

Solihull College

Members' Report and Consolidated Financial Statements

For year ended 31 July 2016

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A tribute to the legacy of Helena Stockford, Chair of Governors.

In May 2016 we lost our Chair of Governors, Helena (Lena) Stockford. Her untimely death was devastating for her family and all that knew her and a great loss to the College.

Lena had over 40 years of experience within the Further Education sector and joined the College's governing body in July 2010, taking up the position of Chair in January 2013.

She was able to bring all of her knowledge and experience gained within the industry to her work as the Chair of Solihull College and University Centre, where her commitment and dedication were unbounded and tireless. She worked hard with governors and staff to be a driving force in moving the College forward through a successful Area Review and HE QAA Review. Her vision for the College was to ensure on-going improvement and her legacy is borne out in the achievement of a grade of Good, across all aspects of the College, in a recent Ofsted Inspection.

We are all grateful to Lena for her passionate contribution to the advancement of the College and in her memory it is our privilege to continue to move forward to provide an excellent educational experience for our many students.



REPORT OF THE MEMBERS OF THE CORPORATION FOR THE YEAR TO 31 JULY 2016

OPERATING AND FINANCIAL REVIEW

NATURE, OBJECTIVES AND STRATEGIES

The Members present their report and the audited financial statements for the year ended 31st July 2016.

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 March 2015, Solihull College (the College) adopted a Strategic Plan for the period 2015 to 2018 and in July 2015 set the annual priorities for 2015/16, 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 2015/16.

The College's strategic goals for 2015-16 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:
 - 55% of students have progressed internally;
 - 98% of students progressed to positive destinations including employment, apprenticeships and higher / further education;
 - all 16 to 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 effective learning well;
 - consistently good feedback from surveys for teaching and learning;
 - 560 (40% increase) 16 to 18 students achieving GCSE Maths and English A*-C (above national average for General FE Colleges (GFEs));
 - 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 below;
 - investment in resources that directly support growth strategies and quality priorities including aviation centre, life sciences facilities and a Higher Education Centre at each campus including over £1million of LEP funding;
 - students have engaged directly with the design and monitoring of services and support that impact on their learning experience including catering.
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.
- working closely 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 continue 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 shadow West Midlands Combined Authority to shape the future skills strategy;

- all full time 16 to 18 students had comprehensive study programmes designed to meet their needs and those of the world of work;
 - the number of Not in employment, education or training (NEETS) and unemployed progressing on to employment or education was 62% for NEETS and 60% for unemployed.
5. Resources and inclusive learning environments that are of a consistently high quality, support the College's evolution, promote sustainability and inspire learning.
- continued to investment in property and resources to ensure high quality learning environments for the benefits of all learners. Developments have included an Advanced Manufacturing Centre, Advanced Aviation centre and Life Sciences facilities which are LEP match funded projects. The Higher Education (HE) centres on both campuses have been refurbished.
 - Significant investment made in the IT infrastructure in the form of a virtual desktop strategy and iPads for teaching staff to support the future needs of the College and its students;
 - a 'best in the sector' external digital communication platform which has won marketing 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 Skills Funding Agency (SFA) definitions; maintain financial stability and continuously improves the efficient use of resources.

This is to enable to College to:

- provide education in accordance with the College's Strategic Plan;
- 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 £423,000 (1.3%)
A current ratio of at least 2.0, (net working capital positive) (solvency)	Actual current ratio at 31 st July 2016 was 2.41
Cash balances above £6m (over 60 days cash in hand)	Actual cash balances at 31 st July 2016 were £11,683K (134 days cash in hand).
Performance ratio (cash based operating surplus) between 3% and 5%.	Performance ratio was 8%
Borrowing as a percentage of net assets to be less than 20% status	Borrowing at 31 st July 2016 was 15%. This relates to the loan required for the Blossomfield Campus redevelopment.
Meeting the banking covenants agreed as part of loan negotiations for the Blossomfield redevelopment	All banking covenants were achieved.
Aiming to ensure that staffing costs are no more than 67% of total income excluding capital grant	Staffing costs (excluding restructuring) at 31 st July 2016 were 64% of total income excluding capital grants.

Although the College made a surplus of £423,000 in 2015/16 the Statements of Comprehensive Income & Expenditure shows a loss of £6,339,000 due to a significant actuarial loss in respect of the Local Government Superannuation Scheme.

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 SFA. The Finance Record produces a financial health grading. The current rating of Outstanding is considered an excellent outcome.

During the Inspection of the College in March 2015, Ofsted said that the high quality accommodation and specialist resources were a strength of the College and supported learning well. Inspectors commented that robust financial management resulted in learning accessing good resources and Governors were well informed about financial matters.

Tangible fixed asset additions during the year amounted to £1,533,000. This was split between land and buildings acquired of £415,000 and equipment purchased of £1,118,000. In the main, assets under construction relate to the LEP funded projects including Life Sciences.

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

Cash flows

The operating cash inflow of £3.2million (2014/15 £2.9million inflow), was in line with expectation. The overall decrease in cash of £1.9million resulted from operating cash inflow and less capital expenditure, loan repayment and placement of £3.0million on deposit.

Liquidity

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

Payment Performance

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

Post Balance Sheet Events

There have been no significant post balance sheet events.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student Numbers

In 2015/16 there was a decline in 16-18 full time student numbers in line with reducing demographics. However Higher Education student numbers grew.

Student Achievements

Overall, the College's achievement rate was 85.2% for 16-18 year olds and 83.1% for adults. Apprenticeship rates were 78% which was a significant improvement from 2014/15.

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 (SME's); it has a strong and growing track record with bespoke provision and specialisms in areas of particular regional need for up skilling such as Professional and Management Studies, Aerospace, Engineering, Construction, Health and Social Care, Retail and Finance.

The College continued investment in both its Blossomfield and Woodlands Campus provides outstanding vocational specialist facilities and resources; which supports both growth in learner numbers and innovation in the delivery and structure of the curriculum.

The College received LEP funding in 2015/16 to further develop the Woodlands campus to improve the facilities available to deliver Aerospace qualification. In addition the College received funding to develop a materials lab on the Woodlands campus. This provides facilities for Higher Education developments in both engineering and construction.

The College has also received LEP funding to develop life sciences on the Blossomfield Campus. The initial phase of this work was completed in September 2015 and the remainder should be completed during 2016/17.

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.

These areas continue to be renewed to ensure they remain 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 the 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 £19.4million (Group £19.6million) of net assets (including £18.1million net pension liability) and at 31st July 2016 £10.0million of long term debt. Land at the College's Blossomfield Campus was re-valued on a fair value from £5.0million to £9.9million by Bilfinger GVA, an independent Chartered Surveyor as at 1st August 2014.

People

Throughout the year the College employed an average of 329 FTE salaried teaching staff and 188 FTE PT hourly paid teaching staff. The College's overall average FTE is 683.

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 2015/16 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 briefing takes 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 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 responsive 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 and tested 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, 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;
- Skills Funding Agency / Education Funding Agency;
- FE Commissioner;
- staff;
- 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 28th November 2016 and signed on its behalf by;



John Bolt
Chair of the Corporation

Professional Advisors

Financial statement and regularity auditors:

KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Internal auditors:

RSM
Cedar House
Breckland
Linford Wood
Milton Keynes
MK14 6EX

Bankers:

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PO Box 3333
Snowhill Queensway
Birmingham
B3 2WN

National Westminster Bank plc
103 Colmore Row
Birmingham
B3 3NR

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125 Colmore Row
Birmingham
B3 3SF

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Birmingham Corporate Centre
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Birmingham
B3 2DX

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No1 Colmore Square
Birmingham
B4 6AA

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Two Snowhill
Birmingham
B4 6WR

Eversheds LLP
115 Colmore Row
Birmingham
B3 3AL

Statement of Corporate Governance and Internal Control

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

The College endeavours to conduct its business:

- i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii. in full accordance with the guidance to colleges from the Association of Colleges in The 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 2016. 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 below

Name	Date of First Appointment	Term of office ends	Date of Resignation/ Term Ended	Status of Appointment	Committees served during the year	Attendance
Noreen Akhtar	November 2014	July 2016	Left October 2015	Student		7/8 - 88%
Stan Baldwin	May 2013	May 2017		Public	Elected Vice Chair of the Corporation on 5 th July 2016 Remuneration Committee	9/11 - 82%
Chris Baranowski	May 2006	July 2016	Term ended July 2016	Business	Search and Governance	11/11 - 100%
Scott Beasley	Nov 2015	Nov 2019		Student		8/9 – 89%
John Bolt	April 2014	April 2018		Business	Vice-Chair (from 5 th Oct 2015 to 5 th July 2016). Chair of Audit Committee (from 1 st Jan 2016 to 5 th July 2016) Elected as Chair of the Corporation for 2016/17 on 5 th July 2016 Search and Governance Committee Remuneration Committee	9/11 - 82%

Name	Date of First Appointment	Term of office ends	Date of Resignation/ Term Ended	Status of Appointment	Committees served during the year	Attendance
John Callaghan	June 2014	Principal		Principal	Search and Governance	11/11 - 100%
Jane Coleman	May 2010	April 2018		Public	Vice-Chair Remuneration Elected Vice Chair of the Corporation on 5 th July 2016	7/11 - 64%
Mark Hayes	June 2016	May 2020		Staff – elected June 2016		2/2 - 100%
Joe Kelly	April 2014	April 2018		Business		9/11 - 82%
Summiya Khan	Nov 2015	Nov 2019		Student		5/9 – 56%
Paul Large	Oct 2016	Oct 2020		Public		n/a
Lucy Lee	July 2015	July 2020	Term ended as an external member July 2016	Public	Joined as an External Member in July 2015 and became a full governor in July 2016. Audit Committee from Oct 2016	9/11 - 82%
Nick Mapp	April 2012	April 2016	Term ended April 2016	Staff		7/8 - 88%

Name	Date of First Appointment	Term of office ends	Date of Resignation/ Term Ended	Status of Appointment	Committees served during the year	Attendance
Keith Marriott	April 2011	April 2017	Changed membership to an external member. 31 st July 2016	Business	Audit Vice-Chair Leave of absence Nov 2015 to May 2016 External member of Audit Committee from 1 st August 2016	2/4 - 50%
Philip Mayhew	December 2005	May 2017		Public	Corporation Joint Vice-Chair to 05 October 2015	8/11 - 73%
Alex Palethorpe	August 2013	July 2017		Public	Audit Committee (Chair from October 2016) Previously an external member on Audit Committee Remuneration Committee from Oct 2016	7/11 - 64%
Geraldine Swanton	July 2015	Dec 2019	Term ended as an external member in Dec 2015	Business	Joined as an External Member in July 2015 and became a full member from 1 st Jan 2016. Search and Governance Committee Audit Committee from Oct 2016	10/11 - 91%
Helena Stockford	November 2010	July 2016	Died May 2016	Public	Corporation Chair (from Jan 2013) Remuneration Chair (from Jan 2013) Search and Governance Vice-Chair (from Nov 2011) Leave of Absence March to May 2016	6/7 - 86%
Bill Wanley	December 2005	Dec 2015	Term ended Dec 2015	Business	Audit Chair Remuneration Vice-Chair Corporation Vice-Chair to 05 October 2015	5/5 - 100%

External Members							
Paul Johnson	July 2012	July 2016	Resigned October 2015	Public	Audit – External Member		n/a
Tony Worth	July 2015	July 2019		Business	Audit – External Member		
Keith Marriott	Apr 2011	Apr 2017		Business	Audit – External Member		

Attendance at Corporation meetings during 2015/16 was 82%.

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

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

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.

Statement of Corporate Governance and Internal Control (continued)

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 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.

Remuneration Committee

Throughout the year ending 31st July 2016, 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 31 July 2016 are set out in note 6 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 Joint Audit Code of Practice issued by the SFA.

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

The College's internal auditors 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.

Statement of Corporate Governance and Internal Control (continued)

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 2015/16.

The Board Assurance Framework was further embedded during 2015/16 and was used to inform the Internal Audit Plan for 2016/17. Internal auditors undertook 2 audits during 2015/16 to provide assurance in relation to the Risk and Board Assurance Framework.

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 SFA / EFA and its successor bodies. He is also responsible for reporting to the Corporation any material weaknesses or break-downs in internal control.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised, and to manage them efficiently, effectively and economically. The system of internal control was in place in the College for the year ended 31st July 2016 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 2016 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 EFA and SFA's Joint Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and 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

As Accounting Officer, the Principal 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 Executive Management and Audit Committee. The emphasis is on obtaining the relevant degree of assurance, not merely reporting by exception. At its 28 November 2016 meeting, the Corporation carried out the annual assessment for the year ended 31st July 2016 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 2016.

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

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

The Corporation has considered its responsibility to notify the Skills Funding Agency of material irregularity, impropriety and non-compliance with Skills Funding Agency terms and conditions of funding, under the financial memorandum in place between the College and the Skills Funding Agency. 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 Skills Funding Agency's 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 Skills Funding Agency.

Going Concern

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

Approved by order of the members of the Corporation on 28th November 2016 and signed on its behalf by:

Signed

Signed



John Bolt
Chair of the Corporation
28th November 2016

John Callaghan
Principal / Accounting Officer
28th November 2016

Statement of the responsibilities of the members of the Corporation

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

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

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

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

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

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

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

**Statement of the responsibilities of the members of the Corporation
(continued)**

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

Approved by order of the members of the Corporation on 28th November 2016 and signed on its behalf by:



John Bolt
Chair of the Corporation



John Callaghan
Principal / Accounting Officer

Independent auditor's report to the Corporation of Solihull College

We have audited the Group and College financial statements ("the financial statements") of Solihull College for the year ended 31 July 2016 set out on pages 34 to 60. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including *FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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

Respective Responsibilities of the Corporation of Solihull College and Auditor

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

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group and the College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Corporation; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Report of the Governing Body to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and College's affairs as at 31 July 2016 and of the Group's and College's income and expenditure, gains and losses and changes in reserves and of the Group's cash flows for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Joint Audit Code of Practice (June 2016) issued jointly by the Skills Funding Agency and the Education Funding Agency requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the College; or
- the College 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.



20 December 2016

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

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

In accordance with the terms of our engagement letter dated 1 October 2015 and further to the requirements of the financial memorandum with the 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 1 August 2015 to 31 July 2016 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 Joint Audit Code of Practice issued jointly by Skills Funding Agency and 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 Skills Funding Agency has other assurance arrangements in place.

This report is made solely to the corporation of Solihull College and the 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 the 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 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 Joint 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 1 August 2015 to 31 July 2016 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 Joint Audit Code of Practice issued jointly by the Skills Funding Agency and 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.

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 Joint 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 1 August 2015 to 31 July 2016 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.


.....

20 December 2016

M J Rowley
for and on behalf of KPMG LLP, Reporting Accountant
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Solihull College
Statements of Comprehensive Income & Expenditure

		Year ended 31 July 2016		Year ended 31 July 2015	
		Group	College	Group	College
		£'000	£'000	£'000	£'000
Income					
Funding body grants	2	25,758	25,758	26,552	26,552
Tuition fees and education contracts	3	6,036	6,036	5,944	5,944
Other income	4	993	1,059	1,028	1,028
Investment income	5	82	81	103	103
Total income		32,869	32,934	33,627	33,627
Expenditure					
Staff costs	6	20,384	20,384	21,173	21,173
Restructuring costs	6	1,084	1,084	674	674
Other operating expenses	7	7,807	7,807	8,704	8,704
Depreciation	10	2,398	2,398	2,120	2,120
Interest and other finance costs	8	838	838	818	818
Total expenditure		32,511	32,511	33,489	33,489
Surplus before other gains and losses		358	423	138	138
Loss on disposal of assets	7	-	-	-	-
Surplus before tax		358	423	138	138
Taxation	9	-	-	-	-
Surplus for the year		358	423	138	138
Actuarial loss in respect of pensions schemes		(6,762)	(6,762)	(1,575)	(1,575)
Total Comprehensive Income & Expenditure for the year		(6,404)	(6,339)	(1,437)	(1,437)
Represented by:					
Unrestricted comprehensive income and expenditure		(6 404)	(6 339)	(1 437)	(1 437)
		(6 404)	(6 339)	(1 437)	(1 437)

Solihull College
Consolidated and College Statement of Changes in Reserves

	Income and Expenditure account £'000
Group	
Restated balance at 1st August 2014	27,444
Surplus/(deficit) for the year	138
Other comprehensive income	(1,575)
Transfers between revaluation and income and expenditure reserves	-
Total Comprehensive Income and expenditure for the year	<u>(1,437)</u>
Balance at 31st July 2015	26,007
Surplus for the year	358
Other comprehensive income and expenditure	(6,762)
Transfers between revaluation and income and expenditure reserves	-
Total comprehensive income and expenditure for the year	<u>(6,404)</u>
Balance at 31st July 2016	<u><u>19,603</u></u>
College	
Restated balance at 1st August 2014	27,223
Surplus for the year	138
Other comprehensive income and expenditure	(1,575)
Transfers between revaluation and income and expenditure reserves	-
Total comprehensive income and expenditure for the year	<u>(1,437)</u>
Balance at 31st July 2015	25,786
Surplus for the year	423
Other comprehensive income and expenditure	(6,762)
Transfers between revaluation and income and expenditure reserves	-
Total comprehensive income and expenditure for the year	<u>(6,339)</u>
Balance at 31st July 2016	<u><u>19,447</u></u>

Solihull College
Balance sheets as at 31 July 2016

	Notes	Group	College	Group	College
		2016 £'000	2016 £'000	2015 £'000	2015 £'000
Fixed assets					
Tangible fixed assets	10	69,339	69,339	70,204	70,204
Investments	11	-	-	-	-
		69,339	69,339	70,204	70,204
Current assets					
Trade and other receivables	12	1,420	1,420	1,162	1,162
Investments	13	3,000	3,000	-	-
Cash and cash equivalents	18	8,906	8,683	10,813	10,592
		13,326	13,103	11,975	11,754
Creditors – amounts falling due within one year	14	(6,455)	(6,388)	(6,251)	(6,251)
Net current assets		6,871	6,715	5,724	5,503
Total assets less current liabilities		76,210	76,054	75,928	75,707
Creditors – amounts falling due after more than one year	15	(37,976)	(37,976)	(38,719)	(38,719)
Provisions					
Defined benefit obligations	23	(18,126)	(18,126)	(10,705)	(10,705)
Other provisions	17	(505)	(505)	(497)	(497)
Total net assets		19,603	19,447	26,007	25,786
Unrestricted reserves					
Income and expenditure account		19,603	19,447	26,007	25,786
Total unrestricted reserves		19,603	19,447	26,007	25,786

The financial statements on pages 34 to 60 were approved and authorised for issue by the Corporation on 28th November 2016 and were signed on its behalf on that date by:



John Bolt
Chair of the Corporation



John Callaghan
Accounting Officer

Solihull College
Consolidated Statement of Cash Flows

	Notes	2016 £'000	2015 £'000
Cash inflow from operating activities			
Surplus/(deficit) for the year		358	138
Adjustment for non cash items			
Depreciation		2,398	2,120
Capital grants released to income		(987)	(852)
(Increase)/decrease in debtors		(381)	417
Increase/(decrease) in creditors due within one year		832	54
Increase/(decrease) in provisions		8	87
Pensions costs less contributions payable		659	627
Adjustment for investing or financing activities			
Investment income		(82)	(103)
Interest payable		434	452
Net cash flow from operating activities		3,239	2,940
Cash flows from investing activities			
New capital grants received		925	436
Investment income		82	147
Interest payable		(434)	(452)
New deposits		(3,000)	
Payments made to acquire fixed assets		(2,324)	(2,483)
		(4,751)	(2,352)
Cash flows from financing activities			
Repayments of amounts borrowed		(395)	(380)
		(395)	(380)
Increase / (decrease) in cash and cash equivalents in the year		(1,907)	208
Cash and cash equivalents at beginning of the year	18	10,813	10,605
Cash and cash equivalents at end of the year	18	8,906	10,813

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 2015 to 2016* and in accordance with Financial Reporting Standard 102 – “*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*” (FRS 102). 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.

Transition to the 2015 FE HE SORP

The College is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the College has amended certain accounting policies to comply with FRS 102 and the 2015 FE HE SORP. The trustees have also taken advantage of certain exemptions from the requirements of FRS 102 permitted by FRS 102 Chapter 35 ‘Transition to this FRS’.

An explanation of how the transition to the 2015 FE HE SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the College is provided in note 26.

The 2015 FE HE SORP requires colleges to prepare a single statement of comprehensive income, and not the alternative presentation of a separate income statement and a statement of other comprehensive income. This represents a change in accounting policy from the previous period where separate statements for the Income and Expenditure account and for the Statement of Total Recognised Gains and Losses were presented.

The application of first time adoption allows certain exemptions from the full requirements of the FRS 102 and the 2015 FE HE SORP in the transition period. The following exemptions have been taken in these financial statements:

- Revaluation as deemed cost – at 1st August 2014, the College has retained the carrying values of freehold land as being deemed cost and measured at fair value
- Lease incentives – the College has continued to recognise the residual benefits associated with lease incentives on the same basis as that applied at the date of transition

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.

Notes (continued)

1 Statement of accounting policies (continued)

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 £10million 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 18 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 2016.

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.

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 Adult 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 SFA, EFA 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.

Where the College receives and disburses funds in which it has no direct beneficial interest, such funds are excluded from the income and expenditure account on the grounds that the College does not have direct control over the future economic benefits derived from these funds. The College has applied this policy to certain funds received during the year from the SFA / EFA (see note 25).

Notes (continued)

1 Statement of accounting policies (continued)

Recognition of income (continued)

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 2013 has been used by the actuary in valuing the pensions liability at 31 July 2016. 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 a 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.

Notes (*continued*)

1 Statement of accounting policies (*continued*)

Foreign currency translation

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

Taxation

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

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

Liquid resources

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

Provisions

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

Cash

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

Agency arrangements

The College acts as an agent in the collection and payment of discretionary support funds. Related payments received from the main funding body and subsequent disbursements to students are excluded from the Consolidated Statement of Comprehensive Income & Expenditure and are shown separately in note 25 except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant. The College employs a small team of staff to the administration of Learner Support Fund applications and payments.

Solihull College
Notes to the Accounts (continued)

2 Funding council grants

	Year ended 31 July 2016		Year ended 31 July 2015	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
Skills Funding Agency	4,087	4,087	4,717	4,717
Education Funding Agency	17,915	17,915	17,555	17,555
Higher Education Funding Council for England	481	481	541	541
Specific Grants				
Skills Funding Agency / Education Funding Agency	2,288	2,288	2,887	2,887
Releases of government capital grants	987	987	852	852
Total	25 758	25 758	26 552	26 552

3 Tuition fees and education contracts

	Year ended 31 July 2016		Year ended 31 July 2015	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	1,031	1,031	1,154	1,154
Apprenticeship fees and contracts	61	61	47	47
Fees for FE loan supported courses	736	736	876	876
Fees for HE loan supported courses	1,431	1,431	1,394	1,394
International students fees	98	98	187	187
Total tuition fees	3,357	3,357	3,658	3,658
Education contracts	2,679	2,679	2,286	2,286
Total	6,036	6,036	5,944	5,944

4 Other income

	Year ended 31 July 2016		Year ended 31 July 2015	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Residence, catering and conferences	289	289	261	261
Other income	704	770	767	767
Total	993	1 059	1 028	1 028

Solihull College
Notes to the Accounts (continued)

5 Investment income

	Year ended 31 July		Year ended 31 July	
	2016	2016	2015	2015
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Investment income	<u>82</u>	<u>81</u>	<u>103</u>	<u>103</u>
Total	<u>82</u>	<u>81</u>	<u>103</u>	<u>103</u>

6 Staff costs - Group and College

The average number of persons (including key management personnel) employed by the College during

	2016	2015
	No.	No.
Teaching staff	460	474
Teaching support staff	105	93
Non teaching staff	118	113
	<u>683</u>	<u>680</u>

	2016	2015
	£'000	£'000
Staff costs for the above persons		
Wages and salaries	16,507	17,439
Social security costs	1,236	1,182
Other pension costs	2,641	2,552
	<u>20,384</u>	<u>21,173</u>
Payroll	20,384	21,173

Restructuring costs -	contractual	1,004	583
	non contractual	80	91
		<u>1,084</u>	<u>674</u>

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 Vice Principals and a Director.

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

	2016 No.	2015 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

	Key management		Other staff	
	Year ended 31 July 2016 No.	Year ended 31 July 2015 No.	Year ended 31 July 2016 No.	Year ended 31 July 2015 No.
£60,001 to £70,000	-	1	2	-
£70,001 to £80,000	2	2	-	-
£80,001 to £90,000	1	1	-	-
£90,001 to £100,000	1	-	-	-
£100,001 to £110,000	-	-	-	-
£140,001 to £150,000	1	1	-	-
	<u>5</u>	<u>5</u>	<u>2</u>	<u>-</u>

Key management personnel emoluments are made up as follows:

	2016 £'000	2015 £'000
Salaries	484	469
Benefits in kind	<u>484</u>	<u>469</u>
Pension contributions	<u>71</u>	<u>60</u>
Total emoluments	<u>555</u>	<u>529</u>

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

	2016 £'000	2015 £'000
Salaries	143	141
Benefits in kind	<u>-</u>	<u>-</u>
	<u>143</u>	<u>141</u>
Pension contributions	<u>23</u>	<u>20</u>

Solihull College
Notes to the Accounts (continued)

6 Staff costs - Group and College (continued)

Compensation for loss of office paid to former key management personnel

	2016 £	2015 £
Compensation paid to the former post-holder - contractual		
Estimated value of other benefits, including provisions for pension benefits	-	-

The severance payment was approved by the College's remuneration committee.

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

7 Other operating expenses

	Year ended 31 July 2016		Year ended 31 July 2015	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	1,468	1,468	2,190	2,190
Non teaching costs	3,797	3,797	4,017	4,017
Premises costs	2,542	2,542	2,497	2,497
Total	7,807	7,807	8,704	8,704

	Group and College	Group and College
	2016 £'000	2015 £'000
Other operating expenses include:		
Auditors' remuneration:		
Financial statements audit*	25	24
Internal audit**	26	26
Other services provided by the financial statements auditors	5	7
Other services provided by the internal auditors	4	-
Hire of assest under operating leases	137	296

* includes £25k in respect of the College (2014/15 £24k)

** includes £26k in respect of the College (2014/15 £26k)

8 Interest payable - Group and College

	2016 £'000	2015 £'000
On bank loans, overdrafts and other loans:	434	452
	434	452
Pension finance costs (note 23)	404	366
Total	838	818

Solihull College
Notes to the Accounts (continued)

9 Taxation

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

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 2015	935	77,090	1,750	4,612	84,387
Additions	82	333	-	1,118	1,533
Transfers	(935)	506	-	429	-
At 31 July 2016	82	77,929	1,750	6,159	85,920
Depreciation					
At 1 August 2015	-	11,737	-	2,446	14,183
Charge for the year	-	1,486	-	912	2,398
Elimination in respect of disposals					-
At 31 July 2016	-	13,223	-	3,358	16,581
Net book value at 31 July 2016	82	64,706	1,750	2,801	69,339
Net book value at 31 July 2015	935	65,353	1,750	2,166	70,204

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 Bilfinger 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). 1 August 2014 in accordance with FRS 102 paragraph 35 10(c).

Land and buildings with a net book value of £28,588,000 (2015: £29,175,000) 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.

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 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Amounts falling due within one year:				
Trade receivables	404	404	238	238
Other debtors	2	2	2	2
Prepayments and accrued income	854	854	693	693
Amounts owed by the SFA/EFA	160	160	229	229
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>1,420</u>	<u>1,420</u>	<u>1,162</u>	<u>1,162</u>

13 Current investments

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Short term deposits	3,000	3,000	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>3,000</u>	<u>3,000</u>	<u>-</u>	<u>-</u>

In April 2016 the College have invested £1.5m for 12 months and £1.5m for 6 months in a fixed deposit account. The interest rates for these deposits are fixed for the duration of the deposit at time of placement.

Solihull College
Notes to the Accounts (continued)

14 Creditors: amounts falling due within one year

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Bank loans and overdrafts	409	409	394	394
Trade payables	483	483	495	495
Value Added Tax	23	23	12	12
Other taxation and social security	687	687	612	612
Accruals and deferred income	2,040	2,039	1,791	1,791
Deferred income - government capital grants	885	885	736	736
Other creditors	1,123	1,057	747	747
Amounts owed to the SFA/EFA	723	723	591	591
Capital accrual and retention creditors	82	82	873	873
Total	6,455	6,388	6,251	6,251

15 Creditors: amounts falling due after one year

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Bank loans	9,584	9,584	9,994	9,994
Deferred income - government capital grants	28,392	28,392	28,725	28,725
Total	37,976	37,976	38,719	38,719

16 Maturity of debt

Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
In one year or less	409	409	394	394
Between one and two years	423	423	409	409
Between two and five years	1,365	1,365	1,318	1,318
In five years or more	7,796	7,796	8,267	8,267
Total	9,993	9,993	10,388	10,388

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

(a) a term loan facility of £9.9million (2015: £10.3million).

The term loan is repayable in equal quarterly instalments falling due between April 2012 and January 2034. £2.2million bears interest at 0.625% above LIBOR, £8.1million 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

	Enhanced pensions	Group and College Other	Total
	£'000	£'000	£'000
At 1 August 2015	367	130	497
Provisions made in the year	13	8	21
Expenditure in the period	(29)	-	(29)
Transferred from income and expenditure	34	(18)	16
	<u>385</u>	<u>120</u>	<u>505</u>
At 31 July 2016	<u>385</u>	<u>120</u>	<u>505</u>

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 SFA/EFA.

The principal assumptions for this calculation are:

	2016	2015
Price inflation	1.10%	1.75%
Discount rate	2.30%	3.46%

18 Cash and cash equivalents

	At 1 August 2015	Cash flows	Other changes	At 31 July 2016
	£'000	£'000	£'000	£'000
Cash and cash equivalents	10,813	(1,907)	-	8,906
	<u>10,813</u>	<u>(1,907)</u>	<u>-</u>	<u>8,906</u>
Total	<u>10,813</u>	<u>(1,907)</u>	<u>-</u>	<u>8,906</u>

19 Capital commitments

	Group and College 2016 £'000	2015 £'000
Commitments contracted for at 31 July	<u>226</u>	<u>450</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	
	2016	2015
	£'000	£'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	-	13
	<hr/>	<hr/>
	<u>-</u>	<u>13</u>
Other		
Not later than one year	12	121
Later than one year and not later than five years	105	55
	<hr/>	<hr/>
	<u>117</u>	<u>176</u>

21 Contingent liabilities

There were no contingent liabilities as at the 31 July 2016 or 31 July 2015.

22 Events after the reporting period

There are no events after the reporting period.

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	2016 £'000	2015 £'000
Teachers Pension Scheme: contributions paid	1,398	1,569
Local Government Pension Scheme:		
Contributions paid	988	999
FRS 102 (28) charge	<u>255</u>	<u>262</u>
	<u>1,243</u>	<u>1,261</u>
Charge to the Statement of Comprehensive Income	2,641	2,830
Enhanced pension charge to Statement of Comprehensive Income	18	15
	<u> </u>	<u> </u>
Total Pension Cost for Year	<u>2,659</u>	<u>2,845</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 2013.

Contributions amounting to £282,000 (2015: £271,000) 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 £2,183,677 (2015: £2,260,797)

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 2016 was £1,072,000 of which employer's contributions totalled £703,000 and employees' contributions totalled £369,000. The agreed contribution rates for future years are 11.9 % for employers and range from 5% to 12.5% cent for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2013 updated to 31 July 2016 by a qualified independent actuary

	At 31 July 2016	At 31 July 2015
Rate of increase in salaries	3.75%	3.95%
Future pensions increases	2.00%	2.20%
Discount rate for scheme liabilities	2.60%	3.80%
Inflation assumption (CPI)	1.20%	2.20%
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 2016 years	At 31 July 2015 years
<i>Retiring today</i>		
Males	23.00	23.00
Females	25.70	25.60
<i>Retiring in 20 years</i>		
Males	25.30	25.20
Females	28.10	28.00

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 2016		Fair Value at 31 July 2015
	%	£'000	%	£'000
Equities	59%	17,604	59%	15,364
Government bonds	7%	2,058	8%	1,976
Other bonds	9%	2,539	10%	2,704
Property	8%	2,361	8%	2,184
Cash	6%	1,904	5%	1,248
Other	11%	3,200	10%	2,522
Total market value of assets		29,666		25,998

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

	2016 £'000	2015 £'000
Fair value of plan assets	29,666	25,998
Present value of plan liabilities	(47,792)	(36,703)
Net pensions liability	(18,126)	(10,705)

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

	2016 £'000	2015 £'000
Amounts included in staff costs		
Current service cost	1,302	1,184
Past service cost	(1,047)	(922)
Total	255	262
Amounts included in investment		
Net interest income	404	366
Amounts recognised in Other Comprehensive Income		
Return on pension plan assets	2,022	1,381
Experience losses arising on defined benefit obligations	-	-
Changes in assumptions underlying the present value of plan liabilities	(8,784)	(2,956)
Amounts recognised in Other Comprehensive Income	(6,762)	(1,575)

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

	2016	2015
	£'000	£'000
Deficit in scheme at 1 August	(10,705)	(8,502)
Movement in year:		
Current service cost	(1,259)	(1,181)
Curtailment	(43)	(3)
Employer contributions	1,047	922
Past service cost		
Net interest on the defined (liability)/asset	(404)	(366)
Actuarial gain or loss	(6,762)	(1,575)
Net defined benefit liability at 31 July	<u>(18,126)</u>	<u>(10,705)</u>

Asset and Liability Reconciliation

	2016	2015
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	36,703	31,253
Current Service cost	1,259	1,181
Interest cost	1,388	1,344
Contributions by Scheme participants	372	390
Experience gains and losses on defined benefit obligations	8,784	2,956
Unfunded pension payment	(2)	(2)
Estimated benefits paid	(755)	(422)
Past Service cost		
Curtailments and settlements	43	3
Defined benefit obligations at end of period	<u>47,792</u>	<u>36,703</u>

Reconciliation of Assets

Fair value of plan assets at start of period	25,998	22,751
Interest on plan assets	1,000	997
Return on plan assets	2,022	1,381
Employer contributions	1,047	922
Contributions by Scheme participants	372	390
Administration	(16)	(19)
Estimated benefits paid	(757)	(424)
Assets at end of period	<u>29,666</u>	<u>25,998</u>

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 Corporation (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 £1,685; 7 governors (2015: £1,432; 6 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2015: None).

25 Amounts disbursed as agent

Learner support funds

	2016 £'000	2015 £'000
Funding body grants – discretionary learner support/bursary funds	649	751
Interest earned	-	-
	<u>649</u>	<u>751</u>
Disbursed to students	(461)	(595)
Administration costs	(28)	(37)
	<u>160</u>	<u>119</u>
Balance unspent as at 31 July, included in creditors		

Funding body grants are available solely for students. In the majority of instances, the College only acts as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the Statement of Comprehensive Income.

Solihull College
Notes to the Accounts (continued)

26 Transition to FRS 102 and the 2015 FE HE SORP

The year ended 31st July 2016 is the first year that the College has presented its financial statements under FRS 102 and the 2015 FE HE SORP. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended 31st July 2015 and the date of transition to FRS 102 and the 2015 FE HE SORP was therefore 1st August 2014. As a consequence of adopting FRS 102 and the 2015 FE HE SORP, a number of accounting policies have changed to comply with those standards.

An explanation of how the transition to FRS 102 and the 2015 FE HE SORP has affected the College's financial position, financial performance and cash flows, is set out below.

	Note	1st August 2014		31st July 2015	
		Group	College	Group	College
		£'000	£'000	£'000	£'000
Financial Position					
Total reserves under previous SORP		22,876	22,655	21,442	21,221
Employee leave accrual	a)	(485)	(485)	(485)	(485)
Release of non-government capital grants	b)	68	68	65	65
Vaulation of Land at Deemed Costs	e)	4,985	4,985	4,985	4,985
Effect of transition to FRS 102 and 2015 FE HE SORP		4,568	4,568	4,565	4,565
Total reserves under 2015 FE HE SORP		<u>27,444</u>	<u>27,223</u>	<u>26,007</u>	<u>25,786</u>
Year ended 31st J					
				Group	College
				£'000	£'000
Financial Performance					
Surplus for the year after tax under previous SORP				517	517
Release of non-government grants received	b)			(4)	(4)
Increase Pension Service Costs	c)			(25)	(25)
Changes to measurement of net finance cost on defined benefit plan:	c)			(350)	(350)
Effect of transition to FRS 102 and 2015 FE HE SORP				(379)	(379)
Surplus for the year after tax under 2015 FE HE SORP				<u>138</u>	<u>138</u>
Actuarial losses	d)			(1,575)	(1,575)
Total comprehensive income for the year under 2015 FE HE SORP				<u>(1,437)</u>	<u>(1,437)</u>

Solihull College

Notes to the Accounts (continued)

27 Transition to FRS 102 and the 2015 FE HE SORP

a) Recognition of short term employment benefits

No provision for short term employment benefits such as holiday pay was made under the previous UK GAAP. Under FRS 102 the costs of short-term employee benefits are recognised as a liability and an expense. The annual leave year runs to 31st August each year for both teaching and non-teaching staff meaning that, at the reporting date, there was an average of 964 days unused leave for teaching staff and 317 days unused leave for non-teaching staff. The cost of any unused entitlement is recognised in the period in which the employee's services are received. An accrual of £485,000 was recognised at 1 August 2014, and at 31 August 2015. Following a re-measurement exercise in 2015/16, there was no movement on this provision for the year ended 31 July 2016.

b) Non-government grants accounted for under performance model

The College has previously been in receipt of certain capital grants from sources other than those classified as "government" under FRS 102 and the 2015 FE HE SORP. Under the previous UK GAAP and 2007 SORP, these were able to be capitalised and amortised over the remaining useful economic life of the relevant fixed assets. This accounting treatment is no longer available for non-government grants and the grants have therefore been accounted for under the performance model and treated as if they had been credited to Comprehensive Income immediately that the performance conditions had been met. A corresponding adjustment has been made to the income recognised in the 2015 results that related to the annual amortisation of the capital grants involved

c) Change in recognition of defined benefit plan finance costs

The net pension finance cost recognised in the Income and Expenditure account for the year ended 31st July 2015 under the previous UK GAAP was the net of the expected return on pension plan assets and the interest on pension liabilities. FRS 102 requires the recognition in the Statement of Comprehensive Income, of a net interest cost, calculated by multiplying the net plan obligations by the market yield on high quality corporate bonds (the discount rate applied). The change has had no effect on net assets as the measurement of the net defined benefit plan obligation has not changed. Instead, the decrease in the surplus for the year has been mirrored by a reduction in the actuarial losses presented within Other Comprehensive Income

d) Presentation of actuarial gains and losses within Total Comprehensive Income

Actuarial gains and losses on the College's defined benefit plans were previously presented in the Statement of Total Recognised Gains and Losses (STRGL), a separate statement to the Income and Expenditure account. All such gains and losses are now required under FRS 102 to be presented within the Statement of Comprehensive Income, as movements in Other Comprehensive Income.

e) Revaluation of Land

Land at the College's Blossomfield Campus was re-valued on a fair value by Bilfinger 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).

