

Solihull College

Members' Report and Consolidated Financial Statements

For year ended 31 July 2017

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Report of the Members of the Corporation for the Year to 31 July 2017

Strategic Report

Nature, Objectives and Strategies

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

Legal Status

The Corporation was established under the Further and Higher Education Act 1992. Solihull College is an exempt charity under 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 Further Education (FE) Corporations in England.

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.

Implementation of the strategic plan

In July 2016, Solihull College (the College) adopted a Strategic Plan for the period 2016 to 2019 and in July 2016 set the annual priorities for 2016/17, 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 2016/17.

The College's strategic goals and the key achievements against these goals are outlined below.

1. All students enjoying their learning, being ambitious and having very high standards of achievement enabling them to progress to employment and further study:
 - well over 50% of students have progressed internally;
 - over 90% of students progressed to positive destinations including employment, apprenticeships and higher / further education;
 - all 16 – 18 full-time students had opportunities to develop their enterprise and employability skills;
 - the proportion of successful learners at level 3 aged 16 to 18 has remained high.
2. Excellent leadership and management that will ensure the highest possible standards of teaching, training, learning, assessment and support:
 - well-qualified and knowledgeable teachers who develop learners' vocational and practical skills;
 - very effective initial advice and guidance and additional learning support that assist learners to choose the most appropriate course and then continue with their studies;
 - high-quality accommodation and specialist resources that support learning well;
 - consistently good feedback from surveys for teaching and learning;
 - improved governor engagement with e.g. students via learning walks and direct presentations from students.

3. Management processes that maintain financial stability and continuously improve the efficient use of resources:
 - all financial targets and financial / resource KPIs have been met. Further details are given on page 5;
 - investment in resources that directly support growth strategies and quality priorities including Advanced Aviation centre, Life Sciences facilities and Robotics and Virtual Reality facilities supported by LEP funding;
 - students have engaged directly with the design and monitoring of services and support that impact on their learning experience.
4. Innovative and responsive programmes that meet the needs of students and employers, respond to the demands of the GBSLEP as well as effective strategies which respond to economic growth and social priorities:
 - good work with the Local Enterprise Partnership (LEP), the Chamber of Commerce and employers which ensured that the curriculum meets local and regional needs very closely, including through very successful employment programmes;
 - the College continues 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;
 - the College continues to work through the Economic Development Teams of local authorities to successfully attract inward investment and target local people for local jobs;
 - actively working with the West Midlands Combined Authority to shape the future skills strategy;
 - all full-time 16 – 18 students had a comprehensive study programmes designed to meet their needs and those of the world of work.
5. Resources and inclusive learning environments that are of a consistently high quality, support the College's evolution, promote sustainability and inspire learning.
 - continue to investment in property and resources to ensure high quality learning environments for the benefits of all learners. Developments have included an Advanced Aviation Centre and Robotics and Virtual Reality Facilities which are LEP match funded projects, investment made in the IT infrastructure to continue to roll out virtual desktop strategy to support the future needs of the College and its students;
 - a 'best in the sector' external digital communication platform which has won awards;
 - further development of the dashboard to give governors and managers access to information that will continuously improve and monitor individual and organisational performance at all levels;
 - significant progress has been made to improve Information and Learning Technology (ILT) content and on-line learning materials including the redevelopment of the Moodle site and student hub.

Financial Objectives and Review of outturn for the year

The College's overall financial objective is to have 'Outstanding' financial management and control and at least 'Good' financial health as determined by the Education and Skills Funding Agency (ESFA) definitions; maintain financial stability and continuously improves the efficient use of resources.

This is to enable the College to:

- provide education in accordance with the College's Strategic Plan;
- to invest in the College's infrastructure (learning environment for students);
- protect itself from unforeseen adverse changes in enrolments and income; and
- maintain / attain the confidence of funders, suppliers, bankers and auditors.

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)
An operating surplus of at least 1% of income for all years.	Operating surplus as a proportion of income (excluding capital grant releases) was £989,000 (3%).
A current ratio of at least 2.0, (net working capital positive) (solvency).	Actual current ratio at 31 st July 2017 was 2.5.
Cash balances above £6m (over 60 days cash in hand)	Actual cash balances at 31 st July 2017 were £17,247K (193 days cash in hand).
EBITDA as a percentage of income (education specific) between 5% and 6%.	EBITDA as a percentage of income (education specific) was 8%.
Borrowing as a percentage of income to be less than 30%.	Borrowing as a percentage of income at 31 st July 2017 was 29%. 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 65% of total income excluding capital grant.	Staffing costs (excluding restructuring) at 31 st July 2017 was 63% of total income excluding capital grants.

The College is committed to observing the importance of sector measures and indicators and makes comparisons to sector benchmarks. The College is required to complete the annual Finance Record for the ESFA. The Finance Record produces a financial health grading. The current rating of Outstanding is considered an excellent outcome.

During Inspection of the College in November 2016, Ofsted said that careful financial management had ensured that managers had been able to invest in high-quality resources to support the developments of all programmes, especially those in STEM subjects and that the College was well placed financially to sustain the quality of its provision.

Tangible fixed asset additions during the year amounted to £1,102K. This was split between land and buildings acquired of £107K and equipment purchased of £995K.

At the end of the 2016/17 financial year Tudor Grange House was sold giving proceeds of £2.9m and a book gain on disposal of £998K. Also during July 2017 the dis-used Halls of Residence were demolished with a book loss on demolition of £1.6m.

A new car park has been built on the site of the previous Halls of Residence in 2017/18 to replace the parking lost as a result of the sale of Tudor Grange House and its associated land.

The College has no 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's financial statements.

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 and the Financial Memorandum with the ESFA.

Cash flows

The operating cash inflow of £3.0m (2015/16 £3.2m inflow), was in line with expectations. The overall increase in cash of £2.3m resulted from operating cash inflow less capital expenditure and loan repayment.

Liquidity

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

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 compliance with this Act.

Post Balance Sheet Events

On 16th November 2017 the Corporation agreed in principle to merge with Stratford Upon Avon College. It is anticipated that the merger will be effective from 19th December 2017. The merged College will create economies of scale and synergy with a wider curriculum.

Current and Future Development and Performance

Student Numbers

In 2016/17 there was a very small increase in 16-18 and Higher Education full-time student numbers. However AEB 19+ full-time students declined.

Student Achievements

Overall, the College's achievement rate was 83.8% for 16-18 year olds and 86.1% for adults. Apprenticeship rates were 73% which was a slight decline from 2015/16.

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 has been judged to be particularly strong in its vocational relevance and employer involvement. The College works in partnership with four 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 small and medium sized enterprises (SMEs); 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 College continued investment in both its Blossomfield and Woodlands Campuses 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 College received LEP funding in 2016/17 to further develop the Woodlands Campus to improve the facilities available to deliver Aerospace qualification. This provides facilities for Higher Education developments in both engineering and construction.

The College completed a LEP funded project to develop life sciences on the Blossomfield Campus. The LEP grant was also received for Virtual Reality and Robotics.

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 its pace and direction to ensure its ambitions are achieved. The College is expecting some increase in student numbers over the next few years in the priority areas of apprenticeships, higher education and full cost provision.

These areas continue to be renewed to ensure they are still relevant and are in line with local and government priorities.

Resources

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

Tangible resources include the main Blossomfield Campus and Woodlands Campus in North Solihull. During Inspection in March 2015 inspectors commented that the College had high quality accommodation and specialist resources which supported learning well.

Financial

The College has £22.3m (Group £22.3m) of net assets (including £15.6m net pension liability) and at 31st July 2017 £9.2m of long term debt. Land at the College's Blossomfield Campus was re-valued on a fair value from £5m to £9.9m by Bilfinger GVA, an independent Chartered Surveyor as at 1st August 2014.

People

Throughout the year the College employed an average of 293 FTE salaried teaching staff and 92 FTE PT hourly paid teaching staff. The College's overall average FTE is 548.

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 Matrix Accreditation a quality kite mark in relation to its advice and guidance.

Principal Risks and Uncertainties:

The College has continued to develop and embed the system of internal control, including financial, operational, risk management and Board Assurance which is designed to protect the College's assets and reputation. The Board Assurance Plan ensures that there are adequate internal and external sources of assurance and controls in place and an assessment of any assurance gaps and how this is being addressed.

Based on the strategic plan, the Risk Management Group 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 2016/17 the College's Internal Auditor assessed the College in the areas of Risk and Board Assurance and confirmed that the organisation had an adequate and effective framework for risk management, governance and internal controls. The Board can therefore take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.

The Strategic Risk Register is maintained at the College level which is reviewed at least termly by the Audit Committee and reported to Corporation. The Strategic Risk Register identifies the top key risks for the College, the cause and effect of each risk, the inherent score for impact and likelihood, 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. Separate risk registers are written for specific projects which are likely to have an impact on the strategic risks. These can be temporary and removed at the end of the project. Each area has a risk register which links into the strategic risk register. These are reviewed annually.

Risk management training and briefings take place 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.

Key Strategic Risks

Poor quality teaching, learning and assessment:

The quality of teaching and learning is a key strategic priority for the College. It is essential that learners make good progress and reach their full potential and the quality of provision meets all required standards.

An unresponsive curriculum:

The curriculum must be responsive in order to ensure efficient programme delivery and future potential to invest in programme areas.

Ineffective safeguarding:

Effective safeguarding processes must be applied to ensure the College is a safe environment for staff and students. Specific areas include preventing radicalisation of both students and staff.

Unsuitable accommodation:

The accommodation strategy ensures that there is a plan for future growth and maintaining the current infrastructure ensuring accommodation is flexible, safe and fit for purpose. There is always a risk that government funding does not address the College current requirements.

Ineffective IT:

The IT infrastructure must meet College needs and be responsiveness to meet change. There is a key risk of data security and disaster recovery. College data is kept secure and there is compliance with statutory and regulatory legislation around security and recovery.

Poor incident management:

The College is increasingly aware that there is a risk of a serious incident which causes disruption to College activity. There are effective incident management and business continuity controls in place which are regularly monitored internally and externally.

Poor governance:

It is essential that the College has effective governance arrangements across the College to ensure scrutiny, challenge and control.

Inability to maintain good financial health:

The College needs to be able to respond to risks such as changes in government funding and not meeting recruitment targets which could have major consequences for financial health. The College has robust systems of financial planning and budgetary control in order to mitigate this risk.

Controls are in place to mitigate all of these risks and the Risk Management Group agrees any further actions required reporting to Audit Committee.

Public Benefit Statement

In setting and reviewing the College's strategic objectives, the Corporation 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, the West Midlands and beyond;
- strive for value for money in all aspects of provision and procurement;
- 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.

Stakeholder Relationships

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

- students;
- staff;
- Education and Skills Funding Agency (ESFA);
- FE Commissioner;
- local employers (with specific links);
- local authorities;
- government offices / LEPs
- 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.

Disability Statement

The College seeks to achieve the objectives set down in the Equality Act 2010. The College has issued a Statement of our commitment to students with learning difficulties and disabilities which is published on the College's intranet and on the College's website. In particular the College aims:

- a) in any re-development of its buildings, to ensure facilities allow access by people with a disability;
- b) to comply with its policy for all students as described in the College's 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 29th November 2017 and signed on its behalf by;

J. R. Bolt

John Bolt
Chair of the Corporation

Professional Advisors

Financial statement and regularity auditors:

KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Bankers:

Barclays Bank
PO Box 3333
Snowhill Queensway
Birmingham
B3 2WN

National Westminster Bank PLC
103 Colmore Row
Birmingham
B3 3NR

Lloyds Banking Group
125 Colmore Row
Birmingham
B3 3SF

Santander UK PLC
Birmingham Corporate Centre
1 Cornwall Street
Birmingham
B3 2DX

Internal Auditors:

RSM
Cedar House
Breckland
Linford Wood
Milton Keynes
MK14 6EX

Solicitors:

Shakespeare Martineau
No1 Colmore Square
Birmingham
B4 6AA

Gowling WLG
Two Snowhill
Birmingham
B4 6WR

Eversheds Sutherland LLP
115 Colmore Row
Birmingham
B3 3AL

Gateley PLC
One Eleven
Edmund Street
Birmingham
B3 2HJ

Squire Patton Boggs (UK) LLP
Rutland House
148 Edmund Street
Birmingham
B3 2JR

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 Code of Good Governance for English Colleges ("the Code of Good Governance"); 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 Corporation has adopted and complied with the Code of Good Governance. 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.

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

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

The Corporation

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

Name	Date of First Appointment	Term of Office Ends	Date of Resignation/ Term Ends	Status of Appointment	Committees Served During the Year	Attendance
Stan Baldwin	May 2013	Apr 2021		Public	Elected as Vice Chair (July 2016) Remuneration Committee	90%
Scott Beasley	Nov 2015	Nov 2019	Jul 2017	Student		90%
John Bolt	Apr 2014	Apr 2018		Business	Chair (elected July 2016) Search and Governance Committee Remuneration Committee	100%
John Callaghan	Jun 2014	-		Principal	Search and Governance Committee	100%
Jane Coleman	May 2010	Apr 2018		Public	Elected as Vice Chair (July 2016) Remuneration Committee	90%
Mark Hayes	Jun 2016	May 2020		Staff		100%
Barbara Hughes	Jan 2017	Jul 2021		Public	External member of Corporation from January 2017. Full governor from August 2017.	83%
Joe Kelly	Apr 2014	Apr 2018		Business		90%
Summiya Khan	Nov 2015	Nov 2019		Student		50%
Paul Large	Oct 2016	Oct 2020		Public	Audit Committee wef May 2017.	86%
Lucy Lee	Jul 2015	Jul 2020		Public	Member of Audit Committee from October 2016 and Chair from August 2017. Remuneration Committee wef August 2017.	100%
Keith Marriott	Apr 2011	Apr 2019		Business	External member of Audit Committee wef August 2016 and changed to external member of Corporation April 2017.	75%
Philip Mayhew	Dec 2005	May 2017	May 2017	Public		86%
Sukhdeep Nijjar	Jan 2017	Dec 2020		Business		83%
Alex Palethorpe	Aug 2013	Jul 2017	Jul 2017	Public	Chair of Audit Committee from October 2016 to July 2017. Remuneration Committee.	44%
Joan Smith	May 2017	May 2021		Public	External member of the Search and Governance Committee.	n/a

Geraldine Swanton	Jul 2015	Dec 2019		Business	Search and Governance Committee. Audit Committee wef October 2016.	80%
Sally Tomlinson	Mar 2017	Mar 2018		Business	External member of the Corporation for 1 year in the first instance.	75%
Liz Watson	Mar 2017	Mar 2021		Business	Member of Audit Committee wef August 2017.	50%
Tony Worth	Jul 2015	Jul 2019		Business	External member of Audit Committee.	100%

Attendance at Corporation meetings during 2016/17 was 82%.

From August 2016 to the current time the Chair to the Corporation has been John Bolt. Vice Chairs, Jane Coleman and Stan Baldwin have also been in role from August 2016 to the current time.

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

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

Each committee has terms of reference, which have been approved by the Corporation and which are reviewed annually.

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 June 2014.

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.

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 comprising 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 3 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 a further, final term of office being 2 years only.

Statement of Corporate Governance and Internal Control (continued)

Remuneration Committee

Throughout the year ending 31st July 2017, the College's Remuneration Committee comprised the Chair and Vice Chair of the Corporation (or their nominees). The Committee's responsibilities are to consider, review and determine remuneration and benefits of the Principal/Accounting Officer and other senior post holders and the Clerk and their conditions of service.

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

Audit Committee

The Audit Committee comprises three members of the Corporation (excluding the Principal/Accounting Officer, and Chair of the Corporation). The Committee operates in accordance with written terms of reference approved by the Corporation, which are consistent with the Post-16 Audit Code of Practice issued by the ESFA.

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 ESFA and their appointed auditors as they affect the College's business.

The College's Internal Auditors review 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 as well as reporting annually to the Corporation. Both internal and financial statements auditors were re-appointed during 2014/15 and retained during 2016/17.

The Board Assurance Framework was further embedded during 2016/17 and was used to inform the Internal Audit Plan for 2016/17. Internal Auditors followed up the 2 previous audits in relation to the Risk and Board Assurance Framework during 2016/17 to provide assurance in this area.

Internal Control

Scope of Responsibility

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

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

Statement of Corporate Governance and Internal Control (continued)

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an 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 was in place in the College for the year ended 31st July 2017 and up to the date of approval of the annual report and accounts.

Capacity to Handle Risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal on-going process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31st July 2017 and up to the date of approval of the annual report and accounts. The Corporation, advised by the Audit Committee, regularly reviews this process. The College's Internal Auditors have confirmed that the College is 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.

Solihull College has an internal audit service, which operates in accordance with the requirements of the ESFA Post-16 Audit Code of Practice. The work of the Internal Audit Service is informed by an analysis of the risks to which the College is exposed, and the Annual Internal Audit Plan is 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.

Statement of Corporate Governance and Internal Control (continued)

Review of Effectiveness

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

- the work of the Internal Auditors and other sources of assurance;
- 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 their 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 and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control.

The Corporation's agenda includes a regular item for consideration of risk and control and receives reports therein from the Executive Management Team and Audit Committee. The emphasis is on obtaining the relevant degree of assurance, not merely reporting by exception. At its 29th November 2017 meeting, the Corporation carried out the annual assessment for the year ended 31st July 2017 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 2017.

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

Going Concern

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.

Signed



John Bolt
Chair of the Corporation
29th November 2017

Signed



John Callaghan
Principal/Accounting Officer
29th November 2017

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

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

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

Approved by order of the members of the Corporation on 29th November 2017 and signed on its behalf by:

Signed



John Bolt
Chair of the Corporation
29th November 2017

Signed



John Callaghan
Principal/Accounting Officer
29th November 2017

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 College's Financial Memorandum with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the *2015 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *College Accounts Direction 2016 to 2017* issued by the ESFA, and which give a true and fair view of the state of affairs of the group and the parent College and the result for that year.

In preparing the group and parent College 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;
- assess the group and parent College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent College or to cease operations, or have no realistic alternative but to do so.

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

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the parent 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 such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for taking steps that are reasonably open to it in order to safeguard assets of the group and to prevent and detect fraud and other irregularities.

The maintenance and integrity of the College website is the responsibility of the Corporation of the College; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom, governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

Approved by order of the members of the Corporation on 29th November 2017 and signed on its behalf by:

J. R. Bolt

John Bolt
Chair of the Corporation
29th November 2017

INDEPENDENT AUDITOR'S REPORT TO CORPORATION OF SOLIHULL COLLEGE

Opinion

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

In our opinion the financial statements:

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

Basis for opinion

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

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.

Based solely on that work, we have not identified material misstatements in the other information.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Corporation's responsibilities

As explained more fully in their statement set out on page 24, the Corporation is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the College or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

This report is made solely to the Corporation, in accordance with Article 22 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation those matters we are required to state to them in an auditor's report and for no other purpose.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the Corporation for our audit work, for this report, or for the opinions we have formed.



Mark Dawson
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

14 December 2017

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

In accordance with the terms of our engagement letter dated 1st October 2015 and further to the requirements of the financial memorandum with Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Solihull College during the period 1st August 2016 to 31st July 2017 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

Respective responsibilities of Solihull College and the reporting accountant

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 expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Post-16 Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1st August 2016 to 31st July 2017 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

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

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

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

Reporting Accountant's Report on Regularity to the Corporation of Solihull College and the Secretary of State for Education acting through the Education and Skills Funding Agency (continued)

The work undertaken to draw our conclusion included:

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

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

Conclusion

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



Mark Dawson
For and on behalf of KPMG LLP, Reporting Accountant
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

14 December 2017

Solihull College
Consolidated Statements of Comprehensive Income & Expenditure

	Notes	Year ended 31 July		Year ended 31 July	
		2017	2017	2016	2016
		Group	College	Group	College
		£'000	£'000	£'000	£'000
Income					
Funding body grants	2	26,351	26,351	25,758	25,758
Tuition fees and education contracts	3	6,303	6,303	6,036	6,036
Other income	4	799	955	993	1,059
Investment income	5	80	80	82	81
Total income		33,533	33,689	32,869	32,934
Expenditure					
Staff costs	6	19,920	19,920	20,384	20,384
Restructuring costs	6	223	223	1,084	1,084
Other operating expenses	7	9,159	9,159	7,807	7,807
Depreciation	10	2,526	2,526	2,398	2,398
Interest payable and similar expenses	8	872	872	838	838
Total expenditure		32,700	32,700	32,511	32,511
Surplus before other gains and losses		833	989	358	423
Gain / (Loss) on disposal of assets	10	(603)	(603)	-	-
Surplus before tax		230	386	358	423
Taxation	9	-	-	-	-
Surplus for the year		230	386	358	423
Actuarial gain/ (loss) in respect of pensions schemes		2,427	2,427	(6,762)	(6,762)
Total Comprehensive Income & Expenditure for the year		2,657	2,813	(6,404)	(6,339)
Represented by:					
Unrestricted comprehensive income and expenditure		2,657	2,813	(6,404)	(6,339)
		2,657	2,813	(6,404)	(6,339)

Solihull College
Consolidated and College Statement of Changes in Reserves

	Income and Expenditure Account Group £'000	Income and Expenditure Account College £'000
Balance at 31st July 2015	26,007	25,786
Surplus for the year	358	423
Other comprehensive income and expenditure	(6,762)	(6,762)
Total comprehensive income and expenditure for the year	(6,404)	(6,339)
Balance at 31st July 2016	19,603	19,447
Surplus for the year	230	386
Other comprehensive income and expenditure	2,427	2,427
Total comprehensive income and expenditure for the year	2,657	2,813
Balance at 31st July 2017	22,260	22,260

Solihull College
Balance sheets as at 31 July 2017

	Notes	Group	College	Group	College
		2017 £'000	2017 £'000	2016 £'000	2016 £'000
Fixed assets					
Tangible fixed assets	10	64,409	64,409	69,339	69,339
Investments	11	-	-	-	-
		64,409	64,409	69,339	69,339
Current assets					
Trade and other receivables	12	1,065	1,065	1,420	1,420
Investments	13	6,000	6,000	3,000	3,000
Cash and cash equivalents	18	11,247	11,247	8,906	8,683
		18,312	18,312	13,326	13,103
Creditors – amounts falling due within one year	14	(7,303)	(7,303)	(6,455)	(6,388)
Net current assets		11,009	11,009	6,871	6,715
Total assets less current liabilities		75,418	75,418	76,210	76,054
Creditors – amounts falling due after more than one year	15	(37,068)	(37,068)	(37,976)	(37,976)
Provisions					
Defined benefit obligations	23	(15,641)	(15,641)	(18,126)	(18,126)
Other provisions	17	(449)	(449)	(505)	(505)
Total net assets		22,260	22,260	19,603	19,447
Unrestricted reserves					
Income and expenditure account		22,260	22,260	19,603	19,447
Total unrestricted reserves		22,260	22,260	19,603	19,447

The financial statements on pages 29 to 52 were approved and authorised for issue by the Corporation on 29th November 2017 and were signed on its behalf on that date by:

J. R. Bolt

John Bolt
Chair of the Corporation

John Callaghan

John Callaghan
Accounting Officer

Solihull College
Consolidated Statement of Cash Flows

	Notes	2017 £'000	2016 £'000
Cash inflow from operating activities:			
Surplus/(deficit) for the year		230	358
Adjustment for non cash items:			
Depreciation		2,526	2,398
Capital grants released to income		(898)	(987)
(Increase)/decrease in debtors		355	(381)
Increase/(decrease) in creditors due within one year		538	832
Increase/(decrease) in provisions		(56)	8
Pensions costs less contributions payable		(58)	659
Adjustment for investing or financing activities:			
Investment income		(80)	(82)
Interest payable		415	434
		<u>2,972</u>	<u>3,239</u>
Net cash flow from operating activities		<u>2,972</u>	<u>3,239</u>
Cash flows from investing activities:			
New capital grants received		600	925
Investment income		81	82
Interest payable		(415)	(434)
New deposits		(3,000)	(3,000)
Payments made to acquire fixed assets		(388)	(2,324)
Sales Proceeds		2,900	-
		<u>(222)</u>	<u>(4,751)</u>
Cash flows from financing activities:			
Repayments of amounts borrowed		(409)	(395)
		<u>(409)</u>	<u>(395)</u>
Increase / (decrease) in cash and cash equivalents in the year		<u>2,341</u>	<u>(1,907)</u>
Cash and cash equivalents at beginning of the year	18	<u>8,906</u>	<u>10,813</u>
Cash and cash equivalents at end of the year	18	<u>11,247</u>	<u>8,906</u>

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 *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2016 to 2017* and in accordance with Financial Reporting Standard 102 - "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the College's accounting policies.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention 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 £10m 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 17 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 subsidiary of the College under the definition provided in FRS 102. 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 2017.

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.

Notes (continued)

1 Statement of accounting policies (continued)

Recognition of income (continued)

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

Government capital grants from the funding bodies such as ESFA and LEP in respect of the acquisition of fixed assets are capitalised, held as deferred income, and released in income over the expected useful life of the asset, under the accrual method as permitted by FRS 102.

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

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

Post-retirement benefits

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes which are externally funded. 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 present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 23, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Further details of the pension schemes are given in note 23.

Enhanced Pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by the 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.

Notes (continued)

1 Statement of accounting policies (continued)

Tangible fixed assets

Land and buildings

Land at the College's Blossomfield Campus was re-valued on a fair value basis by Bilfinger GVA, an independent Chartered Surveyor, as at 1st August 2014 in accordance with FRS 102 paragraph 35 10(c).

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. 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.

Where land and buildings are acquired with the aid of government 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.

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.

Assets under construction

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

Notes (continued)

1 Statement of accounting policies (continued)

Tangible fixed assets (continued)

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.

Equipment is depreciated over its useful economic life as follows:

Motor vehicles	-	3 years
IT Equipment	-	3 - 5 years
General equipment	-	5 - 10 years

Where equipment is acquired with the aid of government 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.

The College assess whether there are indicators of impairment of the group's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Leased assets

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

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.

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

Investments

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.

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.

Notes (continued)

1 Statement of accounting policies (continued)

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.

Solihull College
Notes to the Accounts (continued)

2 Funding body grants

	Year ended 31 July 2017		Year ended 31 July 2016	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
Education and Skills Funding Agency - adult	3,832	3,832	4,087	4,087
Education and Skills Funding Agency - 16 - 18	17,555	17,555	17,915	17,915
Education and Skills Funding Agency - apprenticeships	2,321	2,321	2,166	2,166
Higher Education Funding Council	520	520	453	453
Specific Grants				
Releases of government capital grants	898	898	979	979
HE grant	82	82	36	36
Other specific grants	1,143	1,143	122	122
Total	26 351	26 351	25 758	25 758

3 Tuition fees and education contracts

	Year ended 31 July 2017		Year ended 31 July 2016	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	1,130	1,130	1,031	1,031
Apprenticeship fees and contracts	47	47	61	61
Fees for FE loan supported courses	765	765	736	736
Fees for HE loan supported courses	1,574	1,574	1,431	1,431
International students fees	0	0	98	98
Total tuition fees	3,516	3,516	3,357	3,357
Education contracts	2,787	2,787	2,679	2,679
Total	6,303	6,303	6,036	6,036

4 Other income

	Year ended 31 July 2017		Year ended 31 July 2016	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Residence, catering and conferences	239	239	289	289
Other income	560	716	704	770
Total	799	955	993	1 059

Solihull College
Notes to the Accounts (continued)

5 Investment income

	Year ended 31 July 2017		Year ended 31 July 2016	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Investment income	80	80	82	81
Total	80	80	82	81

6 Staff costs - Group and College

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

	2017 No.	Restated 2016 No.
Teaching staff	356	403
Teaching support staff	82	85
Non teaching staff	110	112
Staff costs for the above persons	548	600

	2017 £'000	2016 £'000
Wages and salaries	15,582	16,507
Social security costs	1,368	1,236
Other Pension Costs	2,970	2,641
Payroll	19,920	20,384

Restructuring costs -	contractual	136	1,004
	non contractual	87	80
		223	1,084

Solihull College
Notes to the Accounts (continued)

6 Staff costs - Group and College (continued)

Key management personnel

The College is represented by the Executive Management Team which are responsible for planning, directing and controlling the activities of the College. The Executive Management Team includes the Principal, Deputy Principal, and three Vice Principals.

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

	2017	2016
	No.	No.
The number of key management personnel including the Accounting Officer was:	5	5

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

	Key management		Other staff	
	Year	Year	Year	Year
	ended 31	ended 31	ended 31	ended 31
	July 2017	July 2016	July 2017	July 2016
	No.	No.	No.	No.
£60,001 to £70,000	-	-	2	2
£70,001 to £80,000	2	2	-	-
£80,001 to £90,000	1	1	-	-
£90,001 to £100,000	1	1	-	-
£100,001 to £110,000	-	-	-	-
£140,001 to £150,000	1	1	-	-
	5	5	2	2

Key management personnel emoluments are made up as follows:

	2017	2016
	£'000	£'000
Salaries	490	484
	490	484
Pension contributions	72	71
Total emoluments	562	555

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

	2017	2016
	£'000	£'000
Salaries	144	143
	144	143
Pension contributions	24	23
	168	166

Solihull College
Notes to the Accounts (continued)

7 Other operating expenses

	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	2,118	2,118	1,468	1,468
Non teaching costs	4,346	4,346	3,797	3,797
Premises costs	2,695	2,695	2,542	2,542
Total	9,159	9,159	7,807	7,807

	Group and College	Group and College
	2017	2016
	£'000	£'000
Other operating expenses include:		
Auditors' remuneration:		
Financial statements audit*	25	25
Internal audit**	20	26
Other services provided by the financial statements auditors	34	5
Other services provided by the internal auditors	4	4
Hire of asset under operating leases	132	137

* includes £25K in respect of the College (2015/16 £25K)

** includes £24K in respect of the College (2015/16 £26K)

8 Interest payable - Group and College

	2017	2016
	£'000	£'000
On bank loans, overdrafts and other loans:	415	434
	415	434
Pension finance costs (note 23)	457	404
Total	872	838

9 Taxation

The Corporation does not believe the College was liable for any Corporation tax arising out of its activities during either period.

Solihull College
Notes to the Accounts (continued)

10 Tangible fixed assets (Group and College)

	Assets under construction	Land and buildings Freehold	Long leasehold	Equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2016	82	77,929	1,750	6,159	85,920
Additions	-	107	-	995	1,102
Disposals	-	(4,291)	-	(17)	(4,308)
Transfers	-	-	-	-	-
At 31 July 2017	82	73,745	1,750	7,137	82,714
Depreciation					
At 1 August 2016	-	13,223	-	3,358	16,581
Charge for the year	-	1,490	-	1,036	2,526
Impairment Loss	82	-	-	-	82
Elimination in respect of disposals	-	(867)	-	(17)	(884)
At 31 July 2017	82	13,846	-	4,377	18,305
Net book value at 31 July 2017	-	59,899	1,750	2,760	64,409
Net book value at 31 July 2016	82	64,706	1,750	2,801	69,339

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.

Land at the College's Blossomfield Campus was re-valued on a fair value by Billfinger GVA, an independent Chartered Surveyor, as at 1st August 2014. As a first time adopter of FRS 102 the College has used those fair value as deemed cost at 1 August 2014 in accordance with FRS 102 paragraph 35 10(c).

Land and buildings with a net book value of £27,739,000 (2016: £28,588,000) 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.

In 2016/17, the breakdown College's disposal of land and buildings is as follows:-

	Tudor Grange House	Halls of Residence	Total
	£'000	£'000	£'000
Sales proceeds	2,900	-	2,900
Less cost of sales:			
Write down of existing NBV	(1,822)	(1,601)	(3,423)
Selling costs	(80)	-	(80)
Gain / (Loss) on disposal	998	(1,601)	(603)

Solihull College
Notes to the Accounts (continued)

11 Non current Investments

Solihull College Foundation Trust is regarded as a subsidiary of the College under the definition provided in FRS 102. Under the provisions of this standard, the accounts of the Trust have been consolidated in the group accounts of the College.

12 Debtors

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Amounts falling due within one year:				
Trade receivables	463	463	404	404
Other debtors	2	2	2	2
Prepayments and accrued income	488	488	854	854
Amounts owed by the ESFA	112	112	160	160
Total	<u>1,065</u>	<u>1,065</u>	<u>1,420</u>	<u>1,420</u>

13 Current investments

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Short term deposits	6,000	6,000	3,000	3,000
Total	<u>6,000</u>	<u>6,000</u>	<u>3,000</u>	<u>3,000</u>

The College invested £1.5m in October 2016 and £1.5m in April 2017, both for 12 months in a fixed deposit account with Lloyds. Additionally, the College invested £1.5m in August 2016 and £1.5m in February 2017, both for 12 months in a variable deposit account with Santander.

Solihull College
Notes to the Accounts (continued)

14 Creditors: amounts falling due within one year

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Bank loans and overdrafts	424	424	409	409
Trade payables	464	464	483	483
Value Added Tax	29	29	23	23
Other taxation and social security	604	604	687	687
Accruals and deferred income	2,215	2,215	2,040	2,039
Deferred income - government capital grants	1,071	1,071	885	885
Other creditors	1,261	1,261	1,123	1,057
Amounts owed to the ESFA	1,139	1,139	723	723
Capital accrual and retention creditors	96	96	82	82
Total	7,303	7,303	6,455	6,388

15 Creditors: amounts falling due after one year

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Bank loans	9,160	9,160	9,584	9,584
Deferred income - government capital grants	27,908	27,908	28,392	28,392
Total	37,068	37,068	37,976	37,976

16 Maturity of debt

Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
In one year or less	424	424	409	409
Between one and two years	439	439	423	423
Between two and five years	1,418	1,418	1,365	1,365
In five years or more	7,303	7,303	7,796	7,796
Total	9,584	9,584	9,993	9,993

The College has bank facilities with National Westminster Bank plc, comprising a term loan facility of £9.6m (2016: £9.9m).

The term loan is repayable in equal quarterly instalments falling due between April 2012 and January 2034. £2 million bears interest at 0.625% above LIBOR, £7.6 million bears interest at 5.075%, payable quarterly in arrears since April 2012.

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.

Solihull College
Notes to the Accounts (continued)

17 Provisions

	Group and College		
	Enhanced pensions	Other	Total
	£'000	£'000	£'000
At 1 August 2016	385	120	505
Provisions made in the year	(29)	0	(29)
Expenditure in the period	(28)	-	(28)
Transferred from income and expenditure	9	(8)	1
	<u>337</u>	<u>112</u>	<u>449</u>
At 31 July 2017			

Other provisions relate to specific projects where there is a potential for clawback of funds.

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

The principal assumptions for this calculation are:

	2017	2016
Price inflation	1.80%	1.10%
Discount rate	2.50%	2.30%

18 Cash and cash equivalents

	At 1 August 2016	Cash flows	Other changes	At 31 July 2017
	£'000	£'000	£'000	£'000
Cash and cash equivalents	8,906	2,341	-	11,247
Total	<u>8,906</u>	<u>2,341</u>	<u>-</u>	<u>11,247</u>

19 Capital commitments

	Group and College	
	2017	2016
	£'000	£'000
Commitments contracted for at 31 July	<u>879</u>	<u>226</u>

Solihull College
Notes to the Accounts (continued)

20 Lease Obligations

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

	Group and College	
	2017	2016
	£'000	£'000
Future minimum lease payments due		
Not later than one year	132	12
Later than one year and not later than five years	130	105
	262	117

There are no lease payments in relation to land and buildings.

21 Contingent liabilities

There were no contingent liabilities as at the 31 July 2017 or 31 July 2016.

22 Events after the reporting period

On 16th November 2017 the Corporation agreed in principle to merge with Stratford Upon Avon College. It is anticipated that the merger will be effective from 19th December 2017. The merged College will create economies of scale and synergy with a wider curriculum.

Solihull College
Notes to the Accounts (continued)

23 Defined benefit obligations

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

Total pension cost for the year	2017 £'000	2016 £'000
Teachers Pension Scheme: contributions paid	1,340	1,398
Local Government Pension Scheme:		
Contributions paid	2,145	988
FRS 102 (28) charge	(515)	255
	<u>1,630</u>	<u>1,243</u>
Charge to the Statement of Comprehensive Income	2,970	2,641
Enhanced pension (release) / charge to Statement of Comprehensive Income	(48)	18
	<u></u>	<u></u>
Total Pension Cost for Year	<u>2,922</u>	<u>2,659</u>

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

Contributions amounting to £259,472 (2016: £282,000) were payable to the scheme at the end of the financial year and are included in creditors.

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

Solihull College

Notes to the Accounts (continued)

23 Defined benefit obligations (continued)

The Teachers' Pension Budgeting and Valuation Account

Although teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay-as-you-go' basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' 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 16.48% 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:

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

Scheme Changes

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

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

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

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

The pension costs paid to TPS in the year amounted to £2,078,907 (2016: £2,183,677)

Solihull College
Notes to the Accounts (continued)

23 Defined benefit obligations (continued)

FRS 102 (28)

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

Accordingly, the College has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The College has set out above the information available on the plan and the implications for the College in terms of the anticipated contribution rates.

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by West Midlands Pension Scheme. The total contribution made for the year ended 31 July 2017 was £1,053,000 of which employer's contributions totalled £687,000 and employees' contributions totalled £366,000. The agreed contribution rates for future years are 11.9 % for employers and range from 5% to 12.5% for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2017 by a qualified independent actuary

	At 31 July 2017	At 31 July 2016
Rate of increase in salaries	4.20%	3.75%
Future pensions increases	2.70%	2.00%
Discount rate for scheme liabilities	2.70%	2.60%
Commutation of pensions to lump sums	50.00%	50.00%

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

	At 31 July 2017	At 31 July 2016
	years	years
<i>Retiring today</i>		
Males	21.80	23.00
Females	24.30	25.70
<i>Retiring in 20 years</i>		
Males	23.90	25.30
Females	26.60	28.10

Solihull College
Notes to the Accounts (continued)

23 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

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

	%	Fair Value at 31 July 2017 £'000	%	Fair Value at 31 July 2016 £'000
Equities	63%	23,854	59%	17,604
Government bonds	7%	2,758	7%	2,058
Other bonds	4%	1,452	9%	2,539
Property	7%	2,756	8%	2,361
Cash	5%	1,875	6%	1,904
Other	14%	5,008	11%	3,200
Total market value of assets		37,703		29,666

The amount included in the balance sheet in respect of the defined benefit pension plan [and enhanced pensions benefits] is as follows:

	2017 £'000	2016 £'000
Fair value of plan assets	37,703	29,666
Present value of plan liabilities	(53,344)	(47,792)
Net pensions liability (Note 18)	(15,641)	(18,126)

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

	2017 £'000	2016 £'000
Amounts included in staff costs		
Past service cost	1,598	1,302
Contribution by employer	(2,113)	(1,047)
Total	(515)	255

Amounts included in investment income

Net interest income	457	404
Total	457	404

Amounts recognised in Other Comprehensive Income

Return on pension plan assets	5,689	2,022
Experience gains arising on defined benefit obligations	1,067	-
Changes in assumptions underlying the present value of plan liabilities	(4,329)	(8,784)
Amount recognised in Other Comprehensive Income	2,427	(6,762)

Solihull College
Notes to the Accounts (continued)

23 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

Movement in net defined benefit /liability during the year

	2017	2016
	£'000	£'000
Deficit in scheme at 1 August	(18,126)	(10,705)
Movement in year:		
Current service cost	(1,595)	(1,259)
Curtailment and settlements	(3)	(43)
Employer contributions	2,113	1,047
Past service cost		
Net interest on the defined (liability)/asset	(457)	(404)
Actuarial gain / (loss)	2,427	(6,762)
Net defined benefit liability at 31 July	(15,641)	(18,126)

Asset and Liability Reconciliation

	2017	2016
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	47,792	36,703
Current Service cost	1,595	1,259
Interest cost	1,236	1,388
Contributions by Scheme participants	367	372
Experience gains and losses on defined benefit obligations	3,262	8,784
Unfunded pension payment	(3)	(2)
Estimated benefits paid	(908)	(755)
Past Service cost		
Curtailments and settlements	3	43
Defined benefit obligations at end of period	53,344	47,792

Reconciliation of Assets

	2017	2016
	£'000	£'000
Fair value of plan assets at start of period	29,666	25,998
Interest on plan assets	792	1,000
Return on plan assets	4,657	2,022
Employer contributions	2,113	1,047
Contributions by Scheme participants	367	372
Administration	(13)	(16)
Estimated benefits paid	(911)	(757)
Other actuarial gains	1,032	-
Assets at end of period	37,703	29,666

Solihull College

Notes to the Accounts (continued)

24 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 Corporation may have an interest. All transactions involving such organisations 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 – Lucy Lee, who is an employee of the Council.

The total expenses paid to or on behalf of the Governors during the year was £779; 5 governors (2016: £1,685; 7 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.

A contract has been awarded to Albany (Building Company) for the amount of £80k. The company director is the partner of Vice Principal Teaching Learning & Assessment.

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