



**Salford City College**

Report and Financial Statements

Year ended 31 July 2015

# **Salford City College Report and Financial Statements for the year ended 31 July 2015**

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# Salford City College Report and Financial Statements for the year ended 31 July 2015

## Operating and Financial Review

### NATURE, OBJECTIVES AND STRATEGIES:

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

#### Legal status

Salford City College was formed on 2 January 2009 from the three existing colleges in Salford. On 1 January 2009 Pendleton College acquired the assets and liabilities of Eccles College and Salford College. This was achieved by the dissolution of the corporations of Eccles College and Salford College and a transfer of their employees, assets and liabilities into Pendleton College under section 27 of the Further and Higher Education Act 1992.

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Pendleton College but it changed its name to Salford City College on 2 January 2009. The College is an exempt charity for the purposes of the Charities Act 2011.

#### Mission

Following the creation of Salford City College, the governors reviewed the College's mission and in January 2009 adopted a revised mission statement as follows:

*"Salford City College will inspire and empower people to create and take opportunities to enrich lives through learning.*

*We will do this by harnessing community pride, citizenship, loyalty and enterprise to embrace learning as the key to opportunity and social and economic wellbeing.*

*Underpinning this vision will be a strong sense of team spirit at all levels – staff, students, parents, employers and politicians will exploit opportunities to work together to achieve their personal goals and enrich the overall quality of life in the City.*

#### Values

The College will be characterised by:

- A focus on learners
- Transparency
- Integrity
- Respect
- Innovation
- Social responsibility
- Inclusivity
- Unconditional pursuit of excellence
- Leading by example
- Partnership and collaboration
- Celebrating diversity

#### Specifically, the College will:

1. Proactively promote learning opportunities available at both the college and in the wider community.
2. Strive to respond to the demands of individual learners, employees, employers and national priorities by developing a wide range of flexible delivery options.
3. Constantly seek to improve and provide learning experiences of outstanding quality."

#### Public Benefit

Salford City College is an exempt charity under the Part 3 of the Charities Act 2011 and from 1st September 2013, is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on page 11.

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

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

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

### **Strategic plan**

In July 2015 the College adopted a strategic plan for the period 1 August 2015 to 31 July 2020. The six key strategic priorities of the strategic plan of the College were:

- Improve the quality of all areas of the College's delivery to an outstanding standard.
- Develop an estate which meets the needs of the local and regional economy and which provides outstanding accommodation for our learners.
- Develop eLearning as a key element within a blended learning approach to all study programmes and adult programmes where appropriate.
- Return the college to 'Outstanding' financial health.
- Increase the awareness and standing of the College within the community.
- Grow the College's activity in key areas.

The College is on target to achieve these objectives.

### **Financial objectives**

The key ongoing financial objectives are:

- Generation of an operating surplus position (2014/15: £516k surplus excluding effects of FRS 17).
- Achievement of a "good" financial health rating from Skills Funding Agency (2014/15: "good").
- Achievement of a current ratio of 1.0 (2014/15: 1.47).
- Maintenance of cash days of 30 (2014/15: 68).

### **Performance indicators**

FE Choices (formerly the "Framework for Excellence") has four key performance indicators:

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

The financial indicators (Financial Health and Financial Management and Control) will continue to be graded and will be reported to providers directly by the relevant funding body. As this direct reporting occurs earlier than Framework for Excellence reporting, these Performance Indicators will no longer be included in the Framework for Excellence Application.

The College is committed to observing the importance of sector measures and indicators and use the FE Choices website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the Skills Funding Agency. The Finance Record produces a financial health grading. The current rating of "good" is considered an acceptable outcome.

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## FINANCIAL POSITION

### Financial results

The College generated an operating surplus in the year of £283k after FRS 17 pension adjustments (2013/14: deficit of £1,691k). This equates to an operating surplus of £516k before FRS 17 pensions adjustments (2013/14: £1,255k deficit). The Financial health assessments are based on operating results excluding FRS 17 adjustments.

During the year, the College incurred significant restructuring costs. The College generated a surplus of £1,258k before exceptional restructuring and FRS17 costs (2013/14: £217k surplus).

The College has accumulated reserves (excluding pension reserve) of £21,785k and cash balances of £7,368k. The College wishes to continue to accumulate reserves and cash balances to create a contingency fund and fund the development of the College estate.

	2014/15	2013/14	2012/13	2011/12	2010/11
Current ratio	1.47	1.42	1.77	2.49	2.05
Cash days in hand	68	47	51	92	65
Operating surplus (deficit) / income	0.7%	(4.0)%	2.7%	5.2%	6.7%
Net assets / income	47%	52%	56%	49%	45%
Pay costs / income	63.5%	71.3%	63.4%	61.3%	64.0%
Pay costs (excluding restructuring)/ income	61.6%	67.8%	63.1%	61.6%	62.6%

Tangible Fixed Asset additions during the year amounted to £3,121k. This was split between property improvements of £2,662k and fixtures, fittings and equipment purchases of £459k.

The College continues to rely significantly on the education sector funding bodies as its principal funding source, largely from recurrent grants. In 2014/15 the education sector funding bodies provided 89% of the College's total income (2013/14: 90%).

The College has one subsidiary company, E4Jobs Ltd. The principal activity of E4Jobs Ltd is the training of employees on behalf of employers as well as training for NEETS. Any surplus generated by the subsidiary is transferred to the College under deed of covenant. In the current year, E4Jobs Ltd generated a surplus of £18,185.

### 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 College's Accounting Officer. Such arrangements are restricted by limits in the College's Financial Memorandum agreed with the Skills Funding Agency. All other borrowing requires the authorisation of the Corporation and complies with the requirements of the Financial Memorandum.

### Cash Flows

The College's operating cash inflow was £3,964k (2013/14: £128k). The College achieved an overall net cash inflow of £2,000k after expending £3,055k on the purchase of tangible fixed assets and inflow of £1,566k which comprises of a new loan of £1.5 million and capital grants received from the Skills Funding Agency of £66k.

# **Salford City College Report and Financial Statements for the year ended 31 July 2015**

## **Liquidity**

The size of the College's total borrowing and its approach to interest rates has been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cashflow. During the year this margin was easily exceeded and the loan covenants were complied with.

## **CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE**

### **Student numbers**

In 2014/15 the College delivered activity against its main funding body allocations as follows:

- 16 – 18 Funding Allocation £24,805k excluding transitional protection with 5,489 learners (compared to £24,138k with 5,334 learners in 2013/14).
- Adult Skills Budget initial allocation of £7,404k which was increased in year to £7,796k (compared to £9,237k in 2013/14).
- 16 – 18 Apprentices initial allocation of £923k compared to £874k in 2013/14.
- Community Learning allocation of £967k compared to £967k in 2013/14.

### **Student achievements**

Success rates at the College are excellent and continue to rise.

The overall 16-18 success rate is 86.8% and the 19+ success rate is 90.1%. The overall Apprenticeship success rate is 81.8%.

Level 3 success rates were above the national average at 89.2% for 16-18 students (2013/14: 89%) and 89.7% for 19+ students (2013/14: 85%).

At A2 Level, students also surpassed the national average pass rate by achieving an overall pass rate of 99% (2013/14: 99%).

### **Value Added**

Value added measures overall student performance, taking into account the number of subjects and the quality of teaching and learning. The T score takes into account difficulty of subject, other factors as well as the quality of teaching and learning. Scores are measured on a scale of 1 – 9 where 1 is "best possible", 2 is "outstanding", 3 is "excellent" and 4 is "very good".

At A level, the College achieved a value added score of 3 (2013/14: 3).

For BTEC the college achieved a value added score of 5 (2013/14: 4).

### **FutureSkills**

As part of the accommodation strategy, the College is continually working to improve the facilities for the learners and align learning opportunities to employer needs. As part of the planned enhancements to the facilities, FutureSkills @ MediaCityUK opened in April 2013. The centre offers a range of cutting edge courses for those already working in their chosen industry or wanting to get into their chosen industry by having specific skills. The courses will be available for school leavers and adult learners.

During the year, the College completed the development of an adjacent property to FutureSkills to further expand the FutureSkills campus. This expands on the cutting edge courses already in the original building and provides additional Media studio space along with a TV studio to industry standard specification with radio edit facilities.

### **Salford Academy Trust**

Salford City College is the academy sponsor for Salford Academy Trust along with its education partners, University of Salford and the local authority. Salford Academy Trust was incorporated on 21 June 2012 as a company limited by guarantee. The Trust has overseen the conversion to Academy status of three schools on the 1 September 2012 – The Albion Academy, Marlborough Road Academy and Dukesgate Academy. The

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Salford Academy Trust is a related party of Salford City College and transactions with the Trust are included in note 30.

## **Quality of Provision**

The College was subjected to an Ofsted Short Inspection Visit in November 2015, the outcome was that the College continues to be good (Grade 2).

The Inspectors made a judgement on a four-point scale:

1. Outstanding (Grade 1).
2. Good (Grade 2).
3. Requires Improvement (Grade 3).
4. Inadequate (Grade 4).

The Corporation are pleased with the outcome of the Inspection Visit and the College continues to monitor progress against any recommendations made and ensure that high standards are maintained.

## **Staff and student involvement**

The College believes good communication with its staff and students to be very important. There is an effective communication strategy, which includes staff meetings, a regular staff newsletter and weekly team briefings. Formal representation of staff is through the recognised trade unions. In addition, staff are able to elect a staff Governor. There is also a regular student newsletter and a student representative on the Governing Body. Each year students are invited to give feedback to the College through enrolment, induction and learner satisfaction surveys.

## **Future developments**

The College is currently reviewing its estates strategy to ensure that the College has the appropriate assets in the future. The College aims to increase contribution by reviewing efficiency across the College sites which will include the movement of curriculum between centres and the creation of Centres of Excellence. The College seeks to continue to expand the number of students on Higher Education courses over the next 2 years which would allow the College to reduce dependency on Funding Body grants.

## **RESOURCES**

Salford City College has various resources that it can deploy in pursuit of its strategic priorities.

Tangible resources include the main college sites at Dronfield Road, Lissadel Street and Merchant's Quay in Salford, FutureSkills at MediaCity, Chatsworth Road in Eccles and Walkden Road in Worsley. In addition to these main sites, the needs of learners are met in a number of community based venues around the Salford area.

## **Financial**

The College has £32.2 million of net assets (excluding pension liabilities) and total long term debt of £7.8 million which includes £0.2 million due within one year.

## **People**

The College employed an average of 675 people (expressed as full time equivalents), of whom 347 were teaching staff.

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## **Reputation**

The College has an outstanding reputation locally and nationally. Maintaining brands is essential for the College's success at attracting students and external relationships. Salford City College continues to market its sixth form provision under the banners of the former colleges: Eccles College and Pendleton College.

## **Curriculum Developments**

The creation of Salford City College created significant curriculum synergies in that the learners from all centres now have access to additional areas of learning.

The ambition of the College is to create a curriculum and supporting infrastructure which is distinctive and meets the needs of individual learners. The College has two sixth form centres, together with a range of vocational skills centres placed in areas of defined need.

## **KEY RISKS AND UNCERTAINTIES**

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

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

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

This is supported by a risk management training programme to raise awareness of risk throughout the College.

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

## **Area Review**

The Government is currently completing an area-based review of education for the Greater Manchester region. The aim of this review is to ensure that Colleges have the right capacity to meet the needs of students and employers in each area provided by institutions which are financially stable and able to deliver high quality provision.

Governing bodies will receive recommendations from the review in December and will be responsible for deciding whether to accept recommendations. The final report will be publicised in February 2016.

## **Government funding**

The College has considerable reliance on continued government funding through the further education sector funding bodies. In 2014/15 89% of the College's revenue was ultimately public funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The College understands the main impact on future funding:

- The changing funding formulae for both the EFA and SFA may impact on the total income received by the College.

This risk is mitigated in a number of ways:

- Funding is derived through a number of direct and indirect contractual arrangements.



## **Salford City College Report and Financial Statements for the year ended 31 July 2015**

- By ensuring the College is rigorous in delivering high quality education and training.
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies.
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding.
- Regular dialogue with the funding bodies.
- Exploring potential new income streams to underpin the College's income levels.

### **Tuition fee policy**

Ministers have confirmed that the fee assumption remains at 50%. In line with the majority of other colleges, Salford City College will seek to increase tuition fees in accordance with the fee assumptions. The price elasticity of adult learning for the College is not yet fully understood. The risk for the College is that demand falls off as fees increase. This will impact on the growth strategy of the College.

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students.
- Close monitoring of the demand for courses as prices change.

### **Maintain adequate funding of pension liabilities**

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

## **STAKEHOLDER RELATIONSHIPS**

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

- students;
- education sector funding bodies;
- FE Commissioner;
- staff;
- local employers (with specific links);
- local authorities;
- government offices/ Regional Development Agencies/LEPs;
- University of Salford;
- other FE institutions;
- the local community;
- trades unions; and
- professional bodies.

The College recognises the importance of these relationships and engages in regular communication with its stakeholders. The College has representatives on a number of key groups and leads in many of these areas.

### **Environmental statement**

Salford City College accepts its responsibility to protect and conserve the college environment. As a provider of high quality education we seek to promote a sound awareness and understanding of local, national and global environmental issues and conduct our activities in an environmentally friendly manner.

### **Diversity, equal opportunities and employment of disabled persons**

Salford City College is fully committed to delivering equality of opportunity for all its students and staff, to eliminate all forms of unfair and illegal discrimination as well as all forms of harassment and victimisation. The College has developed a Single Equality Scheme and Action Plan which provides an overview in regard to how the College will meet its equality duty, how the College will handle any cases of harassment and unlawful discrimination, how policies, processes and plans will be monitored for adverse impact, how the overall practice and outcomes of the College will be monitored and how action will be planned and delivered to address any concerns that are identified.

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The Single Equality Scheme supports the Salford City College equality policies: Gender Equality Policy, Race Equality Policy, Age Discrimination Policy, Disability Equality Policy, Religious Beliefs and Sexual Orientation Policy. The College will meet these duties through the development of the Single Equality Scheme Action Plan.

The College considers all applications from disabled persons, bearing in mind the aptitudes of the individuals concerned. 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. An equalities plan is published each year and monitored by managers and governors.

### **Disability statement**

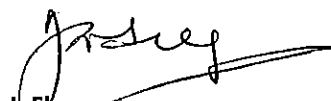
The college seeks to achieve the objectives set down in the Equality Act 2010.

1. As part of the redevelopment of the buildings it is installing ramps so that eventually most of the facilities will allow access to people with a disability (insofar as is practical).
2. There is a list of specialist equipment, such as audio visual facilities, which the College can make available for use by students.
3. The admissions policy for all students is described in the College Charter. Appeals against a decision not to offer a place are dealt with under the complaints policy.
4. The College has made a significant investment in the appointment of specialist staff to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
5. Counselling and welfare support services are described in the College Charter.
6. A Dyslexia Specialist has been appointed to assist students.

### **Disclosure of information to auditors**

The members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College's auditors are unaware; and each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditors are aware of that information.

Approved by order of the members of the Corporation on 14 December 2015 and signed on its behalf by:

  
J. Flynn  
Chair

# Salford City College Report and Financial Statements for the year ended 31 July 2015

## Professional advisers

Financial Statements and Regularity Auditors	Mazars LLP The Lexicon Mount Street Manchester M2 5NT
Internal Auditors	Baker Tilly Steam Mill Chester CH3 5AN
Bankers	Lloyds Bank plc 1st Floor 31-32 Park Row Leeds LS1 5JD
	Barclays Bank plc PO Box 4132 5 <sup>th</sup> Floor 51 Mosley Street Manchester M60 1UB
Solicitors	DWF LLP Solicitors Centurion House 129 Deansgate Manchester M2 3WQ
	Walker Morris Kings Court 12 King Street Leeds LS1 2HL

# **Salford City College Report and Financial Statements for the year ended 31 July 2015**

## **Statement of Corporate Governance and Internal Control**

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

The College endeavours to conduct its business:

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

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

In the opinion of the Governors, the College complies with the provisions of the Foundation Code, and it has complied throughout the year ended 31 July 2015. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The English Colleges' Foundation Code of Governance issued by the Association of Colleges in December 2011, which it formally adopted in March 2012.

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 regards to the Charity Commission's guidance on public benefit and that the required statements appear elsewhere in the financial statements.

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### The Corporation

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

Member	Date of appointment	Term of Office Ends	Status of appointment	Committees served	Attendance
Mohammed Amin	Appointed 23 March 2015	22 March 2018	Independent member	Audit Search	5/11
Keith Barnes	Reappointed 1 August 2013	Resigned March 2015	Independent member	Audit Human Resources	4/6
Cllr Paula Boshell	Appointed 9 July 2012	31 July 2015	Co-opted member	Strategy and Finance	0/8
Stella Bowdell	Appointed 29 June 2015	28 June 2016	Co-opted member	To be agreed	0/0
John Buckley	Reappointed 1 August 2013	31 July 2017	Independent member	Audit (Vice Chair) Capital	12/13
Ann Gavin Daley	Reappointed 1 August 2012	31 July 2016	Independent member	Standards (Vice Chair) Human Resources (Chair) Remuneration Capital Committee of Chairs Strategy and Finance	21/21
Joseph Dewhurst	Appointed 15 December 2014	31 July 2015	Student	Human Resources Standards	8/9
Lindsay Harford	Reappointed 1 August 2012	31 July 2016	Independent member	Standards (Chair) Strategy & Finance Committee of Chairs	13/16
Peter Henry	Appointed 13 February 2012	31 January 2016	Independent member	Search	5/9
Sue Hilton	Reappointed 29 June 2015	31 July 2017	Staff	Search Audit	11/13
Paul Johnson	Appointed 9 July 2012	31 July 2016	Independent member	Audit (Chair) Remuneration Committee of Chairs	12/15
Jackie Flynn	Reappointed 1 August 2013	31 July 2017	Independent member	<b>Chair of Corporation</b> Strategy & Finance (Chair) Standards Search (Vice Chair) Remuneration (Chair) Capital Committee of Chairs (Chair) Human Resources	23/24
Anthony Redmond	Appointed 23 March 2015	22 March 2018	Independent member	Strategy and Finance Human Resources	9/9
Professor Carole Roberts	Reappointed 1 August 2012	31 July 2016	Independent member	Strategy & Finance (Vice Chair) Remuneration Capital Committee of Chairs	12/15
John Spindler (Martin Sim up to 31 March)		Effective from 20 April 2015	Principal	Human Resources Search Standards Strategy & Finance Capital	22/22
Pat Walkington	Reappointed 1 August 2014	31 July 2017	Independent member	<b>Vice chair of Corporation</b> Search (Chair) Human Resources (Vice Chair) Audit Capital Remuneration Committee of Chairs Standards	23/24

Mr N Tyrer, a former retail banker, acts as Clerk to the Corporation.

## **Salford City College Report and Financial Statements for the year ended 31 July 2015**

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

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

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Strategy & Finance, Human Resources, Remuneration, Search, Standards, Capital and Audit. Full minutes of all meetings, except those deemed to be confidential by the Corporation are available on the College's website [www.salfordcc.ac.uk](http://www.salfordcc.ac.uk) or from the Clerk to the Corporation at:

Salford City College  
Walkden Centre  
Walkden Road  
Worsley  
M28 7QD

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

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

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

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

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

### **Appointments to the Corporation**

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

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

### **Remuneration Committee**

In the year ending 31 July 2015, the College's remuneration committee membership comprised five members of the Corporation. The committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other senior post-holders.

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

# **Salford City College Report and Financial Statements for the year ended 31 July 2015**

## **Audit Committee**

The Audit Committee comprises five members of the Corporation (excluding the Accounting Officer and Chair). The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee meets on a termly basis and provides a forum for reporting by the College's internal, regularity 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 the main FE funding bodies 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 of input and report their findings to management and the Audit Committee.

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

The Audit Committee also advises the Corporation on the appointment of internal, regularity and financial statements auditors and their remuneration for both audit and non-audit work as well as reporting annually to the Corporation.

## **Internal control**

### ***Scope of responsibility***

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

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

### ***The purpose of the system of internal control***

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Salford City College for the year ended 31 July 2015 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 ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the year ending 31 July 2015 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

## **Salford City College Report and Financial Statements for the year ended 31 July 2015**

### ***The risk and control framework***

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

- comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the governing body;
- regular reviews by the governing body of periodic and annual financial reports which indicate financial performance against forecasts;
- setting targets to measure financial and other performance;
- clearly defined capital investment control guidelines; and
- the adoption of formal project management disciplines, where appropriate.

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



## Salford City College Report and Financial Statements for the year ended 31 July 2015

### *Review of effectiveness*

As Accounting Officer, the Chief Executive Officer/Principal has responsibility for reviewing the effectiveness of the system of internal control. His review of the effectiveness of the system of internal control is informed by:

- the work of the internal auditors;
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework; and
- comments made by the College's financial statements auditors, the regularity auditors, the appointed funding auditors in their management letters and other reports.

The Accounting Officer has been advised on the implications of the result of his review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditor and other sources of assurance, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

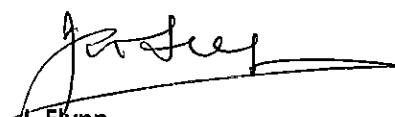
The Principal and senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Chief Executive Officer/Principal and senior management team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its November 2015 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2015 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2015.

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


### *Going concern*

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

Approved by order of the members of the Corporation on 14 December 2015 and signed on its behalf by:



J. Flynn  
Chair



J. Spindler  
Accounting Officer

## **Salford City College Report and Financial Statements for the year ended 31 July 2015**

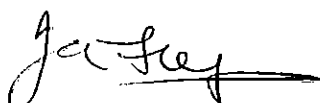
### **Governing Body's statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding**

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.

Approved by order of the members of the Corporation on 14 December 2015 and signed on its behalf by:



**J. Flynn**  
Chair



**J. Spindler**  
Accounting Officer

# **Salford City College Report and Financial Statements for the year ended 31 July 2015**

## **Statement of Responsibilities of the Members of the Corporation**

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

Within the terms and conditions of the Financial Memorandum agreed between the Skills Funding Agency and the Corporation of the College, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the 2007 Statement of Recommended Practice - Accounting for Further and Higher Education Institutions and with the Accounts Direction for 2014-15 financial statements issued jointly by the Skills Funding Agency and the EFA, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

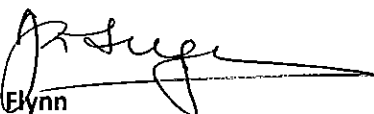
The Corporation is also required to prepare an Operational and Financial Review which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

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

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

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

Approved by order of the members of the Corporation on 14 December 2015 and signed on its behalf by:

  
J. Flynn  
Chair

## **Salford City College Report and Financial Statements for the year ended 31 July 2015**

### **Independent auditor's report to the Corporation of Salford City College**

We have audited the financial statements of Salford City College for the year ended 31 July 2015 which comprise the Income and Expenditure Account, the Statement of Historical Cost Surpluses and Deficits, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. 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).

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 those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of the Corporation and auditor**

As explained more fully in the Statement of Responsibilities of the Member of the Corporation set out on page 17, the Corporation are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

#### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

#### **Opinion on financial statements**

In our opinion the financial statements:

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

#### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Joint Audit Code of Practice 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; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

*Mazars LLP*

Mazars LLP  
Chartered Accountants and Statutory Auditor  
The Lexicon, Mount Street  
Manchester  
M2 5NT

*15 December 2015*

Date

# **Salford City College Report and Financial Statements for the year ended 31 July 2015**

## **Independent Auditor's Report on Regularity to the Corporation of Salford City College (the College) and Secretary of State for Business, Innovation and Skills acting through Skills Funding Agency**

In accordance with the terms of our engagement letter dated 28 September 2015 and further to the requirements of the financial memorandum with 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 Salford City College during the period 1 August 2014 to 31 July 2015 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 Skills Funding Agency has other assurance arrangements in place.

This report is made solely to the Corporation of Salford City 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 Salford City College and Skills Funding Agency those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation of Salford City College and Skills Funding Agency for our work, for this report, or for the conclusion we have formed.

### **Respective responsibilities of Salford City College and the reporting accountant**

The Corporation of Salford City 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 established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the 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 2014 to 31 July 2015 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 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.

## Salford City College Report and Financial Statements for the year ended 31 July 2015

The work undertaken to draw to our conclusion includes:

- Reviewed the statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding.
- Reviewed the College's completed self-assessment questionnaire on regularity.
- Read the financial memorandum with the SFA/ funding agreement with the EFA.
- Tested a sample of expenditure disbursed and income received to consider whether they have been applied to purposes intended by Parliament and in accordance with funding agreements where relevant.
- Reviewed all payments to senior post holders on termination of employment or in respect of claims made in the year.
- Reviewed approved policies and procedures operating during the year for each funding stream that has specific terms attached.
- Obtained the policy for personal gifts and/or hospitality.
- Obtained the register of personal interests.
- Obtained the financial regulations/financial procedures.
- Obtained the College's whistleblowing policy.

### 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 2014 to 31 July 2015 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

*Mazars LLP*

Mazars LLP  
Chartered Accountants and Statutory Auditor  
The Lexicon, Mount Street  
Manchester  
M2 5NT

*15 December 2015*

Date

# Salford City College Income & Expenditure Account

for the year ended 31 July 2015

	Notes	2015 £'000	2014 £'000
<b>INCOME</b>			
Funding body grants	2	35,374	37,370
Tuition fees and education contracts	3	1,812	1,727
Other income	4	2,260	2,479
Investment income	5	<u>120</u>	<u>18</u>
<b>Total Income</b>		<b>39,566</b>	<b>41,594</b>
<b>EXPENDITURE</b>			
Staff costs	6	24,364	28,184
Exceptional restructuring costs	6	742	1,472
Other operating expenses	8	11,234	11,143
Depreciation and impairment of tangible fixed assets	11	2,592	2,190
Interest payable and other finance costs	9	<u>349</u>	<u>296</u>
<b>Total Expenditure</b>		<b><u>39,281</u></b>	<b><u>43,285</u></b>
Surplus/(deficit) on continuing operations after depreciation of tangible fixed assets at valuation and before exceptional items and tax		285	(1,691)
Loss on disposal of assets		<u>2</u>	<u>-</u>
Surplus/(deficit) on continuing operations after depreciation of assets at valuation, exceptional items and disposal of assets but before tax		283	(1,691)
Taxation	10	-	-
<b>Surplus/(deficit) for the year retained within general reserves</b>	20	<b><u><u>283</u></u></b>	<b><u><u>(1,691)</u></u></b>

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

The notes on pages 25 to 43 form part of the financial statements.

## Salford City College Statement of Historical Cost Surpluses and Deficits

for the year ended 31 July 2015

	Notes	2015 £'000	2014 £'000
Surplus/(deficit) on continuing operations before taxation		283	(1,691)
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	19	41	41
<b>Historical cost surplus/(deficit) for the year after taxation</b>		<b>324</b>	<b>(1,650)</b>

## Salford City College Statement of Total Recognised Gains and Losses for the year ended 31 July 2015

		2015 £'000	2014 £'000
Surplus/(deficit) on continuing operations after depreciation of assets at valuation and tax		283	(1,691)
Actuarial loss in respect of pension scheme	20/26	(2,718)	(3,135)
<b>Total recognised losses since last report</b>		<b>(2,435)</b>	<b>(4,826)</b>
<b>Reconciliation:</b>			
Opening reserves		11,386	16,212
Total recognised losses for the year		(2,435)	(4,826)
<b>Closing reserves</b>		<b>8,951</b>	<b>11,386</b>

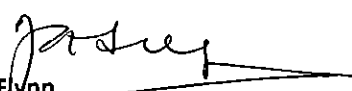
The notes on pages 25 to 43 form part of the financial statements.

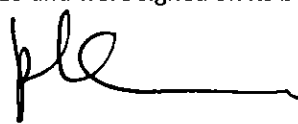


# Salford City College Balance Sheet as at 31 July 2015

	Notes	2015 £'000	2014 £'000
<b>Fixed assets</b>			
Tangible assets	11	37,232	36,705
Investments	12	-	-
<b>Total fixed assets</b>		<b>37,232</b>	<b>36,705</b>
<b>Current assets</b>			
Stocks		48	13
Debtors	13	1,214	1,293
Cash at bank and in hand		7,368	5,368
<b>Total current assets</b>		<b>8,630</b>	<b>6,674</b>
<b>Less: Creditors – amounts falling due within one year</b>	14	<b>(5,890)</b>	<b>(4,687)</b>
<b>Net current assets</b>		<b>2,740</b>	<b>1,987</b>
<b>Total assets less current liabilities</b>		<b>39,972</b>	<b>38,692</b>
<b>Less: Creditors – amounts falling due after more than one year</b>	15	<b>(7,560)</b>	<b>(6,292)</b>
<b>Less: Provisions for liabilities</b>	17	<b>(230)</b>	<b>(230)</b>
<b>Net assets excluding pension liability</b>		<b>32,182</b>	<b>32,170</b>
<b>Net pension liability</b>	26	<b>(13,583)</b>	<b>(10,632)</b>
<b>Net assets including pension liability</b>		<b>18,599</b>	<b>21,538</b>
<b>Deferred capital grants</b>	18	<b>9,648</b>	<b>10,152</b>
<b>Income and expenditure account excluding pension reserve</b>	20	<b>21,785</b>	<b>21,228</b>
<b>Pension reserve</b>	26	<b>(13,583)</b>	<b>(10,632)</b>
<b>Income and expenditure account including pension reserve</b>	20	<b>8,202</b>	<b>10,596</b>
<b>Revaluation reserve</b>	19	<b>749</b>	<b>790</b>
<b>Total reserves</b>		<b>8,951</b>	<b>11,386</b>
<b>TOTAL FUNDS</b>		<b>18,599</b>	<b>21,538</b>

The financial statements were approved by the Corporation on 14 December 2015 and were signed on its behalf on that date by:

  
J. Flynn  
Chair

  
J. Spindler  
Accounting Officer

The notes on pages 25 to 43 form part of the financial statements.

# Salford City College Cash Flow Statement

for the year ended 31 July 2015

	Notes	2015 £'000	2014 £'000
Cash inflow from operating activities	21	3,964	128
Returns on investments and servicing of finance	22	(315)	(260)
Capital expenditure and financial investment	23	(2,989)	(1,621)
Financing	24	<u>1,340</u>	<u>1,024</u>
Increase/(decrease) in cash in the year	25	<u><u>2,000</u></u>	<u><u>(729)</u></u>

## Reconciliation of net cash flow to movement in net (debt)/funds

Increase/(decrease) in cash in the year		2,000	(729)
Cash inflow from new unsecured loan	24	(1,500)	(1,500)
Cash outflow in respect of loan repayments	24	<u>160</u>	<u>476</u>
Movement in net funds/(debt) in the year		660	(1,753)
Net (debt)/funds at 1 August	25	<u>(1,074)</u>	<u>679</u>
Net debt at 31 July	25	<u><u>(414)</u></u>	<u><u>(1,074)</u></u>

The notes on pages 25 to 43 form part of the financial statements.

# **Salford City College Report and Financial Statements for the year ended 31 July 2015**

## **Notes to the Accounts**

### **1. Accounting policies**

#### **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 2007 (the SORP), the Accounts Direction for 2014 to 2015 financial statements and in accordance with applicable Accounting Standards.

#### **Basis of accounting**

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

#### **Going concern**

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

The College currently has £7.8m of unsecured loans outstanding with bankers. In addition the College has £7.4m cash available. The terms of the existing agreements, at 31 July 2015, the College had two bank loan facilities: a £3,000,000 unsecured loan, at 1.5% over 3 month LIBOR repayable over 25 years by quarterly instalments falling due between April 2015 and January 2039 currently fixed at 4.17% until 18 March 2020 and a £5,375,000 unsecured loan at a fixed rate of 5.367% falling due between August 2009 and May 2034. The College's forecasts and financial projections indicate that it will be able to operate within the terms of its existing facilities and respective covenant requirements 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**

The College has one subsidiary company, E4Jobs Limited, which was incorporated on 6 May 2011. E4Jobs Limited has traded during the year and the prior year. However, the College has elected not to prepare consolidated financial statements on the basis that the results of the subsidiary at 31 July 2015 and at 31 July 2014 are immaterial to the Group.

#### **Recognition of income**

The recurrent grant from Higher Education Funding Council for England (HEFCE) represents the funding allocation attributable to the current financial year and is credited direct to the income and expenditure account.

Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult 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 at the end of November 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.

## **Salford City College Report and Financial Statements for the year ended 31 July 2015**

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

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

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. Any payments received in advance of such performance are recognised on the balance sheet as liabilities.

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

### **Post retirement benefits**

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

Contributions to the TPS are calculated 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. As stated in Note 26, the TPS is a multi employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

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

### **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.

### **Land and buildings**

Land and buildings inherited from the Local Education Authority (LEA) 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. Building improvements made since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. In compliance with relevant accounting standards the buildings inherited from the local authority are depreciated over the remainder of their useful economic life. Freehold buildings are depreciated over their expected useful economic life to the College of 50 years.

Capitalised expenditure on buildings since incorporation is classified as property improvements. Property improvements are depreciated on a straight line basis over their expected useful economic life to the College of 10–50 years.

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

## **Salford City College Report and Financial Statements for the year ended 31 July 2015**

Finance costs, which are directly attributable to the construction of land and buildings, are not capitalised as part of the cost of those assets.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

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

### **Subsequent expenditure on fixed assets**

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure 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 has subsequently improved.
- Asset 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.

### **Equipment**

Equipment costing less than £1,000 per individual item is written off to the income and expenditure account in the year of acquisition, unless it is of significant operating value to the College in which case the asset is recorded in the college's asset register and depreciated over its useful economic life. All other equipment with a cost in excess of £1,000 is capitalised at cost. Capitalised equipment is depreciated on a straight line basis over its useful economic life as follows:

Motor vehicles and general equipment – 5 – 10 years.

Fixtures and fittings – 5 – 15 years.

Computer equipment – 5 years.

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

### **Leased assets**

Costs in respect of operating leases are charged to the income and expenditure account on a straight-line basis over the lease term. Capitalised expenditure on leased properties is classified as property improvements and depreciated 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 and are capitalised at their fair value at the inception of the lease and depreciated over the shorter of the lease term or the useful economic lives of equivalently owned assets. The capital element outstanding is shown as obligations under finance leases.

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

### **Stocks**

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

## **Salford City College Report and Financial Statements for the year ended 31 July 2015**

### **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, 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.

### **Agency arrangements**

The College acts as an agent in the collection and payment of discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure account and are shown separately in Note 31, 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 staff dedicated to the administration of Learner Support fund applications and payments.

# Salford City College Notes to the Accounts (continued)

for the year ended 31 July 2015

## 2 Funding body grants

	2015 £'000	2014 £'000 Restated
EFA - Recurrent grant	25,404	25,664
Skills Funding Agency - Recurrent grant	7,928	9,509
HEFCE - Recurrent grant	5	57
Skills Funding Agency - Non recurrent grants	1,487	1,519
Releases of deferred capital grants (note 18)	550	621
<b>Total</b>	<b>35,374</b>	<b>37,370</b>

Prior year figures have been restated to transfer income between categories. There is no effect on the overall value of income.

## 3 Tuition fees and education contracts

	2015 £'000	2014 £'000 Restated
Tuition fees	666	971
Education contracts	1,146	756
<b>Total</b>	<b>1,812</b>	<b>1,727</b>

Prior year figures have been restated to transfer income between categories. There is no effect on the overall value of income.

## 4 Other Income

	2015 £'000	2014 £'000
Residences, catering and conferences	1,093	986
Other Income generating activities	486	676
Other grants and contracts	231	124
ESF Co-financing	171	89
Other income	259	593
Release of deferred capital grants (note 18)	20	11
<b>Total</b>	<b>2,260</b>	<b>2,479</b>

## 5 Investment Income

	2015 £'000	2014 £'000
Pension finance income (note 26)	102	-
Other interest receivable	18	18
<b>Total</b>	<b>120</b>	<b>18</b>

# Salford City College Notes to the Accounts (continued)

for the year ended 31 July 2015

## 6 Staff costs

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

	2015 No.	2014 No.
Teaching staff	347	449
Non teaching staff	328	362
	<u>675</u>	<u>811</u>

### Staff costs for the above persons

	2015 £'000	2014 £'000
Wages and salaries	19,740	22,835
Social security costs	1,448	1,661
Other pension costs (Incl. FRS17 adjustments £335k (2014: £418k))	2,906	3,310
<b>Payroll sub total</b>	<b>24,094</b>	<b>27,806</b>
Contracted out staffing services	270	378
<b>Pay sub total</b>	<b>24,364</b>	<b>28,184</b>
Exceptional restructuring costs	742	1,472
<b>Total</b>	<b>25,106</b>	<b>29,656</b>

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

	Senior post-holders		Other staff	
	2015 No.	2014 No.	2015 No.	2014 No.
£60,001 to £70,000	-	-	3	2
£70,001 to £80,000	1	-	1	1
£80,001 to £90,000	-	-	-	-
£90,001 to £100,000	1	1	-	-
£100,001 to £110,000	-	-	-	-
£110,001 to £120,000	-	-	-	-
£120,001 to £130,000	-	-	-	-
£130,001 to £140,000	1 *	-	-	-
£140,001 to £150,000	-	-	-	-
£150,001 to £160,000	-	1	-	-
£160,001 to £170,000	-	-	-	-
£170,001 to £180,000	1	-	-	-
	<u>4</u>	<u>2</u>	<u>4</u>	<u>3</u>

\* This represents the pro-rata salary for the full year for the current Chief Executive Office/Principal who commenced employment during the current financial year.



## Salford City College Notes to the Accounts (continued)

### for the year ended 31 July 2015

#### 7 Senior post-holders' emoluments

Senior post-holders are defined as the Accounting Officer and holders of the other senior posts whom the Corporation has selected for the purposes of the articles of government of the College relating to the appointment and promotion of staff who are appointed by the Corporation.

	2015 No.	2014 No.
The number of senior post-holders including the Accounting Officer was:	<u>4</u>	<u>2</u>
Senior post-holders' emoluments are made up as follows:		
	2015 £'000	2014 £'000
Salaries	390	294
Pension contributions	<u>47</u>	<u>43</u>
<b>Total emoluments</b>	<u><b>437</b></u>	<u><b>337</b></u>

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

	2015 £'000	2014 £'000
<b>Chief Executive Officer/Principal</b>		
Salaries	38	-
Pension contributions	<u>5</u>	<u>-</u>
	43	-
<b>Former Chief Executive Officer/Principal</b>		
Salaries	174	152
Pension contributions	<u>14</u>	<u>21</u>
	188	173
	<u><b>231</b></u>	<u><b>173</b></u>

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

The members of the Corporation other than the Accounting Officer and the staff members (as disclosed in the members list on page 12) did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

# Salford City College Notes to the Accounts (continued)

for the year ended 31 July 2015

## 8 Other operating expenses

	2015 £'000	2014 £'000
Teaching costs	3,485	2,842
Non teaching costs	4,935	5,286
Premises costs	2,814	3,015
<b>Total</b>	<b>11,234</b>	<b>11,143</b>

## Other operating expenses include:

	2015 £'000	2014 £'000
Auditors' remuneration:		
Financial statements audit	24	27
Internal audit	27	22
Other services provided by the financial statements auditors *	5	1
Hire of other assets – operating leases	839	1,025

\* In relation to VAT advice

## 9 Interest payable and other finance costs

	2015 £'000	2014 £'000
On bank loans, overdrafts and other loans:		
Repayable within five years, by instalments	87	6
Repayable wholly or partly in more than five years	262	272
FRS 17 interest costs (note 26)	-	18
<b>Total</b>	<b>349</b>	<b>296</b>

## 10 Taxation

The College is not liable for any tax arising out of its activities for the year.

# Salford City College Notes to the Accounts (continued)

for the year ended 31 July 2015

## 11 Tangible fixed assets

	Freehold Land and Buildings £'000	Property Improvements £'000	Fixtures & Fittings £'000	Equipment £'000	Motor Vehicles £'000	Total £'000
<b>Cost or valuation</b>						
At 1 August 2014	37,351	7,076	3,542	9,515	56	57,540
Additions	-	2,662	1	458	-	3,121
Disposal	-	-	-	(2,743)	(7)	(2,750)
<b>At 31 July 2015</b>	<b>37,351</b>	<b>9,738</b>	<b>3,543</b>	<b>7,230</b>	<b>49</b>	<b>57,911</b>
<b>Depreciation</b>						
At 1 August 2014	9,694	646	2,469	7,990	36	20,835
Charge for the year	820	769	413	590	-	2,592
Elimination in respect of disposals	-	-	-	(2,743)	(5)	(2,748)
<b>At 31 July 2015</b>	<b>10,514</b>	<b>1,415</b>	<b>2,882</b>	<b>5,837</b>	<b>31</b>	<b>20,679</b>
<b>Net book value at 31 July 2015</b>	<b>26,837</b>	<b>8,323</b>	<b>661</b>	<b>1,393</b>	<b>18</b>	<b>37,232</b>
<b>Net book value at 31 July 2014</b>	<b>27,657</b>	<b>6,430</b>	<b>1,073</b>	<b>1,525</b>	<b>20</b>	<b>36,705</b>

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

Other tangible fixed assets inherited from the LEA at incorporation have been valued by the College on a depreciated replacement cost basis with the assistance of independent professional advice.

Land and buildings with a net book value of £3,022,811 (2014: £3,142,117) have been partly financed by 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, to surrender the proceeds.

If land and buildings had not been revalued they would have been included at the following historical cost net book value amount of £26,088k (2014: £26,867k).

**Salford City College Notes to the Accounts (continued)**

**for the year ended 31 July 2015**

**12 Investments**

	2015 £'000	2014 £'000
Investment in subsidiary company	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

The College owns 100% of the issued ordinary £1 shares of E4Jobs Limited, a company incorporated in England and Wales. E4Jobs Limited was incorporated on 6 May 2011. E4Jobs Limited commenced trading during the prior year. The principal activity is as an Apprenticeship Training Agency. E4Jobs generated a surplus for the year of £18k and has a net deficit of £5k at 31 July 2015.

**13 Debtors**

	2015 £'000	2014 £'000
Amounts falling due within one year:		
Trade debtors	448	524
Related party debtors (note 30)	33	9
Intercompany debtors	91	43
Prepayments and accrued income	642	717
<b>Total</b>	<b>1,214</b>	<b>1,293</b>

**14 Creditors: amounts falling due within one year**

	2015 £'000	2014 £'000
Bank loans (note 16)	222	160
Payments received in advance	597	166
Trade creditors	686	1,653
Other taxation and social security	434	480
Accruals and deferred income	3,266	1,654
Restructuring accrual	660	190
Other creditors	25	384
<b>Total</b>	<b>5,890</b>	<b>4,687</b>

**15 Creditors: amounts falling due after one year**

	2015 £'000	2014 £'000
Bank loans (note 16)	7,560	6,282
Other taxation and social security	-	10
<b>Total</b>	<b>7,560</b>	<b>6,292</b>

# Salford City College Notes to the Accounts (continued)

for the year ended 31 July 2015

## 16 Borrowings

### Bank loans

Bank loans are repayable as follows:

	2015 £'000	2014 £'000
In one year or less	222	160
Between one and two years	238	222
Between two and five years	3,356	1,910
In five years or more	3,966	4,150
<b>Total</b>	<b>7,782</b>	<b>6,442</b>

At 31 July 2015, the College had two bank loan facilities: a £3,000,000 unsecured loan at 1.5% over 3 month LIBOR, repayable over 25 years by quarterly instalments falling due between April 2015 and January 2039 currently fixed at 4.13% until 18 March 2020 and a £5,375,000 unsecured loan at a fixed rate of 5.367% falling due between August 2009 and May 2034.

## 17 Provisions for liabilities and charges

	Enhanced pensions £'000
At 1 August 2014	230
Expenditure in the year	(16)
Transferred from income and expenditure account	16
<b>At 31 July 2015</b>	<b>230</b>

The enhanced pension provision relates to the cost of staff who have already left the College's employment. This provision has been recalculated in accordance with guidance provided by the Association of Colleges.

The principal assumptions for this calculation are:

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

**Salford City College Notes to the Accounts (continued)**

**for the year ended 31 July 2015**

**18 Deferred capital grants**

	Funding body grants £'000	Other £'000	Total £'000
At 1 August	9,934	218	10,152
Cash received in the year	66	-	66
Released to Income and expenditure account	(549)	(21)	(570)
<b>At 31 July</b>	<b>9,451</b>	<b>197</b>	<b>9,648</b>

**19 Revaluation reserve**

	2015 £'000	2014 £'000
At 1 August	790	831
Transfer from revaluation reserve to general reserve in respect of: Depreciation on revalued assets	(41)	(41)
<b>At 31 July</b>	<b>749</b>	<b>790</b>

**20 Movement on general reserves**

	2015 £'000	2014 £'000
<b>Income and expenditure account reserve</b>		
At 1 August	10,596	15,381
Surplus retained/(deficit sustained) for the year	283	(1,691)
Transfer from revaluation reserve	41	41
Actuarial (losses) in respect of pension scheme (note 26)	(2,718)	(3,135)
<b>At 31 July</b>	<b>8,202</b>	<b>10,596</b>
<b>Balance represented by:</b>		
Pension reserve	(13,583)	(10,632)
Income and expenditure account excluding pension reserve	21,785	21,228
<b>Income and expenditure account including pension reserve</b>	<b>8,202</b>	<b>10,596</b>

# Salford City College Notes to the Accounts (continued)

for the year ended 31 July 2015

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

	2015 £'000	2014 £'000
Surplus/(deficit) on continuing operations after depreciation of assets at valuation	283	(1,691)
Depreciation (notes 1 and 11)	2,592	2 190
Deferred capital grants released to Income (note 18)	(570)	( 632)
Loss on disposal of tangible fixed assets	2	-
Interest payable (note 9)	349	278
Interest receivable (note 5)	(18)	(18)
Increase in stocks	(35)	( 1)
Decrease/(increase) in debtors	79	( 252)
Increase/(decrease) in creditors	1,050	(183)
Increase in provisions	(1)	1
Pension cost less contributions payable (notes 6 and 26)	335	418
FRS17 pension interest gain	(102)	-
FRS 17 pension interest charge (note 9)	-	18
<b>Net cash inflow from operating activities</b>	<b>3,964</b>	<b>128</b>

## 22 Returns on Investments and servicing of finance

	2015 £'000	2014 £'000
Other interest received	18	18
Interest paid	(333)	(278)
<b>Net cash outflow from returns on investment and servicing of finance</b>	<b>(315)</b>	<b>(260)</b>

## 23 Capital expenditure and financial investment

	2015 £'000	2014 £'000
Purchase of tangible fixed assets	(3,055)	(4,099)
Capital grants received	66	2,478
<b>Net cash outflow from capital expenditure and financial investment</b>	<b>(2,989)</b>	<b>(1,621)</b>

## 24 Financing

	2015 £'000	2014 £'000
Debt due beyond a year:		
New unsecured loan repayable by 2039	1,500	1,500
Repayment of amounts borrowed	(160)	(476)
<b>Net cash inflow from financing</b>	<b>1,340</b>	<b>1,024</b>

## Salford City College Notes to the Accounts (continued)

### for the year ended 31 July 2015

#### 25 Analysis of changes in net (debt)/funds

	At 1 August 2014	Cash flows	At 31 July 2015
	£'000	£'000	£'000
Cash in hand, and at bank	5,368	2,000	7,368
	5,368	2,000	7,368
Debt due within 1 year	(160)	(62)	(222)
Debt due after 1 year	(6,282)	(1,278)	(7,560)
<b>Net funds</b>	<b>(1,074)</b>	<b>660</b>	<b>(414)</b>

There were no major non-cash transactions in the year.

#### 26 Pension and similar obligations

The College's employees belong to two principal pension schemes, the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non teaching staff, which is managed by Tameside Council. Both are defined-benefit schemes.

	2015	2014
	£'000	£'000
<b>Total pension cost for the year</b>		
Teachers Pension Scheme: contributions paid	1,669	1,685
Local Government Pension Scheme:		
Contributions paid	1,113	1,190
FRS 17 charge	335	418
Charge to the Income and Expenditure Account (staff costs)	1,448	1,608
Enhanced pension charge to Income and Expenditure Account (staff costs)	16	17
<b>Total pension contributions paid for the year</b>	<b>3,133</b>	<b>3,310</b>
Pension contributions paid in respect of prior year	(227)	-
<b>Total pension cost for the year</b>	<b>2,906</b>	<b>3,310</b>

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. At 31 July, there were no outstanding or prepaid contributions due to the scheme (2014: £341,000 due to the schemes included in creditors of which £119,000 related to LGPS and £222,000 related to TPS).

#### 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.

#### The Teachers' Pension Budgeting and Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act.

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



## Salford City College Notes to the Accounts (continued)

### for the year ended 31 July 2015

#### Valuation of the Teachers' Pension Scheme

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

- employer contribution rates were set at 16.4% of pensionable pay (plus a 0.08% levy for administration);
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations

The new employer contribution rate for the TPS 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 will commence on 1 April 2015.

The pension costs paid to TPS in the year amounted to £1,539,000 (2014: £1,685,000).

#### FRS 17

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

Accordingly, the College has taken advantage of the exemption in FRS17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The College has set out above the information available on the scheme and the implications for the College in terms of the anticipated contribution rates.

#### Local Government Pension Scheme

The Local Government Pension Scheme ("LGPS") is a funded defined benefit scheme, with assets held in separate trustee administered funds. The total contribution made for the year ended 31 July 2014 was £1,515,000 of which employer's contributions totalled £1,113,000 and employees' contributions totalled £402,000. The agreed contribution rates for future years are 18.2% for employers, and range from 5.5% to 12.5% for employees, depending on salary.

# Salford City College Notes to the Accounts (continued)

## for the year ended 31 July 2015

### FRS17

### Principal Actuarial Assumptions

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

	At 31 July 2015	At 31 July 2014
Rate of Increase in salaries	3.8%	3.8%
Inflation assumption (CPI)	2.6%	2.7%
Discount rate for scheme liabilities	3.6%	4.0%
Rate of Increase for pensions	2.6%	2.7%
Expected return on assets	3.6%	5.8%
Commutation of pensions to lump sums	55.0%	55.0%

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

	At 31 July 2015	At 31 July 2014
Current Pensioners		
Males	21.4	21.4
Females	24.0	24.0
Future Pensioners		
Males	24.0	24.0
Females	26.6	26.6

	At 31 July 2015		At 31 July 2014	
	Long-term rate of return expected	Fair value £'000	Long-term rate of return expected	Fair value £'000
Equities	3.6%	22,294	6.6%	20,327
Bonds	3.6%	5,652	3.6%	5,153
Property	3.6%	2,198	4.7%	1,718
Cash	3.6%	1,256	3.6%	1,431
<b>Total market value of assets</b>		<b>31,400</b>		<b>28,629</b>
Present value of scheme liabilities				
Present value of funded scheme liabilities		(44,983)		(39,261)
<b>Deficit in the scheme</b>		<b>(13,583)</b>		<b>(10,632)</b>

**Salford City College Notes to the Accounts (continued)**

**for the year ended 31 July 2015**

**26 Pension and similar obligations (continued)**

**Analysis of the amount charged to Income and expenditure account**

	2015 £'000	2014 £'000
Service cost	1,432	1,529
<b>Total operating charge</b>	<b>1,432</b>	<b>1,529</b>

**Analysis of pension finance costs**

	2015 £'000	2014 £'000
Expected return on pension scheme assets	1,693	1,525
Interest on pension liabilities	(1,591)	(1,543)
<b>Pension finance costs</b>	<b>102</b>	<b>(18)</b>

**Actual return on plan assets**

	2015 £'000	2014 £'000
Actual return on plan assets	1,992	1,255

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

	2015 £'000	2014 £'000
Actuarial gains on pension scheme assets	299	289
Actuarial losses on scheme liabilities	(3,017)	(3,424)
<b>Actuarial losses recognised in STRGL</b>	<b>(2,718)</b>	<b>(3,135)</b>

**Movement in deficit during the year**

	2015 £'000	2014 £'000
Deficit in scheme at 1 August	(10,632)	(7,061)
Movement in the year:		
Current service cost	(1,432)	(1,529)
Employer contributions	1,113	1,190
Past service costs	-	-
Losses on settlements and curtailments	(16)	(79)
Net interest on assets	102	(18)
Actuarial losses in respect of pension scheme	(2,718)	(3,135)
<b>Deficit in scheme at 31 July</b>	<b>(13,583)</b>	<b>(10,632)</b>

# Salford City College Notes to the Accounts (continued)

## for the year ended 31 July 2015

### 26 Asset and Liability Reconciliation (continued)

	2015 £'000	2014 £'000
Reconciliation of defined benefit obligation		
Opening defined benefit obligation	39,261	32,867
Current service cost	1,432	1,529
Interest cost	1,591	1,543
Contributions by Members	402	436
Experience losses on liabilities	-	-
Actuarial losses in respect of pension	3,017	3,424
Past service costs	-	-
Losses on curtailments	16	79
Estimated benefits paid	(736)	(617)
<b>Closing defined benefit obligation at 31 July</b>	<b>44,983</b>	<b>39,261</b>

### Pension and similar obligations

	2015 £'000	2014 £'000
Reconciliation of fair value of employer assets		
Opening fair value of employer assets	28,629	25,806
Expected return on assets	1,693	1,525
Contributions by Members	402	436
Contributions by Employer	1,113	1,190
Actuarial gains	299	289
Estimated benefits paid	(736)	(617)
<b>Closing fair value of employer assets</b>	<b>31,400</b>	<b>28,629</b>

The estimated value of employer contributions for the year ending 31 July 2016 is £1,022,000

History of experience gains and losses	At 31 July 2015	At 31 July 2014	At 31 July 2013	At 31 July 2012	At 31 July 2011
Difference between the expected and actual return on assets:					
Amounts £'000s	299	289	3,248	(718)	(227)
Experience gains and losses on scheme liabilities:					
Amounts £'000s	287	(811)	-	(301)	1,872
<b>Total amount recognised in STRGL</b>					
Amounts £'000s	(2,718)	(3,135)	2,661	(4,560)	2,741

### 27 Capital commitments

	2015 £'000	2014 £'000
Commitments contracted for at 31 July	454	170
Authorised but not contracted at 31 July	195	2,439

## Salford City College Notes to the Accounts (continued)

### for the year ended 31 July 2015

#### 28 Financial commitments

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

	2015 £'000	2014 £'000
Land and buildings		
Expiring within one year	5	4
Expiring within two and five years inclusive	38	97
Expiring in over five years	542	572
	<u>585</u>	<u>673</u>
Other		
Expiring within one year	60	-
Expiring within two and five years inclusive	12	113
Expiring in over five years	-	-
	<u>72</u>	<u>113</u>

#### 29 Contingent liability

There are no contingent liabilities (2013/14: none).

#### 30 Related party transactions

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

The total expenses paid to or on behalf of the Governors during the year was £52.35; 2 governors (2013/14 £130.40; 2 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events on their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2013/14: None).

#### Salford Academy Trust

Salford City College is the sponsor of Salford Academy Trust. Salford Academy Trust comprises of the Albion Academy, Marlborough Road Academy and Dukesgate Academy. Sales to Salford Academy Trust (including individual academies within the Trust) amounted to £66,462 in the year (2014: £107,000) which related to the supply of goods and services. A balance of £32,954 remains outstanding at the year end and is included in year end debtors (2014: £9,000). The following employees of Salford City College are directors of Salford Academy Trust:

	Salford City College	Salford Academy Trust
Leon Dowd	Vice Principal - Quality	Chair
Warren O'Donovan	Director of Human Resources	Director

Transactions with the SFA and the EFA are detailed in notes 2 and 18.

#### E4Jobs Limited

E4Jobs Limited is a wholly owned subsidiary of Salford City College. The College made payments on behalf of E4Jobs Limited of £47,391 in the year (2014: £55,598). A balance of £90,504 remains outstanding at the year end and is included in year end debtors (2014: £43,113).

#### 31 Amounts disbursed as agent

##### Learner support funds

	2015 £'000	2014 £'000
Funding body grants – hardship support	1,615	1,592
Disbursed to students	(1,109)	(1,528)
Administration costs	(52)	(27)
Deferred income carried forward	-	-
Balance unspent as at 31 July, included in creditors	<u>454</u>	<u>37</u>

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 Income and expenditure account.

