



## **Salford City College**

Report and Financial Statements

Year ended 31 July 2017

# **Salford City College Report and Financial Statements for the year ended 31 July 2017**

## **Key Management Personnel, Corporation and Professional advisers**

### **Key management personnel**

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

Mr Michael Sheehan, Principal, Accounting Officer (commenced 3/7/16)  
Mr John Spindler, Principal and CEO; Accounting officer (left 30/6/17)  
Mr Michael J Walsh, Deputy Principal  
Mrs Tracy Kitchingman, Director – Financial Operations (commenced 12/9/16)  
Mr Saf Arfan, Vice Principal Development/Innovation  
Mr Warren O'Donovan, Director – Human Resources  
Miss Rebekah Wilkins, Director – Marketing & Learner Services (left 31/7/17)

### **Corporation**

A full list of the Members of the Corporation is given on page 10 of these financial statements.

Mr N Tyrer acted as Clerk to the Corporation throughout the period.

### **Professional advisers**

#### **Financial statements auditors and reporting accountants:**

Mazars LLP  
One St Peter's Square  
Manchester  
M2 3DE

#### **Internal auditors:**

RSM Risk Assurance Services LLP  
St Philips Point  
Temple row  
Birmingham  
B2 5AF

#### **Bankers:**

Lloyds Bank plc	Barclays Bank plc
1st Floor	PO Box 4132
31-32 Park Row	5 <sup>th</sup> Floor
Leeds	51 Mosley Street
LS1 5JD	Manchester M60 1UB

#### **Solicitors:**

DWF LLP Solicitors	Walker Morris	Eversheds LLP
Centurion House	Kings Court	Eversheds House
129 Deansgate	12 King Street	70 Great Bridgewater Street
Manchester	Leeds	Manchester
M2 3WQ	LS1 2HL	M1 5ES

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# Salford City College Report and Financial Statements for the year ended 31 July 2017

## Report of the Corporation

### NATURE, OBJECTIVES AND STRATEGIES:

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

#### 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.

#### Vision and Aims

Following the appointment of the new Principal, the Corporation reviewed the College's mission and in July 2017 adopted:

***Our Vision: To be a beacon of educational excellence transforming the lives of the individuals and communities we serve.***

#### OUR AIMS:

##### **WE AIM TO:**

- 2.1 Deliver outstanding quality in terms of teaching and learning and the student experience.*
- 2.2 Provide outstanding levels of student care with an emphasis on educating the whole person, employability skills and positive progression outcomes.*
- 2.3 Create a college community with core values at its heart.*
- 2.4 Nurture our staff and students so that we have high levels of morale, together with creativity, innovation and excellence.*
- 2.5 Put high standards at the heart of all that we do. In our pursuit of excellence, we recognise that individually and collectively we can always improve.*

##### **TO SUPPORT THE ACHIEVEMENT OF OUR AIMS WE WILL:**

- 2.6 Seek to prosper as an independent organisation working in partnership with others to contribute to local, regional and national priorities.*
- 2.7 Maintain a comprehensive offer for all abilities and ages, valuing all our students equally and promoting equality and diversity.*
- 2.8 Invest in and modernise our campuses.*
- 2.9 Maintain financial stability through effective cost control and growth in 16-18 students, Higher Education, Apprenticeships, adult and full cost recovery provision.*
- 2.10 Strive to become sector-leading in all our activities with appropriate benchmarking against 'Best in Class' organisations, Sixth Form Colleges and General Further Education Colleges.*

#### Public Benefit

Salford City College is an exempt charity under the Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Education. The members of the Corporation, who are trustees of the charity, are disclosed on page 10.

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

# **Salford City College Report and Financial Statements for the year ended 31 July 2017**

## **Public Benefit (continued)**

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.
- Links with Local Enterprise Partnerships (LEPs)

## **Strategic plan**

In July 2017, following the revision of the College's Vision and Aims, three key strategic objectives have been set:

### **OUR OBJECTIVES:**

#### **QUALITY**

*To become a Grade 1 (Outstanding) college with:*

- *Grade 3 (Excellent) Alps\* or equivalent on all courses by September 2019.*
- *All areas of the College exceeding national achievement rates by a minimum of 5%.*

#### **GROWTH**

- *By September 2019 to increase the number of 16-18 students enrolling at the College together with expansion of Higher Education, Apprentices, adult and full cost recovery provision.*

#### **EFFICIENCY**

- *By September 2019 to be classified by the ESFA as having 'good' financial performance with sound finances leading to organisational stability.*

## **Financial objectives**

The key ongoing financial objectives are:

- Generation of an operating surplus position (2016/17: £1,023k surplus excluding effects of FRS 102 (28)).
- Achievement of a "good" financial health rating from Skills Funding Agency (2016/17: "good").
- Achievement of an adjusted current ratio of 1.0 (2016/17: 0.75).
- Maintenance of cash days of 30 (2016/17: 43).

## **Performance indicators**

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 Education and Skills Funding Agency ("ESFA"). The College is assessed by the ESFA as having "Good" financial health grading. The current rating of "good" is considered an acceptable outcome.

## **FINANCIAL POSITION**

### **Financial results**

The College generated a surplus before other gains and losses in the year of £77k (2015/16 – surplus of £426k), with total comprehensive income of £5,415k, (2015/16 – (£2,657k)).

During the year, the College incurred restructuring costs. The College generated a surplus of £1,393k before exceptional restructuring and FRS102 (28) costs (2015/16: £1,952k surplus).

The College has accumulated reserves of £10,555k and cash balances of £4,322k. The College wishes to continue to accumulate reserves and cash balances to create a contingency fund and fund the development of the College estate.

# Salford City College Report and Financial Statements for the year ended 31 July 2017

## Financial results (continued)

The Financial health assessments are based on operating results excluding FRS 102 (28) adjustments.

	2016/17	2015/16	2014/15	2013/14	2012/13
Current ratio (adjusted)	0.75	1.23	1.47	1.42	1.77
Cash days in hand	43	71	68	47	51
Operating surplus (deficit) / income	0.21%	1.2%	0.7%	(4.0)%	2.7%
Pay costs / income	61.16%	63.1%	63.5%	71.3%	63.4%
Pay costs (excluding restructuring)/ income	57.55%	61.1%	61.6%	67.8%	63.1%

Tangible Fixed Asset additions during the year amounted to £7,501k. This was split between freehold land & buildings £58k, property improvements of £4,192k, fixtures and fittings pf £961k, equipment purchases of £1,147k and assets under the course of construction £1,143k.

The College continues to rely significantly on the education sector funding bodies as its principal funding source, largely from recurrent grants. In 2016/17 the FE funding bodies provided 88% of the College's total income (2015/16: 87%).

The College has one subsidiary company, E4Jobs Ltd. Any surplus generated by the subsidiary is transferred to the College under deed of covenant. In the current year, E4Jobs Ltd generated a small deficit of £17.

## 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. 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 £6,248k (2015/16: £2,758k). The College's overall net cash outflow is £2,605k, after financing £8,262k of tangible fixed assets purchases and debt servicing costs of £597k.

## 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.

## Reserves

The College has no formal Reserves Policy, but recognises the importance of reserves in the financial stability of an organisation, whilst ensuring that adequate resources are provided for the College's core business. The College currently holds no restricted reserves. As at the balance sheet date, the Income and Expenditure account reserve stands at £10,555k (2016: £5,100k). It is the Corporation's intention to increase reserves over the life of the Strategic Plan, by the generation of annual operating surpluses.

# **Salford City College Report and Financial Statements for the year ended 31 July 2017**

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

### **Student numbers**

In 2016/17 the College delivered activity against its main funding body allocations as follows:

- 16 – 18 Funding Allocation £23,313k excluding transitional protection with 4,195 learners (compared to £24,188k with 5,133 learners in 2015/16).
- Adult Skills Budget allocation of £5,547k (compared to £5,654k in 2015/16).
- 16 – 18 Apprentices allocation of £1,075k (compared to £1,053k in 2015/16).
- Community Learning allocation of £5,457k (compared to £967k in 2015/16).

### **Student achievements**

Achievement rates at the College continue to be good, and, in the case of apprenticeships, are outstanding.

The overall 16-18 achievement rate shows a vast improvement at 87.9% compared to a 19+-success rate of 88.2%. The overall Apprenticeship success rate is 79.6%.

Level 3 achievement rates were above the national average at 90.8% for 16-18 students (2015/16: 87.6%) and equalling national base rate at 88.2 for 19+ students (2015/16: 85.9%).

### **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 6 (2015/16: 4).

For BTEC the college maintained a value added score of 5 (2015/16: 5).

### **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 four schools since September 2012 – The Albion Academy, Marlborough Road Academy, Dukesgate Academy and Irlam and Cadishead College. The Salford Academy Trust is a related party of Salford City College and transactions with the Trust are included in note 23.

### **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.

# **Salford City College Report and Financial Statements for the year ended 31 July 2017**

## **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 team briefings. Formal representation of staff is through the recognised trade unions. In addition, staff are able to elect a staff member of the Corporation. There is also a regular student newsletter and a student representative on the Corporation. Each year students are invited to give feedback to the College through enrolment, induction and learner satisfaction surveys.

## **Future developments**

The College has revised its Vision, Aims and Objectives, establishing clear emphasis on Quality, Efficiency and Growth. Initially, a two year period of consolidation to enable future significant change to support the College's key aims: to establish financial stability and invest in quality improvement.

## **Events after the end of the reporting period**

On the 30th October 2017, the College completed and exchanged contracts for the sale of part of the land at the Walkden campus. The College received £1.75m (before costs of sale).

## **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 £11.23 million of net assets (including £13.1 million pension liability) and total long term debt of £7.3 million which includes £0.3 million due within one year.

### **People**

The College employed an average of 527 people (expressed as full time equivalents), of whom 278 were teaching staff.

### **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. The College markets its provision under the banners of Eccles Sixth Form College, Pendleton Sixth Form College and Salford College of Further Education.

## **Curriculum Developments**

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.

## **PRINCIPAL RISKS AND UNCERTAINTIES**

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

Based on the strategic plan, 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.



# **Salford City College Report and Financial Statements for the year ended 31 July 2017**

## **PRINCIPAL RISKS AND UNCERTAINTIES (continued)**

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.

### **Government funding**

The College has considerable reliance on continued government funding through the further education sector funding bodies. In 2016/17 88% of the College's revenue was ultimately public funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The College is aware of several issues which may impact on future funding, including apprenticeship reforms and the devolution of the adult education budget. The College, in conjunction with its key stakeholders, is developing a strategy for growth in response to the devolution agenda and to the apprenticeships reform. It is recognised that the introduction of the apprenticeship levy will significantly affect that marketplace though the full implications are not yet known as government policy continues to develop

This risk is mitigated in a number of ways:

- Funding is derived through a number of direct and indirect contractual arrangements.
- 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 Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS 102.

This risk is mitigated by an agreed deficit recovery plan with the Greater Manchester Pension Scheme.

# **Salford City College Report and Financial Statements for the year ended 31 July 2017**

## **Failure to maintain the financial viability of the College**

The College's current financial health grade is classified as "Good" as described above. Notwithstanding that, the continuing challenge to the College's financial position remains the constraint on further education funding arising from the ongoing cuts in public sector spending whilst maintaining the student experience. This risk is mitigated in a number of ways:

- By rigorous budget setting procedures and sensitivity analysis
- Regular in year budget monitoring
- Robust financial controls
- Exploring ongoing procurement efficiencies

## **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 and the Greater Manchester Combined Authority;
- 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.

## **Equality**

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.

The Single Equality Scheme supports the monitoring of the protected characteristics of students and staff so that continuous improvement can be achieved. 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 the Corporation.

# **Salford City College Report and Financial Statements for the year ended 31 July 2017**

## **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 auditor**

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

Approved by order of the members of the Corporation on 18 December 2017 and signed on its behalf by:

  
J. Flynn  
Chair

# **Salford City College Report and Financial Statements for the year ended 31 July 2017**

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

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1st August 2016 to 31st July 2017 and up to the date of approval of the annual report and financial statements

The College endeavours to conduct its business:

- i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii. in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance ("the 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 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 members of the Corporation, the College complies with the provisions of the Code, and it has complied throughout the year ended 31 July 2017. The Corporation recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted in August 2015.

The College is an exempt charity within the meaning of Part 3 of the Charities Act 2011. The members of the Corporation 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.

# Salford City College Report and Financial Statements for the year ended 31 July 2017

## 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
Jackie Flynn	Extended 21 March 2016	31 July 2019	Independent member	<b>Chair of Corporation</b> Strategy Finance & Resources (Chair) Quality and Standards Governance and Search (Vice Chair) Remuneration (Chair) Committee of Chairs (Chair) Human resources & Organisational Development	25/25
Stella Bowdell	Appointed 29 June 2015	Resigned 27 March 2016	Independent member	Human Resources & Organisational Development Governance and Search	7/7
Charles Davies	Co-opted Member from March 2017	March 2018	Co-opted Member	Human Resources and Organisational Development Strategy Finance & Resources	7/7
Ann Gavin Daley	Extended 21 March 2016	Resigned from Corporation 19 December 2016	Independent member	Quality and Standards (Vice Chair) Human resources & Organisational Development (Chair) Remuneration Committee of Chairs Strategy Finance & Resources	6/7
Sally Hanson	Full member From March 2017	31 March 2020	Independent member	Audit (Vice Chair) Quality and Standards	12/13
Lindsay Harford	Extended 21 March 2016	31 July 2018	Independent member	Quality and Standards (Chair) Committee of Chairs Audit	16/19
Sue Hilton	Extended 28 June 2017	31 December 2017	Staff	Governance and Search Audit	9/13
Paul Johnson	Reappointed 21 March 2016	31 July 2020	Independent member	Audit (Chair) Remuneration Committee of Chairs	14/17
Anthony Redmond	Appointed 23 March 2015	29 June 2018	Independent member	Audit Human resources and Organisational Development (Vice Chair)	10/11
Professor Carole Roberts	Extended 21 March 2016	31 July 2018	Independent member	Strategy Finance & Resources (Vice Chair) Committee of Chairs Remuneration (Vice Chair)	18/19
Michael Sharples	Appointed 14 Dec 2015	31 Dec 2019	Independent member	Strategy Finance & Resources	7/11
John Spindler	Effective from 20 April 2015	Resigned 30 June 2017	CEO/Principal	Human Resources & Organisational Development Governance and Search Quality and Standards Strategy Finance & Resources Committee of Chairs	19/20
Michael Sheehan	Effective from 3 July 2017	UFN	Principal	Human Resources & Organisational Development Governance and Search Quality and Standards Strategy Finance & Resources Committee of Chairs	0/0
Pat Walkington	Extended 21 March 2016	31 July 2019	Independent member	<b>Vice chair of Corporation</b> Governance and Search (Chair) Human resources and Organisational Development Remuneration Committee of Chairs (Vice Chair) Quality and Standards (Vice Chair) Strategy Finance and Resources	25/26
Josh Bates	Appointed 1 <sup>st</sup> August 2016.	31 July 2017	Student	Quality and Standards	0/8
Mr N Tyrer, a former retail banker, acts as Clerk to the Corporation.					

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

## **Salford City College Report and Financial Statements for the year ended 31 July 2017**

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Corporation meets at least once a 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 and Resources, Human Resources & Organisational Development, Remuneration, Governance & Search, Quality & Standards, Committee of Chairs 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  
Frontier House  
Merchants Quay  
Salford  
M50 3SR

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

All members of the Corporation 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 members 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.

The Corporation undertakes an annual Self-Assessment of its performance against a wide range of criteria. In line with the OFSTED criteria for Leadership and Management within the Common Inspection Framework, it assessed itself as Good. This assessment is in line with the OFSTED view of Leadership and Management undertaken during their inspection in November 2015.

### **Remuneration Committee**

In the year ending 31 July 2017, 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 2017 are set out in note 6 to the financial statements.

# **Salford City College Report and Financial Statements for the year ended 31 July 2017**

## **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 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 2017 and up to the date of approval of the annual report and accounts.

### ***Capacity to handle risk***

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the year ending 31 July 2017 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

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

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

- comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Corporation;
- regular reviews by the Corporation of periodic and annual financial reports which indicate financial performance against forecasts;

# Salford City College Report and Financial Statements for the year ended 31 July 2017

## ***The risk and control framework (continued)***

- 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 *ESFA's Post 16 Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. At minimum annually, the Head of Internal Audit (HIA) provides the Corporation with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

## ***Review of effectiveness***

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. 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 2017 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2017 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2017.

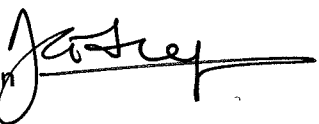
Based on the advice of the Audit Committee and the Accounting Officer, the Corporation is of the opinion that the College has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for "*the effective and efficient use of resources,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

## ***Going concern***

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements. Refer to note 1 to the financial statements for further information.

Approved by order of the members of the Corporation on 18 December 2017 and signed on its behalf by:

J. Flynn  
Chair



M. J. Sheehan  
Accounting Officer





## **Salford City College Report and Financial Statements for the year ended 31 July 2017**

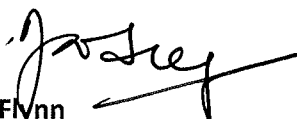
### **Statement on Regularity, Propriety and Compliance**

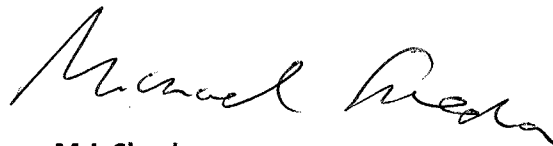
The Corporation has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the college's financial memorandum. As part of our consideration we have had due regard to the requirements of the financial memorandum.

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

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

Approved by order of the members of the Corporation on 18 December 2017 and signed on its behalf by:

  
J. Flynn  
Chair

  
M.J. Sheehan  
Accounting Officer

# **Salford City College Report and Financial Statements for the year ended 31 July 2017**

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

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

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

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

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

The Corporation is also required to prepare a Report of the Corporation 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 ESFA are used only in accordance with the Financial Memorandum with the ESFA 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 ESFA are not put at risk.

Approved by order of the members of the Corporation on 18 December 2017 and signed on its behalf by:

  
J. Flynn  
Chair

# **Salford City College Report and Financial Statements for the year ended 31 July 2017**

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

### **Opinion**

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

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2017 and of the College's surplus of income over expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

### **Basis for opinion**

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

### **Conclusions relating to going concern**

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

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

### **Other information**

The Corporation is responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

# **Salford City College Report and Financial Statements for the year ended 31 July 2017**

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

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

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- the information given in the report of the Members of the Corporation, including the operating and financial review and statement of corporate governance, is inconsistent with the financial statements; and
- we have not received all the information and explanations we require for our audit.

## **Responsibilities of Corporation**

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 15, the Corporation are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## **Auditor's responsibilities for the audit of the financial statements**

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

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK). Those standards require us to comply with the Financial Reporting Council's Ethical Standard. This report is made solely to the Corporation as a body, in accordance with Article 24 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.

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

*Mazars LLP*

Mazars LLP  
Chartered Accountants and Statutory Auditor  
One St Peter's Square  
Manchester  
M2 3DE

*20th December 2017*

Date

# **Salford City College Report and Financial Statements for the year ended 31 July 2017**

## **Reporting Accountant's Assurance on Regularity**

### **To: The corporation of Salford City College and Secretary of State for Education acting through the Department for Education ("the Department")**

In accordance with the terms of our engagement letter dated 20 September 2017 and further to the requirements of the financial memorandum with the Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Salford City College during the period 1 August 2016 to 31 July 2017 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

This report is made solely to the corporation of Salford City College and the Department 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 the Department 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 the Department 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 Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2016 to 31 July 2017 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

### **Approach**

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

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

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

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

# Salford City College Report and Financial Statements for the year ended 31 July 2017

## Reporting Accountant's Assurance on Regularity (continued)

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 2016 to 31 July 2017 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



**Mazars LLP**  
Chartered Accountants and Statutory Auditor  
One St Peter's Square  
Manchester  
M2 3DE



**Date**

**Salford City College**  
**Statement of Comprehensive Income**

	Notes	Year ended 31 July	
		2017	2016
		£'000	£'000
<b>INCOME</b>			
Funding body grants	2	31,728	32,541
Tuition fees and education contracts	3	2,210	1,946
Other income	4	2,623	1,680
Investment income	5	5	20
<b>Total Income</b>		<b>36,566</b>	<b>36,187</b>
<b>EXPENDITURE</b>			
Staff costs	6	21,087	22,105
Restructuring costs	6	370	741
Other operating expenses	7	11,115	9,633
Depreciation	10	3,135	2,413
Interest and other finance costs	8	782	869
<b>Total Expenditure</b>		<b>36,489</b>	<b>35,761</b>
<b>Surplus before other gains, losses and tax</b>		<b>77</b>	<b>426</b>
Taxation	9	-	-
<b>Surplus for the year</b>		<b>77</b>	<b>426</b>
Actuarial gain/(loss) in respect of pension schemes	22	5,338	(3,083)
<b>Total Comprehensive Income for the year</b>		<b>5,415</b>	<b>(2,657)</b>

The notes on pages 24 to 39 form part of these financial statements.

**Salford City College**  
**Statement of Changes in Reserves**

	Income and Expenditure account £'000	Revaluation reserve £'000	Total £'000
Balance at 1st August 2015	7,723	749	8,472
Surplus from the income and expenditure account	426	-	426
Other comprehensive income	(3,083)	-	(3,083)
Transfers between revaluation and income and expenditure reserves	34	(34)	-
Total comprehensive income for the year	(2,623)	(34)	(2,657)
Balance at 31st July 2016	5,100	715	5,815
Surplus from the income and expenditure account	77	-	77
Other comprehensive income	5,338	-	5,338
Transfers between revaluation and income and expenditure reserves	41	(41)	-
Total comprehensive income for the year	5,456	(41)	5,415
Balance at 31st July 2017	10,556	674	11,230

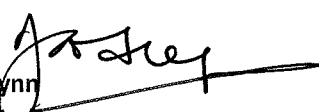
The notes on pages 24 to 39 form part of these financial statements.



**Salford City College**  
**Balance Sheet as at 31 July 2017**

	Notes	2017 £'000	2016 £'000
<b>Non current assets</b>			
Tangible Fixed assets	10	42,621	38,449
Investments	11	-	-
		<u>42,621</u>	<u>38,449</u>
<b>Current assets</b>			
Stocks		16	33
Trade and other receivables	12	1,197	978
Cash and cash equivalents	17	4,322	6,927
		<u>5,535</u>	<u>7,938</u>
<b>Less: Creditors – amounts falling due within one year</b>	13	(7,907)	(6,981)
<b>Net current assets</b>		<u>(2,372)</u>	<u>957</u>
<b>Total assets less current liabilities</b>		<b>40,249</b>	<b>39,406</b>
Creditors – amounts falling due after more than one year	14	(15,741)	(15,908)
<b>Provisions</b>			
Defined benefit obligations	16	(13,059)	(17,451)
Other provisions	16	(220)	(232)
<b>Total net assets</b>		<u><b>11,229</b></u>	<u><b>5,815</b></u>
<b>Unrestricted Reserves</b>			
Income and expenditure account		10,555	5,100
Revaluation reserve		674	715
<b>Total unrestricted reserves</b>		<u><b>11,229</b></u>	<u><b>5,815</b></u>

The financial statements were approved and authorised for issue by the Corporation on 18 December 2017 and were signed on its behalf on that date by:

  
J. Flynn  
Chair

  
M. Sheehan  
Accounting Officer

The notes on pages 24 to 39 form part of these financial statements.

**Salford City College**  
**Statement of Cash Flows**

	Notes	2017 £'000	2016 £'000
<b>Cash inflow from operating activities</b>			
Surplus for the year		77	426
<b>Adjustment for non cash items</b>			
Depreciation		3,135	2,413
Assets disposals - Pendleton fire		193	-
Decrease in stocks		17	15
(Increase)/decrease in debtors		(219)	236
Increase/(decrease) in creditors due within one year		1,673	(1,117)
Decrease/(increase) in creditors due after one year		86	(357)
(Decrease)/increase in provisions		(12)	2
Pensions costs less contributions payable		946	785
Investment income		(5)	(20)
Interest payable		357	375
Loss on sale of fixed assets		-	-
<b>Net cash flow from operating activities</b>		<u>6,248</u>	<u>2,758</u>
<b>Cash flows from investing activities</b>			
Investment income		5	20
Payments made to acquire fixed assets		(8,262)	(2,622)
<b>Net cash flow from investing activities</b>		<u>(8,257)</u>	<u>(2,602)</u>
<b>Cash flows from financing activities</b>			
Interest paid		(357)	(375)
Repayments of amounts borrowed		(240)	(222)
<b>Net cash flow from financing activities</b>		<u>(597)</u>	<u>(597)</u>
<b>Decrease in cash and cash equivalents in the year</b>		<u>(2,605)</u>	<u>(441)</u>
<b>Cash and cash equivalents at beginning of the year</b>	17	6,927	7,368
<b>Cash and cash equivalents at end of the year</b>	17	4,322	6,927

The notes on pages 24 to 39 form part of these financial statements.

# **Salford City College Report and Financial Statements for the year ended 31 July 2017**

## **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 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2016 to 2017* and in accordance with Financial Reporting Standard 102 – “*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

#### **Basis of accounting**

The financial statements are prepared in accordance with the historical cost convention as modified by the use of previous valuations as deemed cost at transition for certain non-current assets.

#### **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 2017 and at 31 July 2016 are immaterial to the Group.

#### **Going concern**

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

The College currently has £7.3m of unsecured loans outstanding with bankers. In addition the College has £4.3m cash available. The terms of the existing agreements, at 31 July 2017, 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 3.9% until 18 March 2021 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 at least twelve months from the date of approval of these financial statements, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

#### **Recognition of income**

##### **Revenue grant funding**

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

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

# **Salford City College Report and Financial Statements for the year ended 31 July 2017**

## **Notes to the Accounts (continued)**

### ***Revenue grant funding (continued)***

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

### ***Capital grant funding***

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

### ***Fee income***

Income from tuition fees is stated gross of any expenditure which is not a discount and is recognised in the period for which it is received.

### ***Investment income***

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

### ***Agency arrangements***

The College acts as an agent in the collection and payment of certain discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

### **Accounting for post-employment benefits**

Post-employment benefits to employees of the College are principally provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit plans, which are externally funded.

#### ***Teachers' Pension Scheme (TPS)***

The TPS is an unfunded scheme. 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 payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method.

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

#### ***Greater Manchester Local Government Pension Scheme (LGPS)***

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

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

Actuarial gains and losses are recognised immediately in actuarial gains and losses.

# **Salford City College Report and Financial Statements for the year ended 31 July 2017**

## **Notes to the Accounts (continued)**

### **Short term Employment benefits**

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

### **Enhanced pensions**

The actual cost of any enhanced ongoing pension to a former member of staff is paid by a college annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the College's income 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.

### **Non-current Assets - Tangible fixed assets**

#### **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 income account within creditors, 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. The deferred income is allocated between creditors due within one year and those due after more than one year.

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 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1996, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

#### **Assets under construction**

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

#### **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.

# **Salford City College Report and Financial Statements for the year ended 31 July 2017**

## **Notes to the Accounts (continued)**

### **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:

#### **Equipment**

Motor vehicles and general equipment – 5 – 10 years.

Computer equipment – 5 years.

Fixtures and fittings – 5 – 15 years.

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

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

### **Leased assets**

Costs in respect of operating leases are charged on a straight-line basis over the lease term to the statement of Comprehensive Income. Any lease premiums or incentives relating to leases signed after 1<sup>st</sup> August 2014 are spread over the minimum lease term. The College has taken advantage of the transitional exemptions in FRS 102 and has retained the policy of spreading lease premiums and incentives to the date of the first market rent review for leases signed before 1<sup>st</sup> August 2014.

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as finance leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

### **Investments in subsidiaries**

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

### **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.

### **Cash and cash equivalents**

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

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

# **Salford City College Report and Financial Statements for the year ended 31 July 2017**

## **Notes to the Accounts (continued)**

### **Taxation**

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

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

### **Financial liabilities and equity**

Financial liabilities and equity are classed according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

All loans, investments and short term deposits held by the college are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basis financial instruments are subsequently measured at amortised cost, however the College has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical costs. Loans and investments that are payable or receivable within one year are not discounted.

### **Provisions and contingent liabilities**

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.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the statement of comprehensive income in the period it arises.

A contingent liability arises from a past event that gives the College a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the balance sheet but are disclosed in the notes to the financial statements.

### **Judgements in applying accounting policies and key sources of estimation uncertainty**

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

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the College's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.

# **Salford City College Report and Financial Statements for the year ended 31 July 2017**

## **Notes to the Accounts (continued)**

### **Judgements in applying accounting policies and key sources of estimation uncertainty (continued)**

#### *Other key sources of estimation uncertainty*

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 22, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.



**Salford City College Report and Financial Statements  
for the year ended 31 July 2017**

**Notes to the Accounts (continued)**

**2 Funding body grants**

	2017 £'000	2016 £'000
<b>Recurrent grants</b>		
Education and Skills Funding Agency - adult	6,488	5,889
Education and Skills Funding Agency – 16 -18	22,490	24,188
Education and Skills Funding Agency - apprenticeships	2,127	1,794
Higher Education Funding council	7	33
<b>Specific grants</b>		
Education and Skills Funding Agency – 16 -18	-	81
Higher Education Funding council	103	-
Releases of government capital grants	513	556
<b>Total</b>	<b>31,728</b>	<b>32,541</b>

**3 Tuition fees and education contracts**

	2017 £'000	2016 £'000
Adult Education fees	432	369
Fees for FE loan supported courses	353	97
Fees for HE loan supported courses	122	91
International students fees		
Total tuition fees	907	557
Education contracts	1,303	1,389
<b>Total</b>	<b>2,210</b>	<b>1,946</b>

**4 Other Income**

	2017 £'000	2016 £'000
Residences, catering and conferences	690	835
Other income generating activities	292	421
Other grants and contracts	59	25
ESF Co-financing	-	15
Other income	470	384
Insurance receipts re Pendleton fire	1,112	-
<b>Total</b>	<b>2,623</b>	<b>1,680</b>

**5 Investment income**

	2017 £'000	2016 £'000
Other interest receivable	5	20

**Salford City College Report and Financial Statements  
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**Notes to the Accounts (continued)**

**6 Staff costs**

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

	2017 No.	2016 No.
Teaching staff	278	308
Non teaching staff	249	281
	<b>527</b>	<b>589</b>

**Staff costs for the above persons**

	2017 £'000	2016 £'000
Wages and salaries	16,294	18,074
Release of Holiday Pay Accrual	(7)	(669)
Social security costs	1,547	1,484
Other pension costs (incl. FRS102(28.11) adjustments £521k (2016: £291k))	2,834	2,827
<b>Payroll sub total</b>	<b>20,668</b>	<b>21,716</b>
Contracted out staffing services	419	389
	<b>21,087</b>	<b>22,105</b>

Restructuring costs - Contractual	370	741
<b>Total staff costs</b>	<b>21,457</b>	<b>22,846</b>

**Key management personnel**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Executive which comprises the Principal, Deputy and Vice Principals and Directors of Human Resources, Finance and Marketing and Learner services.

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

	2017 No.	2016 No.
The number of key management personnel including the Accounting Officer was:	<b>7</b>	<b>8</b>

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

	Key management personnel		Other staff	
	2017 No.	2016 No.	2017 No.	2016 No.
£60,001 to £70,000	2	2	-	2
£70,001 to £80,000	2	2	-	-
£80,001 to £90,000	-	1	-	-
£90,001 to £100,000	1	2	-	-
£100,001 to £110,000	-	-	-	-
£110,001 to £120,000	-	-	-	-
£120,001 to £130,000	-	-	-	-
£130,001 to £140,000	-	-	-	-
£140,001 to £150,000	2	1 *	-	-
£150,001 to £160,000	-	-	-	-
£160,001 to £170,000	-	-	-	-
£170,001 to £180,000	-	-	-	-
	<b>7</b>	<b>8</b>	<b>-</b>	<b>2</b>

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

**Key management personnel compensation is made up as follows:**

	2017 £'000	2016 £'000
Salaries	644	587
Compensation for loss of office	57	-
Employers National Insurance	78	67
	<b>779</b>	<b>654</b>
Pension contributions	90	99
<b>Total key management personnel compensation</b>	<b>869</b>	<b>753</b>

**Salford City College Report and Financial Statements  
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**Notes to the Accounts (continued)**

The compensation payments in year, included above, reflect in full the payments paid to 2 key management personnel.

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

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

	2017 £'000	2016 £'000
<b>Chief Executive Officer/Principal</b>		
Salaries	11	-
Pension contributions	-	-
	<u>11</u>	<u>-</u>
<b>Former Chief Executive Officer/Principal</b>		
Salaries	212	140
Compensation for loss of office	35	-
Pension contributions	22	23
	<u>269</u>	<u>163</u>
	<u>280</u>	<u>163</u>

The salary cost for the former CEO includes payment in full for contractual notice period.

The severance payment was approved by the College's Corporation.

**7 Other operating expenses**

	2017 £'000	2016 £'000
Teaching costs	2,589	2,301
Non teaching costs	4,554	4,410
Premises costs	3,095	2,922
Loss on disposal of assets	1	-
Other Costs incurred as a result of the Pendleton campus fire	683	-
Disposal and impairment of assets - Pendleton fire (note 10)	193	-
<b>Total</b>	<u>11,115</u>	<u>9,633</u>

**Other operating expenses include:**

	2017 £'000	2016 £'000
<b>Auditors' remuneration:</b>		
Financial statements audit	30	34
Internal audit	23	29
SubContracting Assurance Report	4	-
Other services provided by the internal auditors *	8	-
Hire of other assets – operating leases	844	645

\* In relation to an additional ad hoc report on specific issues

**8 Interest payable and other finance costs**

	2017 £'000	2016 £'000
On bank loans, overdrafts and other loans:	357	375
Pension finance costs (note 22)	425	494
<b>Total</b>	<u>782</u>	<u>869</u>

**9 Taxation**

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

**Salford City College Report and Financial Statements  
for the year ended 31 July 2017**

**Notes to the Accounts (continued)**

**10 Tangible fixed assets**

	Freehold Land and Buildings £'000	Property Improvements £'000	Fixtures & Fittings £'000	Equipment £'000	Assets under the course of construction £'000	Total £'000
<b>Cost or valuation</b>						
At 1 August 2016	38,939	8,706	3,518	7,368	3,017	61,548
Assets under construction transferred	7	1,804	47	1,157	(3,015)	-
Additions	58	4,192	961	1,147	1,143	7,501
Disposal	-	-	-	(7)	-	(7)
Assets disposals - Pendleton fire *	(481)	(78)	(3)	(76)	-	(638)
<b>At 31 July 2017</b>	<b>38,523</b>	<b>14,624</b>	<b>4,523</b>	<b>9,589</b>	<b>1,145</b>	<b>68,404</b>
<b>Depreciation</b>						
At 1 August 2016	11,262	2,237	3,118	6,482	-	23,099
Charge for the year	677	1,291	284	883	-	3,135
Elimination in respect of disposals	-	-	-	(6)	-	(6)
Depreciation on disposals - Pendleton fire *	(341)	(37)	(3)	(64)	-	(445)
<b>At 31 July 2017</b>	<b>11,598</b>	<b>3,491</b>	<b>3,399</b>	<b>7,295</b>	<b>-</b>	<b>25,783</b>
<b>Net book value at 31 July 2017</b>	<b>26,925</b>	<b>11,133</b>	<b>1,124</b>	<b>2,294</b>	<b>1,145</b>	<b>42,621</b>
<b>Net book value at 31 July 2016</b>	<b>27,677</b>	<b>6,469</b>	<b>400</b>	<b>886</b>	<b>3,017</b>	<b>38,449</b>

The fixed assets include assets purchased in respect of the insurance claim resulting from the fire at the Pendleton campus. The insurance receipt and other costs are identified in notes 4 and 7

\* Fixed assets destroyed or damaged as a result of the fire at the Pendleton campus

**11 Non-current Investments**

	2017 £'000	2016 £'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, the principal activity being apprenticeship training. E4Jobs Limited experienced limited no trading during the year. E4Jobs generated a deficit for the year of £17 and has a net deficit of £7,251 at 31 July 2017.

**12 Trade and other receivables**

	2017 £'000	2016 £'000
Amounts falling due within one year:		
Trade receivables	231	192
Related party debtors (note 22)	-	3
Intercompany debtors	93	90
Prepayments and accrued income	873	693
<b>Total</b>	<b>1,197</b>	<b>978</b>

**Salford City College Report and Financial Statements  
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**Notes to the Accounts (continued)**

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

	2017 £'000	2016 £'000
Bank loans (note 15)	253	240
Trade payables	1,323	547
Other taxation and social security	428	428
Accruals and deferred income	4,335	3,724
Holiday pay accrual	4	11
Deferred income - government capital grants	524	535
Fixed asset creditor	696	1,457
Other creditors	344	39
<b>Total</b>	<b>7,907</b>	<b>6,981</b>

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

	2017 £'000	2016 £'000
Bank loans (note 15)	7,067	7,320
Deferred income - government capital grants	8,674	8,588
<b>Total</b>	<b>15,741</b>	<b>15,908</b>

**15 Maturity of debt**

**Bank loans**

Bank loans are repayable as follows:

	2017 £'000	2016 £'000
In one year or less	253	240
Between one and two years	264	252
Between two and five years	3,239	3,299
In five years or more	3,564	3,769
<b>Total</b>	<b>7,320</b>	<b>7,560</b>

At 31 July 2017, 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 3.86% until 18 March 2021 and a £5,375,000 unsecured loan at a fixed rate of 5.367% falling due between August 2009 and May 2034.

**16 Provisions**

	Defined benefit obligations £'000	Enhanced pensions £'000	Total £'000
At 1 August 2016	17,451	232	17,683
Expenditure in the period	(912)	(16)	(928)
Transferred from income and expenditure account	(3,480)	4	(3,476)
<b>At 31 July 2017</b>	<b>13,059</b>	<b>220</b>	<b>13,279</b>

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 22.

The enhanced pension provision relates to the cost of staff who have already left the College's employ and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:

	2017	2016
Price inflation	2.30%	2.30%
Discount rate	1.30%	1.30%

**Salford City College Report and Financial Statements  
for the year ended 31 July 2017**

**Notes to the Accounts (continued)**

**17 Cash and cash equivalents**

At 1 August 2016	Cash flows	At 31 July 2017
£'000	£'000	£'000
6,927	(2,605)	4,322
<u>6,927</u>	<u>(2,605)</u>	<u>4,322</u>

Cash in hand, and at bank

**18 Capital commitments**

	2017	2016
	£'000	£'000
Commitments contracted for at 31 July	<u>358</u>	<u>948</u>
Authorised but not contracted at 31 July	<u>178</u>	<u>4,735</u>

**19 Lease obligations**

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

	2017	2016
	£'000	£'000
<b>Future minimum lease payments due:</b>		
Land and buildings		
Expiring within one year	578	534
Expiring within one and two years inclusive	578	496
Expiring within two and five years inclusive	1,794	1,237
Expiring in over five years	<u>12,993</u>	<u>11,160</u>
	<u>15,943</u>	<u>13,427</u>
<b>Other</b>		
Expiring within one year	96	69
Expiring within one and two years inclusive	59	62
Expiring within two and five years inclusive	<u>11</u>	<u>59</u>
	<u>166</u>	<u>190</u>

**20 Contingent liability**

There are no contingent liabilities (2015/16: none).

**21 Events after the reporting period**

On the 30th October 2017, the College completed and exchanged contracts for the sale of part of the land at the Walkden campus. The College received £1.75m (before costs of sale).

**22 Defined benefit obligations**

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

	2017	2016
	£'000	£'000
<b>Total pension cost for the year</b>		
Teachers Pension Scheme: contributions paid	1,359	1,529
Local Government Pension Scheme:		
Contributions paid	950	1,161
FRS 102 (28) charge	<u>521</u>	<u>291</u>
Charge to the Statement of comprehensive Income	1,471	1,452
Enhanced pension charge to Statement of Comprehensive Income	<u>4</u>	<u>17</u>
<b>Total Pension Cost for Year within staff costs</b>	<u>2,834</u>	<u>2,998</u>
Pension contributions paid in respect of prior year	-	(171)
<b>Total Pension Cost for Year within staff costs</b>	<u>2,834</u>	<u>2,827</u>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2017.

At 31 July, there was £191k outstanding employer's contributions due to the two schemes (£108k TPS and £83k GMPF) which were both paid over in August 2017 (2016: NONE).

# Salford City College Report and Financial Statements for the year ended 31 July 2017

## Notes to the Accounts (continued)

### 22 Defined benefit obligations (continued)

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

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

#### Valuation of the Teachers' Pension Scheme

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

- employer contribution rates were set at 16.48% 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 assumed real rate of return is 3.0% in excess of price and 2% in excess of earnings. The real rate of earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%

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

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 £2,121,000 (2016: £1,529,000).

#### FRS 102 (28)

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

Accordingly, the College has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined contribution 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 LGPS is a funded defined benefit plan, with assets held in separate funds administered by Tameside Local Authority. The total contribution made for the year ended 31 July 2017 was £1,242k of which employer's contributions totalled £912k and employees' contributions totalled £330k. The agreed contribution rates for future years are 19.6% for employers, and range from 5.5% to 12.5% for employees, depending on salary.

**Salford City College Report and Financial Statements  
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**Notes to the Accounts (continued)**

**22 Defined benefit obligations (continued)**

**Principal Actuarial Assumptions**

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

	At 31 July 2017	At 31 July 2016
Rate of increase in salaries	3.3%	3.2%
Future pensions increases	2.5%	1.9%
Discount rate for scheme liabilities	2.7%	2.4%
Inflation assumption (CPI)	2.4%	1.9%
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 2017	At 31 July 2016
<i>Retiring today</i>		
Males	21.5	21.4
Females	24.1	24.0
<i>Retiring in 20 years</i>		
Males	23.7	24.0
Females	26.2	26.6

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

	At 31 July 2017	At 31 July 2016
	Fair value	Fair value
	£'000	£'000
Equities	28,591	26,240
Bonds	6,353	6,111
Property	2,383	1,797
Cash	2,383	1,797
<b>Total market value of assets</b>	<b>39,710</b>	<b>35,945</b>
<b>Weighted average expected long term rate of return</b>	<b>2.7%</b>	
<b>Actual return on plan assets</b>	<b>3,498</b>	<b>3,805</b>

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

	2017 £'000	2016 £'000
Fair value of plan assets	39,710	35,945
Present value of plan liabilities	(52,769)	(53,396)
<b>Net pensions liability (Note 16)</b>	<b>(13,059)</b>	<b>(17,451)</b>

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

	2017 £'000	2016 £'000
<b>Amounts included in staff costs</b>		
Current service cost	1,428	1,422
Past service cost	5	30
<b>Total</b>	<b>1,433</b>	<b>1,452</b>

**Amounts included in interest payable**

Net interest expense	(425)	(494)
	<b>(425)</b>	<b>(494)</b>

**Amounts recognised in Other Comprehensive Income**

Return on pension plan assets excluding amounts included in net interest	2,633	2,661
Experience gains arising on defined benefit obligations	5,202	520
Changes in assumptions underlying the present value of plan liabilities	(2,497)	(6,264)
<b>Amount recognised in Other Comprehensive Income</b>	<b>5,338</b>	<b>(3,083)</b>



**Salford City College Report and Financial Statements  
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**Notes to the Accounts (continued)**

**22 Defined benefit obligations (continued)**

Movement in net defined benefit liability during the year	2017 £'000	2016 £'000
Net defined liability in scheme at 1 August	(17,451)	(13,583)
Movement in the year:		
Current service cost	(1,428)	(1,422)
Employer contributions	912	1,161
Losses on settlements and curtailments	(5)	(30)
Net interest on the defined liability	(425)	(494)
Actuarial gain or loss	5,338	(3,083)
<b>Net defined benefit liability at 31 July</b>	<b>(13,059)</b>	<b>(17,451)</b>
<b>Asset and Liability Reconciliation</b>	<b>2017</b>	<b>2016</b>
<b>Changes in the present value of defined benefit</b>	<b>£'000</b>	<b>£'000</b>
<b>Defined benefit obligations at start of period</b>	<b>53,396</b>	<b>44,983</b>
Current service cost	1,428	1,422
Interest cost	1,290	1,638
Contributions by Scheme participants	330	369
Experience losses on defined benefit obligations	(5,202)	(520)
Actuarial losses in respect of pension	2,497	6,264
Curtailments and settlements	5	30
Estimated benefits paid	(975)	(790)
<b>Defined benefit obligations at end of period</b>	<b>52,769</b>	<b>53,396</b>
<b>Changes in fair value of plan assets</b>	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
<b>Fair value of plan assets at start of period</b>	<b>35,945</b>	<b>31,400</b>
Interest on plan assets	2,633	2,661
Return on plan assets less interest on plan assets	865	1,144
Contributions by Scheme participants	330	369
Employer contributions	912	1,161
Actuarial gains		
Estimated benefits paid	(975)	(790)
<b>Fair value of plan assets at end of period</b>	<b>39,710</b>	<b>35,945</b>

**23 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 £425.45; 2 governors (2015/16 £439.29; 4 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 (2015/16: 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 £50,463 in the year (2016: £33,328) which related to the supply of goods and services. There is no balance outstanding at the year end (2016: £2,990). The following employees of Salford City College are directors of Salford Academy Trust:

Michael J Walsh  
Warren O'Donovan

**Salford City College**  
Deputy Principal  
Director of Human Resources

**Salford Academy Trust**  
Chair  
Director (terminated 01/08/17)

**E4Jobs Limited**

E4Jobs Limited is a wholly owned subsidiary of Salford City College. The College made no payments on behalf of E4Jobs Limited in the year (2016: £2,651). A balance of £93,155 remains outstanding at the year end and is included in year end debtors (2016: £93,155).

**Salford City College Report and Financial Statements  
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**Notes to the Accounts (continued)**

**24 Amounts disbursed as agent**

**Learner support funds**

	2017 £'000	2016 £'000
Funding body grants – hardship support	714	1,690
Disbursed to students	(481)	(1,044)
Administration costs	(38)	(67)
Deferred income carried forward	-	-
Balance unspent as at 31 July, included in creditors	<u>195</u>	<u>579</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.