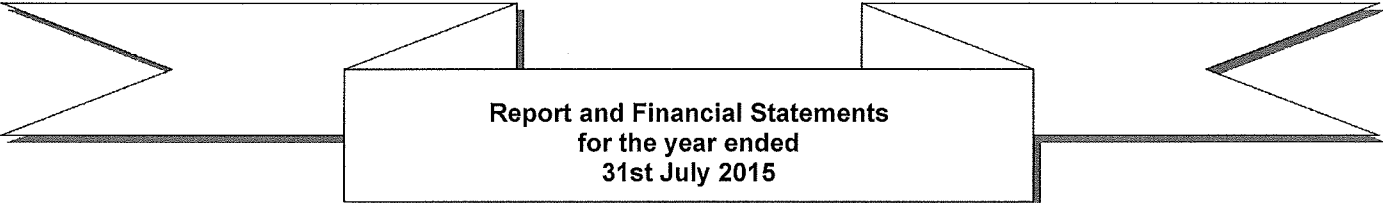


The City of Liverpool College

A decorative banner graphic consisting of a central rectangular box with a double-line border. The box is flanked by two horizontal lines that extend to the left and right edges of the page. Each of these lines has a triangular cutout pointing towards the center, creating a ribbon-like effect.

**Report and Financial Statements
for the year ended
31st July 2015**

The City of Liverpool College
Contents
Year ended 31 July 2015

3	Operating and Financial Review
9	Statement of Corporate Governance and Internal Control
13	Governing Body's statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding
14	Statement of Responsibilities of the Members of the Corporation
15	Independent Auditor's Report to the Corporation of The City of Liverpool College
16	Reporting accountant's assurance report on regularity to the Corporation of The City of Liverpool College
17	Consolidated Income and Expenditure Account
18	Consolidated Statement of Recognised Gains and Losses
18	Consolidated Statement of Historical Cost Surpluses and Deficits
19	Balance Sheets as at 31st July 2015
20	Consolidated Cash Flow Statement
21	Notes to the Accounts

The City of Liverpool College

Operating and Financial Review

Year ended 31 July 2015

NATURE, OBJECTIVES AND STRATEGIES

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

Legal Status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting The City of Liverpool College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

The Corporation was incorporated as the City of Liverpool Community College. On 15th September 1998 the Secretary of State granted consent to the Corporation to change its name to Liverpool Community College. On 9 January 2013 the Secretary of State granted a further consent to the Corporation to change its name to The City of Liverpool College.

The City of Liverpool College comprises of the College Corporation established under the Further and Higher Education Act, First4Skills Limited, a wholly owned private training provider and Liverpool Business Services Limited, a wholly owned trading subsidiary (together "the Group").

Mission

The College's mission statement as approved by its members is:

To become a bold and exciting national leader, empowering students, staff and businesses with the skills and capabilities they need to overcome the challenges of the future.

We will do this by growing our core teaching and learning offer, and creating a more diverse and commercially successful organisation, which is acknowledged as key to the economic growth of the Liverpool City Region and the development of the wider education sector.

Public Benefit

The City of Liverpool College is an exempt charity under part 3 of the Charities Act 2011 and from 1st September 2013, is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on page 9.

In setting and reviewing the College's strategic objectives, the Governing Body has 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 requirements that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit.

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

- Being creative and enterprising, to support excellent employment records for students
- Being inclusive in everything we do, through widening participation and tackling social exclusion
- Being a great place to work and learn, delivering high quality teaching and strong student support systems
- Being a driver of economic success, with strong links with employers, industry and commerce

Strategic Plan

During 2014-15, the College continued to deliver against its Strategic Plan 2011-14. The Strategic Plan outlines the College's ambition to become a bold and exciting national leader, empowering students, staff and business with the skills and capabilities they need to overcome the challenges of the future. It is built around three pillars of Performance & Quality; Growth & Development; and People. The College is currently developing a new Strategy for the next five years.

The College also continued its improvement and transformation journey through the year, following its Grade 4 Ofsted inspection in 2012 and of a financial notice of concern following an inadequate SFA financial health grade for the 2012-13 year. As a result of the quality and financial position, the College was also under review by the FE Commissioner during the 2013-14 year. The College was re-inspected by Ofsted in November 2015 and received an improved Grade 3 result. It has achieved an SFA financial health grade of satisfactory for the year and is no longer under review by the FE Commissioner with the notice being lifted on 30th March 2015.

Financial objectives

The Group's financial objectives are:

- to maintain the Group's medium and long term financial security
- to continue to improve financial management in order to retain the confidence of the funders, suppliers, banks and auditors
- to provide access to the Group's financial information for governors, staff, learners and other stakeholders
- to ensure that the Group is able to finance a first class and efficient learning environment for students by the effective and efficient development of funds supporting the aims of the strategic plan

A series of performance indicators have been agreed to monitor the successful implementation of the policies.

Performance indicators

The Group measures itself against internal and external targets and benchmarks in areas such as:

- Success rates
- Progressions
- Learner and Employer views
- Financial Health
- Funding performance

The Group is committed to observing the importance of the financial measures and indicators and uses the FE Choices website which looks at measures such as success rates. The Group monitors these through monthly management accounts and the completion of the annual Finance Record for the Skills Funding Agency. The Group's financial health score for 2014/15 was 'Satisfactory' in line with its financial plans.

**The City of Liverpool College
Operating and Financial Review
Year ended 31 July 2015**

FINANCIAL POSITION

Financial results

The Group generated an operating surplus in the year of £273,000 before taxation (2013/14 surplus of £160,000). The Group has accumulated reserves of £24,221,000, excluding pension reserve, and cash at bank and in hand of £3,415,000. The Group wishes to accumulate reserves and cash balances in order to create a contingency fund.

The Group has significant reliance on the further education sector funding bodies for its principal funding source, largely from recurrent grants. In 2014/15 the funding bodies provided 86.51% of the Group's total income (88.37% in 2013/14).

The College has two subsidiary companies, Liverpool Business Services Limited and First4Skills Limited. The principal business activity of Liverpool Business Services Limited is the provision of training services to industry and commerce. The principal business activity of First4Skills Limited is the provision of Apprenticeship programmes across various sectors but primarily retail. In the current year First4Skills Limited transferred £1,076,000 to the College under a Deed of Covenant generating a deficit of £74,000 in the company.

Treasury policies and objectives

Treasury management is the management of the Group's cash flows, it's 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 Group has a separate treasury management policy in place.

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

Liquidity

There was no additional borrowing during the year to 31 July 2015.

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

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student Numbers (College)

In 2014/15 the College has delivered activity that has produced £33,924,000 in funding body main allocation funding (2013/14 £34,767,000). The College had approximately 9,889 Funded and 4,229 Non-funded students.

SFA/EFA	under 16	16 - 18	19 +	Total
Student Numbers	0	4,006	6,462	10,468
Other Provision				
Student Numbers	102	121	2,260	2,483
Total				
Student Numbers	102	4,127	8,722	12,951

The City of Liverpool College
Operating and Financial Review
Year ended 31 July 2015

Student numbers (Group)

SFA/EFA	under 16	16 - 18	19 +	Total
Student Numbers	0	5,465	13,396	18,861
Other Provision				
Student Numbers	102	102	3,001	3,205
Total				
Student Numbers	102	5,567	16,397	22,066

Student Achievements

Students continue to prosper at the College. Success rates rose again in 2014/15 from 2013/14 from 76 percent to 82 percent.

Student Achievement	College	
	Target 2014/15	Actual 2014/15
16 - 18 year olds Retention	91%	91%
16 - 18 year olds Achievement	93%	82%
Adult Retention	91%	93%
Adult Achievement	93%	94%

Curriculum Development

The College has a national reputation for curriculum innovation and change. It has introduced new courses in many areas of the curriculum in order to respond to the demand of its learners and the skills needs of the City Region and its employers. It is also a major provider of apprenticeships in the City Region and nationally through its subsidiary, First4Skills Limited.

Many of our students have low levels of prior educational achievement. The College continues to offer an extensive range of courses aimed at students who are returning to education and which help to tackle the local NEET (Not in Employment, Education, or Training) agenda. These courses have been designed to ensure students are able to move securely into the labour market.

The College has implemented Study Programmes for its 16-18 learners, ensuring those learners are on full time programmes and that those without a Grade C or above are studying English and Maths at an appropriate level.

Post Balance Sheet Events

The creation of SharEd (Shared Education Services Ltd) and transfer of staff from the College and First4Skills Limited business and support services, to provide an independent professional support service provider within the sector occurred as of 1st August 2015. This is seen as a way of generating efficiency whilst remaining progressive and innovative. SharEd will also provide a platform to deliver services to other educational providers, thereby generating additional revenue for the group.

Taxation

The majority of the Group's activities do not fall to be charged to corporation tax. The college's subsidiary companies are subject to corporation tax in the same way as any commercial organisation.

Future developments

The College has Learner Responsive Funding for 2015/16 confirmed at £23,136,007 and Employer Responsive Funding agreed at £2,418,000. The Group aims to increase contribution by introducing a number of efficiency schemes. The Group would like to reduce dependency on the funding received from the Skills Funding Agency (SFA)/Education Funding Agency (EFA) and is seeking opportunities in the areas where it currently performs well such as Higher Education.

RESOURCES

The Group has various resources that it can deploy in pursuit of its strategic objectives. There are existing facilities at the Learning Exchange at Roscoe Street as well as College sites at Bankfield, The Arts Centre, Vauxhall Road, Duke Street and Clarence Street. The Group also operates at a number of outreach centres across Liverpool and nationally for the delivery of Apprenticeship schemes.

Financial

The Group has £39m of net assets (including £17m pension liability) and long term debt of £9m.

People

The Group employs 1,041 people (expressed as full time equivalents), of whom 694 are teaching staff.

Reputation

The Group is looking to enhance its reputation by forging strong links with Liverpool stakeholders as well as those engaged with apprenticeship schemes. Continuing to improve the Group's sites will maintain a quality brand and continue to increase student numbers and attract quality external relationships.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2014 to 31 July 2015, the College paid 33.18 per cent of its invoices within 30 days. The College takes a commercial approach to payment of suppliers but does prioritise small suppliers and sole traders.

The City of Liverpool College
Operating and Financial Review
Year ended 31 July 2015

PRINCIPAL RISKS AND UNCERTAINTIES

Throughout the year the Group has continued to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the Group's assets and reputation.

Based on the strategic plan, the Strategic Leadership Team undertakes a comprehensive review of the risks to which the Group is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the Group. 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 Strategic Leadership Team will also consider any risks which may arise as a result of a new area of work being undertaken by the Group.

A risk register is maintained at the Group level which is reviewed at least annually by the Group 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 Group and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system. Outlined below is a description of the principal risk factors that may affect the Group. Not all the factors are within the Group's control. Other factors besides those listed below may also adversely affect the Group.

1. Government funding

The Group has considerable reliance on continued government funding through the education sector funding bodies and through HEFCE. In 2014/15, 86.51% of the Group'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 Group is aware of a number of issues which may impact on future funding including:

- The reductions in the Adult Skills Budget
- The reductions in funding rates for 18 year old students

The risk is mitigated in a number of ways:

- Funding is derived through a number of direct and indirect contractual arrangements
- Ensuring the Group 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 Group is focused on those priority sectors which will continue to benefit from public funding
- Regular dialogue with funding bodies.

2. Proposed expansion of FE Loans

The proposed expansion of FE Loans may result in a reduced level of income for the College. This risk is managed by:

- Monitoring the level of applications received and introducing appropriate marketing initiatives to increase demand if necessary.

3. Maintain adequate funding of pension liabilities

The financial statements report the share of the pension scheme deficit on the Group's balance sheet in line with the requirements of FRS17.

Accounting for defined benefit pension schemes under FRS17 is a risk as the Corporation has limited control over the management of the Merseyside Pension Fund, its financial arrangements and investment profile. The scheme is managed on behalf of employers by Wirral Council, and is accounted for in accordance with the advice of independent actuaries. The assumptions made by the actuaries require significant predictions about increases in salaries and inflation as well as judgements on investment returns and member longevity, to underpin valuations made. In particular stock market values are liable to short term fluctuations and may prove unreliable in making medium and long term assumptions for a pension fund which is a long term investment.

4. The Group's financial position may prevent the necessary investment in key priority areas.

The risk is managed by:

- Effective budget planning
- Timely management accounts
- Mid term budget reviews
- Regular review of financial regulations and policies and procedures
- Robust procurement regime
- Formal savings programme

5. Tuition fee policy

Ministers have confirmed that the fee assumption remains at 50%. In line with the majority of other colleges, the City of Liverpool College will seek to increase tuition fees in accordance with the fee assumptions. 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

**The City of Liverpool College
Operating and Financial Review
Year ended 31 July 2015**

STAKEHOLDER RELATIONSHIPS

In line with other colleges, The City of Liverpool College Group has many stakeholders. These include:

- Students;
- Education sector funding bodies;
- FE Commissioner;
- Staff;
- Employers (with specific links);
- Local Authorities;
- Government Offices / Regional Development Agencies / Local Enterprise Partnership;
- The local community;
- Other FE institutions;
- Trade unions; and
- Professional bodies.

The Group recognises the importance of these relationships and engages in regular communication with them through the Group's various Internet sites and by meetings.

Staff and Student Involvement

The Group considers good communication with its staff to be very important. It encourages staff and student involvement through membership of formal committees. The Group also receives feedback from an annual staff questionnaire and student satisfaction survey. The College has held an "Investors in People" accreditation since 1999 and First4Skills achieved Silver across the organisation in October 2015.

Equal Opportunities and Employment of Disabled Persons

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively, differences with respect to the protected characteristics as identified in the Equality Act 2010: age, disability, gender recognition, race, religion or belief, sexual orientation, marriage or civil partnership status and pregnancy or maternity status. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy is resourced, implemented and monitored on a planned basis. The College's Equality and Diversity policy within the Single Equality Scheme is published on the College's Intranet site.

The College publishes Equality Information and Equality Objectives to ensure compliance with all relevant equality legislation including the Equality Act 2010. The College undertakes equality impact assessments on all key policies and procedures and publishes the results. Equality impact assessments are also undertaken for existing policies and procedures on a prioritised basis.

The College is a 'Positive about Disabled' employer and has committed to the principles and objectives of the Positive about Disabled standard. The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non-disabled employees. The College has also implemented an updated Equality & Diversity training programme which all staff have attended. Refresher training and training for new starters is carried out on an ongoing basis.

Disability Statement

The Group seeks to achieve the objectives set down in the Equality Act 2010. The College, through the Student Support Unit, and First4Skills, through learning support specialists, makes provision for students with disabilities. A Learning Support Handbook is published which outlines the provision. It identifies support teams who can assist with individual needs and centres which are physically accessible to people with disabilities. The Group undertakes to review regularly its approach to developing and delivering its provision for students with learning difficulties and disabilities.

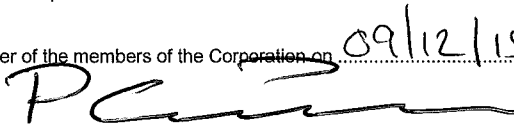
- a) As part of its accommodation strategy the College updated its access audit. Experts in this field conducted a full access audit during 2008/09, and the results of this formed the basis of funding capital projects aimed at improving access.
- b) The College has appointed an Access Co-ordinator, who provides information, advice and arranges support where necessary for students with disabilities.
- c) There is a list of specialist equipment, such as radio aids, which the College can make available for use by students and a range of assistive technology is available in the learning centre.
- d) 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.
- e) The College has made a significant investment in the appointment of specialist lecturers 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.
- f) Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.
- g) Counselling and welfare services are described in the College Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

Disclosure of information to auditors

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

Approved by order of the members of the Corporation on 09/12/15 and signed on its behalf by;

Peter Grieve
Chair



Professional Advisers

Financial statements and
regularity auditors: Grant Thornton UK LLP
Chartered Accountants, Registered Auditors
4 Hardman Square
Spinningfields
Manchester
M3 3EB

Internal auditors: RSM
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M3 3HF

Bankers: Barclays Bank plc
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3 Hardman Street
Spinningfields
Manchester
M3 3HF

Solicitors: Hill Dickinson LLP
No 1 St Paul's Square
Liverpool
L3 9SJ

The City of Liverpool College
Statement of Corporate Governance and Internal Control
Year ended 31 July 2015

The members who served on the Corporation during the year and up to the date of the signing of this report were as follows

	Date of Appointment	Term of Office	Date of Resignation	Status of appointment	Committees served	Attendance at Board meetings
Ms Louise Barry	Reappointed 2nd Oct 2012	4 years		External member	Equality and Diversity link governor, Performance and Quality Task and Finish Group, Remuneration Working Group	67%
Ms Elaine Bowker	1st Jun 2011			Principal	Principal, Performance and Quality Task and Finish Group	100%
Ms Charlotte Burns	3rd Dec 2013	4 years	7th Jul 2015	Student Governor		33%
Dr Martin Carey	3rd Dec 2013	4 years		External	Remuneration and Succession Planning Working Group	90%
Ms Sue Carmichael	Reappointed 28 Jun 2011	4 years (but extended to cover maternity leave of another governor)		External member	Audit, Search & Governance	75%
Ms Gemma Charters	3rd Dec 2013	4 years		Staff Governor		63%
Mr Tony Cobain	16th June 2015	4 years		Co-Opted member of Audit Committee	Audit committee	N/A
Mr Brian Cronin	21st Jan 2014	4 years	Jan 2015	External member		0%
Ms Clare Crowther	Reappointed 1st Jul 2014	4 years		External member	Service Industries link governor, Audit Committee, Remuneration Working Group (until 12th November 2014), Performance and Quality Task and Finish Group	100%
Mr John Denny	4th Dec 2012	4 years		External member	Chair of Audit Committee	22%
Ms Lydia Field	1st Jul 2014	4 years		External member	Audit	83%
Mr Peter Griève	27th Sep 2011	4 years (reappointed 12th Sept 2015)		External member	Chair, Performance and Quality Task and Finish Group, Remuneration and Succession Planning Working Group,	78%
Ms Shireen Kincade				Student Governor		50%
Ms Vivienne Lacey	23rd April 2013	4 Years		External	Vice Chair, Audit Committee, Performance and Quality Task and Finish Group, Remuneration and Succession Planning Working Group	100%
Mr John Nolan	27th Sep 2011	4 years - (reappointed 12th Sept 2015)		Staff member		63%
Mr Ian Pollitt	2nd Oct 2012	4 years		External member	Link governor for Technical and Enterprise	11%
Mr Phillip Powell						N/A
Mr Stephen Sankson	8th July 2015	4 years		External member		N/A
Mr Marcel Santa	7th October 2015	4 years		Student Governor		N/A
Mr Nick Small	1st Jul 2014	4 years	22nd May 2015	External member	Director of First4Skills Limited	43%
Dr Peter Tavernor	3rd Dec 2013	4 years		External member	Chair of Performance and Quality Task and Finish Group	67%
Mr David Wilson	29th Nov 2011	4 years		External member	Director of Liverpool Business Services, link governor for Technical and Enterprise	56%
Christine Lenderyou acts as Clerk to the Corporation						

Attendance was 64.10% for scheduled Board meetings and 85% for Audit Committee. The Corporation appoints the highest calibre of governors who generally have extensive business commitments. Nonetheless, in addition to attendance at meetings, governors exercise oversight and direction in many ways, such as immersive activity, meetings with members of the Executive team, attendance at College events and external ambassadorial roles. Where a governor's attendance falls below the expected level for Corporation meetings, the Chair and Clerk will review with the governor concerned in the context of the governor's overall contribution to governance and consider any extenuating circumstances.

The City of Liverpool College

Statement of Corporate Governance and Internal Control

Year ended 31 July 2015

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 Group 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 Group 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 and the Group complies with all the provisions of the Foundation Code, and it has complied throughout the year ended 31 July 2015. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times.

In carrying out its responsibilities, it takes full account of The English Colleges' Foundation Code of Governance issued by the Association of Colleges in December 2011, which it formally adopted in March 2012. It has not been possible to publish details of the time commitment necessary for governors (and the Chair) to undertake the role as the Group is going through a period of transformation and so the Corporation has been required to be flexible in its operation. However, the standard business cycle and calendar of meetings was published before the start of the 2014/15 academic year to give some indication.

The Corporation

The composition of the Corporation is set out on page 9. The Corporation can have up to 21 members to allow for flexibility in extraordinary circumstances but ordinarily, membership would be 19 governors. The diversity profile of the Corporation has varied as membership has changed throughout the period under consideration. However, the diversity profile has generally reflected local demographics in relation to gender and origin. Local demographics are always considered when governors are appointed along with ways to encourage applications from all sections of the local area.

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

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 Group together with other information such as performance against funding targets, proposed capital expenditure, risk management, quality matters and personnel related matters such as health and safety and environmental issues.

The Corporation meets at least twice each term. The Corporation conducts its business through a Carver model of governance. The Corporation has retained an Audit Committee as a mandatory requirement and is supported by Task and Finish or Working groups as and when required. Full minutes of all Corporation meetings, except those deemed to be confidential by the Corporation, are available on the College's website at <http://www.liv-col1.ac.uk/Governors.aspx> or from the Clerk to the Corporation at:

The City of Liverpool College
The Learning Exchange
Roscoe Street
Liverpool
L1 9DW

The Clerk to the Corporation maintains a register of financial and personal interests of the Governors and Senior Managers. 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 and committee meetings. Briefings are also provided on an ad-hoc basis.

The Corporation has a strong and independent non-executive element and no individual or group dominates its decision making process. The Corporation considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. There is a clear division of responsibility in that the roles of the Chair and Accounting Officer are separate.

During 2013/14 the College was subject to the FE Commissioner's intervention process. The recommendations made by the FE Commissioner were largely in line with areas already identified by the Corporation Board and Executive. Recommendations relating to the composition of the Corporation Board were incorporated into the Board action plan and implemented accordingly. Following a further visit from the Commissioner's team in October 2014 the College is no longer under review with the FE Commissioner.

During 2015/16 the College was subject to an Ofsted re-inspection in November 2015 and await the final report. The College continues a programme of transformation and improvement, which includes the encompassing of the findings of the Ofsted inspection. Through its internal audit programme, the Corporation was able to identify areas of the College which needed to be addressed and take assurance over several aspects of the transformation.

The City of Liverpool College
Statement of Corporate Governance and Internal Control
Year ended 31 July 2015

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation determines the scope of any additional appointments and arrangements for identifying candidates and making recommendations to the Corporation on appointments are delegated to the Chair, Principal and Clerk. 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.

Audit Committee

The Audit Committee comprises five members of the Corporation (excluding the Principal and Chair), plus a Co-Opted member. 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, regularly 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 are responsible for the implementation of agreed audit recommendations and internal audit undertake periodic follow up reviews to ensure such recommendations have been implemented. The Audit Committee also advises the Corporation on the appointment of internal, regularly and financial statements auditors and their remuneration for both audit and non-audit work as well as reporting annually to the Corporation.

Remuneration Committee

The Corporation does not have a standing Remuneration Committee but is supported by a Remuneration and Succession Planning Working Group. This group has a fluid membership. Its main objectives are to make recommendations to the Board on the remuneration and benefits of the Principal and other senior post-holders; to review the performance of senior postholders and to make recommendations to the Corporation around an effective succession planning strategy. Details of remuneration for the year ended 31 July 2015 are set out in note 7 to the financial statements.

Internal Control

Scope of Responsibility

The Corporation is ultimately responsible for the Group'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 College 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 she is personally responsible. This is in accordance with the responsibilities assigned to her in the Financial Memorandum/Financial Agreement between The City of Liverpool College and the funding bodies. She is also responsible for reporting to the Corporation any material weaknesses or break-downs in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Group 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 The City of Liverpool College Group for the year ended 31 July 2015 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the Group 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 Group's significant risks that has been in place for the year ending 31 July 2015 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The City of Liverpool College
Statement of Corporate Governance and Internal Control
Year ended 31 July 2015

The risk and control framework

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

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

The City of Liverpool College Group purchases an Internal Audit Service, which operates in accordance with requirements of the EFA and SFA Joint Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the Group 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.

As a minimum, the Internal Audit Service annually provides the governing body with a report on internal audit activity in the Group. The report includes the Internal Audit Service's independent opinion on the adequacy and effectiveness of the Group's system of risk management, controls and governance processes.

The Committee was provided with regular reports on this assurance activity in the College which included:

Employee Performance Management
First4Skills Finance Controls and Strategy Review
Student Records Compliance
Income Generation Full Cost Recovery Courses
Sub-contracting
Student Records – Work Based Learning
General Ledger and Month End Procedures
ISO27001 Initial Compliance Review

In addition, the College was subject to a random SFA Funding Audit in October 2015 which was an additional source of assurance.

Review of effectiveness

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. The Principal's 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
- comments made by the College's financial statements auditors and the regularity auditors in their management letters and other reports.

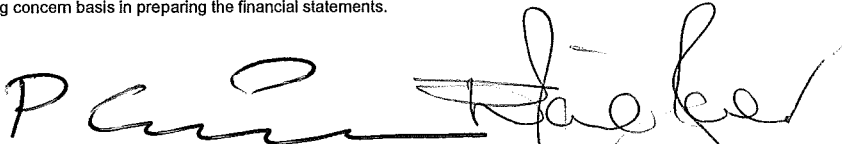
The Accounting Officer has been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Audit Committee which oversees the work of the internal auditor and other sources of assurance and a plan to address weaknesses and ensure continuous improvement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

The Strategic Leadership 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 Strategic Leadership Team and 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 Strategic Leadership Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its November 2015 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2015 by considering documentation from the Strategic Leadership Team and internal audit and taking account of events since 31 July 2015.

Based on the advice of the Audit Committee and the Accounting Officer, the Corporation is of the opinion that the Group 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 group 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.



Peter Grieve, Chair

Elaine Bowker, Accounting Officer

16/12/15

15/12/15

Date

Date

The City of Liverpool College
Governing Body's statement on the College's regularity, propriety and compliance
with Funding body terms and conditions of funding
Year ended 31 July 2015

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 09/12/15 and signed on its behalf by:



Peter Grieve, Chair

Date 10/12/15



Elaine Bowker, Accounting officer

Date 15/12/15

**The City of Liverpool College
Statement of Responsibilities of the Members of the Corporation
Year ended 31 July 2015**

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

Within the terms and conditions of the Financial Memorandum agreed between the Skills Funding Agency and the Corporation of the College, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the 2007 Statement of Recommended Practice - Accounting for Further and Higher Education Institutions and with the Accounts Direction for 2014 to 2015 financial statements issued jointly by the Skills Funding Agency and the EFA, and which give a true and fair view of the state of affairs of the College and the Group and the result for that year.

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

- select suitable accounting policies and then 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 Group will continue in operation.

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

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

The maintenance and integrity of The City of Liverpool 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.

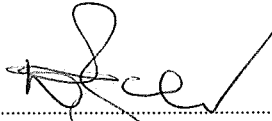
Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the Skills Funding Agency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

Approved by order of the members of the Corporation on 09/12/15 and signed on its behalf by:



.....
Peter Grieve, Chair

Date 16/12/15



.....
Elaine Bowker, Accounting officer

Date 15/12/15

**The City of Liverpool College
Independent Auditor's Report
Year ended 31 July 2015**

Independent auditor's report to the Corporation of The City of Liverpool College

We have audited the financial statements of The City of Liverpool College for the year ended 31 July 2015 which comprise the consolidated income and expenditure account, the consolidated statement of total recognised gains and losses, the consolidated note of historical cost surpluses and deficits, the consolidated and college balance sheets, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the College's 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 College's Corporation those matters we are required to state to it 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 College's 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 members of the Corporation set out on page 15, the College's Corporation is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website 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 Group's and of the College's affairs as at 31 July 2015 and of the Group's surplus of income over expenditure for the year then ended in accordance with United Kingdom Generally Accepted Accounting Practice;
- and have been prepared in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions.

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 by the Skills Funding Agency and Education Funding Agency requires us to report to you if, in our opinion:
adequate accounting records have not been kept by the College; or the College financial statements are not in agreement with the accounting records; or we have not received all the information and explanations we require for our audit.

Grant Thornton UK LLP

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester

17 December 2015

The City of Liverpool College
Reporting accountant's assurance report on regularity
Year ended 31 July 2015

To the corporation of The City of Liverpool College and Secretary of State for Business, Innovation and Skills acting through Skills Funding Agency

In accordance with the terms of our engagement letter dated 13 October 2015 and further to the requirements of the financial memorandum with Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that, in all material respects, the expenditure disbursed and income received by The City of Liverpool College during the period from 1 August 2014 to 31 July 2015 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Joint Audit Code of Practice issued jointly by Skills Funding Agency and Education Funding Agency in August 2015. In accordance with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which the Skills Funding Agency has other assurance arrangements in place.

This report is made solely to the corporation of The City of Liverpool College, as a body, and the Skills Funding Agency, as a body, in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of The City of Liverpool College and the Skills Funding Agency those matters we are required to state in a limited assurance 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 The City of Liverpool College as a body, and the Skills Funding Agency, as a body, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of The City of Liverpool College and the reporting accountant

The corporation of The City of Liverpool College is responsible, under the requirements of the Further and 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 and are imposed by law and professional standards 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 from 1 August 2014 to 31 July 2015 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

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

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

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

The work undertaken to draw our conclusion includes:

- making enquiries of management;
- analytical procedures;
- evaluation of controls and walkthroughs on a sample of material items
- review of completed and signed self-assessment questionnaire (SAQ);
- review of Board and Committee meeting minutes;
- review of internal audit papers (where relevant); and
- limited testing, on a selective basis, on a number of areas which are considered within the SAQ

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 from 1 August 2014 to 31 July 2015 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Grant Thornton UK LLP

Grant Thornton UK LLP
Chartered Accountants
Manchester

17 December 2015

The City of Liverpool College
Consolidated Income and Expenditure account
Year ended 31 July 2015

		2015	2014
		£000	£000
INCOME	note		
Funding body grants	2	55,216	57,631
Tuition fees and education contracts	3	6,010	5,689
Other income	4	2,588	1,879
Investment income	5	13	13
TOTAL INCOME		<u>63,827</u>	<u>65,212</u>
EXPENDITURE			
Staff costs	6	36,638	40,114
Other operating expenses	8	21,747	19,898
Depreciation	12	4,212	4,254
Amortisation of goodwill	13	143	(134)
Interest and other finance costs	9	814	920
TOTAL EXPENDITURE		<u>63,554</u>	<u>65,052</u>
Surplus on continuing operations after depreciation of tangible assets at valuation and before exceptional items		273	160
Loss on disposal of assets		0	0
Surplus on continuing operations after depreciation of tangible assets at valuation and exceptional items but before tax		<u>273</u>	<u>160</u>
Taxation	10	42	0
Surplus on continuing operations after depreciation of tangible assets at valuation and exceptional items and tax		<u>315</u>	<u>160</u>
Surplus on continuing operations for the year retained within general reserves	11	<u><u>315</u></u>	<u><u>160</u></u>

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

The accompanying notes form part of these financial statements

The City of Liverpool College
Consolidated Statement of Total Recognised Gains and Losses
Year ended 31 July 2015

		2015	2014
		£000	£000
	note		
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax	11 & 23	315	160
Release of minority interest		0	82
Actuarial (loss)/gain in respect of enhanced pension provision	19	(37)	16
Actuarial (loss)/gain in respect of pension scheme	24	(3,204)	1,169
Total recognised gains/(losses) since the last report		<u>(2,926)</u>	<u>1,427</u>
Opening reserves		13,897	12,470
Total recognised (losses)/gains for the year		(2,926)	1,427
Closing reserves		<u>10,970</u>	<u>13,897</u>

Consolidated Note of Historical Cost Surpluses and Deficits
Year ended 31 July 2015

		2015	2014
		£000	£000
	note		
Surplus on continuing operations before taxation		273	160
Difference between historical cost depreciation and the actual charge for the period calculated on the revalued amount	22	96	96
Historical cost surplus for the year before taxation		<u>369</u>	<u>256</u>
Historical cost surplus for the year after taxation		<u>411</u>	<u>256</u>

The accompanying notes form part of these financial statements