlands Campus in North Solihull. During Inspection in May 2010 inspectors commented that the College had invested significantly in its estate to improve accommodation and resources for learners very successfully.

Financial
The College has £52.6million (Group £52.8million) of net assets (including £8.5million net pension liability) and at 31st July 2014 £10.4million of long term debt.

People
Throughout the year the College employed an average of 350 FTE salaried teaching staff and 110 FTE part time hourly paid teaching staff. The College's overall average FTE is 687.

Reputation

The College has a very good reputation locally and nationally. Maintaining a quality brand is essential for the College's success at attracting students and external relationships. The College holds the Investors in People award and has won many local, regional and national awards for vocational learning in recent years. The Annual Stakeholder Survey feedback from employers is that it is now the first choice of training provider for many employers.

Operating and Financial Review *(continued)*

PRINCIPAL RISKS AND UNCERTAINTIES:

The College continues to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation. The College is now also developing a Board Assurance plan to ensure that there are adequate assurances and controls necessary at all levels to ensure that the College mitigates the risk of not delivering its vision and values and not achieving its strategic goals by establishing adequate and effective systems and controls.

Based on the strategic plan, the Risk Management Group comprising of senior managers of the College, undertakes a comprehensive review of the risks to which the College is exposed. It 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 Risk Management Group will also consider any risks which may arise as a result of a new area of work being undertaken by the College. During 2013/14 the College's internal auditor assessed the College as green level of assurance which means, taking account of the issues identified, the Board can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.

The Risk Register and Action Plan are maintained at the College level which is reviewed at least termly by the Audit Committee. The Risk Register identifies the top key strategic risks for the College, the cause and effect of each risk, the inherent score for the impact and likelihood before any controls are put in place, the likelihood of those risks occurring, their potential impact on the College, the residual score with the controls in place and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent and detailed scoring methodology. The scores for impact are agreed using a five point scale ranging from Minor to Catastrophic. The scores for likelihood are agreed using a five point scale ranging from unlikely to almost certain. Temporary risks are added as and when required, and removed when no longer applicable, for example in relation to capital build projects.

The risk approach is well embedded throughout the College. All areas, both curriculum and service, have their own risk register which takes the same format as the strategic register. The area risks are reviewed by the Risk Management Group and relevant Senior Directors to ensure that there is a 2-way link between area risk and strategic risk. The area risk registers informs self-assessment, curriculum and business planning. These are formally reviewed after six months. All area risk registers are held on the College's intranet. Specific risk registers are also developed for particular projects, such as capital build projects. These are monitored by the project boards / teams and the high level risks from these are incorporated into the strategic risk register. There is a regular risk management training / briefing to raise awareness of the risk approach throughout the College.

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

Operating and Financial Review *(continued)*

Key Strategic Risks

1) The College is not fully prepared for Inspection.
2) Lack of robust Corporate IT systems.
3) Failure to meet recruitment targets.
4) Failure to manage overall student performance.
5) Failure to improve English and Math's outcomes.
6) Accommodation does not meet the required standard or meet the need for growth and curriculum needs.
7) Failure to respond to changes in recruitment.
8) A serious incident causes disruption to College activity.
9) Failure to respond to Government Policy and changes in public funding.
10) The College is unable to maintain financial health.
11) Failure to effectively manage the College Human Resources.
12) Ineffective Governance arrangements across the College.
13) Failure to provide required quality of Teaching and Learning.
14) Lack of robust IT Systems and back up arrangements.
15) Non Compliance with statutory and regulatory guidance.
16) Failure to respond to the College community voice.

Controls are in place to mitigate against these risks and the Risk Management Group agrees any further actions required.

Operating and Financial Review *(continued)*

STAKEHOLDER RELATIONSHIPS

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

- Students;
- Skills Funding Agency / Education Funding Agency;
- Staff;
- Local Employers (with specific links);
- Local Authorities;
- The Wider Community;
- Other FE Institutions;
- Trade Unions; and
- Professional Bodies.

The College recognises the importance of these relationships and engages in regular communication with them through the College internet site, regular written briefings, attendance at strategic and collaborative meetings, conferences and specific projects and initiatives.

Equal Opportunities and Employment of Disabled People

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, religious belief, ability and age. We strive vigorously to remove conditions which place people at a disadvantage and we actively combat bigotry. This policy is resourced, implemented and monitored on a planned basis. The College has an Equality Policy and Equality Objectives. Data is published annually in the Equality and Diversity Annual Report and Equality Objectives are reviewed in line with the requirements of the Equality Act 2010.

The College welcomes applications from disabled people, and guarantees an interview to disabled applicants who meet the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion which are, as far as possible, identical to those for other employees. The College will implement any reasonable adjustments that could be made for staff or applicants with disabilities.

Operating and Financial Review *(continued)*

Disability Statement

The College seeks to achieve the objectives set down in the Equality Act 2010. The College has issued a Disability Statement which is published on the College's intranet and on the College's website. In particular the College aims:

a) in the re-development of its buildings, to install facilities to allow access by people with a disability;

b) to comply with its policy for all students as described in the College's Disability Statement. Appeals against a decision not to offer a place are dealt with under the complaints policy;

c) to invest appropriately in additional needs support for students with learning difficulties and disabilities; and

d) to offer counselling and welfare services as appropriate.

Specialist courses are described in programme information guides and achievements and destinations are recorded and published in the standard College format. There is a list of specialist equipment which the College can make available for use by students who have learning difficulties and/or disabilities.

Disclosure of information to auditor

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 auditor is 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 auditor is aware of that information.

Approved by order of the members of the Corporation on 27th November 2014 and signed on its behalf by;

Helena Stockford
Chair of Corporation

Professional Advisors

Financial statement and regularity auditors:

KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Internal auditors:

Baker Tilly
Cedar House
Breckland
Linford Wood
Milton Keynes
MK14 6EX

Bankers:

Barclays Bank
PO Box 3333
Snowhill Queensway
Birmingham
B3 2WN

National Westminster Bank plc
103 Colmore Row
Birmingham
B3 3NR

Bank of Ireland
188/190 Stratford Road
Shirley
Solihull
B90 2AQ

Lloyds Banking Group
125 Colmore Row
Birmingham
B3 3SF

Solicitors:

SGH Martineau
St Philips House
Birmingham
B3 2PP

Wragge, Lawrence, Graham & Co
Two Snowhill
Birmingham
B6 6WR

Eversheds LLP
115 Colmore Row
Birmingham
B3 3AL

Statement of Corporate Governance and Internal Control

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

The College endeavours to conduct its business:

i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
ii. in full accordance with the guidance to colleges from the Association of Colleges in The English Colleges' Foundation Code of Governance ("the Foundation Code"); and
iii. having due regard to the UK Corporate Governance Code ("the Code") insofar as it is applicable to the further education sector.

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

In the opinion of the Governors, the College complies with the provisions of the Foundation Code, and it has complied throughout the year ended 31st July 2014. 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 English Colleges' Foundation Code of Governance issued by the Association of Colleges in December 2011, which it formally adopted in May 2012, and the Audit and Accountability Annex to the Foundation Code that was issued in March 2013.

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

The Corporation

The members who served on the Corporation during the year and up to the date of signature of this report are listed below:

Name	Date of First Appointment	Term of office ends	Date of Resignation/ Term Ended	Status of Appointment	Committees served during the year	Attendance
Stan Baldwin	May 2013	May 2017		Public	Curriculum and Quality	100%
Chris Baranowski	May 2006	Apr 2016		Business	Finance Chair Curriculum and Quality Mar-Jul 2014	83%
John Bolt	April 2014	April 2017		Business	Finance C&Q Mar-Jul 2014 *Previously an external member on Audit Committee*	100%
John Callaghan	June 2014	Principal		Principal	Finance Search and Governance (C&Q)	100%
Jane Coleman	May 2010	Apr 2016		Public	Curriculum and Quality Vice-Chair Remuneration	100%
Joe Kelly	Apr 2014	Apr 2018		Business	Finance *Previously an external member on Finance Committee*	33%
Nick Mapp	Apr 2012	Apr 2016		Staff	Curriculum and Quality	100%
Keith Marriott	Apr 2011	Apr 2017		Business	Audit Vice-Chair	67%
Philip Mayhew	Dec 2005	Dec 2015		Public	Curriculum and Quality Chair Corporation Joint Vice-Chair	67%
Alex Palethorpe	Aug 2013	July 2017		Public	Audit Committee *Previously an external member on Audit Committee*	100%
Simon Pinks	Jun 2010	Jul 2016	Mar 2014	Business	Finance Leave of absence – Jan - Dec 2013 *Moved to be an external member of Audit Committee*	n/a
Brenda Sheils	Jan 2003	On ceasing to be Principal	Mar 2014	Principal-Ex Officio	Finance Search and Governance	100%
David Stevens	Aug 2011	Jul 2015	Jan 2014	Business	Finance	100%

Name	Date of First Appointment	Term of office ends	Date of Resignation/ Term Ended	Status of Appointment	Committees served during the year	Attendance
Helena Stockford	Nov 2010	Jul 2016		Public	Corporation Chair (from Jan 2013) Remuneration Chair (from Jan 2013) Finance Vice-Chair (from Jan 2013) Search and Governance Vice-Chair (from Nov 2011	100%
Bill Wanley	Dec 2005	Dec 2014		Business	Audit Chair Remuneration Vice-Chair Corporation Vice-Chair	83%
Ravija Wadhwa	Dec 2013	Dec 2014	Mar 2014	Student	Curriculum and Quality	n/a
External Members						
John Bolt	May 2013	May 2017	Mar 2014	Public	Audit – External Member *Became full member April 2014*	n/a
Paul Johnson	Jul 2012	Jul 2016		Public	Audit – External Member	n/a
Mark Rhatigan	Nov 2012	Oct 2016	Jan 2014	Public	Curriculum and Quality – External Member	n/a
Joe Kelly	Nov 2012	Oct 2016	Mar 2014	Business	Finance – External Member *Became full member April 2014*	n/a
Shantose Kaur	Nov 2012	Oct 2016	Sept 2014	Business	Curriculum and Quality – External Member	n/a
Neil Bromley	Nov 2011	Nov 2015	Nov 2014	Public	Chair Search and Governance – External Member (from Jan 2013)	n/a

Attendance at Corporation meetings during 2013 / 2014 was 86%.

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

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as strategic risks, 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 once per term.

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

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation and which are reviewed annually. These Committees were Finance, Curriculum and Quality, Remuneration, Search and Governance and Audit.

The Corporation have agreed to adopt a new model of governance for 2014/15, based on the Carvery Model of governance, but continuing to operate with the statutory Audit Committee and to maintain both the Remuneration and Search and Governance Committee. The new structure began in September 2014.

The College has produced a publication scheme in accordance with the requirements of the Freedom of Information Act 2000, which is available on the College's website www.solihull.ac.uk or from the Clerk to the Corporation at Solihull College, Blossomfield Road, Solihull, B91 1SB. The Scheme was reviewed and re-issued during 2013/14.

Full minutes of all meetings, except those deemed to be confidential, can be obtained from the College website or from the Clerk to the Corporation at:

Solihull College
Blossomfield Road
Solihull
West Midlands
B91 1SB

All governors are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Clerk to the Corporation, who is responsible to the Board for ensuring 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 and independent non-executive element and no individual or group dominates its decision making process. The Corporation considers that each of its non-executive members is independent of management and free from any business or other relationship, which could materially interfere with the exercise of their independent judgement.

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

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search & Governance Committee comprised of three members and two external non-members. It is responsible for the search and nomination of any prospective member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate induction and training is provided as required.

Members of the Corporation prior to 26th May 2011 were normally appointed for a three-year term of office. With effect from 26th May 2011 the terms of office of new members was changed to 4 years. Existing members continue with a 3 year term of office, and can be re-appointed twice with the last term of office being 2 years only.

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

Remuneration Committee

Throughout the year ending 31^{st} July 2014, the College's Remuneration Committee comprised the Chair and Vice Chair of the Corporation and the Chairs of each Committee. The Committee's responsibilities are to consider, review and determine remuneration and benefits of the Accounting Officer and other senior post holders and the Clerk and their conditions of service.

Details of remuneration for the year ended 31 July 2014 are set out in note 7 to the financial statements.

Audit Committee

The Audit Committee comprises of three members of the Corporation (excluding the Accounting Officer, and Chair of the Corporation and members of the Finance Committee). The Committee operates in accordance with written terms of reference approved by the Corporation, which are consistent with the Joint Audit Code of Practice issued by the SFA.

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

The College's internal auditors monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan and report their findings to management and the Audit Committee. Management is responsible for the implementation of agreed recommendations and the internal auditors undertake periodic follow up reviews to ensure that such recommendations have been implemented.

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

The Audit Committee initiated a Board Assurance process during 2013/14. This process has been supported by an external audit company and will report to the Corporation in November 2014, to provide assurance regarding controls in place and to inform the audit strategy for the subsequent year.

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

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 Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives. The Accounting Officer is charged with safeguarding the public funds and assets for which he/she is personally responsible, in accordance with the responsibilities assigned to his/her in the Financial Memorandum between the College and the SFA / EFA and its successor bodies. He/she is also responsible for reporting to the Corporation any material weaknesses or break-downs 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 on-going process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the College for the year ended 31st July 2014 and up to the date of approval of the annual report and accounts.

Capacity to Handle Risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal on-going process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31st July 2014 and up to the date of approval of the annual report and accounts. The Corporation, advised by the Audit Committee, regularly reviews this process. During 2012/13 the College's internal auditors confirmed that the College was risk enabled.

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

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

Solihull College has an internal audit service, which operates in accordance with the requirements of the EFA and SFA's Joint Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. At minimum annually, the Head of Internal Audit (HIA) provides the governing body with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of Effectiveness

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

- the work of the internal auditors;
- the work of the managers of the College who have responsibility for the development and maintenance of the internal control framework;
- comments made by the College's financial statements and regulatory auditor in its management letters and other reports; and
- the review of the effectiveness of the system of internal control by the Audit Committee (which oversees the work of the internal auditor).

Any actions necessary to address weaknesses and ensure continuous improvement of the system are in place.

The Executive Management Team receives reports setting out the key performance and risk indicators, and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Executive Management Team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control.

The Corporation's agenda includes a regular item for consideration of risk and control and receives reports therein from Executive Management and Audit Committee. The emphasis is on obtaining the relevant degree of assurance, not merely reporting by exception. At its November 2014 meeting, the Corporation carried out the annual assessment for the year ended 31st July 2014 by considering the annual Risk Management Report, (incorporating the Accounting Officer statement of Internal Controls) Internal Auditor's Annual Report and the Annual Report of the Audit Committee and taking account of events since 31st July 2014.

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

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

The Corporation has considered its responsibility to notify the SFA of material irregularity, impropriety and non-compliance with SFA terms and conditions of funding, under the financial memorandum in place between the College and the SFA. 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 ***to the best of its knowledge***, the Corporation believes it is able to identify any material irregular or improper use of funds by the College, or material non-compliance with the SFA's terms and conditions of funding under the College's financial memorandum. We further confirm that any instances of material irregularity, impropriety or funding non-compliance discovered to date have been notified to the SFA.

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, it continues to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 27th November 2014 and signed on its behalf by:

Signed

Helena Stockford
Chair of Corporation
27th November 2014

Signed

John Callaghan
Principal / Accounting Officer
27th November 2014

Statement of the responsibilities of the members of the Corporation

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

Within the terms and conditions of the Financial Memorandum agreed between the SFA and the Corporation of the College, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions and with the Accounts Direction for 2013-14 financial statements issued jointly by the SFA and EFA, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

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

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

The maintenance and integrity of the Solihull College website is the responsibility of the Governing Body of the College; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts 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 SFA and EFA are used only in accordance with the Financial Memorandum with the SFA 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 to safeguard public and other funds and ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure so that the benefits that should be derived from the application of public funds by the SFA and EFA are not put at risk.

Approved by order of the members of the Corporation on 27th November 2014 and signed on its behalf by:

Helena Stockford
Chair of Corporation

John Callaghan
Principal / Accounting Officer

KPMG

Independent Auditor's report to the Corporation of Solihull College

We have audited the Group and College financial statements ("the financial statements") of Solihull College for the year ended 31 July 2014 set out on pages 33 to 59. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective Responsibilities of the Corporation of Solihull College and Auditor

As explained more fully in the Statement of the Corporation's responsibilities set out on pages 27 to 28, the Corporation is responsible for the preparation of financial statements which give a true and fair view.

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the College's affairs as at 31 July 2014 and of the Group surplus of income over expenditure for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education.

Opinion on other matters prescribed by the Joint Audit Code of Practice (Parts 1 and 2) issued jointly by the Skills Funding Agency and the Education Funding Agency

In our opinion:

- proper accounting records have been kept, and
- the financial statements are in agreement with the accounting records.

M Rowley

Michael Rowley
For on behalf of
KPMG LLP Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

9 December 2014

KPMG

Independent Auditor's Report on Regularity to the Corporation of Solihull College and the Chief Executive of Skills Funding

This report is produced in accordance with the terms of our engagement letter dated 23 April 2013 for the purpose of reporting on the College's Statement of Regularity, Propriety and Compliance in respect of whether the transactions underlying the College's financial statements for the year ended 31 July 2014 are regular as defined by and in accordance with the Financial Memorandum with the Chief Executive of Skills Funding, and in accordance with the authorities that govern them.

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

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

Responsibilities of the Corporation of Solihull College

The Corporation of Solihull College is responsible under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that financial transactions are in accordance with the framework of authorities which govern them and that transactions underlying the financial statements for the year ended 31 July 2014 are regular.

The Corporation of Solihull College is also responsible, under the requirements of the Accounts Direction for 2013/14 Financial Statements published by the Skills Funding Agency and the Education Funding Agency, for the preparation of the Statement on Regularity, Propriety and Compliance. The Statement confirms that, to the best of its knowledge, the Corporation believes it is able to identify any material, irregular or improper use of funds by the College, or material non-compliance with the Skills Funding Agency's terms and conditions of funding under the College's financial memorandum. It further confirms that any instances of material irregularity, impropriety or funding non-compliance discovered in the year to 31 July 2014 have been notified to the Skills Funding Agency.

Auditor's responsibilities

Our responsibility is to express a reasonable assurance opinion that the College's Statement on Regularity, Propriety and Compliance is fairly stated in respect of whether the transactions underlying the College's financial statements for the year ended 31 July 2014 are in all material respects regular, based on the procedures that we have performed and the evidence we have obtained. Our reasonable assurance engagement was undertaken in accordance with the Joint Audit Code of Practice, the Regularity Audit Framework and our engagement letter dated 23 April 2013. The International Standards on Auditing (UK and Ireland) and Joint Audit Code of Practice require that we plan and perform this engagement to obtain reasonable assurance in respect of the Assertion that the transactions underlying the financial statements are in all material respects regular.

Basis of opinion

We have performed procedures on a sample basis so as to obtain information and explanations which we consider necessary in order to provide us with sufficient appropriate evidence to express reasonable assurance that the College's Statement on Regularity, Propriety and Compliance is fairly stated in respect of whether the transactions underlying the College's financial statements are in all material respects regular for the year ended 31 July 2014.

Opinion

In our opinion the College's Statement on Regularity, Propriety and Compliance is fairly stated in respect of whether the transactions underlying the College's financial statements are in all material respects regular for the year ended 31 July 2014.

M Rowley

Michael Rowley
For on behalf of
KPMG LLP Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

9 December 2014

Consolidated income and expenditure account
for the year ended 31 July 2014

	Note	2014 £'000	2013 £'000
Income			
Funding body grants	2	26,535	30,504
Tuition fees and education contracts	3	6,001	3,946
Other income	4	1,088	1,069
Investment income	5	176	233
Total income		33,800	35,752
Expenditure			
Staff costs	6	22,148	21,315
Exceptional restructuring costs	6	424	191
Other operating expenses	8	8,538	11,412
Depreciation	12	1,754	1,618
Interest and other finance costs	9	572	629
Total expenditure		33,436	35,165
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and before tax		364	587
Loss on disposal of fixed assets	12	-	-
Surplus on continuing operations after depreciation of assets at valuation, and disposal of assets but before tax		364	587
Taxation	10	-	-
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax	11	364	587

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

Consolidated statement of total recognised gains and losses
for the year ended 31 July 2014

	Note	**2014**	2013
		£'000	£'000
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax		364	587
Actuarial gain in respect of LGPS pension scheme	*23*	264	990
Total recognised gains since the last period		628	1,577

Reconciliation		
Opening reserves	22,248	20,671
Total recognised gains for the year	628	1,577
Closing reserves	**22,876**	**22,248**

Consolidated statement of historical cost surpluses and deficits
for the year ended 31 July 2014

	Note	**2014**	2013
		£'000	£'000
Surplus on continuing operations before taxation		**364**	587
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	*21*	**91**	91
Historical cost surplus for the year before and after taxation		**455**	678

Consolidated balance sheet
As at 31 July 2014

	Note	2014 £'000	2013 £'000
Fixed assets			
Tangible assets	12	**64,696**	60,944
Investments	13	**0**	0
		64,696	60,944
Current assets			
Debtors: Amounts falling due within one year	15	**1,623**	1,018
Short term investments	14	**5,000**	8,071
Cash at bank and in hand	14	**5,605**	8,973
		12,228	18,062
Creditors: Amounts falling due within one year	16	**(4,801)**	(6,434)
Net current assets/(liabilities)		**7,427**	11,628
Total assets less current liabilities		**72,123**	72,572
Creditors: Amounts falling due after more than one year	17	**(10,387)**	(10,768)
Provisions for liabilities and charges	19	**(410)**	(619)
Net assets excluding pension liability		**61,326**	61,185
Net pension liability	23	**(8,502)**	(8,359)
Net assets including pension liability		**52,824**	52,826
Deferred capital grants	20	**29,948**	30,578
Reserves			
Revaluation reserve	21	**7,623**	7,714
Income and expenditure account excluding pension reserve	22	**23,755**	22,893
Pension reserve	22	**(8,502)**	(8,359)
TOTAL FUNDS		**52,824**	**52,826**

The financial statements on pages 33 to 59 were approved by the Corporation on 27th November 2014 and were signed on its behalf by:

Helena Stockford
Chair of Corporation

John Callaghan
Principal / Accounting Officer

College balance sheet
As at 31 July 2014

	Note	2014 £'000	2013 £'000
Fixed assets			
Tangible assets	12	**64,696**	60,944
Investments	13	**0**	0
		64,696	60,944
Current assets			
Debtors Amounts falling due within one year	15	**1,623**	1,018
Short term investments	14	**5,000**	8,071
Cash at bank and in hand	14	**5,382**	8,751
		12,005	17,840
Creditors: Amounts falling due within one year	16	**(4,800)**	(6,433)
Net current assets/(liabilities)		**7,205**	11,407
Total assets less current liabilities		**71,901**	72,351
Creditors: Amounts falling due after more than one year	17	**(10,387)**	(10,768)
Provisions for liabilities and charges	19	**(410)**	(619)
Net assets excluding pension liability		**61,104**	60,964
Net pension liability	23	**(8,502)**	(8,359)
Net assets including pension liability		**56,602**	52,605
Deferred capital grants		**29,948**	30,578
Reserves			
Revaluation reserve	21	**7,623**	7,714
Income and expenditure account excluding pension reserve	22	**23,533**	22,672
Pension reserve	22	**(8,502)**	(8,359)
TOTAL FUNDS		**52,602**	52,605

The financial statements on pages 33 to 59 were approved by the Corporation on 27th November 2014 and were signed on its behalf by:

Helena Stockford
Chair of Corporation

John Callaghan
Principal / Accounting Officer

Consolidated cash flow statement
for the year ended 31 July 2014

		2014	2013
		£'000	£'000
Cash flow from operating activities	*24*	**(92)**	2,248
Returns on investments and servicing of finance	*26*	**(237)**	(285)
Capital expenditure and financial investment	*26*	**(5,743)**	(1,163)
Cash (outflow)/inflow before use of liquid resources and financing		**(6,072)**	800
Management of liquid resources	*26*	**3,071**	3,429
Financing	*26*	**(368)**	(356)
(Decrease)/increase in cash	*25*	**(3,369)**	3,873

Reconciliation of net cash flow to movement in net funds/ (debt)
For the year ended 31 July 2014

	2014	2013
	£'000	£'000
(Decrease)/Increase in cash in the period	**(3,368)**	3,873
New Loans acquired	**368**	356
Current asset investment (note 25)	**(3,071)**	(3,429)
Movement in net funds in period	**(6,071)**	800
Net funds at 1 August	**5,908**	5,108
Net (debt)/funds at 31 July 2014	**(163)**	5,908

Notes

(forming part of the financial statements)

1 Statement of accounting policies

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

Basis of preparation

These financial statements have been prepared in accordance with the 2007 Statement of Recommended Practice (SORP): *Accounting for Further and Higher Education* and in accordance with applicable Accounting Standards. They conform to guidance published jointly by the SFA and the EFA in the 2013/14 Accounts Direction.

Basis of accounting

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

Going concern

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

The College currently has £10.4 million of loans outstanding with bankers on terms negotiated in 2008/09 secured by a fixed and floating charge on College assets. The terms of the existing agreement are for a further 21 years. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

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

Basis of consolidation

Solihull College Foundation Trust is regarded as a quasi-subsidiary of the College under the definition provided in Financial Reporting Standard 5. The consolidated financial statements of the group therefore include the financial statements of the College and Solihull College Foundation Trust. Intra-group sales and profits are eliminated fully on consolidation. All financial statements are prepared to 31 July 2014.

Recognition of income

The recurrent grant from HEFCE represents the funding allocations attributable to the current financial year and is credited direct to the income and expenditure account.

Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the adult learner responsive funding element is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end. Employer responsive grant income is recognised based on a year-end reconciliation of income claimed and actual delivery with the SFA/EFA. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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

Notes *(continued)*

1 Statement of accounting policies (continued)

Recognition of income (continued)

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

Where the College receives and disburses funds in which it has no direct beneficial interest, such funds are excluded from the income and expenditure account on the grounds that the College does not have direct control over the future economic benefits derived from these funds. The College has applied this policy to certain funds received during the year from the SFA / EFA (see note 33).

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

Income from grants, contracts and other services rendered is included to the extent the conditions of the funding have been met or the extent of the completion of the contract or service concerned. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned. Income from restricted purpose endowment funds not expended in accordance with the restrictions of the endowment in the period is transferred from the income and expenditure account to accumulated income within endowment funds.

Postretirement benefits

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

Contributions to the TPS scheme are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payrolls. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method.

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

Notes *(continued)*

1 Statement of accounting policies *(continued)*

Post-retirement benefits (continued)

Further details of the pension schemes are given in note 22.

Enhanced Pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by a college annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the college's income and expenditure account in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the funding bodies.

Tangible fixed assets

Land and buildings

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account reserve on an annual basis. Land and buildings acquired since incorporation are included in the balance sheet at cost. Freehold land and long leasehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of 50 years. Leasehold buildings are amortised over 50 years or, if shorter, the period of the lease. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life.

On adoption of FRS 15, the College followed the transitional provisions to retain the book value of land and buildings, which were revalued in 1996, but not to adopt a policy of revaluations of these properties in the future. These values are retained subject to the requirement to test assets for impairment in accordance with FRS 11.

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.

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.

Subsequent expenditure on existing fixed assets

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

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

Buildings owned by third parties

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

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

Notes *(continued)*

1 Statement of accounting policies *(continued)*

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.

Equipment

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

Inherited equipment is depreciated on a straight-line basis over its remaining useful economic life to the College of between one and three years and is now fully depreciated. All other equipment is depreciated over its useful economic life as follows:

Motor vehicles and general equipment	-	5 years
Computer equipment	-	3 years
Furniture and fittings	-	5 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 useful economic life of the related equipment.

Leased assets

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

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

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

Investments and endowment assets

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

Listed investments held as fixed assets or endowment assets are stated at market value.

Current asset investments, which may include listed investments, are stated at the lower of their cost and net realisable value.

Stocks

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

Notes *(continued)*

1 Statement of accounting policies *(continued)*

Foreign currency translation

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial year with all resulting exchange differences being taken to the income and expenditure account in the period in which they arise.

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

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

Liquid resources

Liquid resources include sums on short-term deposits with recognised banks and building societies and government securities.

Provisions

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

Cash

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

Agency arrangements

The College acts as an agent in the collection and payment of discretionary support funds. Related payments received from the main funding body and subsequent disbursements to students [and – e.g. other further education colleges] are excluded from the Income and Expenditure account and are shown separately in note 33 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.

Notes *(continued)*

2 Funding body grants

	2014 £'000	2013 £'000
SFA / EFA recurrent grant	**22,976**	25,701
Recurrent grant – HEFCE	**553**	859
SFA/ EFA non recurrent grants	**2,348**	3,131
Releases of deferred capital grants (HEFCE) (note 20)	**25**	43
Releases of deferred capital grants (SFA) (note 20)	**633**	770
	26,535	30,504

3 Tuition Fees & Educational Contracts

	2014 £'000	2013 £'000
Tuition Fees	**3,666**	2,706
Education Contracts	**2,335**	1,240
	6,001	3,946

4 Other income

	2014 £'000	2013 £'000
Residences, catering and conferences	**243**	196
Releases of deferred capital grants (non-SFA/EFA) (note 20)	**181**	151
Other income	**664**	722
	1,088	1,069

5 Investment income

	2014 £'000	2013 £'000
Investment income	**176**	193
Other interest receivable	**0**	40
	176	233

Notes *(continued)*

6 Staff numbers and costs

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

	2014 Number	2013 Number
Teaching staff	**460**	469
Teaching support staff	**111**	112
Non-teaching staff	**116**	111
	687	693

Staff costs for the above persons were as follows:

	2014 2014 £'000	2013 2013 £'000
Wages and salaries	**18,409**	17,874
Social security costs	**1,241**	1,250
Other pension costs (including FRS 17 adjustments of £261,000; 2013 £232,000)	**2,498**	2,191
Payroll sub total	**22,148**	21,315
Restructuring costs	**424**	191
	22,572	21,506

The number of staff, including senior post-holders and the Principal, who received emoluments on an annualised bases, including taxable benefits in kind, but not employer pension costs, in the following ranges was:

	2014 Number of senior post-holders	**2014 Number of other staff**	2013 Number of senior post-holders	2013 Number of other staff
£60,001 to £70,000	0	3	0	3
£70,001 to £80,000	0	0	1	0
£80,001 to £90,000	1	0	0	0
£90,001 to £100,000	0	0	0	0
£100,001 to £110,000	0	0	0	0
£110,001 to £120,000	0	0	0	0
£120,001 to £130,000	0	0	0	0
£130,001 to £140,000	0	0	0	0
£140,001 to £150,000	2	0	1	0

Notes *(continued)*

7 Emoluments of senior post holders and members

	2014 Number	2013 Number
The number of senior post-holders including the Principal* was	**3**	2

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

	2014 £'000	2013 £'000
Salaries	**210**	224
Pension contributions	**30**	31
	240	255

The above emoluments include actual payments made to the Principal (who is also the highest paid senior post-holder).

*The post of Principal was held by two senior post holders during the year, with an Acting Principal appointed for an interim period.

Breakdown of payments made to each Principal

	Current Principal	**Interim Principal**	**Previous Principal**	Prior Year
	From 1st June 2014	1st April to 31st May 2014	Until 31st March 2014	
	2014 £'000	**2014 £'000**	**2014 £'000**	2013 £'000
Salary	**23**	**20**	**100**	144
Pension Contributions	**3**	**3**	**14**	20
	26	**23**	**114**	164

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

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

Notes *(continued)*

8 Other operating expenses

	2014 £'000	2013 £'000
Teaching costs	**1,888**	3,017
Non-teaching costs	**4,278**	5,063
Premises costs	**2,372**	3,332
	8,538	11,412

Other operating expenses include:

	2014	2013
Auditor's remuneration:		
Financial statements audit*	**25**	24
Internal audit**	**27**	25
Other services from external audit	**2**	12
Losses on disposal of tangible fixed assets	**-**	72
Hire of plant and machinery – operating leases	**305**	251
Hire of other assets – operating leases	**80**	145

* includes £24,211 in respect of the College *(2013: £23,094)*
** includes £26,796 in respect of the College *(2013: £24,964)*

9 Interest payable

	2014 £'000	2013 £'000
On bank loans, overdrafts and other loans:		
Repayable wholly or partly in more than five years	**462**	478
Pension finance costs	**110**	151
	572	629

Notes *(continued)*

10 Taxation

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

11 Surplus on continuing operations for the year

The surplus on continuing operations for the year is made up as follows:

	2014 £'000	2013 £'000
College's surplus for the year	363	708
Net incoming/(outgoing) resources generated by Solihull College Foundation Trust	1	(121)
	364	587

12 Tangible fixed assets

Group and College	Land and Buildings: Assets under construction £'000	Freehold £'000	Long leasehold £'000	Equipment	Total £'000
Cost or valuation					
At 1 August 2013	6,321	61,062	1,750	2,426	71,559
Additions	4,893	-	-	613	5,506
Transfers	(7,150)	7,150	-	-	-
Disposals	-	-	-	(76)	(76)
At 31 July 2014	**4,064**	**68,212**	**1,750**	**2,963**	**76,989**
Depreciation					
At 1 August 2013	-	8,916	-	1,699	10,615
Charge for year		1,369	-	385	1,754
Eliminated in respect of disposals			-	(76)	(76)
At 31 July 2014	-	**10,285**	-	**2,008**	**12,293**
Net book value					
At 31 July 2014	**4,064**	**57,927**	**1,750**	**955**	**64,696**
At 1 August 2013	6,321	52,146	1,750	727	60,944

Notes *(continued)*

12 Tangible fixed assets *(continued)*

The long leasehold relates to a lease from Solihull MBC for land donated in 2005/06 total £1,750,000 for the Woodlands Campus. The lease is for 125 years and is included within inherited assets in Note 13.

The transitional rules set out in FRS 15 *Tangible Fixed Assets* have been applied. Accordingly the book values at implementation have been retained.

Land and buildings were valued for the purpose of the 1994 financial statements at depreciated replacement cost by Lambert Smith Hampton, a firm of independent chartered surveyors, in accordance with the RICS Statement of Asset Valuation Practice and Guidance notes. Other tangible fixed assets inherited from the local education authority at incorporation have been valued by the Corporation on a depreciated replacement cost basis with the assistance of independent professional advice.

Land and buildings with a net book value of £29,763,631 *(2013: £30,532,563)* have been partly financed from exchequer funds, through for example the receipt of capital grants. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum with the Council, to surrender the proceeds.

If inherited land and buildings had not been valued, their cost, aggregate depreciation based on cost and net book value would have been included in the financial statements at nil.

13 Investments

Solihull College Foundation Trust is regarded as a quasi-subsidiary of the College under the definition provided in Financial Reporting Standard 5. Under the provisions of this standard, the accounts of the Trust have been consolidated in the group accounts of the College.

14 Cash & Short term investments

The Group cash balance of £5,604,918 includes £221,902 held by Solihull College Foundation Trust. This is all held in instant access accounts. £5,000,000 is held in a fixed term investment account with Lloyds which is due to mature in October 2014.

15 Debtors: Amounts falling due within one year

	2014		2013	
	Group	**College**	Group	College
	£'000	**£'000**	£'000	£'000
Amounts falling due within one year:				
Trade debtors	**677**	**677**	492	492
Other debtors	**3**	**3**	2	2
Prepayments and accrued income	**829**	**829**	524	524
Amounts owed by the SFA/EFA	**114**	**114**	-	-
	1,623	**1,623**	1,018	1,018

Notes *(continued)*

16 Creditors: Amounts falling due within one year

	2014		2013	
	Group	**College**	Group	College
	£'000	**£'000**	£'000	£'000
Bank loans and overdrafts	**381**	**381**	368	368
Payments received on account	**747**	**747**	733	733
Trade creditors	**355**	**354**	390	389
VAT	**51**	**51**	12	12
Other taxation and social security	**658**	**658**	671	671
Accruals	**861**	**861**	2,472	2,472
Other amounts owed to SFA/EFA	**779**	**779**	387	387
Other creditors	**256**	**256**	242	242
Capital accrual and retention creditor	**713**	**713**	1,160	1,160
	4,801	**4,800**	6,434	6,434

17 Creditors: Amounts falling due after more than one year

	2014		2013	
	Group	**College**	Group	College
	£'000	**£'000**	£'000	£'000
Bank loans	**10,387**	**10,387**	10,768	10,768
	10,387	**10,387**	10,768	10,768

The College has bank facilities with National Westminster Bank plc, comprising of:

(a) a term loan facility of £10,768,163 (2013: £11,136,176).

The term loan is repayable in equal quarterly instalments falling due between April 2012 and January 2034. £2.36m bears interest at 0.625% above LIBOR, £8,41m bears interest at 5.075%, payable quarterly in arrears since June 2009.

The College has agreed to indemnify the Bank against any cost, loss or liability incurred as a result of it breaching any of the Financial Undertakings specified in the loan agreement.

Notes *(continued)*

18 Borrowings

Bank loans and overdrafts

	2014 Group £'000	2014 College £'000	2013 Group £'000	2013 College £'000
Bank loans and overdrafts are repayable as follows:				
In one year or less	381	381	368	368
Between one and two years	394	394	381	381
Between two and five years	1,271	1,271	1,226	1,226
In five years or more	8,722	8,722	9,161	9,161
	10,768	10,768	11,136	11,136

19 Provisions for liabilities and charges

Group and College

	Enhanced pension £'000	Other	Total
At 1 August 2013	377	242	619
Expenditure in the period	-	-	-
Transferred from income and expenditure account	(3)	(206)	(209)
At 31 July 2014	**374**	**36**	**410**

The enhanced pension provision relates to the capital cost of enhancing the pensions of former employees. This provision has been recalculated in accordance with the guidance issued by SFA/EFA.

The principal assumptions for this calculation are:

	2014	2013
Price inflation	2.30%	2.40%
Discount rate	4.30%	4.60%

Other provisions relate to future lease costs and estimated dilapidation costs on vacating Griffin Park.

20 Deferred capital grants

Group and College	SFA £'000	Other grants £'000	Total £'000
At 1 August 2013	24,702	5,876	30,578
Cash received in year:	-	209	209
Less income accrued	-	-	-
Released to income and expenditure account:	(633)	(206)	(839)
At 31 July 2014	24,069	5,879	29,948

Notes *(continued)*

21 Revaluation reserve

	£'000
At 1 August 2013	7,714
Transfer from revaluation reserve to income and expenditure account in respect of:	
Depreciation on revalued assets	(91)
At 31 July 2014	7,623

22 Movement on general reserves

	Group £'000	College £'000
Income and expenditure reserve at 1 August 2013	14,534	14,313
Surplus on continuing operations after depreciation of assets at valuation and tax	364	363
Transfer from revaluation reserve to income and expenditure account	91	91
Actuarial gain in respect of pension scheme	264	264
At 31 July 2014	15,253	15,031

Balance represented by

	Group £'000	College £'000
Pension reserve	(8,502)	(8,502)
Income and expenditure account excluding pension reserve	23,755	23,533
At 31 July 2014	15,253	15,031

23 Pensions and similar obligations

The College's employees belong to two principal pension schemes, the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). The total pension cost for the period was £2,498,000 (2013: £2,190,000).

Total pension cost for the year		**2014 £000**		2013 £000
Teachers' Pension Scheme: contributions paid	1,350		1,233	
Local Government Pension Scheme:				
Contributions paid	872		714	
FRS 17 charge	261		232	
Charge to the Income and Expenditure Account (staff costs)		2,483		2,179
Enhanced pension charge to Income and Expenditure Account (staff costs)		15		11
Total Pension Cost		**2,498**		**2,190**

Contributions amounting to £296,388 (2013: £272,877) were payable to the scheme at the end of the financial year and are included in creditors.

Notes *(continued)*

23 Pensions and similar obligations *(continued)*

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.

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 new employer contribution rate for the TPS will be implemented in September 2015.

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

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

Scheme Changes

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

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

Notes *(continued)*

23 Pensions and similar obligations *(continued)*

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 will commence on 1 April 2015.

The pension costs paid to TPS in the year amounted to £2,190,494 (2013: £1,838,023).

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate funds administered funds. The total contribution made for the year ended 31 July 2014 was £1,364,000 of which employers contributions totalled £948,000 and employees contributions totalled £416,000. The agreed contribution rates since April 2014 are 13.65% for employers and between 5.5% and 7.5% for employees.

The following information is based on a full actuarial valuation of the fund as 31st March 2007 updated to 31st July 2014 by a qualified independent actuary.

	2014	2013	2012	2011	2010
Inflation	**2.30%**	2.40%	2.20%	3.00%	3.00%
Rate of increase in salaries	**4.05%**	4.15%	3.95%	4.75%	5.25%
Rate of increase in payments	**2.30%**	2.40%	2.20%	3.00%	3.00%
Discount rate for liabilities	**4.30%**	4.60%	4.50%	5.30%	5.50%

On advice from our actuaries we have assumed that 50% of employees retiring after 6 April 2007 will take advantage of the option to commute part of their future annual pension to a lump sum payment on retirement.

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 2014	At 31 July 2013
Retiring today		
Males	22.9	22.1
Females	25.5	24.8
Retiring in 20 years		
Males	25.1	23.9
Females	27.8	26.7

Notes *(continued)*

23 Pensions and similar obligations *(continued)*

The College's share of assets in the scheme and the expected rates of return were:

	Long term rate of return expected at 31 July 2014	Value at 31 July 2014	Long term rate of return expected at 31 July 2013	Value at 31 July 2013	Long term rate of return expected at 31 July 2012	Value at 31 July 2012
		£'000		£'000		£'000
Equities	7.00%	10,170	7.00%	9,184	7.00%	10,014
Government	3.20%	1,820	3.30%	1,820	2.50%	1,693
Other bonds	4.10%	2,343	4.30%	2,426	3.40%	1,822
Property	6.20%	1,957	5.70%	1,885	6.00%	1,859
Cash	0.50%	1,024	0.50%	888	0.50%	295
Other	7.00%	5,437	7.00%	5,459	7.00%	2,724
Total market value of assets		**22,751**		**21,662**		**18,407**

	2014 £,000	2013 £'000	2012 £'000
College's estimated asset share	22,751	21,662	18,407
Present value of scheme liabilities	(31,253)	(30,021)	(27,373)
	(8,502)	(8,359)	(8,966)

Analysis of the amount charged to the income and expenditure account

	2014 £'000	2013 £'000
Employer service cost	**297**	232
Total operating charge	**297**	232

Notes *(continued)*

23 Pensions and similar obligations *(continued)*

Analysis of pension finance income/(costs)

	2014	2013
	£'000	£'000
Expected return on pension scheme assets	1,297	1,100
Interest on pension scheme liabilities	(1,407)	(1,251)
Pension finance costs	(110)	(151)

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

	2014	2013
	£'000	£'000
Actual return less expected return on pension scheme assets	264	990
Actuarial gain/(loss) recognised in STRGL	264	990

Movement in deficit during year

	2014	2013
	£'000	£'000
Deficit in scheme at beginning of year	(8,359)	(8,966)
Movement in year:		
Current service charge	(1,245)	(992)
Contributions	948	760
Past service costs	-	-
Net interest/return on assets	(110)	(151)
Actuarial gain or loss	264	990
Deficit in scheme at end of year	(8,502)	(8,359)

Notes *(continued)*

23 Pensions and similar obligations *(continued)*

Asset and Liability Reconciliation

	2014 £'000	2013 £'000
Reconciliation of Liabilities		
Liabilities at start of period	30,021	27,372
Service cost	1,245	992
Interest cost	1,407	1,251
Employee contributions	416	335
Experience gains and losses on scheme liabilities	-	-
Actuarial (gain)/loss	(1,336)	598
Benefits paid	(500)	(527)
Past Service cost	-	-
Curtailments and settlements	-	-
Liabilities at end of period	**31,253**	**30,021**
Reconciliation of Assets		
Assets at start of period	21,662	18,407
Expected return on assets	1,297	1,100
Actuarial gain/(loss)	(1,072)	1,588
Employer contributions	948	760
Employee contributions	416	334
Benefits paid	(500)	(527)
Assets at end of period	**22,751**	**21,662**

The estimated value of employer contributions for the year ended 31st July 2014 is £948,358.

Notes *(continued)*

23 Pensions and similar obligations *(continued)*

History of experience gains or losses

	2014	2013	2012	2011	2010
Difference between the expected and actual return on assets:					
Amount £'000	**(1,072)**	1,588	(629)	(878)	1,362
% of scheme assets	**(4.7%)**	7.3%	(3.4%)	(5.1%)	8.9%
Experience gains and losses on scheme liabilities					
Amount £'000	**2,055**	-	-	141	-
% of scheme liabilities	**6.6%**	0.0%	0.0%	0.6%	0.0%
Total amounts recognised in statement of total recognised gains and losses					
Amount £'000	**(264)**	(990)	(945)	1,209	(12)
% of scheme liabilities	**(0.8%)**	(3.3%)	(3.5%)	4.8%	(0.1%)

24 Reconciliation of operating surplus to net cash from operating activities

	2014	2013
	£'000	£'000
Surplus on continuing operations after depreciation of assets at valuation and tax	364	587
Depreciation (note 12)	1,753	1,618
Deferred capital grants released to income (notes 2 and 4)	(839)	(964)
(Profit)/loss on disposal of tangible fixed assets	-	72
Interest receivable (note 5)	(176)	(233)
Interest payable (note 9)	462	478
Pension cost less contributions payable (note 23)	407	383
Decrease/(increase) in debtors	(655)	(109)
Increase/(decrease) in creditors	(1,199)	230
(Decrease)/increase in provisions	(209)	186
Net cash (outflow)/inflow from operating activities	(92)	2,248

25 Analysis of changes in net funds

	At 1 August 2013 £'000	Cash flows £'000	**At 31 July 2014 £'000**
Cash at bank and in hand	8,973	(3,368)	5,605
Current Asset Investment	8,071	(3,071)	5,000
	17,044	(6,439)	10,605
Debts due after 1 year	(10,768)	381	(10,387)
Debts due within 1 year	(368)	(13)	(381)
Total	5,908	(6,071)	(163)

Notes *(continued)*

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

	2014 £'000	2013 £'000
Returns on investments and servicing of finance		
Interest received	225	193
Interest paid	(462)	(478)
Net cash (outflow) from returns on investments and servicing of finance	(237)	(285)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(5,952)	(5,874)
Sales of tangible fixed assets		
Deferred capital grants received	209	4,711
Net cash (outflow) for capital expenditure and financial investment	(5,743)	(1,163)
Management of liquid resources		
Placing of deposits	3,071	3,429
Net cash inflow from liquid resources	3,071	3,429
Financing		
Debt due beyond a year:		
New Loan Drawdown	-	-
Repayment of amounts borrowed	(368)	(356)
Net cash (outflow) from financing	(368)	(356)

27 Capital commitments

	2014 £'000	2013 £'000
Commitments contracted for at 31 July	693	1,351
Commitments authorised but not contracted for at 31 July	-	-

At Corporation meeting on 4th November 2014 the governors approved the refurbishment of the HE Centre on the Blossomfield Campus with a total cost of £350,000 and the creation of an Advanced Aviation Centre on the Woodlands Campus with a project cost of £2million with a £830,000 contribution from the LEP.

28 Financial commitments

At 31 July 2014, the College had annual commitments under non-cancellable operating leases as follows:

	2014		2013	
	Land and buildings £'000	**Other £'000**	Land and buildings £'000	Other £'000
Expiring within one year	33	128	13	117
Expiring between two and five years inclusive	-	55	114	127
	33	183	127	244

Notes *(continued)*

29 Contingent liability

The College had no contingent liabilities as at 31 July 2014.

30 Related Party Transactions

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

The College commenced construction of its new Woodlands campus during 2004/05 on land which is owned by Solihull MBC. The College accessed this land for the purposes of construction by virtue of a licence and agreement for lease. In September 2006, following practical completion of the building, the College entered into a 125 year lease with the Council at an annual peppercorn rent. The College Corporation includes a member with an interest in Solihull MBC – Philip Mayhew, who is an employee of the Council.

Transactions with the SFA/EFA and HEFCE are detailed in notes 2, 15, 16, 20 and 33.

The total expenses paid to or on behalf of the Governors during the year was £1,037; 4 governors (2013: £964; 6 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2013: None)

31 Post balance sheet events

There were no post balance sheet events.

32 Cash flow relating to exceptional items

The operating cash outflows include an outflow of £424,140 *(2013: £191,367)* for exceptional restructuring costs.

33 Amounts Disbursed as Agent

Learner support funds

	2014	2013
	£'000	£'000
SFA grant	564	666
	564	666
Disbursed to students	(412)	(552)
Administration costs	(28)	(33)
Balance unspent at 31 July 2014, included in creditors	124	81