



Salford City College

Report and Financial Statements

Year ended 31 July 2016

Salford City College Report and Financial Statements for the year ended 31 July 2016

Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

Key management personnel are defined as members of the College Executive and were represented by the following in 2015/16:

Mr John Spindler, Principal and CEO; Accounting officer
Mr Leon Dowd, Vice Principal (left 15/4/16)
Mrs Jackie Moores, Deputy Principal (left 31/10/15)
Mr Michael J Walsh, Deputy Principal (commenced 05/10/15)
Ms Julie Barnes, Director – Finance (left 22/7/16)
Mr Saf Arfan, Vice Principal Development/Innovation
Mr Warren O'Donovan, Director – Human Resources
Miss Rebekah Wilkins, Director – Marketing & Learner Services

Board of Governors

A full list of Governors 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
The Lexicon
Mount Street
Manchester
M2 5NT

Internal auditors:

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

Bankers:

Lloyds Bank plc
1st Floor
31-32 Park Row
Leeds
LS1 5JD

Barclays Bank plc
PO Box 4132
5th Floor
51 Mosley Street
Manchester M60 1UB

Solicitors:

DWF LLP Solicitors
Centurion House
129 Deansgate
Manchester
M2 3WQ

Walker Morris
Kings Court
12 King Street
Leeds
LS1 2HL

Eversheds LLP
Eversheds House
70 Great Bridgewater Street
Manchester
M1 5ES

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Report of the Governing Body

NATURE, OBJECTIVES AND STRATEGIES:

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

Legal status

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

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

Mission

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

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

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

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

Values

The College will be characterised by:

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

Specifically, the College will:

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

Public Benefit

Salford City College is an exempt charity under the Part 3 of the Charities Act 2011 and from 1st September 2013, is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on page 10.

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

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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.

Strategic plan

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

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

The College is on target to achieve these objectives.

Financial objectives

The key ongoing financial objectives are:

- Generation of an operating surplus position (2015/16: £1,211k surplus excluding effects of FRS 102 (28)).
- Achievement of a "good" financial health rating from Skills Funding Agency (2015/16: "good").
- Achievement of an adjusted current ratio of 1.0 (2015/16: 1.23).
- Maintenance of cash days of 30 (2015/16: 71).

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 Skills Funding Agency. The Finance Record produces a 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 £426k (2014/15 – deficit of £213k), with total comprehensive income of (£2,657k), (2014/15 – (£2,400k)).

During the year, the College incurred significant restructuring costs. The College generated a surplus of £1,952k before exceptional restructuring and FRS102 (28) costs (2014/15: £1,293k surplus).

The College has accumulated reserves of £5,099k and cash balances of £6,927k. The College wishes to continue to accumulate reserves and cash balances to create a contingency fund and fund the development of the College estate.

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Financial results (continued)

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

	2015/16	2014/15	2013/14	2012/13	2011/12
Current ratio (adjusted)	1.23	1.47	1.42	1.77	2.49
Cash days in hand	71	68	47	51	92
Operating surplus (deficit) / income	1.2%	0.7%	(4.0)%	2.7%	5.2%
Pay costs / income	63.1%	63.5%	71.3%	63.4%	61.3%
Pay costs (excluding restructuring)/ income	61.1%	61.6%	67.8%	63.1%	61.6%

Tangible Fixed Asset additions during the year amounted to £3,625k. This was split between property improvements of £543k, fixtures, fittings and equipment purchases of £65k and assets under the course of construction £3,017k.

The College continues to rely significantly on the education sector funding bodies as its principal funding source, largely from recurrent grants. In 2015/16 the education sector funding bodies provided 87% of the College's total income (2014/15: 89%).

The College has one subsidiary company, E4Jobs Ltd. The principal activity of E4Jobs Ltd is the training of employees on behalf of employers as well as training for NEETS. Any surplus generated by the subsidiary is transferred to the College under deed of covenant. In the current year, E4Jobs Ltd generated a small deficit of £3k.

Treasury policies and objectives

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

The College has a separate treasury management policy in place.

Short term borrowing for temporary revenue purposes is authorised by the College's Accounting Officer. Such arrangements are restricted by limits in the College's Financial Memorandum agreed with the Skills Funding Agency. All other borrowing requires the authorisation of the Corporation and complies with the requirements of the Financial Memorandum.

Cash Flows

The College's operating cash inflow was £2,759k (2014/15: £3,964k). The College's overall net cash outflow is £441k, after financing £2,622k 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 £5,099k (2015: £7,723k). It is the Corporation's intention to increase reserves over the life of the Strategic Plan, by the generation of annual operating surpluses.

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CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2015/16 the College delivered activity against its main funding body allocations as follows:

- 16 – 18 Funding Allocation £24,188k excluding transitional protection with 5,133 learners (compared to £24,805k with 5,489 learners in 2014/15).
- Adult Skills Budget allocation of £5,654k (compared to £7,796k in 2014/15).
- 16 – 18 Apprentices allocation of £1,053k compared to £923k in 2014/15.
- Community Learning allocation of £967k compared to £967k in 2014/15.

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 is 81.4% and the 19+ success rate is 90.6%. The overall Apprenticeship success rate is 84.6%.

Level 3 achievement rates were above the national average at 87.6% for 16-18 students (2014/15: 89.2%) and 85.9% for 19+ students (2014/15: 89.7%).

At A2 Level, students also surpassed the national average pass rate by achieving an overall pass rate of 99% (2014/15: 99%).

Value Added

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

At A level, the College achieved a value added score of 4 (2014/15: 4).

For BTEC the college achieved a value added score of 5 (2014/15: 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 three schools on the 1 September 2012 – The Albion Academy, Marlborough Road Academy and Dukesgate Academy. The Salford Academy Trust is a related party of Salford City College and transactions with the Trust are included in note 22.

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.

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Staff and student involvement

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

Future developments

The college is in the early stages of delivering its Strategic Plan 2015-20; curriculum specialisation has already been achieved by removing duplicate provision across the city of Salford. Within the strategy is a property strategy which includes the intention to dispose of land at the Walkden campus and acquisition of a further property at the FutureSkills centre.

The strategy has also involved the introduction of the annual business review which ensures the sustainability of the organisation.

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 £5.8 million of net assets (including £17.5 million pension liability) and total long term debt of £7.6 million which includes £0.2 million due within one year.

People

The College employed an average of 589 people (expressed as full time equivalents), of whom 308 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. Salford City College continues to market its sixth form provision under the banners of the former colleges: Eccles College and Pendleton College.

Curriculum Developments

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

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

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

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PRINCIPAL RISKS AND UNCERTAINTIES (continued)

should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the Risk Management Group will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

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

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

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

Government funding

The College has considerable reliance on continued government funding through the further education sector funding bodies. In 2015/16 90% of the College's revenue was ultimately public funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The College understands the main impact on future funding:

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

This risk is mitigated in a number of ways:

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

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STAKEHOLDER RELATIONSHIPS

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

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

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

Environmental statement

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

Diversity, equal opportunities and employment of disabled persons

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

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

The College considers all applications from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion, which are, as far as possible, identical to those for other employees. An equalities plan is published each year and monitored by managers and governors.

Disability statement

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


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

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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 19 December 2016 and signed on its behalf by:


J. Flynn
Chair

Salford City College Report and Financial Statements for the year ended 31 July 2016

Statement of Corporate Governance and Internal Control

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

The College endeavours to conduct its business:

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

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

In the opinion of the Governors, the College complies with the provisions of the Code, and it has complied throughout the year ended 31 July 2016. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The English Colleges' Foundation Code of Governance issued by the Association of Colleges in December 2011, which it formally adopted in March 2012.

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

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The Corporation

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

Member	Date of appointment	Term of Office Ends	Status of appointment	Committees served	Attendance
Mohammed Amin	Appointed 23 March 2015	Resigned 28 September 2015	Independent member	Audit Governance and Search	0/1
Jackie Flynn	Extended 21 March 2016	31 July 2019	Independent member	Chair of Corporation Strategy Finance & Resources (Chair) Quality and Standards Governance and Search (Vice Chair) Remuneration (Chair) Committee of Chairs (Chair) Human resources & Organisational Development	23/26
Stella Bowdell	Appointed 29 June 2015	31 December 2016	Co-opted member	Human Resources & Organisational Development Governance and Search	5/12
John Buckley	Reappointed 1 August 2013	Resigned 23 June 2015	Independent member	Strategy Finance & Resources (from March 2016) Audit (up to March 2016)	10/10
Ann Gavin Daley	Extended 21 March 2016	31 July 2018	Independent member	Quality and Standards (Vice Chair) Human resources & Organisational Development (Chair) Remuneration Committee of Chairs Strategy Finance & Resources	20/23
Sally Hanson	Co-opted member From 21 March 2016	31 March 2017	Co-opted member	Audit	6/6
Lindsay Harford	Extended 21 March 2016	31 July 2018	Independent member	Quality and Standards (Chair) Strategy Finance & Resources (up to March 16) Committee of Chairs Audit (from March 2016)	15/19
Peter Henry	Appointed 13 February 2012	Term Ended 31 January 2016	Independent member	Governance and Search	3/4
Sue Hilton	Reappointed 29 June 2015	31 July 2017	Staff	Governance and Search Audit	12/14
Paul Johnson	Reappointed 21 March 2016	31 July 2020	Independent member	Audit (Chair) Remuneration Committee of Chairs	13/17
Anthony Redmond	Appointed 23 March 2015	29 June 2018	Independent member	Audit Human resources and Organisational Development	10/10
Professor Carole Roberts	Extended 21 March 2016	31 July 2018	Independent member	Strategy Finance & Resources (Vice Chair) Committee of Chairs Remuneration (Vice Chair) Capital	14/17
Michael Sharples	Appointed 14 Dec 2015	31 Dec 2016	Co-opted member	Strategy Finance & Resources	3/8
John Spindler	Effective from 20 April 2015		CEO/Principal	Human Resources & Organisational Development Governance and Search Quality and Standards Strategy Finance & Resources Committee of Chairs Capital	24/25
Pat Walkington	Extended 21 March 2016	31 July 2019	Independent member	Vice chair of Corporation Audit (Vice Chair) Governance and Search (Chair) Human resources and Organisational Development (Vice Chair) Capital Remuneration Committee of Chairs (Vice Chair) Quality and Standards	23/26
Rebecca Knowles	Appointed for 2015-16 29 June 2015	31 July 2016	Student	Quality and Standards	6/10

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

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The Corporation (continued)

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

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

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Strategy & Finance, Human Resources, Remuneration, Search, Standards, Capital and Audit. Full minutes of all meetings, except those deemed to be confidential by the Corporation are available on the College's website www.salfordcc.ac.uk 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 governors. The register is available for inspection at the above address.

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

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

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

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

Appointments to the Corporation

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

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

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 2016, 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 2016 are set out in note 6 to the financial statements.

Salford City College Report and Financial Statements for the year ended 31 July 2016

Audit Committee

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

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

The College's internal auditors review the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit Committee.

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

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

Internal control

Scope of responsibility

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

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Salford City College for the year ended 31 July 2016 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the year ending 31 July 2016 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 governing body;
- regular reviews by the governing body 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 2016

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

Review of effectiveness

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

- the work of the internal auditors;
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework; and
- comments made by the College's financial statements auditor, the regularity auditor, 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.

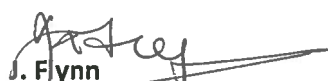
The Principal and senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Chief Executive 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 2016 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2016 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2016.

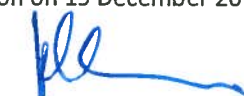
Based on the advice of the Audit Committee and the Accounting Officer, the Corporation is of the opinion that the College has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for "*the effective and efficient use of resources,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

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 19 December 2016 and signed on its behalf by:


J. Flynn
Chair


J. Spindler
Accounting Officer

Salford City College Report and Financial Statements for the year ended 31 July 2016

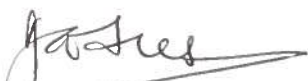
Governing Body's statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding

The Corporation has considered its responsibility to notify the Skills Funding Agency of material irregularity, impropriety and non-compliance with Skills Funding Agency terms and conditions of funding, under the financial memorandum in place between the College and the Skills Funding Agency. As part of our consideration we have had due regard to the requirements of the financial memorandum.

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

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

Approved by order of the members of the Corporation on 19 December 2016 and signed on its behalf by:



J. Flynn
Chair



J. Spindler
Accounting Officer

Salford City College Report and Financial Statements for the year ended 31 July 2016

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the Financial Memorandum agreed between the Skills Funding Agency and the Corporation of the College, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the 2015 Statement of Recommended Practice - Accounting for Further and Higher Education Institutions and with the Accounts Direction for 2015 to 2016 financial statements issued jointly by the Skills Funding Agency and the Education Funding Agency, 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.

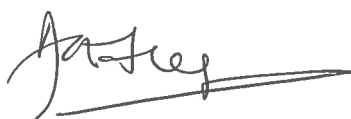
The Corporation is also required to prepare a Report of the Governing body which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

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

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

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

Approved by order of the members of the Corporation on 19 December 2016 and signed on its behalf by:



J. Flynn
Chair

Salford City College Report and Financial Statements for the year ended 31 July 2016

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

We have audited the financial statements of Salford City College for the year ended 31 July 2016 which comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, the Balance Sheet, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'the Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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

Respective responsibilities of the Corporation and auditor

As explained more fully in the Statement of Responsibilities of the Member of the Corporation set out on page 15, the Corporation are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2016 and of the College's surplus of income over expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Matters on which we are required to report by exception

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

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

Mazars LLP

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

20 December 2016
Date

Salford City College Report and Financial Statements for the year ended 31 July 2016

Reporting Accountant's Assurance on Regularity

To: The Corporation of Salford City College and Secretary of State for Education acting through the Skills funding Agency.

In accordance with the terms of our engagement letter dated 10 August 2016 and further to the requirements of the financial memorandum with Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Salford City College during the period 1 August 2015 to 31 July 2016 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

Respective responsibilities of Salford City College and the reporting accountant

The Corporation of Salford City College is responsible, under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Joint Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2015 to 31 July 2016 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

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

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

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

Salford City College Report and Financial Statements for the year ended 31 July 2016

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

Mazars LLP

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

20 December 2016

Date

Salford City College
Statement of Comprehensive Income

	Notes	Year ended 31 July	
		2016 £'000	2015 £'000
INCOME			
Funding body grants	2	32,541	35,479
Tuition fees and education contracts	3	1,946	1,812
Other income	4	1,680	2,135
Investment income	5	20	18
Total Income		36,187	39,444
EXPENDITURE			
Staff costs	6	22,105	24,309
Fundamental restructuring costs	6	741	742
Other operating expenses	7	9,633	11,234
Depreciation	10	2,413	2,592
Interest and other finance costs	8	869	780
Total Expenditure		35,761	39,657
Surplus/(deficit) before other gains and losses		426	(213)
Loss on disposal of assets		-	(2)
Surplus/(deficit) before tax		426	(215)
Taxation	9	-	-
Surplus/deficit) for the year		426	(215)
Actuarial loss in respect of pension schemes	21	(3,083)	(2,185)
Total Comprehensive Income for the year		(2,657)	(2,400)

The notes on pages 23 to 38 form part of these financial statements.

Salford City College
Statement of Changes in Reserves


	Income and Expenditure account £'000	Revaluation reserve £'000	Total £'000
Restated balance at 1st August 2014	10,082	790	10,872
Deficit from the income and expenditure account	(215)		(215)
Other comprehensive income	(2,185)		(2,185)
Total comprehensive income for the year	(2,400)	-	(2,400)
Transfers between revaluation and income and expenditure reserves	41	(41)	-
Balance at 31st July 2015	7,723	749	8,472
Surplus from the income and expenditure account	426		426
Other comprehensive income	(3,083)		(3,083)
Total comprehensive income for the year	(2,657)	-	(2,657)
Transfers between revaluation and income and expenditure reserves	34	(34)	-
Balance at 31st July 2016	5,100	715	5,815

The notes on pages 23 to 38 form part of these financial statements.

Salford City College
Balance Sheet as at 31 July 2016

	Notes	2016 £'000	Restated 2015 £'000
Non current assets			
Tangible Fixed assets	10	38,449	37,237
Investments	11	-	-
		<u>38,449</u>	<u>37,237</u>
Current assets			
Stocks		33	48
Trade and other receivables	12	978	1,214
Cash and cash equivalents	17	6,927	7,368
		<u>7,938</u>	<u>8,630</u>
Less: Creditors – amounts falling due within one year	13	(6,981)	(7,077)
		<u>957</u>	<u>1,553</u>
Net current assets			
		<u>39,406</u>	<u>38,790</u>
Total assets less current liabilities			
Creditors – amounts falling due after more than one year	14	(15,908)	(16,505)
Provisions			
Defined benefit obligations	16	(17,451)	(13,583)
Other provisions	16	(232)	(230)
		<u>5,815</u>	<u>8,472</u>
Total net assets			
		<u>5,815</u>	<u>8,472</u>
Unrestricted Reserves			
Income and expenditure account		5,100	7,723
Revaluation reserve		715	749
		<u>5,815</u>	<u>8,472</u>
Total unrestricted reserves			
		<u>5,815</u>	<u>8,472</u>

The financial statements were approved and authorised for issue by the Corporation on 19 December 2016 and were signed on its behalf on that date by:


 J. Flynn
 Chair


 J. Spindler
 Accounting Officer

The notes on pages 23 to 38 form part of these financial statements.

Salford City College
Statement of Cash Flows

	Notes	2016 £'000	Restated 2015 £'000
Cash inflow from operating activities			
Surplus for the year		426	(215)
Adjustment for non cash items			
Depreciation		2,413	2,592
Decrease/(increase) in stocks		15	(35)
Decrease/(increase) in debtors		236	79
(Decrease)/increase in creditors due within one year		(1,118)	995
Decrease in creditors due after one year		(357)	(550)
Increase/(decrease) in provisions		2	(1)
Pensions costs less contributions payable		785	766
Adjustment for investing or financing activities			
Investment income		(20)	(18)
Interest payable		375	349
Loss on sale of fixed assets		-	2
Net cash flow from operating activities		<u>2,758</u>	<u>3,964</u>
Cash flows from investing activities			
Investment income		20	18
Payments made to acquire fixed assets		(2,622)	(2,989)
		<u>(2,602)</u>	<u>(2,971)</u>
Cash flows from financing activities			
Interest paid		(375)	(333)
New unsecured loans		-	1,500
Repayments of amounts borrowed		(222)	(160)
		<u>(597)</u>	<u>1,007</u>
(Decrease)/Increase in cash and cash equivalents in the year		<u>(441)</u>	<u>2,000</u>
Cash and cash equivalents at beginning of the year		7,368	5,368
Cash and cash equivalents at end of the year		6,927	7,368

The notes on pages 23 to 38 form part of these financial statements.

Salford City College Report and Financial Statements for the year ended 31 July 2016

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

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

Transition to the 2015 FE HE SORP

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

An explanation of how the transition to the 2015 FE HE SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the College is provided in note 24.

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

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

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention 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 2016 and at 31 July 2015 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 Operating and Financial Review. The financial position of the College, its cashflow, liquidity and borrowings are described in the Financial Statements and accompanying Notes.

The College currently has £7.6m of unsecured loans outstanding with bankers. In addition the College has £6.9m cash available. The terms of the existing agreements, at 31 July 2016, 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

Salford City College Report and Financial Statements for the year ended 31 July 2016

Going concern (continued)

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

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

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.

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.

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual method 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.

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.

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.

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 and contracted out of the State Second Pension.

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 the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

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 other comprehensive income.

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

Salford City College Report and Financial Statements for the year ended 31 July 2016

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, 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.

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

Salford City College Report and Financial Statements for the year ended 31 July 2016

Equipment (continued)

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.

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives relating to leases signed after 1st 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 1st 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.

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.

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.

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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 basic 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.

Agency arrangements

The College acts as an agent in the collection and payment of discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure account and are shown separately in Note 23, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant. The College employs staff dedicated to the administration of Learner Support fund applications and payments.

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.

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.

Salford City College Report and Financial Statements for the year ended 31 July 2016

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

- *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 21, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 July 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Salford City College Notes to the Accounts (continued)

for the year ended 31 July 2016

2 Funding body grants

	2016 £'000	2015 £'000 Restated
Recurrent grants		
Skills Funding Agency	5,889	7,928
Education Funding Agency	24,188	25,404
Higher Education Funding council	33	5
Specific grants		
Skills Funding Agency	1,794	1,487
Education Funding Agency	81	105
Releases of government capital grants	556	550
Total	32,541	35,479

3 Tuition fees and education contracts

	2016 £'000	2015 £'000 Restated
Adult Education fees		
Fees for FE loan supported courses	369	421
Fees for HE loan supported courses	97	171
International students fees	91	74
Total tuition fees	557	666
Education contracts	1,389	1,146
Total	1,946	1,812

4 Other Income

	2016 £'000	2015 £'000 Restated
Residences, catering and conferences		
Other income generating activities	835	988
Other grants and contracts	421	486
ESF Co-financing	25	231
Other income	15	171
Total	384	259
Total	1,680	2,135

5 Investment income

	2016 £'000	2015 £'000
Other interest receivable	20	18

Salford City College Notes to the Accounts (continued)

for the year ended 31 July 2016

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:

	2016 £'000	2015 £'000
Chief Executive Officer/Principal		
Salaries	140	38
Pension contributions	23	5
	<u>163</u>	<u>43</u>
Former Chief Executive Officer/Principal		
Salaries	-	174
Pension contributions	-	14
	<u>-</u>	<u>188</u>
	<u>163</u>	<u>231</u>

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

7 Other operating expenses

	2016 £'000	2015 £'000
Teaching costs	2,301	3,485
Non teaching costs	4,410	4,935
Premises costs	2,922	2,814
	<u>2,922</u>	<u>2,814</u>
Total	<u>9,633</u>	<u>11,234</u>

Other operating expenses include:

	2016 £'000	2015 £'000
Auditors' remuneration:		
Financial statements audit	34	24
Internal audit	29	27
Other services provided by the financial statements auditors *	-	5
Hire of other assets – operating leases	645	839
	<u>645</u>	<u>839</u>

* In relation to VAT advice

8 Interest payable and other finance costs

	2016 £'000	2015 £'000
On bank loans, overdrafts and other loans:	375	349
Pension finance costs (note 21)	494	431
	<u>494</u>	<u>431</u>
Total	<u>869</u>	<u>780</u>

9 Taxation

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

Salford City College Notes to the Accounts (continued)

for the year ended 31 July 2016

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:

	2016 No.	2015 No.
Teaching staff	308	347
Non teaching staff	281	328
	<u>589</u>	<u>675</u>
Staff costs for the above persons	2016 £'000	2015 £'000
Wages and salaries	18,074	19,685
Release of Holiday Pay Accrual	(669)	-
Social security costs	1,484	1,448
Other pension costs (incl. FRS17 adjustments £291k (2015: £335k))	2,827	2,906
	<u>21,716</u>	<u>24,039</u>
Payroll sub total	389	270
Contracted out staffing services		
	<u>22,105</u>	<u>24,309</u>
Fundamental restructuring costs - Contractual	741	742
Total staff costs	<u>22,846</u>	<u>25,051</u>

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

	2016 No.	2015 No.
The number of key management personnel including the Accounting Officer was:	<u>8</u>	<u>7</u>

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	
	2016 No.	2015 No.	2016 No.	2015 No.
£60,001 to £70,000	2	2	2	3
£70,001 to £80,000	2	2	-	1
£80,001 to £90,000	1	-	-	-
£90,001 to £100,000	2	1	-	-
£100,001 to £110,000	-	-	-	-
£110,001 to £120,000	-	-	-	-
£120,001 to £130,000	-	-	-	-
£130,001 to £140,000	-	1 *	-	-
£140,001 to £150,000	1	-	-	-
£150,001 to £160,000	-	-	-	-
£160,001 to £170,000	-	-	-	-
£170,001 to £180,000	-	1	-	-
	<u>8</u>	<u>7</u>	<u>2</u>	<u>4</u>

* 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:

	2016 £'000	2015 £'000
Salaries	587	515
Employers National Insurance	67	57
Benefits in kind	-	-
	<u>654</u>	<u>572</u>
Pension contributions	99	82
Total key management personnel compensation	<u>753</u>	<u>654</u>

Salford City College Notes to the Accounts (continued)

for the year ended 31 July 2016

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
Cost or valuation						
At 1 August 2015	38,939	8,163	3,518	7,303	-	57,923
Additions	-	543	-	65	3,017	3,625
At 31 July 2016	<u>38,939</u>	<u>8,706</u>	<u>3,518</u>	<u>7,368</u>	<u>3,017</u>	<u>61,548</u>
Depreciation						
At 1 August 2015	10,552	1,388	2,854	5,892	-	20,686
Charge for the year	710	849	264	590	-	2,413
At 31 July 2016	<u>11,262</u>	<u>2,237</u>	<u>3,118</u>	<u>6,482</u>	<u>-</u>	<u>23,099</u>
Net book value at 31 July 2016	<u>27,677</u>	<u>6,469</u>	<u>400</u>	<u>886</u>	<u>3,017</u>	<u>38,449</u>
Net book value at 31 July 2015	<u>28,387</u>	<u>6,775</u>	<u>664</u>	<u>1,411</u>	<u>-</u>	<u>37,237</u>

11 Non-current Investments

	2016 £'000	2015 £'000
Investment in subsidiary company	-	-
Total	<u>-</u>	<u>-</u>

The College owns 100% of the issued ordinary £1 shares of E4Jobs Limited, a company incorporated in England and Wales. E4Jobs Limited was incorporated on 6 May 2011. E4Jobs Limited experienced limited trading during the year. The principal activity is as an Apprenticeship Training Agency. E4Jobs generated a deficit for the year of £2k and has a net deficit of £7k at 31 July 2016.

12 Debtors

	2016 £'000	2015 £'000
Amounts falling due within one year:		
Trade receivables	192	448
Related party debtors (note 22)	3	33
intercompany debtors	90	91
Prepayments and accrued income	693	642
Total	<u>978</u>	<u>1,214</u>

Salford City College Notes to the Accounts (continued)

for the year ended 31 July 2016

13 Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Bank loans (note 15)	240	222
Payments received in advance	341	597
Trade payables	547	686
Other taxation and social security	428	434
Accruals and deferred income	3,383	2,812
Restructuring accrual	-	660
Holiday pay accrual	11	680
Deferred income - government capital grants	535	507
Fixed asset creditor	1,457	454
Other creditors	39	25
Total	6,981	7,077

14 Creditors: amounts falling due after one year

	2016 £'000	2015 £'000
Bank loans (note 15)	7,320	7,560
Deferred income - government capital grants	8,588	8,945
Total	15,908	16,505

15 Maturity of debt

Bank loans

Bank loans are repayable as follows:

	2016 £'000	2015 £'000
In one year or less	240	222
Between one and two years	252	238
Between two and five years	3,299	3,356
In five years or more	3,769	3,966
Total	7,560	7,782

At 31 July 2016, 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.

16 Provisions

	Defined benefit obligations £'000	Enhanced pensions £'000	Total £'000
At 1 August 2015	13,583	230	13,813
Expenditure in the year	(1,161)	(15)	(1,176)
Transferred from income and expenditure account	5,029	17	5,046
At 31 July 2016	17,451	232	17,683

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 21.

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:

	2016	2015
Price inflation	2.30%	3.46%
Discount rate	1.30%	1.75%

Salford City College Notes to the Accounts (continued)

for the year ended 31 July 2016

17 Cash and cash equivalents

	At 1 August 2015	Cash flows	At 31 July 2016
	£'000	£'000	£'000
Cash in hand, and at bank	<u>7,368</u>	<u>(441)</u>	<u>6,927</u>
	7,368	(441)	6,927

18 Capital commitments

	2016	2015
	£'000	£'000
Commitments contracted for at 31 July	<u>948</u>	<u>454</u>
Authorised but not contracted at 31 July	<u>4,735</u>	<u>195</u>

19 Lease obligations

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

	2016	2015
	£'000	£'000
Land and buildings		
Expiring within one year	534	534
Expiring within one and two years inclusive	496	534
Expiring within two and five years inclusive	1,237	1,237
Expiring in over five years	<u>11,160</u>	<u>11,775</u>
	<u>13,427</u>	<u>14,081</u>
Other		
Expiring within one year	69	69
Expiring within one and two years inclusive	62	72
Expiring within two and five years inclusive	<u>59</u>	<u>119</u>
	<u>190</u>	<u>260</u>

20 Contingent liability

There are no contingent liabilities (2014/15: none).

21 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.

	2016	2015
	£'000	£'000
Total pension cost for the year		
Teachers Pension Scheme: contributions paid	1,529	1,669
Local Government Pension Scheme:		
Contributions paid	1,161	1,113
FRS 102 (28) charge	291	335
Charge to the Statement of comprehensive income	<u>1,452</u>	<u>1,448</u>
Enhanced pension charge to Statement of Comprehensive Income	<u>17</u>	<u>17</u>
Total Pension Cost for Year within staff costs	<u>2,998</u>	<u>3,134</u>
Pension contributions paid in respect of prior year	<u>(171)</u>	<u>(227)</u>
Total Pension Cost for Year within staff costs	<u>2,827</u>	<u>2,907</u>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2013.

At 31 July, there were no outstanding or prepaid contributions due to the scheme (2015: NONE).

Salford City College Notes to the Accounts (continued)

for the year ended 31 July 2016

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

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

Valuation of the Teachers' Pension Scheme

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

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

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

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

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

Scheme Changes

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

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

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

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

The pension costs paid to TPS in the year amounted to £1,529,000 (2015: £1,669,000).

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 plan.

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

Local Government Pension Scheme

The 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 2016 was £1,519k of which employer's contributions totalled £1,161k and employees' contributions totalled £369k. The agreed contribution rates for future years are 18.2% for employers, and range from 5.5% to 12.5% for employees, depending on salary.

Salford City College Notes to the Accounts (continued)

for the year ended 31 July 2016

21 Defined benefit obligations (continued)

Principal Actuarial Assumptions

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

	At 31 July 2016	At 31 July 2015
Rate of increase in salaries	3.2%	3.8%
Future pensions increases	1.9%	2.6%
Discount rate for scheme liabilities	2.4%	3.6%
Inflation assumption (CPI)	1.9%	2.6%
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 2016	At 31 July 2015
<i>Retiring today</i>		
Males	21.4	21.4
Females	24.0	24.0
<i>Retiring in 20 years</i>		
Males	24.0	24.0
Females	26.6	26.6

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

	At 31 July 2016	At 31 July 2015
	Fair value	Fair value
	£'000	£'000
Equities	26,240	22,294
Bonds	6,111	5,652
Property	1,797	2,198
Cash	1,797	1,256
Total market value of assets	35,945	31,400

Weighted average expected long term rate of return

Actual return on plan assets	3,805	1,992
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The amount included in the balance sheet in respect of the defined benefit pension plan is as follows:

	2016	2015
	£'000	£'000
Fair value of plan assets	35,945	31,400
Present value of plan liabilities	(53,396)	(44,983)
Net pensions liability (Note 16)	(17,451)	(13,583)

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

	2016	2015
	£'000	£'000
Amounts included in staff costs		
Current service cost	1,422	1,432
Past service cost	30	16
Total	1,452	1,448

Amounts included in investment income

Net interest income	(494)	(431)
	(494)	(431)

Amounts recognised in Other Comprehensive Income

Return on pension plan assets excluding amounts included in net interest	2,661	832
Experience losses arising on defined benefit obligations	(6,264)	(3,304)
Changes in assumptions underlying the present value of plan liabilities	520	287
Amount recognised in Other Comprehensive Income	(3,083)	(2,185)

Salford City College Notes to the Accounts (continued)

for the year ended 31 July 2016

21 Defined benefit obligations (continued)

	2016 £'000	2015 £'000
Movement in net defined benefit (liability/asset during the year)		
Deficit in scheme at 1 August	(13,583)	(10,632)
Movement in the year:		
Current service cost	(1,422)	(1,432)
Employer contributions	1,161	1,113
Losses on settlements and curtailments	(30)	(16)
Net interest on the defined liability	(494)	(431)
Actuarial gain or loss	(3,083)	(2,185)
Net defined benefit liability at 31 July	<u>(17,451)</u>	<u>(13,583)</u>
Asset and Liability Reconciliation	2016	2015
Changes in the present value of defined benefit	£'000	£'000
Defined benefit obligations at start of period	44,983	39,261
Current service cost	1,422	1,432
Interest cost	1,638	1,591
Contributions by Scheme participants	369	402
Experience gains and losses on defined benefit obligations	(520)	(287)
Actuarial losses in respect of pension	6,264	3,304
Changes in financial assumptions		
Past service costs		-
Curtailments and settlements	30	16
Estimated benefits paid	(790)	(736)
Defined benefit obligations at end of period	<u>53,396</u>	<u>44,983</u>
Reconciliation of Assets	2016	2015
	£'000	£'000
Fair value of plan assets at start of period	31,400	28,629
Interest on plan assets	2,661	832
Return on plan assets less interest on plan assets	1,144	1,160
Contributions by Scheme participants	369	402
Employer contributions	1,161	1,113
Actuarial gains		
Estimated benefits paid	(790)	(736)
Assets at end of period	<u>35,945</u>	<u>31,400</u>

22 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 £439.29; 4 governors (2014/15 £52.35; 2 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events on their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2014/15: 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 £33,328 in the year (2015: £66,462) which related to the supply of goods and services. A balance of £2,990 remains outstanding at the year end and is included in year end debtors (2015: 32,954). The following employees of Salford City College are directors of Salford Academy Trust:

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

E4Jobs Limited

E4Jobs Limited is a wholly owned subsidiary of Salford City College. The College made payments on behalf of E4Jobs Limited of £2,651 in the year (2015: £47,391). A balance of £93,155 remains outstanding at the year end and is included in year end debtors (2015: £90,504).

Salford City College Notes to the Accounts (continued)

for the year ended 31 July 2016

23 Amounts disbursed as agent

Learner support funds

	2016 £'000	2015 £'000
Funding body grants – hardship support	1,690	1,615
Disbursed to students	(1,044)	(1,109)
Administration costs	(67)	(52)
Deferred income carried forward	-	-
Balance unspent as at 31 July, included in creditors	<u>579</u>	<u>454</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.

24 Transition to FRS 102 and the 2015 FE HE SORP

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

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

	Note	1st August 2014 £'000	31st July 2015 £'000
Financial Position			
Total reserves under previous SORP		11,386	8,951
Employee leave accrual	(a)	(736)	(680)
Release of non-government capital grants	(b)	218	197
Other adjustments		4	4
Total effect of transition to FRS 102 and 2015 FE HE SORP		<u>(514)</u>	<u>(479)</u>
Total reserves under 2015 FE HE SORP		<u>10,872</u>	<u>8,472</u>
Financial Performance			
Surplus for the year after tax under previous SORP			283
Employee leave accrual	(a)		55
Reversal of capital grants amortisation	(b)		(20)
Pensions provision – actuarial loss			(2,185)
Changes to measurement of net finance cost on defined benefit plans	(c)		(533)
Total effect of transition to FRS 102 and 2015 FE HE SORP			<u>(2,683)</u>
Total comprehensive income for the year under 2015 FE HE SORP			<u>(2,400)</u>

Salford City College Notes to the Accounts (continued)

for the year ended 31 July 2016

24 Transition to FRS 102 and the 2015 FE HE SORP (continued)

a) Recognition of short term employment benefits

No provision for short term employment benefits such as holiday pay was made under the previous UK GAAP. Under FRS 102 the costs of short-term employee benefits are recognised as a liability and an expense. For 2013/14 and 2014/15 the annual leave year ran to 31st August each year for both teaching and non-teaching staff meaning that, at the reporting date, there was an average of 11 days per person unused leave for teaching staff and term time only support staff and an average of 9 days per person unused leave for all other non-teaching staff. The cost of any unused entitlement is recognised in the period in which the employee's services are received. An accrual of £736k was recognised at 1 August 2014, and £680k at 31 July 2015. From 2015/16 the end date for annual leave was changed to 31st July with a maximum of 5 days carry forward, only allowable in exceptional circumstances. Following the re-measurement exercise in 2015/16, the movement on this provision of £669k has been released to the Comprehensive income in the year ended 31 July 2016.

b) Non-government grants accounted for under performance model

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

c) Change in recognition of defined benefit plan finance costs

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

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

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

e) Deferred Capital Grants

Deferred Capital Grants were previously presented in the 'mezzanine' area forming part of total funds. Under FRS 102 and the 2015 FE HE SORP, Deferred Capital Grants recognised under the accruals model are now presented within liabilities, split between liabilities due within one year and after one year in accordance with the timing of when the grant will be released to income.