The City of Liverpool 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 Team and were represented by the following in 2015/16:

Elaine Bowker - Principal and CEO; Accounting officer
Angela Cox - Deputy Principal
Simon Pierce - Vice Principal Curriculum
Trudy Burrows – Vice Principal – Business Development (resigned 13 January 2016)
David McIntyre – Deputy Chief Executive (resigned 16 April 2016)
Julie Barnes – Deputy Chief Executive (appointed 25 July 2016)

Board of Governors

A full list of Governors is given on page 15 & 16 of these financial statements.

Mrs C Lenderyou acted as Clerk to the Corporation throughout the period.

Professional advisers

Financial statements auditors and reporting accountants:

Grant Thornton UK LLP
Chartered Accountants, Statutory Auditors
4 Hardman Square
Spinningfields
Manchester
M3 3EB

Internal auditors:

RSM Risk Assurance Services LLP
3 Hardman Street
Manchester
M3 3HF

Bankers:

Barclays Bank plc
1st Floor
3 Hardman Street
Spinningfields
Manchester
M3 3HF

Solicitors:

Hill Dickinson LLP
No. 1 St Pauls Square
Liverpool
L3 9SJ

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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

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 15 September 1998, the Secretary of State granted consent to the Corporation to change the College's 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.

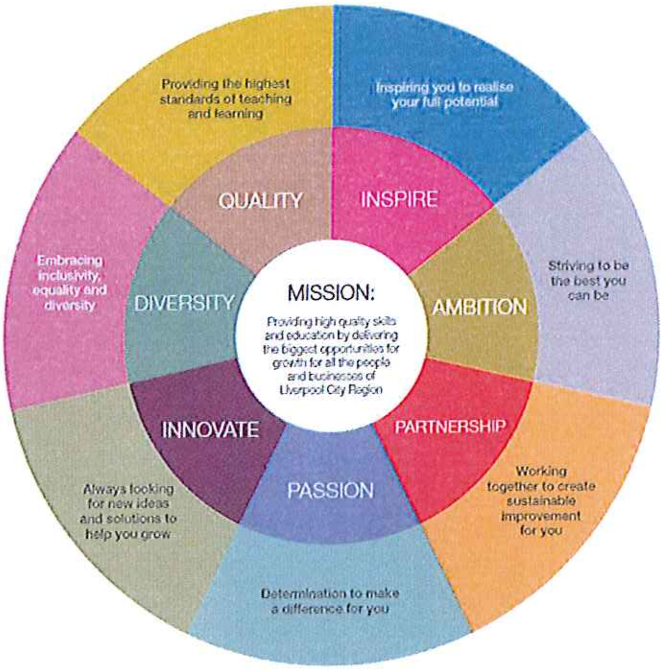
The City of Liverpool College comprises of the College Corporation established under the Further and Higher Education Act, Liverpool Business Services Limited, a wholly owned trading subsidiary, Shared Education Services Limited, a wholly owned trading subsidiary and a majority shareholding in First4Skills Limited, a private training provider.

Vision and Mission

Within the Group the College's vision is that by 2020, The City of Liverpool College will be one of the top five colleges in the UK, where students enjoy an exceptional education and wider experience, known nationally for the way we work with businesses to deliver skills for competitiveness and growth.

As an educational establishment, we will deliver the biggest and best opportunities for our students, becoming the provider of choice for learners and employers alike; as an employer, we will seek to be the employer of choice for our staff. The College will be a system leader in the sector, building a culture founded on innovation and enterprise and continuous improvement.

The College's mission and values are the product of consultation with staff, students, governors and key partners. They reflect the best of the College and our aspirations for the future.



Public Benefit

The City of Liverpool College is an exempt charity under part 3 of the Charities Act 2011 and following a bill that was passed on 20 October 2016, is regulated by the Secretary of State for Education as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 15 & 16.

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

Implementation of strategic plan

During 2015-16, the College commenced delivery against a new Strategic Plan 2015-20. The Strategic Plan outlines the College's ambition to become one of the top colleges in the UK, where students enjoy an exceptional education and wider experience, known nationally for its work with business to deliver skills for competiveness and growth.

The Corporation monitors the performance of the College against these plans. The plans are reviewed and updated each year. The College has 3 key Goals under which there are a number of strategies to drive delivery of the Goals:

Goal 1 - World Class Skills in Business

- To deliver skills of the highest quality and to continue to raise the level and ambition of our activities to world-class standards of excellence. To meet this target we will take active steps to manage the quality of our delivery by involving employers in the design, implementation and evaluation of our provision.
- Be truly demand led, responding quickly to the changing needs of employers. The College will work alongside employers to understand their business needs and respond accordingly by developing qualifications and provision that is valued by employers.
- To use economic forecasting to inform the curriculum offer.

Goal 2 - Outstanding Learning and Student Experience

- Enhance the quality of the student experience. Students will be taught by well supported, enthusiastic and engaging teachers who treat students as individuals, encouraging independent learning skills.
- Attract and enhance the quality of people (students and staff). We will attract students based on potential, and we will recruit and develop the highest calibre of staff.
- Ensure the quality of resources, environment and facilities. Staff and students will work and study in facilities that support 21st century learning, enable individualised, blended and distance learning, and promote a sense of place.
- Promote the value of study programmes. We will produce outstanding students defined by their educational achievements, their employability, their command of English and maths and their willingness to contribute to their communities.

Goal 3 -Developing Talent for Sustainable Employment

- Employability skills for all our students. To further enhance our reputation as a leading college, we will ensure our students have a competitive advantage evident through their outstanding employability skills.
- Outreach strategies to engage those furthest away from work or learning. We have a social and economic responsibility to actively engage and support those individuals who can benefit most from our highly successful employability programmes. We will ensure they develop skills and confidence to enter and thrive in our growing city region economy. They will have the skills and attributes employers are seeking and will be successful in either progressing into work or further learning.
- Deliver an innovative curriculum. We will be a beacon in the city region for supplying and developing outstanding talent because of the innovative curriculum on offer. Our curriculum offer will include apprenticeships, traineeships, temporary jobs, internships, jobs, work placements, work shadowing, work experience, mentoring and coaching, employer-led workshops, access to sector specific employers, trips to visit employers' places of work, job fairs and more. This will ensure our students are equipped with all of the skills they need to secure, keep and progress into employment.
- Build partnerships that bring opportunities. Our partnerships will be strong and exciting in the opportunities they bring and offer an alternative to all other types of employability programmes. We will maximise the knowledge of our partners, including international partners, to identify good practice which will help us improve our advice and guidance, placements and job seeking activities. Our partners will include 1,000s of employers, the Department of Work and Pensions, LEP, National Apprenticeship Service and other delivery providers.
- New delivery models. Existing delivery models will not bring the step change that is required to realise our ambition. We will develop a new delivery model that combines our expertise with that of our strategic partners to lever opportunities that are second to none. Our employers recruit well over 100,000 people each year and will bring these opportunities to our students in a new joint venture. We will support our students to access jobs, apprenticeships and traineeships matched to their career ambitions.

The College also continued its improvement and transformation journey through the year, following its Grade 4 Ofsted inspection in 2013. The College was re-inspected by Ofsted in November 2015 and received an overall Grade 3 result. There were areas in which the College received a Grade 2 which were adult learning programmes and provision for learners with high needs. Outcomes for students are now above national averages at all ages following a three-year improvement trend, including significant improvements in English and mathematics achievement rates of Apprenticeships. Actions are monitored via the Performance Improvement Action Plan 'PIAP' which is reviewed at each Board meeting. In addition the Quality Improvement Action Plan 'QIAP' is also monitored by the Performance, Quality, Task and Finish Group 'PQTFG' and a summary is presented at each meeting of the Board.

Financial Strategy

The College is assessed by the Skills Funding Agency/Education Funding Agency as having an "Inadequate" financial health grading. The current rating of Inadequate is not considered an acceptable outcome and a recovery plan has been put into place in order to return the College to a "Good" financial health grading by the end of the next financial year. In 2015/16, the College was impacted by a £7.98m reduction in funding through the SFA and EFA funding lines. This led to the need to apply for Exceptional Financial Support and the College having an "Inadequate" financial health grading.

On 23 February 2016, the Skills Funding Agency (the SFA) issued a Notice of Concern (Financial Health) to the City of Liverpool College. As a result of the FE Commissioner's assessment, the College was placed in Administered College status in October 2016. This status involves an additional level of ongoing scrutiny from the Skills Funding Agency/Education Funding Agency in particular the requirement for a representative of the agencies being present as an observer at all Board meetings and monthly returns to be provided regarding planned expenditure over £20k.

The Group's financial objectives are to:

- maintain the Group's medium and long term financial security
- continue to improve financial management in order to retain the confidence of the funders, suppliers, banks and auditors
- provide access to the Group's financial information for governors, staff, learners and other stakeholders
- 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 key performance indicators have been agreed to monitor the successful implementation of the objectives above.

Performance indicators

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

Key Performance Indicator	Target	Actual	National Achievement Rate
Achievement rates:			
16-18	83.6%	81.7%	78.4%
19+	89.1%	88.7%	86.4%
Overall	N/A	85.5%	82.3%
Progression - positive destination	95%	94%	N/A
Learner views	N/A	89%	N/A
Financial Health	Good	Inadequate	N/A

The College is committed to observing the importance of sector measures and indicators and uses the FE Choices data available on the GOV.UK website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the Skills Funding Agency/Education Funding Agency ("EFA").

FINANCIAL POSITION

Financial results

The Group generated an operating deficit in the year of (£8,213k) before taxation (2014/15 restated – deficit of (£391k), with total comprehensive income of (£15,349k), (2014/15 - (£2,926k)). The total comprehensive income in 2015/16 is stated after accounting for the disposal of the Collingwood site of £162k, impairment of the Bankfield site which has been sold subsequent to the year end and actuarial loss in respect of pension schemes as calculated under FRS102.

The Group has accumulated reserves of (£1,993k) – 2014/15 (£12,857k) and cash and short term investment balances of £1,497k – 2014/15 £3,415k. The Group wishes to accumulate reserves and cash balances in order to create a contingency fund.

Tangible fixed asset additions during the year amounted to £2,785k. This was split between land and buildings of £1,176k, Assets in the Course of Construction of £1,145k and equipment purchased of £464k. The Assets in the Course of Construction relate to the refurbishment of the Clarence Street site to improve the facilities for future STEM provision. The overall project cost is £3,452k and includes upgrades to laboratories and facilities in a number of classrooms. This project is grant funded by the Local Enterprise Partnership (LEP) with a contribution rate of 87.2% which is £3,012k. The project has been completed in October 2016 and delivered a modern, responsive learning environment which supports targeted skills delivery in STEM subject and also to provide improvements to the College estate.

Overall the group is in a net liability position which is largely due to the impact of the loss on the Local Government Pension Scheme (defined benefit) assets as at the year end.

The Group has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2015/16 the FE funding bodies provided 84.4% of the Group's total income. The College has three subsidiary companies:

- Liverpool Business Services Limited, a wholly owned subsidiary which is a private limited company. The principal activities of the company is the provision of training services to industry and commerce.
- Shared Education Services Limited, a wholly owned subsidiary which is a company limited by guarantee, incorporated on 5 May 2015. The principal business of the company is the provision of back office administration and support services. The Company commenced trading on 1 August 2016.
- First4Skills Limited, a 60% owned subsidiary which is a private limited company. The principal business activity of First4Skills Limited is the provision of Apprenticeship programmes across various sectors but primarily retail. On 28th July 2016, the College sold a 40% interest in First4Skills to an external training provider in order to improve the efficiency of delivery and support functions by maximising on the synergies between the organisations.
- Liverpool Business Services Limited has gift aided profit of £227k to the College during the year under a Deed of Covenant. No gift aid has been transferred from SharEd Educations Services Limited or First4Skills Limited.

Treasury policies and objectives

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

The College has a separate treasury management policy in place.

Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum agreed with the Skills Funding Agency.

Cash flows and liquidity

At (£1,918k) (2014/15 £1,008k), net cash flow from operating activities was challenging. The net cashflow resulted from the receipt of a new loan of £2.0 million and the management of other resources.

During the year the College secured Exceptional Financial Support of £2.0 million in order to support working capital requirements which is repayable within 12 months and the final repayment will be made in January 2017. Disposal proceeds from the sale of the 40% interest in First4Skills Limited were £500,000.

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 challenged leading to the need to seek Exceptional Financial Support from the Skills Funding Agency.

Reserves Policy

As part of the annual planning and budget setting process the Board review the level of cash required appropriate to the scale, complexity, and risk profile of The City of Liverpool College Group. The Board's aim is to ensure that sufficient funds are held to meet commitments and bank covenants. The level of reserves takes into account the fact that funding body grants provide a significant proportion of The City of Liverpool College Group's incoming resources which has historically been reasonably certain. Due to changing profiles of 16-18 year old learners and the lagged funding methodology associated with this cohort in addition to expected changes to the funding of apprenticeships due to the introduction of the apprenticeship levy the Board plans to set a budget that will allow the group to increase the cash reserve to provide an appropriate level of contingency for the Group. The budget has targeted a level of cash surplus to provide what is necessary for the forthcoming year and intends to build this further in 2017/18 by budgeting to a surplus position in each year to provide a reasonable contingency for a shortfall in income and to mitigate any cash flow risks (whether due to timing or other factors) on capital projects, restructuring costs and other unforeseen liabilities. Ongoing financial planning is essential to identify any potential issues at the earliest opportunity.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2015/16 the Group has delivered activity that has produced £22,788k in funding body main allocation funding (2014/15 – £33,924k). The Group had approximately 20,331 funded and 3,358 unfunded (HE, Advanced Learner Loans and Income Generation) learners in 2015/16.

Student achievements

Achievement Rates for all learners rose for the third consecutive year and is now 3.2% above the National Achievement Rate (NAR) at 85.5%. Both Study Programmes and Adult outcomes increased and are now above the NAR at 81.7% and 88.7% respectively. Apprenticeship outcomes continue to improve and are now expected to be 67% timely (8% points above NAR) and 69% overall.

Curriculum developments

The College has a 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. The College is also a major provider of apprenticeships in the City Region and nationally through its subsidiary First4Skills Limited.

The College has already made significant changes to its provision to ensure that it supports employers in creating a skilled workforce, responds to today's labour market needs and develops students' skills to meet key shortages. Some of the key initiatives to date include:

- Growth in STEM provision including award winning apprenticeships in Pharmacy
- The introduction of Digital Youth Academy Apprenticeships in Social Media to support the Knowledge Economy
- The establishment of a 'Logistics Academy' providing warehousing and driver training to meet local demand
- Delivering training for the best chefs in the country as the only college outside the south of England to work as an associate of the Royal Academy of Culinary Arts
- The launch of Microsoft and CISCO Academies to support the demand for digital skills
- Securing Microsoft Associate College status
- The introduction of a level 3 Aviation programme supported by the purchase of a mock-up cabin
- Increasing our offer in Professional Services including through the Chartered Institute of Personnel and Development.

To support these developments, the College has invested over £3.5 million in its estate, securing LEP capital funds to develop a state-of-the-art STEM Centre at its Clarence Street Campus, additional funds to update equipment in the Duke Street training kitchens and funding to establish a Digital Academy at the College's Arts Centre.

Many of our students have low levels of prior educational achievement. The College is growing the 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 or further learning and include our Princes Trust programmes and

Traineeships in Hospitality & Catering. We have also increased the Level 1 offer in Construction in 2016/17 with the intention for these learners to progress into Apprenticeships at a later date.

In response to our Employer feedback we are offering The Royal Academy of Culinary Arts Apprenticeship programme and increasing our offer in Professional Services including Chartered Institute of Personnel and Development.

College Higher Education provision has continued to grow with increased demand in ICT and Games Design and Sport, Health & Social Care and Business and developed new provision in Hospitality Supervision. A long term strategy for 10% year on year growth is in place with 7 new courses being developed for 2017/18 and validation through Open University on the back of our outstanding Higher Education Review.

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 2015 to 31 July 2016, the Group paid 35 per cent of its invoices within 30 days. The Group is progressing towards moving an increased number of suppliers towards 60 day payment terms as standard which has some impact regarding the performance against the sector target based on 30 days. The College incurred no interest charges in respect of late payment for this period.

Events after the end of the reporting period

On 7 September 2016 the College completed the sale of the Bankfield site due to it being surplus to requirements for a consideration of £1,750k. The College impaired the value of the asset to the current carrying value in the fixed assets at the year end. This resulted in an impairment of £263k.

Future prospects

The College aims to significantly increase contribution by introducing a number of efficiency schemes across the college site. The College would like to reduce dependency on the funding bodies and is seeking opportunities, particularly in the areas where the College currently performs well such as HEFCE and Local Enterprise Partnership grants.

The Group accounts have been prepared on a going concern basis with further detail provided on pages 20 and 32.

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 (disposed at the beginning of the new financial year), The Arts Centre, Vauxhall Road, Duke Street and Clarence Street. The group also operates from outreach centres across Liverpool and nationally for the delivery of apprenticeship schemes.

Financial

The Group has £2.0 million of net liabilities, including a £25.7 million pension liability and long term debt (due after one year) of £10.7 million.

People

The Group employs 938 people (expressed as full time equivalents), of whom 630 are teaching staff.

Reputation

The Group continues to enhance its reputation by forging strong links with stakeholders across Liverpool as well as those engaged with apprenticeship schemes. Continued improvement of the Group's sites will maintain a quality brand and continue to maintain student numbers and attract quality external relationships.

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 College's assets and reputation.

Based on the strategic plan, the Strategic Leadership Team 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 Strategic Leadership Team 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 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 College. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

1 Government funding

The College has considerable reliance on continued government funding through the further education sector funding bodies and through HEFCE. In 2015/16, 84.4% of the College's revenue was ultimately publicly funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The College is aware of several issues which may impact on future funding:

- Administered College status
- Introduction of the apprenticeship levy
- Lagged methodology for 16-18 core funding
- Devolution of funding
- Actual performance in 2016/17 against targets

This risk is mitigated in a number of ways:

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

Debt is low as a percentage of income however the majority of the debt is held under a term loan with accompanying bank covenants in place. At the end of the year the bank waived the requirement to test the covenants so it should be noted that there is a risk regarding the need to balance the servicing of debt and surpluses achieved in year to ensure that covenants are not breached.

2 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

3 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.

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

This risk is mitigated 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

STAKEHOLDER RELATIONSHIPS

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

* Students;
* Education sector funding bodies;
* FE Commissioner;
* Staff;
* Employers (with specific links);
* Local authorities;
* HEFCE & Universities;
* Schools;
* Government Offices/Local Enterprise Partnerships (LEPs);
* 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 site 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 good feedback from an annual staff questionnaire and student satisfaction survey. The College holds a Gold "Investors in People" accreditation and First4Skills achieved Silver across the organisation in October 2015.

Equal opportunities

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, disability, religion or belief and age. 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 Equal Opportunities Policy 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 new 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 College 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 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 College's auditors are unaware; and each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditors are aware of that information.

Approved by order of the members of the Corporation on 20 December 2016 and signed on its behalf by:

Pete Tavernor

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Peter Tavernor
Chair

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2015 to 31 July 2016 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);

ii. in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the Code"); and

iii. having due regard to the UK Corporate Governance Code 2014 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 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 Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted on 8 July 2015.

When adopting the Code in July 2015, the Board agreed that it would not comply with point 7.5 which suggested that subsidiary Boards should be comprised wholly of independent directors. While independent directors have been added to the Boards of SharEd Education Services Limited and First4Skills Limited, the Corporation Board agreed that the Group would still adhere to the BIS guidance on subsidiary companies (Consent for FE Colleges to Invest in Companies, June 2011) and continues to appoint College governors to subsidiary Boards due to the strategic interdependencies; for similar reasons, senior College staff will also continue to be appointed to subsidiary companies.

The Board does not comply with point 9.26 and 9.28 relating to Search Committees as the Board agreed in January 2014 to disband the Search and Governance Committee using the provisions of the Education Act 2011 thus enabling the Board to focus on priority areas such as improving quality. The Board retains full responsibility for appointing governors, with the process delegated to the Chair, Principal and Clerk.

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

The Corporation

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

Name	Date of appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance
Ms Louise Barry	Reappointed 5 October 2016	4 years		Independent member		58%
Ms Heather Bebbington	16 September 2016	4 years		Independent member		n/a
Ms Elaine Bowker	1 June 2011	-		Principal		100%
Mr Martin Carey	3 December 2013	4 years		Independent member	Remuneration	67%
Ms Sue Carmichael	Reappointed 28 June 2011	4 years (but extended to cover maternity leave)	18 May 2016	Independent member	Audit, Remuneration	88%
Ms Gemma Charters	3 December 2013	4 years	9 December 2015	Staff Member		67%
Mr Tony Cobain	16 June 2015	4 years		Independent member	Audit	75%
Ms Clare Crowther	Reappointed 1 July 2014	4 years		Independent member	Audit	83%
Mr John Denny	4 December 2012	4 years		Independent member	Chair of Audit Committee	33%
Ms Lydia Field	1 July 2014	4 years		Independent member	Chair of Finance Committee (previously Audit)	80%
Mr Peter Grieve	Reappointed 12 September 2015	4 years	14 November 2016	Independent member	Chair of Corporation, Remuneration	100%
Ms Hilene Henry	25 August 2016	4 years		Independent member	Finance	n/a
Cllr Patrick Hurley	31 August 2016	4 years		Independent member		n/a
Mr Lawrence Kenwright	9 December 2015	4 years		Independent member		75%
Ms Vivienne Lacey	23 April 2013	4 years		Independent member	Vice Chair of Corporation, Audit, Remuneration	100%
Mr Benjamin McGowan	5 October 2016	4 years		Student member		n/a

Name	Date of appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance
Mr John Nolan	Reappointed 12 September 2015	4 years		Staff Member		50%
Ms Sarah Peet	16 September 2016	4 years		Independent member		n/a
Mr Ian Pollitt	Reappointed 5 October 2016	4 years		Independent member		42%
Mr Phillip Powell	1 August 2015	4 years	31 July 2016	Student member		40%
Mr Stephen Sankson	8 July 2015	4 years		Independent member	Finance	67%
Mr Abdi Saed	1 September 2016	4 years		Student member		n/a
Mr Marcel Santa	7 October 2015	4 years	31 July 2016	Student member		63%
Mr Phillip Sheard	3 August 2016	4 years		Independent member		n/a
Mr Peter Tavernor	3 December 2013 – Appointed as Chair 30 November 2016	4 years		Independent member	Finance Chair of Corporation from 30 November 2016	75%
Ms Gill Williams	14 September 2016	4 years		Staff member		n/a
Mr David Wilson	29 November 2011	4 years	11 November 2016	Independent member		100%
Ms Christine Lenderyou acts as Clerk to the Corporation.						

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

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, and shall hold such other meetings as may be necessary.

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 Finance, Remuneration, and Audit. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website http://www.liv-coll.ac.uk/Minutes.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. 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 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 Chairman and Accounting Officer are separate.

During 2015/16 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 are being implemented accordingly.

The College was subject to an Ofsted re-inspection in November 2015 and the result of the final report was an Ofsted grading 3 'Requires Improvement'. However, there were areas of 'Good' provision highlighted in the Ofsted report which were Adult learning programmes and Provision for learners with high needs. The College continues a programme of transformation and improvement, which includes encompassing the recommendations of the Ofsted inspection.

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 the identification of candidates and 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.

Corporation performance

The Board reviewed its performance in September 2016 and reflected on the success of the College as a whole in meeting strategic objectives and associated performance measures and the contribution the Board had made to that success. The following elements were considered:

- An assessment of each Committee/Group
- Assessment against the AoC's Code of Good Governance for English Colleges
- Independent assurance (Ofsted – November 2015, Internal Audit – September 2015 and December 2015, and the FE Commissioner – April 2015)

While considerable assurance could be taken from each of the elements, particularly in respect of the role the Board had played in improving quality and performance over a three-year period, the Board remained committed to further strengthening governance to ensure that the trajectory of improvement continued and the financial deficit in 2015/16 was confined to the past. An action plan was approved to this effect.

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 post holders and to make recommendations to the Corporation around an effective succession planning strategy.

Details of remuneration for the year ended 31 July 2016 are set out in note 8 to the financial statements.

Audit Committee

The Audit Committee comprises five members of the Corporation (excluding the Principal (Accounting Officer) 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, reporting accountants 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, reporting accountants and financial statements auditors and their remuneration for audit and non-audit work as well as reporting annually to the Corporation.

Finance Committee

The Finance Committee comprises of a minimum of three members of the Corporation (excluding members of Audit Committee) and may also include up to two co-opted members. The Committee operates in accordance with written terms of reference approved by the Corporation.

The role of the Finance Committee is to advise the Board on financial health and solvency of the Group including scrutiny of management accounts, cash position, performance against budget and the financial strategy of the Group.

The Finance Committee was established during the financial year ended 31 July 2016 and the first meeting of the Committee was held in August 2016. The Committee shall exist at least until the College is released from the intervention processes.

Internal control

Scope of responsibility

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

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which she is personally responsible, 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 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 The City of Liverpool 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 period 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
- 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 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 a minimum, annually, the internal audit service provides the governing body with a report on internal audit activity in the Group. The report includes the internal audit services's independent opinion on the adequacy and effectiveness of the College'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:

- English and Mathematics Provision
- Payroll and Expenses – Key Controls
- First4Skills – Subcontracting and Quality Assurance Compliance
- Key Financial Control - Management Accounts
- Sub-contracting - in accordance with the Skills Funding Agency (SFA) "Providing external assurance on subcontracting controls" document dated September 2015

In addition, the Committee was also provided with Advisory reports from the Internal Auditors in addition to the assurance activity above.

Review of effectiveness

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

- the work of the internal audit service

- 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 reporting accountant auditors for regularity assurance in their management letters and other reports.

The Accounting Officer has been advised on the implications of the result of her review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal audit service 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 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 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 December 2016 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2016 by considering documentation from the Strategic Leadership 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.

As a result of an operating deficit in 2015/16 as a result of funding reductions in the year, the College has sought Exceptional Financial Support ("EFS") from the Skills Funding Agency. These monies were received and as at 31 July 2016 the total EFS stood at £2,000,000. This amount is included in creditors due within one year.

The EFS received in February 2016 will be repaid to the Skills Funding Agency as agreed, by January 2017. Under current conditions, there will be pressure on cash flow in January to March 2017, primarily due to the payment profile from funding bodies during that period. In order to provide further contingency, options for short term financing are being progressed. The College forecasts that with effective management of working capital as referred to in the basis of preparation, sufficient resources are in place to meet essential financial commitments going forward.

With the above detailed EFS from the Skills Funding Agency and the continued support of the College's bankers, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. This is further detailed within the notes to the financial statements (pages 31-59). For this reason the college continues to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 20 December 2016 and signed on its behalf by:

Peter Tavernor
Chair

Elaine Bowker
Accounting Officer

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 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 20 December 2016 and signed on its behalf by:

Peter Tavernor	Elaine Bowker
Peter Tavernor	Elaine Bowker
Chair	Accounting Officer

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 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* and with the *College Accounts Direction 2015 to 2016* 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 Group and 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 accounting 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
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the Group and 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 Group.

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 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 Group and 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/Education Funding Agency are used only in accordance with the Financial Memorandum/ Financial Agreement with the Skills Funding Agency/Education Funding Agency 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 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/Education Funding Agency are not put at risk.

Approved by order of the members of the Corporation on 20 December 2016 and signed on its behalf by:

Peter Tavernor

....

Peter Tavernor

Chair

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 2016 which comprise the consolidated and college statement of comprehensive income, the consolidated and college statement of changes in reserves, the consolidated and college balance sheets, the consolidated 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 College's Corporation, as a body, in accordance with Article 22 of The City of Liverpool 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 Responsibilities of the members of the Corporation set out on page 22, 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 2016 and of the Group's and College's deficit 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 Statement of Recommended Practice – Accounting for Further and Higher Education issued in March 2014.

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's 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

21 December 2016

Reporting accountant's assurance report on regularity

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

In accordance with the terms of our engagement letter dated 14 December 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 The City of Liverpool College during the period from 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 June 2016. 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 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 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 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 as imposed by the law, 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 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.

The work undertaken to draw our conclusion includes:

- an assessment of the risk of material irregularity and impropriety across the college's activities;
- evaluation of the processes and controls established and maintained in respect of regularity and propriety for the use of public funds through observation of the arrangements in place and enquiries of management;
- consideration and corroboration of the evidence supporting the Accounting Officer's statement on regularity, propriety and compliance and that included in the self-assessment questionnaire (SAQ); and
- limited testing, on a sample basis, of income and expenditure for the areas identified as high risk and included on 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 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.

Grant Thornton UK LLP

Grant Thornton UK LLP
Chartered Accountants
Manchester
21 December 2016

The City of Liverpool College
Consolidated and College Statements of Comprehensive Income

	Notes	Year ended 31 July 2016 Group £'000	2016 College £'000	Year ended 31 July 2015 Group £'000	2015 College £'000
INCOME					
Funding body grants	2	41,261	28,625	55,216	39,207
Tuition fees and education contracts	3	6,605	6,491	6,010	6,022
Other grants and contracts	4	530	530	-	-
Other income	5	1,328	1,256	2,588	3,554
Endowment and investment income	6	8	8	13	13
Donations and endowments	7	-	-	-	-
Total income		**49,732**	**36,910**	**63,827**	**48,796**
EXPENDITURE					
Staff costs	8	33,796	18,640	36,251	27,987
Fundamental restructuring costs	8	293	277	458	458
Other operating expenses	9	18,294	16,438	21,747	15,016
Depreciation	12	3,569	3,252	4,212	3,901
Amortisation of goodwill	13	143	-	143	-
Interest and other finance costs	10	1,425	1,308	1,407	1,407
Loss on disposal of assets		162	162	-	-
Impairment of Fixed Assets and Investments	12	263	263	-	2,500
Total expenditure		**57,945**	**40,340**	**64,218**	**51,269**
Deficit before other gains and losses		**(8,213)**	**(3,430)**	**(391)**	**(2,473)**
Deficit before tax		**(8,213)**	**(3,430)**	**(391)**	**(2,473)**
Taxation	11	654	-	42	-
Deficit for the year		**(7,559)**	**(3,430)**	**(349)**	**(2,473)**
Unrealised surplus on revaluation of assets					
Actuarial loss in respect of pensions scheme	25	(8,175)	(5,911)	(2,540)	(2,540)
Actuarial loss in respect of enhanced pensions	19	(23)	(23)	(37)	(37)
Deferred tax provision	11	408	-	-	-
Total Comprehensive Income for the year		**(15,349)**	**(9,364)**	**(2,926)**	**(5,013)**
Deficit for the year atributable to:					
Non controlling interest		-	-	-	-
Group		(7 559)	(3 430)	(349)	(2 473)
		(7 559)	(3 430)	(349)	(2 473)
Total Comprehensive Income for the year attributable to:					
Non controlling interest		-	-	-	-
Group		(15 349)	(9 364)	(2 926)	(5 013)
		(15 349)	(9 364)	(2 926)	(5 013)

The City of Liverpool College
Consolidated and College Statement of Changes in Reserves

	Income and Expenditure account	Revaluation reserve	Total excluding Non controlling interest	Non Controlling interest	Total
	£'000	£'000	£'000	£'000	£'000
Group Balance at 1st August 2014	12,122	3,661	15,783	-	15,783
Deficit from the income and expenditure account	(349)	-	(349)	-	(349)
Other comprehensive income	(2,577)	-	(2,577)	-	(2,577)
Transfer between revaluation and income and expenditure reserves	96	(96)	-	-	-
	(2,830)	(96)	(2,926)	-	(2,926)
Balance at 31st July 2015	9,292	3,565	12,857	-	12,857
Deficit from the income and expenditure account	(7,559)	-	(7,559)	-	(7,559)
Other comprehensive income	(7,790)	-	(7,790)	-	(7,790)
Transfer between revaluation and income and expenditure reserves	97	(97)	-	-	-
Total comprehensive income for the year	(15,252)	(97)	(15,349)	-	(15,349)
Disposal of non-controlling interest	154	-	154	346	500
Total changes in ownership interests in subsidiaries that do not result in a loss of control	154	-	154	346	500
Balance at 31st July 2016	(5,806)	3,468	(2,338)	346	(1,993)
College balance at 1st August 2014	14,216	3,661	17,877	-	17,877
Deficit from the income and expenditure account	(2,473)	-	(2,473)	-	(2,473)
Other comprehensive income	(2,577)	-	(2,577)	-	(2,577)
Transfer between revaluation and income and expenditure reserves	96	(96)	-	-	-
	(4,954)	(96)	(5,050)	-	(5,050)
Balance at 31st July 2015	9,262	3,565	12,827	-	12,827
Deficit from the income and expenditure account	(3,430)	-	(3,430)	-	(3,430)
Other comprehensive income	(5,934)	-	(5,934)	-	(5,934)
Transfers between revaluation and income and expenditure reserves	97	(97)	-	-	-
Total comprehensive income for the year	(9,267)	(97)	(9,364)	-	(9,364)
Disposal of non-controlling interest	(146)	-	(146)	-	(146)
Total changes in ownership interests in subsidiaries that do not result in a loss of control	(146)	-	(146)	-	(146)
Balance at 31st July 2016	(151)	3,468	3,317	-	3,317

The City of Liverpool College
Consolidated Statement of Cash Flows

	Notes	2016 £'000	2015 £'000
Cash inflow from operating activities			
Deficit for the year		(7,559)	(349)
Adjustment for non cash items:			
Depreciation	12	3,569	4,212
Impairment of fixed assets		263	-
Deferred Capital grants released to income		(1,263)	(1,847)
Amortisation	13	143	143
decrease/(Increase) in stocks		1	(4)
(Increase)/decrease in debtors	14	(124)	195
Increase/(decrease) in creditors due within one year	16	2,215	(200)
Increase/(decrease) in provisions	19	-	(21)
Deferred Taxation	11	(654)	-
Pensions costs less contributions payable	19,25	663	689
Taxation paid		(2)	-
Adjustment for investing or financing activities:			
Investment income	6	(8)	(13)
Interest payable	10	818	855
(Profit)/Loss on sale of fixed assets		162	-
Net cash flow from operating activities		**(1,776)**	**3,660**
Cash flows from investing activities			
Proceeds from sale of fixed assets		506	-
Investment income	6	(8)	13
Grant Funding		794	-
Payments made to acquire fixed assets	12	(2,785)	(1,268)
		(1,493)	(1,255)
Cash flows from financing activities			
Interest paid	10	(818)	(855)
Interest element of finance lease rental payments		-	(1)
New unsecured loans		2,810	-
Repayments of amounts borrowed		(630)	(497)
Capital element of finance lease rental payments	18	(11)	(44)
		1,351	(1,397)
(Decrease)/increase in cash and cash equivalents in the year		**(1,918)**	**1,008**
Cash and cash equivalents at beginning of the year	20	3,415	2,407
Cash and cash equivalents at end of the year	20	1,497	3,415

The City of Liverpool College
Balance sheets as at 31 July 2016

	Notes	Group	College	Group	College
		2016	2016	2015	2015
		£'000	£'000	£'000	£'000
Non Current Assets					
Intangible Fixed Assets	13	167	-	310	-
Tangible fixed assets	12	65,547	58,665	66,771	59,667
Investments	13	-	6,469	-	7,115
		65,714	**65,134**	**67,081**	**66,782**
Current assets					
Stocks		63	63	64	64
Debtors - amounts falling due greater than one year	15	-	-	-	-
Trade and other receivables	14	2,958	2,651	2,834	3,394
Cash and cash equivalents	20	1,497	559	3,415	1,829
Deferred Taxation	19b	1,107	-	42	-
		5,625	**3,273**	**6,355**	**5,287**
Less: Creditors – amounts falling due within one year	16	(12,450)	(10,109)	(9,960)	(8,623)
Net current liabilities		**(6,826)**	**(6,836)**	**(3,605)**	**(3,336)**
Total assets less current liabilities		**58,889**	**58,299**	**63,476**	**63,446**
Less: Creditors – amounts falling due after more than one year	17	(34,743)	(34,744)	(33,320)	(33,320)
Provisions					
Defined benefit obligations	25	(25,653)	(19,753)	(16,815)	(16,815)
Other provisions	19a	(485)	(485)	(485)	(485)
Total net (liabilities)/assets		**(1,993)**	**3,317**	**12,857**	**12,827**
Unrestricted reserves					
Income and expenditure account		(5,806)	(151)	9,292	9,262
Revaluation reserve		3,468	3,468	3,565	3,565
		(2,338)	3,317	12,857	12,827
Non-controlling interest	29	346	-	-	-
Total unrestricted reserves		**(1,993)**	**3,317**	**12,857**	**12,827**

The financial statements on pages 27 to 59 were approved and authorised for issue by the Corporation on 20 December 2016 and were signed on its behalf on that date by:

Peter Tavernor
Chair

Peter Tavernor

Elaine Bowker
Accounting Officer

1. Legal status and registered office

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

Registered office

The Learning Exchange
Roscoe Street
Liverpool
L1 9DW

2. Statement of accounting policies and estimation techniques

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2015 to 2016* and in accordance with Financial Reporting Standard 102 – *"The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland"* (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

The financial statements are presented in £ sterling.

Transition to the 2015 FE HE SORP

The Group 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 Group 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 Group are provided in note 28.

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

The College has taken advantage of the exemptions provided in FRS 102 1.12 and the 2015 FE HE SORP 3.3, and has not included a separate statement of its own cash flows. These cash flows are included within the Consolidated Statement of Cash Flows, and the College balance sheet discloses cash at both the current and preceding reporting dates.

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 1 August 2014, the Group has retained the carrying values of freehold properties as being deemed cost and measured at fair value
- Lease incentives – the Group has continued to recognise the residual benefits associated with lease incentives on the same basis as that applied at the date of transition
- Business combinations – the Group has elected not to apply section 19 Business Combinations and Goodwill to business combinations that were effected before 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 consolidated financial statements include the College and its subsidiaries, Liverpool Business Services Limited, SharEd Limited and First 4 Skills Limited, controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2016.

Going concern

The activities of the Group, together with the factors likely to affect its future development and performance are set out in the Report of the Governing Body. The financial position of the Group, its cash flow, liquidity and borrowings are described in the financial statements and accompanying Notes.

The Group primarily meets its day to day working capital requirements through cash generated from its day to day activities. It also has two loans with Barclays Bank plc, which at 31 July 2016 had a total balance of £11,033k. The main loan facility with Barclays Bank plc has a balance at 31 July 2016 amounting to £8.8m, which is due for repayment over a period to July 2031.

During the year ended 31 July 2016, as a result of working capital pressures, the Group sought exceptional financial support from the Skills Funding Agency (SFA) amounting to £2m repayable by January 2017. As a result of this, the SFA issued a Notice of Concern to the Group and following an assessment by the FE Commissioner, the Group was placed into Administered College status in October 2016. This resulted in the Group being in breach of the terms of the loan facilities with Barclays Bank plc, however, the bank has since waived this breach in covenants. The Group also holds an interest free loan of £711k specifically to support carbon reduction initiatives.

The Group's forecasts and financial projections indicate that the Group will have to manage short term cash flow concerns through working capital management and negotiating extended credit terms with suppliers. The forecasts also indicate that a further short term financing facility needs to be sought. As a result of this the Board has received two offers of external finance; one representing an overdraft facility of £2m and the other an offer of an invoice discounting facility of £2.5m.

Having considered the uncertainties described above, but taking into account the actions taken by the Group, the members of the Corporation have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of not less than 12-months from the date of approval of these financial statements. For these reasons, they continue to adopt the going concern basis in preparing the annual report and accounts.

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 statement of comprehensive income. 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 statement of comprehensive income in the period in which it is earned on a receivable basis.

Accounting for post-employment benefits

Post-employment benefits to employees of the Group 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 Group 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 Group 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 recognised gains and losses.

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

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 Group 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 the group 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 Group'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

Tangible fixed assets are stated at cost or deemed cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Land and buildings

Freehold buildings are depreciated on a straight line basis over their expected useful lives as follows:

- Freehold Buildings – 50 years
- Subsequent capital expenditure/refurbishments over £5,000 – between 10 and 25 years

Freehold land is not depreciated.

Where land and buildings are acquired with the aid of specific government 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 statement of comprehensive income over the expected useful economic life of the related asset on a systematic 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.

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 Group 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 existing fixed assets

Where significant expenditure is incurred on tangible fixed assets after initial purchase it is charged to income in the period it is incurred, unless it increases the future benefits to the Group, in which case it is capitalised and depreciated on the relevant basis.

Equipment

With the exception of computers and associated IT equipment, equipment costing less than £500 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost.

Capitalised equipment is depreciated on a straight-line basis over its remaining useful economic life as follows:

- technical equipment 4 to 25 years
- computer equipment 4 years
- furniture, fixtures and fittings 4 to 25 years

Goodwill

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities acquired. Goodwill is capitalised and amortised to the statement of comprehensive income over its estimated economic life of 5 years.

Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred.

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 1 August 2014 are spread over the minimum lease term. The Group has taken advantage of the transitional exemptions in FRS 102 and has retained the policy of spreading lease premiums and incentives to the date of the first market rent review for leases signed before 1 August 2014.

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

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

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

Investments

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

Inventories

Inventories are stated at the lower of their cost and net realisable value, being selling price less costs to complete and sell. Where necessary, provision is made for obsolete, slow-moving and defective items.

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.

Financial liabilities and equity

Financial liabilities and equity are classified 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 Group 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 Group 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 cost. Loans and investments that are payable or receivable within one year are not discounted.

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 sections 478-488 of the 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 the 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.

The College's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

Deferred tax is recognised in respect of timing differences that have originated but not reversed at the balance sheet date. Deferred tax assets are recognised to the extent that they are expected to be reversed in the foreseeable future. Deferred tax is calculated at the tax rates expected to be effective at the time the timing differences are expected to be reversed and is not discounted.

Provisions and contingent liabilities

Provisions are recognised when the Group 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 Group 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 Group. 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.

Identified provisions are included for defined benefit pension scheme and enhanced pension obligations.

Agency arrangements

The College acts as an agent in the collection and payment of discretionary support funds and for AGE grants regarding apprenticeship funding for employers. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the statement of comprehensive income of the

College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

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 Group 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 group's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 25, 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.

2 Funding council grants

	Year ended 31 July 2016 Group £'000	Year ended 31 July 2016 College £'000	Year ended 31 July 2015 Group £'000	Year ended 31 July 2015 College £'000
Recurrent grants				
Skills Funding Agency	7,973	7,973	12,540	12,540
Education Funding Agency	14,815	14,815	21,384	21,384
Higher Education Funding Council	350	350	236	236
Specific Grants				
Skills Funding Agency	16,155	3,519	19,434	3,425
Education Funding Agency	916	916	-	-
Releases of government capital grants	1,053	1,053	1,622	1,622
Total	41,261	28,625	55,216	39,207

3 Tuition fees and education contracts

	Year ended 31 July 2016 Group £'000	Year ended 31 July 2016 College £'000	Year ended 31 July 2015 Group £'000	Year ended 31 July 2015 College £'000
Adult education fees	940	826	2,534	2,534
Fees for FE loan supported courses	2,411	2,411	-	-
Fees for HE loan supported courses	3,111	3,111	2,088	2,088
International students fees	9	9	70	70
Total tuition fees	6,471	6,357	4,692	4,692
Education contracts	134	134	1,318	1,330
Total	6,605	6,491	6,010	6,022

4 Other grants and contracts

	Year ended 31 July 2016 Group £'000	Year ended 31 July 2016 College £'000	Year ended 31 July 2015 Group £'000	Year ended 31 July 2015 College £'000
Other grants and contracts	530	530	-	-

5 Other income

	Year ended 31 July 2016 Group £'000	Year ended 31 July 2016 College £'000	Year ended 31 July 2015 Group £'000	Year ended 31 July 2015 College £'000
Catering and residences	488	168	567	582
Other income generating activities	182	257	498	498
Other grant income	60	60	-	-
Non government capital grants	210	210	261	261
Miscellaneous income	388	561	1,262	2,213
Total	1,328	1,256	2,588	3,554

6 Investment income

	Year ended 31 July 2016 Group £'000	Year ended 31 July 2016 College £'000	Year ended 31 July 2015 Group £'000	Year ended 31 July 2015 College £'000
Other investment income	-	-	13	13
Other interest receivable	8	8	-	-
	8	8	13	13
Pension finance income (note 25)	-	-	-	-
Total	8	8	13	13

7 Donations - College only

	Year ended 31 July 2016 £'000	Year ended 31 July 2015 £'000
Unrestricted donations	-	-

The City of Liverpool College
Notes to the Accounts (continued)

8 Staff costs

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

	2016 Group No.	2016 College No.	2015 Group No.	2015 College No.
Teaching staff	630	308	694	404
Non teaching staff	308	247	347	349
	938	555	1,041	753

Staff costs for the above persons

	2016 Group £'000	2016 College £'000	2015 Group £'000	2015 College £'000
Wages and salaries	27,239	17,026	29,265	21,835
Social security costs	2,236	1,458	2,311	1,675
Other pension costs *	3,470	(695)	3,438	3,227
Payroll sub total	**32,945**	**17,789**	**35,014**	**26,737**
Contracted out staffing services	851	851	1,237	1,250
	33,796	**18,640**	**36,251**	**27,987**
Fundamental restructuring costs - Contractual	-	-	-	-
non contractual	293	277	458	458
Total	34,089	18,917	36,709	28,445

* Other pension costs in respect of the College amounting to £712k includes the transfer of the value of the pension deficit related to SharEd employees from the College to SharEd amounting to £3,362k.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group and are represented by the College Executive Team which comprises the Principal, Deputy Chief Executive, Deputy Principal and Vice Principal of Curriculum.

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:	6	5

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

	Senior post-holders 2016 No.	Senior post-holders 2015 No.	Other staff 2016 No.	Other staff 2015 No.
£60,001 to £70,000	-	1	2	8
£70,001 to £80,000	1	-	6	1
£80,001 to £90,000	-	-	-	-
£90,001 to £100,000	1	1	-	-
£100,001 to £110,000	-	1	-	1
£110,001 to £120,000	1	1	-	-
£120,001 to £130,000	2	-	-	-
£130,001 to £140,000	-	-	-	-
£140,001 to £150,000	-	-	-	-
£150,001 to £160,000	-	-	-	-
£160,001 to £170,000	-	-	-	-
£170,001 to £180,000	-	-	-	-
£180,001 to £190,000	-	-	-	-
£190,001 to £200,000	-	-	-	-
£200,001 to £210,000	1	1	-	-
	6	5	8	10

8 Staff costs

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

	Key management personnel 2016 No.	2015 No.
£60,001 to £70,000	-	-
£70,001 to £80,000	-	-
£80,001 to £90,000	1	-
£90,001 to £100,000	1	3
£100,001 to £110,000	2	1
£110,001 to £120,000	-	-
£120,001 to £130,000	2	-
£130,001 to £140,000	1	1
£140,001 to £150,000	-	-
£150,001 to £160,000	-	-
£160,001 to £170,000	-	-
£170,001 to £180,000	-	-
£180,001 to £190,000	-	-
£190,001 to £200,000	-	-
£200,001 to £210,000	1	1
	8	6

Key management personnel emoluments are made up as follows:

	2016 £'000	2015 £'000
Salaries	656	651
Employers national insurance contributions	83	78
Benefits in kind	1	-
	740	729
Pension contributions	61	66
Total emoluments	801	795

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

	2016 £'000	2015 £'000
Salaries (incl. employers national insurance contributions)	179	179
Employers national insurance contributions	24	24
Benefits in kind	1	-
	204	203
Pension contributions	-	-

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.

The City of Liverpool College
Notes to the Accounts (continued)

9 Other operating expenses

	Year ended 31 July 2016 Group £'000	Year ended 31 July 2016 College £'000	Year ended 31 July 2015 Group £'000	Year ended 31 July 2015 College £'000
Teaching costs	11,391	6,925	9,151	3,938
Non teaching costs	3,531	8,926	8,810	7,826
Premises costs	3,372	586	3,786	3,252
Total	18,294	16,438	21,747	15,016

Other operating expenses include:	**2016 £'000**	**2015 £'000**
Auditors' remuneration:		
Financial statements audit*	69	49
Internal audit**	41	40
Other services provided by the financial statements auditors	13	28
Other services provided by the internal auditors	-	4
Losses on disposal of tangible fixed assets	162	-
Hire of assets under operating leases	169	198

* includes £38,000 in respect of the College (2014/15 £32,000)
** includes £40,860 in respect of the College (2014/15 £39,690)

10 Interest payable - Group and College

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
On bank loans, overdrafts and other loans	818	818	855	855
On finance leases	-	-	1	1
Pension finance costs (note 25)	607	490	551	551
Total	1,425	1,308	1,407	1,407

11 Taxation - Group only

	2016 £'000	2015 £'000
United Kingdom corporation tax at 20% per cent	-	-
Provision for deferred corporation tax in the accounts of the subsidiary company	(654)	(42)
Deferred Tax movement recognised in Other Comprehensive Income	(408)	-
Total	(1,062)	(42)

The City of Liverpool College
Notes to the Accounts (continued)

12 Tangible fixed assets

(Group)	Land and buildings - Freehold	Computer Equipment	Equipment	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2015	81,214	6,748	8,768	431	97,161
Additions	1,176	368	96	1,145	2,785
Disposals	(218)	-	(159)	-	(378)
At 31 July 2016	**82,172**	**7,116**	**8,705**	**1,576**	**99,568**
Depreciation					
At 1 August 2015	18,181	5,887	6,322	-	30,390
Charge for the year	2,341	663	564	-	3,569
Impairment	263	-	-	-	263
Elimination in respect of disposals	(77)	-	(124)	-	(201)
At 31 July 2016	**20,708**	**6,550**	**6,762**	**-**	**34,021**
Net book value at 31 July 2016	**61,463**	**566**	**1,942**	**1,576**	**65,547**
Net book value at 31 July 2015	63,033	861	2,446	431	66,771

(College only)	Land and buildings - Freehold	Computer Equipment	Other Equipment	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2015	71,887	6,037	8,591	433	86,948
Additions	1,176	273	96	1,145	2,690
Disposals	(218)	-	(159)	-	(378)
At 31 July 2016	**72,845**	**6,310**	**8,528**	**1,578**	**89,260**
Depreciation					
At 1 August 2015	15,842	5,246	6,193	-	27,281
Charge for the year	2,129	593	530	-	3,252
Impairment	263	-	-	-	263
Elimination in respect of disposals	(77)	-	(124)	-	(201)
At 31 July 2016	**18,157**	**5,839**	**6,599**	**-**	**30,595**
Net book value at 31 July 2016	**54,688**	**471**	**1,928**	**1,578**	**58,665**
Net book value at 31 July 2015	56,045	791	2,398	433	59,667

Land and buildings were valued in July 1996 on the basis of open market value. Valuations on recently constructed buildings were based on depreciated replacement cost by a firm of independent chartered surveyors in accordance with the RICS Statement of Assets.

The cessation of activity for the Maritime Academy at Collingwood Dock resulted in loss on disposal of £163k.

12 Tangible fixed assets (College only) (continued)

The net book value of equipment includes an amount of £Nil (2014/15 – £Nil in respect of assets held under finance leases. The depreciation charge on these assets for the year was £Nil (2014/15 – £Nil).

If inherited land and buildings had not been revalued they would have been included at the following historical cost amounts:

	£'000
Cost	Nil
Aggregate depreciation based on cost	Nil
Net book value based on cost	**Nil**

13 Non current Investments

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Investments in subsidiary companies	-	6,469	-	7,115
Total	**-**	**6,469**	**-**	**7,115**

Positive Goodwill (Group)

	2016 £'000	2015 £'000
Goodwill		
At 1 August 2015	715	715
Goodwill on acquisition	-	-
At 31 July 2016	**715**	**715**
Amortisation		
At 1 August 2015	(405)	(262)
Charge for the year	(143)	(143)
At 31 July 2016	**(548)**	**(405)**
Net book value at 31 July 2016	**167**	**310**
Net book value at 31 July 2015	310	453

The College owns 100% of the issued ordinary £1 shares of Liverpool Business Services Limited, a company incorporated in Great Britain and registered in England and Wales on 13 October 1997. The principal business of the company is the provision of education to commerce and industry. The interest in Liverpool Business Services Limited was acquired on 2 December 1997 with issued share capital of £2. A further 8,000,000 shares of £1 each were acquired 13 December 2002. On 23 April 2015, the Company passed a special resolution to undertake a capital reduction to reduce its share capital by £3,000,000.

In September 2012 the College purchased 75% of the issued £1 ordinary shares of the Ellesmere Port-based training provider First4Skills Ltd for a consideration of £900,000. The business employs over 500 staff and has a national client base, including a number of major high street retailers. With continuing funding contracts with the SFA and Skills Development Scotland amounting to £18.5M per annum, the acquisition will mean the College will be able to penetrate a much bigger market more effectively and quickly, which will benefit the College as a whole. Apart from becoming the College with the highest number of apprenticeships nationally, the College will rank as the fifth largest apprentice trainer of any kind in the country, whilst continuing to use the First4Skills name. The acquisition generated goodwill of £225,000, represented by the ongoing apprenticeship courses offered by First4Skills to its existing student base.

The College purchased the remaining 25% of First4Skills in a number of instalments between July 2014 and October 2014 for a total consideration of £715,000. The goodwill arising on the acquisition of First4Skills has now been fully recognised.

On 28 July 2016 The College sold a 40% interest in First4Skills for a consideration of £500,000.

The College owns Shared Education Services Limited, a company limited by guarantee, incorporated in Great Britain and registered in England and Wales on 5 May 2015. The principal business of the company is the provision of back office administration and support services.

14 Debtors: amounts falling due within one year

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Amounts falling due within one year:				
Trade receivables	2,094	421	2,122	810
Amounts owed by group undertakings:				
Subsidiary undertakings	-	1,964	-	2,036
Prepayments and accrued income	863	266	712	548
Total	2,958	2,651	2,834	3,394

15 Debtors: amounts falling due greater than one year

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Amounts owed by subsidiary undertaking	-	-	-	-
Total	-	-	-	-

16 Creditors: amounts falling due within one year

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Bank loans and overdrafts	843	843	2,690	2,690
Obligations under finance leases	-	-	11	-
Trade payables	4,309	3,860	1,344	1,444
Amounts owed to group undertakings:				
Subsidiary undertakings	-	-	-	119
Other taxation and social security	1,765	1,218	1,154	993
Accruals and deferred income	1,636	796	3,503	2,119
Deferred income - government capital grants	918	918	1,047	1,047
Deferred income - government revenue grants	271	271	211	211
Amounts owed to the Skills Funding Agency*	2,000	2,000	-	-
Other creditors	505	-	-	-
Other loans	203	203	-	-
Total	12,450	10,109	9,960	8,623

*Exeptional Financial Support from Skills Funding Agency repayable by January 2017.

17 Creditors: amounts falling due after one year

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Bank loans	10,190	10,190	8,874	8,874
Deferred income - government capital grants	20,428	20,428	21,352	21,352
Deferred income - other capital grants	3,618	3,618	3,094	3,094
Other loans	508	508	-	-
Total	34,743	34,744	33,320	33,320

The City of Liverpool College
Notes to the Accounts (continued)

18 Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
In one year or less	843	843	2,690	2,690
Between one and two years	760	760	473	473
Between two and five years	2,336	2,336	1,178	1,178
In five years or more	7,094	7,094	7,223	7,223
Total	11,033	11,033	11,564	11,564

Bank loans and overdrafts repayable by instalments falling due between 1 August 2016 and 17 July 2035 totalling £11,033k are secured by a legal charge on the freehold land and buildings of the Group.

(b) Finance leases

The net finance lease obligations to which the institution is committed are:

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
In one year or less	-	-	11	-
Total	-	-	11	-

Finance lease obligations are secured on the assets to which they relate.

(c) Other Loans

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
In one year or less	203	203	-	-
Between one and two years	203	203	-	-
Between two and five years	306	306	-	-
Total	711	711	-	-

Salix - this is an interest free loan over 4 years to support carbon reduction initiatives. This loan is unsecured.

19 Provisions

a) Enhanced Pensions

	Group and College Enhanced pensions 2016 £'000
At 1 August	485
Expenditure in the period	(40)
Transferred from income and expenditure account	17
Actuarial loss/ (gain)	23
At 31 July	485

The enhanced pension provision relates to the cost of staff who have already left the Groups employ and commitments for reorganisation costs from which the Group 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	1.30%	1.70%
Discount rate	2.30%	3.50%

b) Deferred taxation

	2016 £'000	2015 £'000
Provision for deferred tax		
Accelerated capital allowances	(28)	(28)
Short term timing differences	(14)	(14)
On defined benefit scheme of subsidiary	(1,062)	-
Total deferred tax	(1,104)	(42)
Movement in provision		
Provision at the start of the year	(42)	-
Deferred tax (credited) to the income and expenditure account for the year	(1,062)	(42)
Assets as at 31 July 2016	(1,104)	(42)

20 Cash and cash equivalents

Group	At 1 August 2015 £'000	Cash flows £'000	Other changes £'000	At 31 July 2016 £'000
Cash and cash equivalents	3,415	(1,918)	-	1,497
Overdrafts	-	-	-	-
Total	**3,415**	**(1,918)**	-	**1,497**

College	At 1 August 2015 £'000	Cash flows £'000	Other changes £'000	At 31 July 2016 £'000
Cash and cash equivalents	1,829	(1,270)	-	559
Overdrafts	-	-	-	-
Total	**1,829**	**(1,270)**	-	**559**

21 Capital commitments

	Group and College 2016 £'000	2015 £'000
Commitments contracted for at 31 July	1,949	-

22 Lease Obligations

At 31 July the Group and College had minimum lease payments under non-cancellable operating leases as follows:

	2016 £'000	2015 £'000
Future minimum lease payments due		
Group		
Land and buildings		
Not later than one year	153	182
Later than one year and not later than five years	164	159
	317	341
Other		
Not later than one year	106	9
	106	9
Total	423	350
College		
Land and buildings		
Not later than one year	425	425
Later than one year and not later than five years	1,700	1,700
Later than five years *	1,275	1,700
	3,400	3,825
Other		
Not later than one year	106	156
	106	156
Total	3,506	3,981

* The operating lease is between the College and its wholly owned subsidiary company, Livepool Business Services Ltd

23 Contingent liabilities

There were no contingent liabilities at 31st July 2016 and 31st July 2015.

24 Events after the reporting period

On 1 August 2016 the Group exchanged contracts to dispose of a freehold land and building for a consideration of £1,750,000. The asset has been impaired for a value of £263k in the current reporting period

As a result of working capital pressures, the SFA issued a notice of concern to the Group and following an assessment by the FE Commissioner, the Group was placed into Administered college status in October 2016. This resulted in the Group being in breach of the terms of the loan facilities with Barclays Bank plc. The bank has since waived the breach of these covenants.

The City of Liverpool College
Notes to the Accounts (continued)

25 Defined benefit obligations

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

Total pension cost for the year		2016 £'000		2015 £'000
Teachers Pension Scheme: contributions paid		1,731		1,666
Local Government Pension Scheme:				
Contributions paid	1,633		1,497	
F4S Contributions Paid	105		137	
FRS 102 (28) Charge	1		138	
Charge to the Statement of Comprehensive Income		1,739		1,772
Enhanced pension charge to Statement of Comprehensive Income		-		-
Total Pension Cost for Year		3,470		3,438

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

Contributions amounting to £211,228 (2015 £224,397) were payable to the scheme at 31st July and are included in creditors.

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension Budgeting and Valuation Account

Although teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay-as-you-go' basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act.

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

Valuation of the Teachers' Pension Scheme

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

- employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.8%);

- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay.

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

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

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

Scheme Changes

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

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

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

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

The pension costs paid to TPS in the year amounted to £1,731,000 (2015: £1,666,000).

FRS 102 (28)

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

Accordingly, the Group has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The Group has set out above the information available on the plan and the implications for the Group in terms of the anticipated contribution rates.

25 Defined benefit obligations (continued)

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds adminstered by Merseyside Pension Fund (MPF). The total contribution made for the year ended 31 July 2016 was £1,339,402, of which employer's contributions totalled £1,077,161 and employees' contributions totalled £262,241. The unconfirmed contribution rates for future years are 15.1% for the College and 19.0% for SharEd Education Services Ltd, for employers and range from 5.5% to 11.4% for employees, depending on salary.

Principal Actuarial Assumptions

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

	At 31 July 2016	At 31 July 2015
Rate of increase in salaries	3.20%	3.70%
Future pensions increases	1.80%	2.20%
Discount rate for scheme liabilities	2.50%	3.80%
Inflation assumption (CPI)	1.70%	2.20%
Commutation of pensions to lump sums		

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
Retiring today		
Males	22.5	22.4
Females	25.4	25.3
Retiring in 20 years		
Males	24.9	24.8
Females	28.2	28.1

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

	Group Fair Value at 31 July 2016	College Fair Value at 31 July 2016	Group Fair Value at 31 July 2015	College Fair Value at 31 July 2015
	£'000	£'000	£'000	£'000
Equities	29,732	20,994	29,970	29,970
Government Bonds	2,605	1,839	6,882	6,882
Other Bonds	6,683	4,719	2,593	2,593
Property	4,644	3,279	4,289	4,289
Cash	2096	1480	1446	1446
Other	10874	7678	4688	4688
Total market value of assets	56,634	39,989	49,868	49,868

25 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

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

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Fair value of plan assets	56,634	39,989	49,868	49,868
Present value of plan liabilities	(82,279)	(59,734)	(66,675)	(66,675)
Present value of unfunded liabilities	(8)	(8)	(8)	(8)
Net pensions liability	(25,653)	(19,753)	(16,815)	(16,815)

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

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Amounts included in staff costs				
Current service cost	1,659	967	1,572	1,572
Past service cost	-	-	-	-
Curtailments and settlements	-	(3,362)	25	25
Total	1,659	(2,395)	1,597	1,597
Amounts included in other operating expenses				
Administration expenses	36	21	38	38
Amounts included in interest payable				
Net interest cost	607	490	551	551
Amounts recognised in Other Comprehensive Income				
Return on pension plan assets	4,291	3,049	2,505	2,505
Experience losses arising on defined benefit obligations	-	-	(5,045)	(5,045)
Changes in assumptions underlying the present value of plan liabilities	(12,466)	(8,960)	-	-
Amount recognised in Other Comprehensive Income	(8,175)	(5,911)	(2,540)	(2,540)

25 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

Movement in net defined benefit liability during the year

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Deficit in scheme at 1 August	(16,815)	(16,815)	(13,586)	(13,586)
Movement in year:				
Current service cost	(1,659)	(967)	(1,572)	(1,572)
Employer contributions	1,639	1,089	1,497	1,497
Curtailments and settlements	-	3,362	(25)	(25)
Net interest on the defined benefit liability	(607)	(490)	(551)	(551)
Administration expenses	(36)	(21)	(38)	(38)
Actuarial loss	(8,175)	(5,911)	(2,540)	(2,540)
Net defined benefit (liability) at 31 July	(25,653)	(19,753)	(16,815)	(16,815)

Asset and Liability Reconciliation

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Changes in the present value of defined benefit obligations				
Defined benefit obligations at start of period	66,683	66,683	58,860	58,860
Current Service cost	1,659	967	1,572	1,572
Interest cost	2,514	1,845	2,502	2,502
Contributions by Scheme participants	455	264	486	486
Experience losses on defined benefit obligations	-	-	5,045	5,045
Changes in financial assumptions	12,466	8,960	-	-
Estimated benefits paid	(1,490)	(1,448)	(1,807)	(1,807)
Curtailments and settlements	-	(17,529)	25	25
Defined benefit obligations at end of period	82,287	59,742	66,683	66,683
Reconciliation of Assets				
Fair value of plan assets at start of period	49,868	49,868	45,274	45,274
Interest on plan assets	1,907	1,355	1,951	1,951
Return on plan assets	4,291	3,049	2,505	2,505
Employer contributions	1,639	1,089	1,497	1,497
Contributions by Scheme participants	455	264	486	486
Estimated benefits paid	(1,490)	(1,448)	(1,807)	(1,807)
Curtailments and settlements	-	(14,167)	-	-
Administration expenses	(36)	(21)	(38)	(38)
Assets at end of period	56,634	39,989	49,868	49,868

26 Related party transactions

The Group has taken advantage of the exemption from the requirements of FRS 102 Section 33 to disclose transactions with other wholly owned members of the group headed by The City of Liverpool College.

Owing to the nature of the Group'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 Group's financial regulations and normal procurement procedures. No transactions were identified which should be disclosed under FRS 102 Section 33 on Related Party Disclosures.

The total expenses paid to or on behalf of the Governors during the year was £1,090; 4 governors (2015: £1,341; 4 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

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

Purchases transactions in the year between the College and First4Skills Limited amounted to £Nil (2014/15: £55,841).

Sales transactions in the year between the College and First4Skills Limited amounted to £203,810 (2014/15: £291,000).

The College owed amounts of £Nil to First4Skills Limited as at the end of this year (2014/15: £5,758)

The College was owed amounts of £74,758 by First4Skills Limited at the end of the year (2014/15: £101,435).

N Small is a Governor of the College and also a Councillor at Liverpool City Council. In the 2015/16 financial year, the College made purchases amounting to £195,920 (2014/15 £215,179). N Small is also a Governor at Liverpool Hope University. In the financial year 2015/16, the College made purchases amounting to £17,789 (2014/15 £98,300). E Bowker is a member of SMT and also a board member of Tate Liverpool. In the 2015/16 financial year the College made purchases amounting to £60,000 from Tate Liverpool (2014/15 £60,000).

27 Amounts disbursed as agent

Learner support funds

	2016 £'000	2015 £'000
Funding body grants – discretionary learner support	2,614	3,642
Disbursed to students	(2,614)	(3,215)
Administration costs	-	(103)
Balance unspent as at 31 July, included in creditors	-	324

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

The income and expenditure consolidated in the College's financial statements relates to the provision of childcare directly by the College.

28 Transition to FRS 102 and the 2015 FE HE SORP

The year ended 31 July 2016 is the first year that the Group 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 31 July 2015 and the date of transition to FRS 102 and the 2015 FE HE SORP was therefore 1 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 Group's financial position, financial performance and cash flows, is set out below.

	1st August 2014		31st July 2015	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Financial Position				
Total net assets under previous SORP	43,334	45,427	38,560	38,530
Deferred Capital grants reclassified	(29,437)	(29,437)	(27,590)	(27,590)
Release of government capital grants in respect of land	1,887	1,887	1,887	1,887
Total effect of transition to FRS 102 and 2015 FE HE SORP	(27,551)	(27,551)	(25,704)	(25,704)
Total net assets under 2015 FE HE SORP	15,784	17,877	12,857	12,827

	Year ended 31st July 2015	
	Group	College
	£'000	£'000
Financial Performance		
Surplus/(Deficit) for the year after tax under previous SORP	315	(1,809)
Pensions provision – actuarial loss	664	664
Changes to measurement of net finance cost on defined benefit plans	(593)	(593)
Changes to measurement of current service cost and expenses on defined benefit plans	(71)	(71)
Total effect of transition to FRS 102 and 2015 FE HE SORP	-	-
Total comprehensive income for the year under 2015 FE HE SORP	315	(1,809)

28 Transition to FRS 102 and the 2015 FE HE SORP

a) Treatment of deferred capital grants

Under the previous UK GAAP the deferred capital grants were disclosed under the funds section. FRS102 requires these grants to be disclosed within creditors falling due within one year and after one year.

b) Release of government capital grants in respect of land

The College has previously been in receipt of a capital grant for land from a source 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. In respect of land this accounting treatment is no longer available for government grants and the grant has therefore been accounted for under the performance model and treated as if it had been credited to Comprehensive Income immediately that the performance conditions had been met.

c) Change in recognition of defined benefit plan finance costs

The net pension finance cost recognised in the statement of comprehensive income for the year ended 31 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.

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

Actuarial gains and losses on the Group'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.

29 Disposal of non controlling interest

On 28 July 2016 the group sold 40% of its interest in the ordinary share capital of First4Skills Limited for £500,000. The net assets attributable to the 40% shareholding of First4Skills Limited on 28 July 2016 amounted to £345,600. The group has therefore recognised a profit on sale of £154,400 through retained earnings and the the College has recognised a loss of £146,000 against the investment carrying value of First4Skills Limited.