The City of Liverpool College

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

The City of Liverpool College
Contents
Year ended 31 July 2015

NATURE, OBJECTIVES AND STRATEGIES
The members present their report and the audited financial statements for the year ended 31 July 2015.

Legal Status

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

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

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

Mission

The College's mission statement as approved by its members is:
To become a bold and exciting national leader, empowering students, staff and businesses with the skills and capabilities they need to overcome the challenges of the future.

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

Public Benefit

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

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

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

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

Strategic Plan

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

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

Financial objectives

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

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

Performance indicators

The Group measures itself against internal and external targets and benchmarks in areas such as:
- Success rates
- Progressions
- Learner and Employer views
- Financial Health
- Funding performance

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

FINANCIAL POSITION

Financial results

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

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

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

Treasury policies and objectives

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

The Group has a separate treasury management policy in place.

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

Liquidity

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

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

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student Numbers (College)

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

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

Student numbers (Group)

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

Student Achievements

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

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

Curriculum Development

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

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

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

Post Balance Sheet Events

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

Taxation

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

Future developments

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

RESOURCES

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

Financial

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

People

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

Reputation

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

Payment performance

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

A risk register is maintained at the Group level which is reviewed at least annually by the Group Audit Committee and more frequently where necessary. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the Group and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system. Outlined below is a description of the principal risk factors that may affect the Group. Not all the factors are within the Group's control. Other factors besides those listed below may also adversely affect the Group.

1. Government funding
The Group has considerable reliance on continued government funding through the education sector funding bodies and through HEFCE. In 2014/15, 86.51% of the Group's revenue was ultimately public funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The Group is aware of a number of issues which may impact on future funding including:
- The reductions in the Adult Skills Budget
- The reductions in funding rates for 18 year old students

The risk is mitigated in a number of ways:
- Funding is derived through a number of direct and indirect contractual arrangements
- Ensuring the Group is rigorous in delivering high quality education and training
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies
- Ensuring the Group is focused on those priority sectors which will continue to benefit from public funding
- Regular dialogue with funding bodies.

2. Proposed expansion of FE Loans
The proposed expansion of FE Loans may result in a reduced level of income for the College. This risk is managed by:
- Monitoring the level of applications received and introducing appropriate marketing initiatives to increase demand if necessary.

3. Maintain adequate funding of pension liabilities

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

4. The Group's financial position may prevent the necessary investment in key priority areas.
The risk is managed by:
- Effective budget planning
- Timely management accounts
- Mid term budget reviews
- Regular review of financial regulations and policies and procedures
- Robust procurement regime
- Formal savings programme

5. Tuition fee policy
Ministers have confirmed that the fee assumption remains at 50%. In line with the majority of other colleges, the City of Liverpool College will seek to increase tuition fees in accordance with the fee assumptions. The risk for the College is that demand falls off as fees increase. This will impact on the growth strategy of the College. This risk is mitigated in a number of ways:
- By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students
- Close monitoring of the demand for courses as prices change

STAKEHOLDER RELATIONSHIPS

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

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

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

Staff and Student Involvement

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

Equal Opportunities and Employment of Disabled Persons

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

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

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

Disability Statement

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

a) As part of its accommodation strategy the College updated its access audit. Experts in this field conducted a full access audit during 2008/09, and the results of this formed the basis of funding capital projects aimed at improving access.
b) The College has appointed an Access Co-ordinator, who provides information, advice and arranges support where necessary for students with disabilities.
c) There is a list of specialist equipment, such as radio aids, which the College can make available for use by students and a range of assistive technology is available in the learning centre.
d) The admissions policy for all students is described in the College charter. Appeals against a decision not to offer a place are dealt with under the complaints policy.
e) The College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
f) Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.
g) Counselling and welfare services are described in the College Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

Disclosure of information to auditors

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

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

Peter Grieve
Chair

Professional Advisers

Financial statements and regularity auditors:	Grant Thornton UK LLP Chartered Accountants, Registered Auditors 4 Hardman Square Spinningfields Manchester M3 3EB
Internal auditors:	RSM 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 Paul's Square Liverpool L3 9SJ

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

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

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

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

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

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

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

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

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

The Corporation

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

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

It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct. The Corporation is provided with regular and timely information on the overall financial performance of the Group together with other information such as performance against funding targets, proposed capital expenditure, risk management, quality matters and personnel related matters such as health and safety and environmental issues.

The Corporation meets at least twice each term.The Corporation conducts its business through a Carver model of governance. The Corporation has retained an Audit Committee as a mandatory requirement and is supported by Task and Finish or Working groups as and when required. Full minutes of all Corporation meetings, except those deemed to be confidential by the Corporation, are available on the College's website at http://www.liv-coll.ac.uk/Governors.aspx or from the Clerk to the Corporation at:
The City of Liverpool College
The Learning Exchange
Roscoe Street
Liverpool
L1 9DW

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

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

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

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

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

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

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation determines the scope of any additional appointments and arrangements for identifying candidates and making recommendations to the Corporation on appointments are delegated to the Chair, Principal and Clerk. The Corporation is responsible for ensuring that appropriate training is provided as required. Members of the Corporation are appointed for a term of office not exceeding four years.

Audit Committee

The Audit Committee comprises five members of the Corporation (excluding the Principal and Chair), plus a Co-Opted member. The Committee operates in accordance with written terms of reference approved by the Corporation. The Audit Committee meets on a termly basis and provides a forum for reporting by the College's internal, regularity and financial statements auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the main FE funding bodies as they affect the College's business. The College's internal auditors review the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit Committee. Management are responsible for the implementation of agreed audit recommendations and internal audit undertake periodic follow up reviews to ensure such recommendations have been implemented. The Audit Committee also advises the Corporation on the appointment of internal, regularity and financial statements auditors and their remuneration for both audit and non-audit work as well as reporting annually to the Corporation.

Remuneration Committee

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

Internal Control

Scope of Responsibility

The Corporation is ultimately responsible for the Group's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.
The Corporation has delegated the day-to-day responsibility to the College Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives whilst safeguarding the public funds and assets for which she is personally responsible.This is in accordance with the responsibilities assigned to her in the Financial Memorandum/Financial Agreement between The City of Liverpool College and the funding bodies. She is also responsible for reporting to the Corporation any material weaknesses or break-downs in internal control.

The purpose of the system of internal control

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

Capacity to handle risk

The Corporation has reviewed the key risks to which the Group is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the Group's significant risks that has been in place for the year ending 31 July 2015 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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

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

The City of Liverpool College Group purchases an Internal Audit Service, which operates in accordance with requirements of the EFA and SFA Joint Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the Group is exposed and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee.

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

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

Employee Performance Management
First4Skills Finance Controls and Strategy Review
Student Records Compliance
Income Generation Full Cost Recovery Courses
Sub-contracting
Student Records – Work Based Learning
General Ledger and Month End Procedures
IS027001 Initial Compliance Review

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

Review of effectiveness

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

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

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

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

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

Going Concern

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

Peter Grieve, Chair	Elaine Bowker, Accounting Officer
16/12/15	15/12/15
Date	Date

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

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

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

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

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

Peter Grieve, Chair
Date 16/12/15

Elaine Bowker, Accounting officer
Date 15/12/15

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

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

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

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

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

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

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

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

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

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

Peter Grieve, Chair	Elaine Bowker, Accounting officer
Date 16/12/15	Date 15/12/15

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

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

Respective responsibilities of the Corporation and auditor
As explained more fully in the Statement of Responsibilities of the members of the Corporation set out on page 15, the College's Corporation is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Opinion on financial statements
In our opinion the financial statements:
- give a true and fair view of the state of the Group's and of the College's affairs as at 31 July 2015 and of the Group's surplus of income over expenditure for the year then ended in accordance with United Kingdom Generally Accepted Accounting Practice;
- and have been prepared in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Joint Audit Code of Practice issued by the Skills Funding Agency and Education Funding Agency requires us to report to you if, in our opinion:
adequate accounting records have not been kept by the College; or the College financial statements are not in agreement with the accounting records; or we have not received all the information and explanations we require for our audit.

Grant Thornton UK LLP.

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester
17 .December 2015

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

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

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

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

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

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

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

Our responsibilities for this engagement are established in the United Kingdom and are imposed by law and professional standards and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Joint Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that, in all material respects, expenditure disbursed and income received during the period from 1 August 2014 to 31 July 2015 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

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

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

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

The work undertaken to draw our conclusion includes:

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

Conclusion

In the course of our work, nothing has come to our attention which suggests that, in all material respects, the expenditure disbursed and income received during the period from 1 August 2014 to 31 July 2015 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Grant Thornton UK LLP.

Grant Thornton UK LLP
Chartered Accountants
Manchester

17 December 2015

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

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

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

The accompanying notes form part of these financial statements

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

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

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

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

The accompanying notes form part of these financial statements

The City of Liverpool College
Balance Sheets as at 31 July 2015

	note	Group 2015 £000	College 2015 £000	Group 2014 £000	College 2014 £000
FIXED ASSETS					
Goodwill	13	310	0	453	0
Tangible assets	12	66,771	59,667	69,892	62,508
Investments	13	0	7,115	0	9,615
		67,081	66,782	70,345	72,123
CURRENT ASSETS					
Stocks		64	64	60	60
Debtors: amounts falling due after more than one year	15	0	1,125	0	1,514
Debtors	14	2,876	2,269	3,074	1,837
Cash at bank and in hand		3,415	1,829	2,407	1,173
Total current assets		6,355	5,287	5,541	4,584
Creditors: amounts falling due within one year	16	(8,702)	(7,365)	(6,922)	(5,661)
NET CURRENT LIABILITIES		(2,347)	(2,078)	(1,381)	(1,077)
TOTAL ASSETS LESS CURRENT LIABILITIES		64,734	64,704	68,964	71,046
Creditors: amounts falling due after more than one year	17	(8,874)	(8,874)	(11,575)	(11,564)
Provisions for liabilities	19	(485)	(485)	(469)	(469)
Net assets excluding pension liability		55,375	55,345	56,920	59,013
Net pension liability	24	(16,815)	(16,815)	(13,586)	(13,586)
NET ASSETS		**38,560**	**38,530**	**43,334**	**45,427**
Deferred capital grants	21	27,590	27,590	29,437	29,437
Reserves					
Income and expenditure account excluding pension reserve		24,221	24,190	23,822	25,915
Pension Reserve	24	(16,815)	(16,815)	(13,586)	(13,586)
Income and expenditure account including pension reserve	23	7,406	7,375	10,236	12,329
Revaluation Reserve	22	3,565	3,565	3,661	3,661
Total reserves		10,970	10,940	13,897	15,990
TOTAL FUNDS		**38,560**	**38,530**	**43,334**	**45,427**

The financial statements on page 17 to 40 were approved by the Corporation on 09/12/15........
~~and were~~ signed on its ~~behalf by:~~

Peter Grieve
Chair

Elaine Bowker
Principal - Accounting Officer

The accompanying notes form part of these financial statements

The City of Liverpool College
Consolidated Cash Flow Statement
Year ended 31 July 2015

	note	2015 £000	2014 £000
Cash flow from operating activities	25	3,660	2,950
Returns on investments and servicing of finance	27	(843)	(844)
Taxation		0	(150)
Capital expenditure and financial investment	28	(1,091)	(722)
Acquisitions	29	(177)	(538)
Cash inflow before financing		1,549	696
Financing	30	(541)	(506)
Increase in cash in the year		**1,008**	**190**

Reconciliation of net cash flow to movement in net debt		2015 £000	2014 £000
Increase in cash in the year		1,008	190
Cash outflow from decrease in financing		541	506
Change in net debt arising from cash flows		1,549	696
New finance leases		0	(89)
Movement in net debt in the year	26	1,549	607
Net debt at 1 August 2014	26	(9,709)	(10,316)
Net debt at 31 July 2015	26	**(8,160)**	**(9,709)**

The accompanying notes form part of these financial statements

1.Statement of Accounting Policies

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

Basis of preparation
These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2007 (the SORP): and in accordance with applicable Accounting Standards. They conform to guidance published jointly by the Skills Funding Agency and the EFA in the 2014/15 Accounts Direction Handbook.

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

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

The Group has £11.5m of loans outstanding, as at 31st July 2015, with bankers on terms negotiated in 2003 and 2009. The Group's forecasts and financial projections indicate that it will be able to operate within this existing facility and for the foreseeable future.

Accordingly the Group has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future and for this reason will continue to adopt the going concern basis in the preparation of it's Financial Statements.

Basis of consolidation
The consolidated financial statements include the College and its subsidiaries, First4Skills Limited and Liverpool Business Services Limited. Intra-group sales and profits are eliminated fully on consolidation. All financial statements are prepared to 31 July 2015.

Recognition of income
The recurrent grant from HEFCE represents the funding allocation attributable to the current financial year and is credited direct to the income and expenditure account.

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

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

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

Income from grants, contracts and other services rendered is included to the extent the conditions of the funding have been met or the extent of the completion of the contract or service concerned.

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

Post retirement benefits
Retirement benefits for College employees are provided by the Teachers' Pension Scheme (TPS) and the Merseyside Pension Fund (MPF). These are defined benefit schemes which are externally funded and contracted out of the State Earnings Related Pension Scheme (SERPS).

Contributions to the TPS are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. As stated in note 24, the TPS is a multi employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

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

Post retirement benefits (continued)
Retirement benefits for employees of First4Skills Limited are provided through a defined benefit pension scheme and contributions are recognised in the income and expenditure account in the period in which they become payable.

Enhanced pensions
The actual cost of any enhanced ongoing pension to a former member of staff is paid by the College annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the College's income and expenditure account in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the funding bodies.

Tangible fixed assets
a. Land and Buildings
Land and buildings inherited from the Local Education Authority(LEA) are stated in the balance sheet at valuation, on the basis of open market value. The following specialised buildings are stated in the balance sheet at cost less accumulated depreciation. The Arts Centre-opened February 1999, Clarence Street-opened February 2001, Vauxhall Road-opened February 2003, Duke Street-opened September 2003 and Mulberry Street-opened January 2006. The new Learning Exchange is stated at cost. Freehold land is not depreciated.

Freehold buildings	over 50 years straight line
Subsequent capital costs of £5,000 or more	between 10 and 25 years straight line

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

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

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

On adoption of FRS15, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1996, but not to adopt a policy of revaluations of these properties in the future. These values are retained subject to the requirement to test assets for impairment in accordance with FRS11.

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs incurred to 31st July 2015. 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 it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated over a period of 10 to 25 years:

- Market value of the fixed asset has subsequently improved
- Assets capacity increases
- Substantial improvement in the quality of output or reduction in operating costs
- Significant extension of the assets life beyond that conferred by repairs and maintenance

b. Equipment
Equipment costing less than £500 per individual item is written off to the income and expenditure account in the year of acquisition. Equipment inherited from the LEA is included in the balance sheet at valuation (depreciated replacement cost). All other equipment is capitalised at cost.

Tangible Fixed Assets(continued)

Capitalised equipment is depreciated as follows:

Motor Vehicles	25% per year - straight line basis
General Equipment	over a period of 4 to 25 years - straight line basis
Furniture	over a period of 4 to 25 years - straight line basis

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

c. Computer Equipment

Computers are depreciated on a straight line basis, assets being fully depreciated over their estimated useful economic life of four years.

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

Leased assets

Costs in respect of operating leases are charged on a straight line basis over the lease term. Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the rent is expected to be adjusted to the prevailing market rate.

Leasing agreements which transfer to the Group substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements.

The capital element is applied to reduce the outstanding obligations and the interest element is charged to the income and expenditure account on a straight line basis. Assets held under finance leases are depreciated over the useful economic lives of equivalent owned assets.

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 income and expenditure account over its estimated economic life of 5 years.

Investments

Fixed asset investments are carried at historical cost less any provision for impairment in their value. Impairments of investmnts are calculated as the difference between the carrying value of the assets and its recoverable amount if lower. Impairment provisions are recognised in the Income and Expenditure Account.

Stocks

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

Taxation

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

The College is only partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the cost 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.

Liquid resources

Liquid resources include sums on short-term deposits with recognised banks, building societies and government securities.

Provisions

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.

Agency arrangements

The College acts as an agent in the collection and payment of discretionary support funds and adult learning grants. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in Note 36 except for the 5 per cent of the grant which is available to the College to cover administration costs relating to the grant. The College employs one member of staff dedicated to the administration of Learner Support Fund applications and payments.

2. Funding Body Grants

	2015 £000	2014 £000
Recurrent Grant - SFA and EFA	33,924	34,767
Recurrent Grant - HEFCE	236	453
Non recurrent grants - SFA and EFA	19,434	20,762
Releases of deferred capital grants (note 21)	1,622	1,649
	55,216	**57,631**

3. Tuition Fees and Education Contracts

	2015 £000	2014 £000
Tuition fees	4,692	4,953
Education contracts	1,318	736
	6,010	**5,689**

Included within the above amounts are tuition fees funded by bursaries of £508,358 (2013/14 £449,571)

4. Other Income

	2015 £000	2014 £000
Residencies, catering and conferences	567	612
Other income generating activities	498	254
Releases from deferred capital grants (non Funding Council) (note 21)	261	261
Other income	1,262	752
	2,588	**1,879**

5. Investment Income

	2015 £000	2014 £000
Interest receivable	13	13
	13	**13**

6. Staff Numbers and Costs

The average number of persons employed by the group (including senior post-holders) during the year, expressed as full time equivalents, was:	2015 Number	2014 Number
Teaching staff	694	646
Non teaching staff	347	468
	1,041	1,114

Staff costs for the above persons:

	2015 £000	2014 £000
Wages and salaries	29,265	31,850
Social security costs	2,311	2,547
Other pension costs (including FRS17 adjustment of £67,000 2014:£203,000)	3,367	3,639
Payroll sub total	34,943	38,036
Contracted out staffing services	1,237	1,900
	36,180	39,936
Restructuring costs	458	178
Total Staff Costs	36,638	40,114

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

	2015 Number Senior Post-holders	2015 Number Other Staff	2014 Number Senior Post-holders	2014 Number Other Staff
£60,001 to £70,000	-	8	-	9
£70,001 to £80,000	-	1	-	-
£80,001 to £90,000	-	-	-	-
£90,001 to £100,000	3	-	3	-
£100,001 to £110,000	1	1	1	-
£110,001 to £120,000	-	-	-	-
£120,001 to £130,000	-	-	-	-
£130,001 to £140,001	-	-	-	-
£140,001 to £150,000	-	-	-	-
£150,001 to £160,000	-	-	-	-
£160,001 to £170,000	-	-	-	-
£170,001 to £180,000	1	-	1	-
£180,001 to £190,000	-	-	-	-
£190,001 to £200,000	-	-	-	-
Totals	5	10	5	9

Other staff includes directors of the subsidiary company not officially appointed by the Governing Body as a senior post holder.

7. Senior Post-holders' Emoluments

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

	2015 Number	2014 Number
The maximum number of senior post-holders including the Principal during the year was:	5	5

	2015 £000	2014 £000
Senior post-holders' emoluments are made up as follows:		
Salaries	560	569
Benefits in kind	-	-
Pension contributions	53	72
Total Emoluments	613	641

7. Senior Post-holders' Emoluments (continued)

The above emoluments include amounts payable to the Principal who is also the highest paid senior post-holder:

Principal	*2015* *£000*	*2014* *£000*
Salaries	179	179
Benefits in kind	-	-
	179	179
Pension contributions	0	17

The pension contributions in respect of the Principal and senior post-holders are in respect of employer's contributions to the Teachers' Pension Agency or the Merseyside Pension Fund and are paid at the same rate as for other employees.

Members of the Corporation other than the Principal and the staff members did not receive any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

8. Other Operating Expenses

	2015 *£000*	*2014* *£000*
Teaching costs	9,151	8,234
Non teaching costs	8,810	7,154
Premises costs	3,786	4,510
Total	**21,747**	**19,898**
Other operating expenses include:		
Auditors' remuneration		
-Financial statements audit *	49	49
-Internal audit **	40	40
-Other services provided by the financial statements auditors	28	3
-Other services provided by the internal auditors	4	11
Losses on disposal of tangible fixed assets (where not material)	0	0
Hire of other assets - operating leases	198	270

* Includes £32,000 in respect of the college (2013/14 £32,000)
** Includes £39,690 in respect of the college (2013/14 £31,356)

9. Interest Payable

	2015 £000	2014 £000
On bank loans:		
Repayable within 5 years, not by instalment	6	6
Repayable within 5 years, by instalment	0	0
Repayable wholly or partly in more than 5 years	849	849
	855	855
On finance leases	1	2
Pension finance (income)/costs (see note 24)	(42)	63
Total	**814**	**920**

10. Taxation

	2015 £000	2014 £000
United Kingdom Corporation Tax	0	0
Deferred taxation in the accounts of the subsidiary Organisation and reversal of timming differences	42	0
	42	0

11. Surplus/(Deficit) on Continuing Operations for the year

The surplus/(deficit) on continuing operations for the year is made up as follows:

	2015 £000	2014 £000
College's deficit for the year	(785)	(648)
Gains/(Losses) generated by subsidiary undertakings	(233)	(134)
Transferred to the College by subsidiary companies under deed of covenant/gift aid	1,333	942
Total	**315**	**160**

12. Tangible Fixed Assets (Group)

	ASSETS UNDER CONSTRUCTION £000	LAND & BUILDINGS FREEHOLD £000	COMPUTER EQUIPMENT £000	OTHER EQUIPMENT £000	TOTAL £000
COST or VALUATION					
At 1 August 2014	274	80,860	6,253	8,683	96,070
Additions	157	354	495	85	1,091
Disposals	0	0	0	0	0
At 31 July 2015	**431**	**81,214**	**6,748**	**8,768**	**97,161**
DEPRECIATION					
At 1 August 2014	0	15,944	5,051	5,183	26,178
Charge for the period	0	2,237	836	1,139	4,212
Eliminated in respect of disposals	0	0	0	0	0
At 31 July 2015	**0**	**18,181**	**5,887**	**6,322**	**30,390**
NET BOOK VALUE					
At 31 July 2015	**431**	**63,033**	**861**	**2,446**	**66,771**
At 1 August 2014	**274**	**64,916**	**1,202**	**3,500**	**69,892**

Included in the amounts for computer equipment above are the following amounts relating to leased assets and assets acquired under hire purchase contract.

	£'000
COST	
At 1 August 2014	89
Additions	0
At 31 July 2015	89
DEPRECIATION	
At 1 August 2014	20
Provided during the period	29
At 31 July 2015	49
NET BOOK VALUE	
At 31 July 2015	40
At 1 August 2014	69

12. Tangible Fixed Assets (College only)

	ASSETS UNDER CONSTRUCTION £000	LAND & BUILDINGS FREEHOLD £000	COMPUTER EQUIPMENT £000	OTHER EQUIPMENT £000	TOTAL £000
COST or VALUATION					
At 1 August 2014	274	71,534	5,571	8,508	85,887
Additions	159	353	466	83	1,061
Disposals			0	0	0
At 31 July 2015	433	71,887	6,037	8,591	86,948
DEPRECIATION					
At 1 August 2014	0	13,817	4,476	5,087	23,380
Charge for the period	0	2,025	770	1,106	3,901
Eliminated in respect of disposals	0	0	0	0	0
At 31 July 2015	0	15,842	5,246	6,193	27,281
NET BOOK VALUE					
At 31 July 2015	433	56,045	791	2,398	59,667
At 1 August 2014	274	57,717	1,095	3,421	62,508

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

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 value and were carried out by independent chartered surveyors, in accordance with the RICS Statement of Assets.

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

	£000
Cost	0
Aggregate depreciation based on cost	0
Net book value based on cost	0

13. Investments and Goodwill

The College	College 2015 £000	College 2014 £000
First4Skills Limited	1,615	1,615
Liverpool Business Services Limited	8,000	8,000
Impairment of investment in Liverpool Business Services Limited	(2,500)	0
Shared Educational Services Limited	0	0
	7,115	9,615

The Group	Positive Goodwill £000	Group £000
Goodwill		
Cost		
At 1 August 2014	715	715
Goodwill on acquisition	0	0
At 31 July 2015	715	715
Amortisation		
At 1 August 2014	(262)	(262)
Charge for the year	(143)	(143)
At 31 July 2015	(405)	(405)
Net Book Value at 31 July 2015	310	310
Net Book Value at 1 August 2014	453	453

The College owns 100% of the £5,500,002 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 on 13 December 2002.

In September 2012 the College purchased the majority of the business of Ellesmere Port-based training provider First4Skills Limited for a consideration of £900,000. The college had purchased the remaining 25% of the business by October 2014. The business employs over 350 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 £16M per annum, the acquisition has meant the Group is able to penetrate a much bigger market more effectively and quickly, which will benefit the Group as a whole.

The College acquired 75% of the ordinary shares in First4Skills Limited at a consideration of £900,000 in September 2012. The net assets of First4Skills Limited on acquisition were £900,000 generating goodwill of £225,000. The goodwill is represented by the ongoing apprenticeship courses offered by First4Skills Limited to it's existing student base. The remaining 25% of the ordinary shares in First4Skills Limited was acquired in a number of instalments for a total consideration of £715k by October 2014, 14% of the ordinary shares were acquired before July 2014 for a consideration of £538k with the remaining shares aquired by October 2014 for £177k. The goodwill arising on the acquisition of First4Skills Limited has now been fully recognised.

The college owns 100%of the issued ordinary £1 shares of Shared Educational Services Limited which was incorporated on 5th May 2015. The company was incorporated in Great Britain and is registered in England and Wales. As at 31 July 2015 the company was dormant.

14. Debtors

Amounts falling due within one year	Group 2015 £000	College 2015 £000	Group 2014 £000	College 2014 £000
Trade debtors	2,122	810	2,024	884
Amounts owed by subsidiary untertakings	0	911	0	49
Prepayments and accrued income	712	548	1,050	904
Deferred Taxation (see note 20)	42	0	0	0
	2,876	2,269	3,074	1,837

15. Debtors: Amounts Falling Due After One Year

	Group 2015 £000	College 2015 £000	Group 2014 £000	College 2014 £000
Amounts owed by subsidiary undertakings	0	1,125	0	1,514
	0	1,125	0	1,514

16. Creditors: Amounts Falling Due Within One Year

	Group 2015 £000	College 2015 £000	Group 2014 £000	College 2014 £000
Bank loans	2,690	2,690	497	497
Trade creditors	1,344	1,444	2,217	2,102
Amounts owed to subsidiary undertakings	0	119	0	111
Other taxation and social security	1,154	993	1,331	1,113
Accruals	3,503	2,119	2,833	1,838
Obligations under finance leases	11	0	44	0
	8,702	7,365	6,922	5,661

17. Creditors: Amounts Falling Due After more Than One Year

	Group 2015 £000	College 2015 £000	Group 2014 £000	College 2014 £000
Bank loans	8,874	8,874	11,564	11,564
Obligations under finance leases	0	0	11	0
	8,874	8,874	11,575	11,564

18. Borrowings

(a) Bank loans

	Group 2015 £000	College 2015 £000	Group 2014 £000	College 2014 £000
Bank loans are repayable as follows:				
Within one year	2,690	2,690	497	497
Between one and two years	473	473	2,690	2,690
Between two and five years	1,178	1,178	1,243	1,243
In five years or more	7,223	7,223	7,631	7,631
	11,564	11,564	12,061	12,061

Bank loans at 7.206% repayable by instalments falling due between 1 August 2013 and 17 July 2031 totalling £11,564k are secured on a portion of the freehold land and buildings of the College.

(b) Obligations under finance leases

The net finance lease obligations to which the group are committed are:

	Group 2015 £000	*College 2015 £000*	*Group 2014 £000*	*College 2014 £000*
Within one year	11	0	44	0
Between two and five years	0	0	11	0
In five years or more	0	0	0	0
	11	0	55	0

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

19. Provisions for Liabilities

	Group and College Enhanced pension £000
At 1 August 2014	469
Transferred to income and expenditure account	(21)
Actuarial loss over year	37
At 31 July 2015	485

The enhanced pension provision relates to the cost of the staff that have already left the college's employment. The provision has been recalculated in accordance with guidance issued by the Skills Funding Agency. The principal assumptions for this calculation are:

	2015	*2014*
Interest rate	3.46%	4.06%
Net interest rate	1.75%	2.25%

20. Deferred taxation

	Group 2015 £000	*Group 2014 £000*
Provision for deferred tax		
Accelerated capital allowances	(28)	0
Short term timing differences	(14)	0
Total deferred tax (asset)	(42)	0
Movement in provision		
Provision at the start of the year	0	0
Deferred tax (credited) to the income and expenditure account for the year	(42)	0
Asset as at 31 July 2015	(42)	0

21. Deferred Capital Grants

	Group and College		
	Funding bodies £000	Other £000	TOTAL £000
At 1 August 2014	25,872	3,565	29,437
Released to income and expenditure account	(1,622)	(261)	(1,883)
Reversal of unused grant to balance sheet	36	0	36
At 31 July 2015	24,286	3,304	27,590

22. Revaluation Reserve

	Group £000	*College £000*
At 1 August 2014	3,661	3,661
Transfer to general reserve in respect of:		
Depreciation on revalued assets	(96)	(96)
At 31 July 2015	3,565	3,565

23. Income and Expenditure Account

	Group 2015 £000	College 2015 £000	Group £000 2014	College £000 2014
General Reserve				
At 1 August 2014 as restated	10,236	12,329	8,713	10,533
Release of minority interest	0	0	82	0
Transfer from revaluation reserve	96	96	96	96
Surplus/(deficit) retained for the year	315	(1,809)	160	518
Actuarial (loss)/gain in respect of enhanced pension provision	(37)	(37)	16	16
Actuarial (loss)/gain in respect of pension scheme	(3,204)	(3,204)	1,169	1,169
At 31 July 2015	7,406	7,375	10,236	12,329
Balance represented by:				
Pension reserve	(16,815)	(16,815)	(13,586)	(13,586)
Income and expenditure account reserve excluding	24,221	24,190	23,822	25,915
At 31 July 2015	7,406	7,375	10,236	12,329

24. Pension and Similar Obligations

The College's employees belong to two principal pension schemes, the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff and the Merseyside Pension Fund (MPF) for non-teaching staff. Both are defined benefit schemes.

Total pension cost for the year		2015 £000		2014 £000
Teachers' Pension Scheme: contributions paid		1,666		1,859
Merseyside Pension Fund:				
Contributions paid	1,497		1,417	
FRS17 charge	67		203	
Charge to the Income and Expenditure Account (staff costs)		1,564		1,620
Contributions from First4Skills Limited subsidiary undertaking		137		160
Total pension cost for year		3,367		3,639

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuations of the TPS was 31 March 2012 and the LGPS 31 March 2013. Contributions amounting to £224,397 (2014 £243,996) were payable to the schemes at 31st July and are within creditors.

Teachers' Pension Scheme (TPS)

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

The Teachers' Pension Budgeting And Valuation Account

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

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

Valuation Of The Teachers' Pension Scheme

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

- employer contribution rates were set at 16.4% of pensionable pay;
- 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 will be implemented in September 2015.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:
https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx

Scheme Changes

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

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

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

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

The pension costs paid to TPS in the year amounted to £1,666K (2014: £1,859K).

Merseyside Pension Fund (MPF)

The MPF is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution made for the year ended 31 July 2015 was £1,972,487 of which employers' contributions were £1,485,838 and employees' contributions totalled £486,649. The agreed contribution rates for employers for future years is 12.9% plus a cash lump sum £524,000 for the year 2015/16 in respect of deficit recovery over a 21 year period. For employees the rate is between 5.5% and 9.9%.

FRS17

Principal actuarial assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2010 updated to 31 July 2013 by a qualified independent actuary.

	At 31 July 2015	*At 31 July 2014*
Rate of increase in salaries	3.7%	3.8%
Rate of increase for pensions in payment / inflation	2.2%	2.3%
Discount rate for liabilities	3.8%	4.3%
Inflation assumption (CPI)	2.2%	2.3%

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

	At 31 July 2015	*At 31 July 2014*
Retiring today		
Males	22.4	22.3
Females	25.3	25.2
Retiring in 20 years		
Males	24.8	24.7
Females	28.1	28.0

The College's share of the assets and liabilities in the scheme and the expected rate of return were:

	Long-term rate of return expected at 2015	*Value at 31 July 2015 £000*	*Long-term rate of return expected at 2014*	*Value at 31 July 2014 £000*
Equities	6.5%	29,970	7.0%	27,255
Government Bonds	2.5%	6,882	3.2%	6,203
Other Bonds	3.6%	2,593	4.1%	1,041
Property	6.1%	4,289	6.2%	3,531
Cash	0.5%	1,446	0.5%	1,992
Other	6.5%	4,688	7.0%	5,252
Total Market Value of assets		49,868		45,274
Present value of funded benefit obligations		(66,675)		(58,853)
Present value of unfunded benefit obligations		(8)		(7)
Deficit in the scheme		(16,815)		(13,586)

Analysis of the amount charged to income and expenditure account	*Year Ended At 31 July 2015 £000*	*Year Ended At 31 July 2014 £000*
Employer service costs (net of employee contributions)	1,539	1,600
Past service cost and curtailment	25	20
Total operating charge	1,564	1,620

Analysis of pension finance income/(costs)	*Year Ended At 31 July 2015 £000*	*Year Ended At 31 July 2014 £000*
Expected return on pension scheme assets	2,577	2,533
Interest on pension liabilities	(2,535)	(2,596)
Pension finance income/(costs)	42	(63)

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

Actuarial gains/(losses) on pension scheme assets	1,841	(631)
Actuarial (losses)/gains on pension scheme liabilities	(5,045)	1,800
Actuarial (loss)/gain recognised in STRGL	(3,204)	1,169

Movement in deficit during the year

Deficit in scheme at 1 August 2014	(13,586)	(14,489)
Movement in year:		
Current service charge	(1,539)	(1,600)
Contributions	1,497	1,417
Net interest/return on assets	42	(63)
Actuarial (losses)/gain	(3,204)	1,169
Past service cost	0	0
Curtailments and settlements	(25)	(20)
Deficit in scheme at 31 July 2015	(16,815)	(13,586)

Asset and liability reconciliation

Reconciliation of liabilities

Liabilities at start of year	58,860	57,322
Service cost	1,539	1,600
Interest cost	2,535	2,596
Employee contributions	486	498
Actuarial loss/(gain)	5,045	(1,800)
Benefits/transfers paid	(1,807)	(1,376)
Past service cost	0	0
Curtailments and settlements	25	20
Liabilities at end of year	66,683	58,860

	Year Ended At 31 July 2015 £000	Year Ended At 31 July 2014 £000
Reconciliation of assets		
Assets at start of year	45,274	42,833
Expected return on assets	2,577	2,533
Actuarial gain/(loss)	1,841	(631)
Employer contributions	1,497	1,417
Employee contributions	486	498
Benefits/transfers paid	(1,807)	(1,376)
Assets at end of year	49,868	45,274

The actual return on the scheme assets for the year ending 31 July 2015 was £4,417,000.

The estimated value of employer contributions for the year ended 31st July 2016 is £1,530,000.

History of experience gains and losses	Year Ended 31 July 2015 £000	Year Ended 31 July 2014 £000	Year Ended 31 July 2013 £000	Year Ended 31 July 2012 £000	Year Ended 31 July 2011 £000
Difference between the expected and actual return on assets:	1,841	(631)	4,171	(1,780)	2,006
Experience gains and losses on scheme liabilities:	(5,045)	1,800	(1,056)	(2,526)	370
Gain due to change in MPF benefits - CPI	0	0	0	0	0
Total amount recognised in STRGL:	(3,204)	1,169	3,115	(4,306)	2,376

25. Reconciliation of Operating Surplus/(Deficit) to Net Cash Inflow from Operating Activities

	2015	*2014*
	£000	*£000*
Surplus on continuing operations after depreciation of assets at valuation	315	160
Amortisation	143	(134)
Depreciation	4,212	4,254
Deferred capital grants released to income	(1,847)	(1,903)
Loss on disposal of tangible fixed assets	0	48
Interest payable	855	857
FRS17 pension cost less contributions payable	67	203
FRS17 pension finance(income)/ cost	(42)	63
Decrease in debtors	195	61
(Increase) in stocks	(4)	(8)
(Decrease) in creditors due in one year	(200)	(621)
Decrease in provisions	(21)	(17)
Interest receivable	(13)	(13)
Net cash inflow from operating activities	**3,660**	**2,950**

26. Analysis of Changes in Net Funds

	At 1 August 2014	*Cashflows*	*Other changes*	*At 31 July 2015*
	£000	*£000*	*£000*	*£000*
Cash in hand and at Bank	2,407	1,008	0	3,415
Overdrafts	0	0	0	0
	2,407	1,008	0	3,415
Debt due within one year	(497)	(2,193)	0	(2,690)
Debt due after one year	(11,564)	2,690	0	(8,874)
Finance Leases	(55)	44	0	(11)
Total	**(9,709)**	**1,549**	**0**	**(8,160)**

27. Returns on Investments and Servicing of Finance

	Year ended 31 July 2015	*Year ended 31 July 2014*
	£000	*£000*
Interest received	13	13
Interest paid	(855)	(855)
Interest element of finance lease rental payment	(1)	(2)
Net outflow from Returns on Investments and Servicing of Finance	**(843)**	**(844)**

28. Capital Expenditure and Financial Investment

	2015 £000	2014 £000
Purchase of tangible fixed assets	(1,091)	(722)
Sales of tangible fixed assets	0	0
Deferred capital grants received	0	0
Net outflow from Capital Expenditure and Financial Investment	**(1,091)**	**(722)**

29. Acquisitions

	2015 £000	2014 £000
Purchase of investments	(177)	(538)
Net cash outflow from acquisitions	**(177)**	**(538)**

30. Financing

	2015 £000	2014 £000
Debt due beyond a year:		
New loans	0	0
Repayment of amounts borrowed	(497)	(472)
Capital element of finance lease rental payments	(44)	(34)
Net Cash outflow from Financing	**(541)**	**(506)**

31. Post Balance Sheet Events

Shared Educational Services Ltd was registered on 5th May 2015 and commenced its activities on 1st August 2015 to provide the professional support services needed throughout the group. Staff have been tupe'd from the College and First4Skills Limited.

32. Capital Commitments

	Group and College	
	31 July 2015 £000	31 July 2014 £000
Commitments contracted for at 31 July 2015	0	0
Authorised but not contracted at 31 July 2015	0	250

33. Financial Commitments

At 31 July 2015 the Group and College had annual commitments under non-cancellable operating leases as follows:

	Group		
	Land and Buildings £000	Other £000	TOTAL £000
Expiring within one year	100	167	267
Expiring between one and five years inclusive	74	0	74
Expiring in over five years	0	0	0
	174	**167**	**341**

33. Financial Commitments (continued)

	College		
	Land and Buildings £000	*Other £000*	*TOTAL £000*
Expiring within one year	0	156	156
Expiring between one and five years inclusive	0	0	0
Expiring in over five years **	425	0	425
	425	**156**	**581**

At 31 July 2015 the College had annual commitments under non-cancellable operating leases as follows:

	Group		
	Land and Buildings £000	*Other £000*	*TOTAL £000*
Expiring within one year	10	0	0
Expiring between one and five years inclusive	221	252	473
Expiring in over five years	0	0	0
	231	**252**	**473**

	College		
	Land and Buildings £000	*Other £000*	*TOTAL £000*
Expiring within one year	0	0	0
Expiring between one and five years inclusive	0	169	169
Expiring in over five years **	425	0	425
	425	**169**	**594**

** The operating lease is between the College and its wholly owned subsidiary company, Liverpool Business Services Limited.

34. Contingent Liabilities

There were no contingent liabilities at 31st July 2015 or 31st July 2014.

35. Related Party Transactions

The group has taken advantage of the exemption from the requirements of Financial Reporting Standard No. 8 to disclose transactions with other wholly owned members of the group headed by The City of Liverpool College.

Due to the nature of the College's operations and the composition of the Board of Governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Board of Governors may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures. No transactions were identified which should be disclosed under Financial Reporting Standard No. 8 on Related Party Disclosures.

The total expenses paid to or on behalf of the Governors during the year was £1,341; 4 governors (2013/14 £1,040; 6 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 (2013/14; none).

Purchases transactions in the year between the College and First4Skills Limited amounted to £55,841 (2013/14: £55,000).
Sales transactions in the year between the College and First4Skills Limited amounted to £291,000 (2013/14: £108,000)
The College owed amounts of £5,758 to First4Skills Limited as at the end of this year (2013/14: £nil)
The College was owed amounts of £101,435 at the end of the year (2013/14: £28,000)

N Small is a Governor of the College and also a Councillor at Liverpool City Council. In the 2014/15 financial year, the College made purchases amounting to £215,179 (2013/14 £240,006). N Small is also a Governor at Liverpool Hope University. In the financial year 2014/15, the College made purchases amounting to £98,300 (2013/14 £71,866). D Murray is a member of SMT and also a director of Myrtle Liverpool Ltd. In the 2014/15 financial year the College made no purchases from Myrtle Liverpool Ltd (2013/14 £163,500).

36.Amounts disbursed as agent

Learner support funds	*2015* *£000*	*2014* *£000*
Funding Council Grants	3,642	3,277
Disbursed to Students	(3,215)	(2,790)
Administration costs	(103)	(121)
Balance unspent at 31st July 2015	324	366

Funding body grants are available solely for students. In the majority of instances, the College only acts as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the income and expenditure account. The income and expenditure consolidated in the College's financial statements relates to the provision of childcare directly by the College.