Wirral Metropolitan College

Report and Financial Statements for the year ended 31 July 2017

Wirral Metropolitan College

Key Management Personnel, Board of Governors and Professional Advisers

Key management personnel

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

Susan Higginson, Principal and CEO, Accounting Officer.
Michael Norton, Deputy Principal.
Maura Cummins, Vice Principal, Quality and Business Development.

Board of Governors

A full list of Governors is given on page 14 of these financial statements.

Mr Ian James acted as Clerk to the Corporation throughout the period.

Professional advisers

Financial statements auditors and reporting accountants:

Wylie & Bisset LLP
168 Bath Street
Glasgow
G2 4TP

Internal auditors:

Grant Thornton LLP
4 Hardman Square
Spinningfields
Manchester
M3 3GB

Bankers:

Barclays Bank Plc
182-184 Grange Road
Birkenhead
CH41 6EA

Solicitors:

Eversheds
70 Great Bridgwater Street
Manchester
ME1 5ES

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Report of the Governing Body

NATURE, OBJECTIVES AND STRATEGIES:

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

Legal status

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

The Corporation was incorporated as The Corporation of Wirral Metropolitan College.

Mission

Governors adopted the following mission statement during 2008 (last reviewed June 2017):

> *"We will enhance the economic prosperity of young people, adults and employers through high quality, work-related education and training".*

Public Benefit

Wirral Metropolitan College is an exempt charity under Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on page 14.

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

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

- High-quality teaching
- Widening participation and tackling social exclusion
- Excellent employment record for students
- Strong student support systems
- Links with employers, industry and commerce
- Links with Local Enterprise Partnerships (LEPs)
- Outstanding provision for students with a wide range of learning difficulties and disabilities
- Access to further education opportunities within their local community
- Other items appertaining to public benefit are referred to in the report

Wirral Metropolitan College

Implementation of strategic plan

In July 2015 the College adopted a strategic plan for the period 1 August 2015 to 31 July 2018. In addition property and financial plans are approved by the Corporation annually. The Corporation monitors the performance of the College against these plans. The plans are reviewed and updated each year. The College's continuing strategic objectives are:

Vision

- To be an outstanding College

Mission

- We will enhance the economic prosperity of young people, adults and employers through high quality, work-related education and training.

Themes

- Ensure we are responsive
- Ensure we set and meet high quality standards
- Ensure we are efficient and financially viable

The College's specific objectives for 2016/17 and achievement of those objectives is addressed below. The targets and KPI's are monitored through the year by means of a Balanced Scorecard which is considered at each Board meeting.

The College was re-inspected by OFSTED in October 2017 with respect to the quality of its provision. The College's OFSTED grade is "Good" overall with "Outstanding" for provision for students with high needs.

Performance indicators

Attendance and retention is illustrated below under "Current and Future Development and Performance".

Apprenticeship success and timeliness – Success for the year was 72% (2015/16 67%) and timeliness 61% (2015/16 56%). The improved figures are both above the 2015/16 benchmark.

Complaints received – The number received in 2016/17 was 22 (2015/16 25) of which 5 were upheld.

Safeguarding training compliance – Compliance was 97.6%.

Internal Audit actions – All internal audit actions required during the year have been completed.

Absence management – Absence due to sickness was 3.25% for the full year (2015/16 2.4%).

Financial indicators

16-18 numbers and income earned – Contracted numbers for 2016/17 were 2,016 and the College has achieved 1,915. The cash equivalent of 16-18 enrolments was £257k below the contract. The funding allocation for 2017/18 has decreased as a result of the lower than contracted numbers.

Apprenticeship income – Earnings for 16-18 Apprenticeships was £1,026k (2015/16 £1,139k). Adult Apprenticeships earned £995k (2015/16 £1,115k).

Adult Skills income –- The College has not earned the full amount of its Adult Education Budget contract as a result of low uptake of the Adult Bursary, which, along with Adult Community provision, was included as part of the allocation for the first time, £3,166k excluding Bursary, (2015/16 £3,244k).

Higher Education income – Income for 2016/17 was £1,636k (2015/16 £2,092k)

Income to plan –- Overall income, including capital grant releases was £20,001k (2015/16 £19,489k). This is £703k below plan but has been partially offset by lower than planned costs. The reductions in income relate to lower than planned income for Apprenticeships, Adult Education Bursary and Higher Education.

Financial Health

The College is committed to observing the importance of sector measures and indicators. The College is required to complete the annual Finance Record for the Education and Skills Funding Agency (ESFA). The College is assessed by the ESFA as having a "Satisfactory" financial health grading. The current rating of Satisfactory is considered an acceptable outcome. It is expected to return to Good in 2017/18 as a result of reduced staffing costs.

FINANCIAL POSITION

Financial results

The College generated an operating deficit of £84k before restructuring costs of £315k and FRS 102 pension adjustments of £683k, net deficit £1,082k. An actuarial gain of £3,279k is shown in the Comprehensive Statement of Income. The total gain for the year, including Merseyside Pension Fund adjustments is £2,197k (2015/16 – operating deficit of £474k, FRS102 pension adjustment £561k, net deficit £1,035k, actuarial loss £3,626k total loss £4,661k).

The College has accumulated reserves of (£4,403k) including a Local Government Pension fund deficit of (£13,115k) and cash and short term investment balances of £1,696k.

Tangible fixed asset additions during the year amounted to £323k. This was the completion the new Science, Technology, Engineering and Mathematics (STEM) centre, which came in to use September 2016 and various long term estate related improvements. The projects were partially funded by grant income received from the Local Enterprise Partnership.

The college has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2016/17 the funding bodies provided 83% of the College's total income (2015/16 81%).

Treasury policies and objectives

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

Treasury management is bound by the College Financial Regulations and Standing Orders. The investment of surplus cash is currently placed with the College bankers.

Cash flows and liquidity

Net cash flow from operating activities was £947k (2015/16 £2,621k). The total net cash inflow of £453k) (2015/16 outflow (£1,598k)) was as a result of normal activities and some capital expenditure.

Reserves Policy

The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation, and ensures that there are adequate reserves to support the College's core activities. As at the Balance Sheet date the Income and Expenditure reserve including the MPF pension provision stands at (£4,403k) (2016 (£6,600k)). It is the Corporation's intention to increase reserves over the life of the strategic plan through the generation of annual operating surpluses.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2016/17 the College has delivered activity that has produced £15,346k in funding body main allocation funding (2015/16 £14,599k). The College had approximately 6,292 funded and 2,323 non-funded students (2015/16 5,614/1,999).

Student achievements

16-18 retention (including English and mathematics) rates rose in 2016/17 by 6.3pp from 87.3% in 2015/16 to 93.6%. Retention for 16-18 English rose to 89.7%, an increase of 13.9pp from 2015/16. Retention for 16-18 mathematics rose to 90.8%, an increase of 10.1pp from 2015/16.

16-18 achievement rates (including English and mathematics) for 2016/17 increased by 11.4% from 2015/16 to 81.4%, 2.3pp above national rates. Adults' achievement (including English & mathematics) increased by 3.3% from 2015/16 to 90.3%, 4.2pp above national rates. Overall achievement rates rose by 7.6pp to 85.5%, 3.4pp above the national rate.

Curriculum developments (MC)

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 meet student needs better. A particular strength is in making students ready for the next stage in their lives.

Many of our students have low levels of prior educational achievement. Courses have been designed to ensure students are able to move securely into the labour market. Curriculum planning is underpinned via RCU/Vector, EMSI data and competitor benchmarking as well as linking to LCR / LEP economic reports. We now also offer Career Coach on our website, via the student intranet and Student Advisers to help students make decisions on their career progression opportunities.

The College provides courses aimed specifically at re-engaging young people who are Not in Education, Employment or Training (NEET), and are not yet ready to access a mainstream vocational pathway. We are working with colleagues at the local authority to develop further opportunities for this group in order to reduce the Wirral NEET population.

The College is growing the range of courses aimed at students who are returning to education. These include Logistics and STEM areas. A new STEM centre has been built which house a variety of courses including Robotics/Mechatronics Workshop, a cutting edge Chemical Instrumentation Lab , Molecular and Micro Biology Lab, up to date Programmable

Logic Control and Computer Numerical Control systems to support Engineering Manufacturing , Computer Aided Design and 3D Printing facilities, and new Digital Centre and Creative technologies workshops.

Other courses prepare students for university. Access to HE developments include:

- Access to Film, Culture and Society (Blended learning) – progression from Pre-access Humanities.
- Access to Performing Arts (Full time) – Progression to WMC profession courses / university e.g. LIPA
- Access to Photography and Creative Digital Media (Full time) – progression to WMC HNC/D Media also HNC/D Photography
- Access to Health Professions – Progression to nursing degrees
- Access to Primary Education – Progression to Primary Education Degrees
- Access to Business – Progression to Business Management, Events Management, Management, Economics and Accountancy Degrees
- Close liaison with a range of universities including Red Brick Universities and the Wessex School of Economics.

The College is developing Level 4 courses including HNCs and degrees where they clearly fit the needs of our students e.g.

- HNC/Ds in both Mechanical and Electrical/Electronic Engineering, HNC and Higher Level Apprenticeships in Chemical Sciences and Applied Biology, Foundation Degree and BSc in Chemistry.
- The Arts Directorate has set up a new HND in Media, progression routes from our 16-18 L3 Media courses and new L3 Access to Higher Education for adults.
- Health and Care Directorate has also set up an L4 Advanced Practitioner in Early Years qualification that will also offer a progression route to the BA (Hons) in Early Years Childcare.
- Degree in Games Design is currently being prepared for validation with the University of Chester for offer in 2018/19, progression routes from Extended Diploma in Games Design, (subject to validation), Access to Art and Design, Access to Photography and Digital creative Media, L3 Media and L3 Art and Design.
- BA (Hons) Early Years Childcare is also being developed with the University of Chester for offer in 2018/19. The programme will provide a coherent progression route for our current Level 3 Early Years Educator students with further applications expected from local schools, colleges and the local community.

The College started delivering Apprenticeship Standards in September 2017, to date our standards delivery has been in Electro technical Level 3, Accounting Level 3 and Level 4 and Science - Laboratory Technician Level 3, current numbers in learning are:

- Assistant Account Level 3 x1
- Professional Accountant Level 4 x4
- Electro technical Level 3 x13
- Laboratory Technician Level 3 x8

As apprenticeship frameworks are scheduled to be withdrawn, we must be ready to move to standards. The Dental Nurse Apprenticeship framework was withdrawn from the 30th September 2017, any new Apprenticeship starts from the 1st October 2017 will now be on the Dental Nurse Apprenticeship Standard.

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The standards that are approved for delivery that we currently have in development as a college are as follows:

- Customer Service Practitioner Level 2
- Business Administrator Level 3
- HR Support Level 3
- HR Consultant/Partner Level 5
- Team Leader/Supervisor Level 3
- Operations/Departmental Manager Level 5
- Chef de Partie Level 3
- Commis Chef Level 2
- Hospitality Supervisor Level 3
- Hospitality Team Member Level 2
- Healthcare Support Worker Level 2
- Senior Healthcare Support Worker Level 3
- Adult Care Worker Level 2
- Lead Adult Care Worker Level 3
- Retailer Level 2
- Retail Team Leader Level 3
- Hair Professional Level 2

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%. During the accounting period 1 August 2016 to 31 July 2017, the College paid 89% of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

Events after the end of the reporting period

There are no post balance sheet events to report.

FUTURE PROSPECTS

Capital Investment

The College has invested heavily in its estate in recent years following contributions from the Combined Authority and Central Government. During 2015/16 the College was part of the Area Based Review for Merseyside which reviewed college estates in the region. WMC's estate was highlighted as high quality in the region.

Quality

The College was re-inspected by OFSTED in October 2017 with respect to the quality of its provision. The College's OFSTED grade is "Good" overall with "Outstanding" for provision for students with high needs.

Going Concern

Although the College has net liabilities, this is due to the change of treatment of deferred capital grants which are now recognised as deferred income with creditors and allocated between creditors due within one year and due after one year as appropriate. The Board of Governors has considered that the College has adequate resources to meet its on-going liabilities and continue in operational existence for the foreseeable future, for this reason it continues to adopt the going concern basis in preparing the financial statements.

Prevent Duty

In July 2015 a legal duty was placed on colleges, amongst others, to show "due regard to the need to prevent people from being drawn into terrorism". The College has put in place certain safeguards in recognition of this. Prevent issues are reported to the Board of Governors as part of Safeguarding, which is a standard item at each meeting.

RESOURCES:

The College has various resources that it can deploy in pursuit of its strategic objectives. Tangible resources include the four main college sites. This includes a new campus at Wirral Waters dedicated to the Construction industry. The College has also invested in a new STEM centre at the 12 Quays campus.

Financial

The College has £8.7m of net assets (excluding £13.1m pension liability), (2015/16 £9.1m (£15.7m pension liability)) and long term debt of £2.4m.

People

During 2016/17 the College employed 462 people (expressed as full time equivalents and including agency staff), of whom 254 are teaching staff.

Reputation

The College uses a wide range of tools and processes to engage stakeholders and remains constantly alert to customer engagement and experience, which impacts on reputation.

In addition to on-line surveys, the College has a Student Executive Council, Student Representatives from every curriculum area and a Student Governor. During this year the Board of Governors agreed to enhance further the model of student engagement to reflect Student Executive feedback. This involves regular, termly meetings between the Student Executive and the Chair of the Board and Principal, to inform students of matters that are of strategic significance to the College, as well as discuss any issues that students themselves wish to raise. This provides a rich range of student feedback that is reinforced further with direct input to the Board of Governors, underpinned with a termly Board paper.

PRINCIPAL RISKS AND UNCERTAINTIES:

The College undertakes significant work, in partnership with the Internal Auditors, during the year to develop and embed the systems of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation.

The Senior Leadership team undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College, and also considers any new risks which may arise as a result of new work undertaken by the College or changes to government policies or funding rules. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions.

A risk register is maintained at the College level which is reviewed at every Audit Committee and Board meeting and is formally reviewed at the end of each year. The Committee also consider, and approve, plans for internal audit focus for the following year.

The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

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

1 Government funding

The College's main sources of funding are from public sources. In 2016/17 83% (2015/16 81%) of the College's income arose from government funding and in 2017/18 this is expected to remain at 83%. Government funding is under pressure as a result of austerity measures which applies pressure to the College's main income sources and increases the risk associated with this funding.

However, whilst Government policy is to maintain austerity measures with regards to the amounts paid per student and overall quantum of funding, policy with regards to pay is not necessarily consistent with this approach given a desire for increased pay levels and pensions for staff members. The potential for inconsistent Government policy is a key risk over the coming year.

The College's response to this risk is as follows:

- Ensure that the College exceeds its student number targets from the Government. The College must earn the income it receives from public sources through delivering sufficient provision. Engagement with local employers and the community to exceed student targets places the College in the best position to avoid funding cuts and even receive additional funding allocations in future years.

- Review College operations to perform in an efficient manner. The more efficient the College is at delivering skills, the greater will be its positive impact upon the community and the more robust the College will be in its ability to react to future changes.

To this end management has been restructured over 2016/17 in line with the demands of the local area. The result is more cost effective as well as one which is more effective in managing the College.

2 Infrastructure

At the start of 2014/15 the College operated from three main sites and nine leased sites, many of those sites being in close geographical proximity to each other. In addition to the high rental cost associated with leasing, some of the College's curriculum, in particular Construction, was spread amongst those sites. Since that point the College has secured funds to undertake a number of large and small capital projects such that the College now has one of the highest quality estates in the Liverpool City Region.

3 Maintain adequate funding of pension liabilities

The financial statements report the share of the Local Government Pension Scheme (LGPS) deficit on the College's Balance Sheet in line with the requirements of FRS 102. The Government has recently withdrawn from being the lender of last resort for Colleges and will no longer guarantee creditors if any college gets into financial difficulties. As a result, the Government no longer guarantees the College's pension scheme which is instead guaranteed by other local scheme members. However, the Government has introduced an Insolvency Regime in the event of a college going into administration which underpins provision for learners and protects assets from administration orders. Given this position, the College is in discussions with the Merseyside Pension Scheme with respect to the security of the College's LGPS deficit.

4 Quality

The College was inspected shortly after the year end and was rated as "Good" overall and "Outstanding" for students with High Needs. This is key to underpinning recruitment to the College.

5 Staffing costs

The College's lecturing staffing cost as a proportion of turnover is much higher than other colleges. Whilst this provides additional support to students, over the longer term this ratio will need to reduce. Steps were undertaken during 2016/17 to achieve this, removing management cost in particular to transfer to frontline provision. However, this programme will be ongoing and is often undone by other factors such as the introduction of the Apprenticeship Levy and higher pension contributions which increase staff costs.

6 Tuition fees

The expansion of Learner Loans to include students aged 19 and above, depending upon certain exemptions, creates some uncertainty as to the level of take up. The College takes a prudent approach to forecasting this area.

7 Failure to maintain the financial viability of the College

The College's current financial health grade is classified as Satisfactory as described above. This is largely the consequence of contributions required to recent capital projects. Whilst the College has been successful in transforming its estate, its cash contribution towards those projects has reduced cash holdings to a position of Satisfactory (although this is a requirement of Government funding for those projects and expected). Notwithstanding that, the continuing challenge to the College's financial position remains the constraint on further education funding arising from the ongoing cuts in public sector spending whilst maintaining the student experience. This risk is mitigated in a number of ways:

- By rigorous budget setting procedures and sensitivity analysis
- Regular in year budget monitoring

- Robust financial controls
- Exploring ongoing procurement efficiencies

Ongoing, the College has an outstanding estate which will now only need to be maintained reducing some pressure on overall finances.

STAKEHOLDER RELATIONSHIPS

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

College Stakeholders

- Governors
- Staff
- Trade Unions

Customers

- Students
- Employers
- Community and Third Sector Groups

Strategic Partners

- Local Enterprise Partnership
- Liverpool City Region
- Local Authorities
- Elected Members
- Wirral Chamber of Commerce
- Housing Associations
- National Apprenticeship Service
- Association of Colleges
- Sector Skills Organisations
- National Retail Academy
- Employers
- Community and Third Sector Groups

Contracting Partners

- Funding Agencies
- Sub-Contractors

The College recognises the importance of these relationships and engages in regular communication with them directly on specific issues, in planned meetings and through the College internet site.

The College has a formal compliments and complaints procedure available for use by any student or other user of the College not satisfied with the services provided. The level of complaints represents less than 0.4% of the student body.

The College continues to consult with students and other stakeholders to help improve our services, using previous good practice identified.

EQUAL OPPORTUNITIES

Wirral Metropolitan College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, transgender identity, sexual orientation, religion or belief, ability, socio-economic status, marital status, pregnancy/maternity and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat unlawful discrimination, harassment and victimisation. We also strive to advance equality of opportunity, and to foster good relations by tackling prejudice and promoting understanding. This policy will be resourced, implemented and monitored on a planned basis. The College's Equality & Diversity Policy and related documentation is published on the College's Internet site.

The College has been re-accredited to retain the Level Two Disability Confident Employer Award (formerly the Two Ticks Award). It continues to consider all applications for employment from disabled persons, bearing in mind the aptitude of the individual concerned. Where an existing employee becomes disabled every reasonable adjustment is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion that are, as far as possible, identical to those for other employees.

Disability statement

The College seeks to achieve the objectives set down in the Equality Act 2010, the Children and Families Act 2014, and the Special Educational Needs Code of Practice 2014.

The College continues to implement a programme of planned improvements and adaptations and has an Equality & Diversity Policy and Action Plan, which includes commitment and actions to promote disability equality. This ensures that the College makes all reasonable adjustments to support people with disabilities as far as is reasonably practicable.

The College has a range of assistive technologies available to support students with a range of learning difficulties and/or disabilities.

Applicants who indicate that they have a requirement for additional learning support and/or disabilities are assessed as part of their application and enrolment process and a detailed assessment of their individual needs is carried out. Support plans are then implemented to help them achieve their individual learning goals.

All staff in the College have a responsibility to support students with disabilities and to refer students for specialist support as necessary. There is a team of specialist teachers and Learning Support Assistants that support both discrete programmes and students in mainstream programmes. In addition to general support staff, there are specialists with skills and qualifications who support students with specific learning difficulties, moderate or complex learning difficulties, autistic spectrum disorders, sensory impairments and physical impairments.

Teaching, learning support and student services staff have had staff development to improve responsiveness and awareness for people with learning difficulties and/or disabilities.

Where reasonable, the College makes adjustments for disabled students to access the college and the curriculum. There are a range of specialist programmes which provide a greater level of support in smaller groups for learners with more complex learning difficulties and/or disabilities. This area was described as outstanding in the 2010 OFSTED Inspection and this was again confirmed during the 2015 and 2017 OFSTED inspection.

College support services include learning support assistants, carers, communication support workers, specialist support tutors, learning mentors, counselling, careers advice and finance/welfare advice, details of which are found in the Learners' Handbook.

Disclosure of information to auditors

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

Approved by order of the members of the Corporation on 14th December 2017 and signed on its behalf by:

David Clark

Chair

Statement of Corporate Governance and Internal Control

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

The College endeavours to conduct its business:

- in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- in full accordance with the guidance to colleges from the Association of Colleges in the Code of Good Governance for English Colleges ("the Code"); and
- having due regard to the UK Corporate Governance Code 2014 insofar as it is applicable to the further education sector.

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

In the opinion of the Governors, the College exceeds the provisions of the Code, and it has complied throughout the year ended 31 July 2017. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of the Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted on 16 July 2015.

THE CORPORATION

The members who served on the Corporation during the year and subsequent to the year-end were as listed in the following table.

The Corporation

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

	Date of appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance
Mr D Clark	18 May 2005, reappointed 17 June 2009 24 July 2013 1 August 2014 1 August 2016 1 August 2017	6 months		External	Chair: Corporation; Remuneration; Governance and Search.	11/11
Mrs S Higginson	1 Sept 2012	-		Principal	-	3/4
Ms A Banish ***(Maternity leave Jan 2017 – Sept 2017)***	18 Dec 2007, Reappointed 18 Dec 2011 18 Dec 2015	4 years		External	Remuneration, Governance and Search	4/6
Mr A Davies	15 Mar 2011 Reappointed 15 Mar 2015	4 years		External	Audit	10/14
Mr G Doyle	22 Feb 2016	4 years		External	Remuneration	7/10
Ms L Gardner	24 Feb 2015	4 years		Staff	Audit	10/14
Ms J Hassall	23 Oct 2014	4 years	17 May 2017	External	Governance and Search	4/9
Ms A Johnson	1 Sept 2016	-	31 July 2017	Student member		4/10
Mr T Kelly	21 Oct 2015	4 years		External	Governance and Search	11/11
Mr J King	1 Sept 2016	4 years		Staff	Governance & Search Committee	10/11
Mr A Mann	21 Oct 2014	4 years		External	Audit	13/14
Mr R Mawdsley	16 Feb 2008 Reappointed 5 Dec 2012 1 Aug 2016	4 years		External	Remuneration, Audit	4/14
Mr J McArdle	21 Oct 2014	4 years		External	Audit	11/14
Mr M Norton ***(Acting Principal Oct 2016 – June 2017)***				Acting Principal Oct 16 – June 17		10/10
Mr P Smyth	22 Feb 2016	4 years		External	Vice Chair, Remuneration	10/10
Ms J Winders	15 Dec 2015	4 years		External	Audit	9/14
Mr Ian James acts as Clerk to the Corporation.						

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

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues. The Corporation meets formally on nine occasions each year and also holds two planning seminars.

The Corporation conducts some of its business through committees. Each committee has terms of reference, which have been approved by the Corporation. The committees are: Audit, Governance and Search and Remuneration. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College website or from the Clerk to the Corporation at:

Wirral Metropolitan College
Conway Park
Europa Boulevard
Birkenhead
Merseyside
CH41 4NT

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

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

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

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

There is a clear division of responsibility in that the roles of the Chair of the Corporation and the Principal of the College are separate.

Appointments to the Corporation

There are currently places for 16 members of the Corporation including the Principal plus two governors nominated by the College staff and one governor nominated by the students. Any new appointments to the Corporation are made by the Corporation as a whole. The Corporation has a Governance and Search Committee comprising seven Corporation members which is responsible for the selection and nomination of any new external member for appointment by the Corporation. The Corporation's policy on the selection of members is available on the College website.

Members of the Corporation are appointed for a term of office not exceeding four years in accordance with the recommendations of the Committee on Standards in Public Life. The Corporation maintains a skills audit of members and seeks to ensure that a wide range of skills, expertise and diversity is present amongst governors in order to encourage effective challenge and scrutiny of management plans and actions.

Corporation performance

In adopting the Governance Code, the Board undertook a full analysis of both the mandatory requirements and the good practice guidance in the Code. The Governors concluded that the Corporation was in full compliance with the mandatory aspects of the Code. A self-assessment was carried out to evaluate the Board's performance against the good practice guidance in the Code and the Governors found that their policies, procedures and practices rated very strongly against this guidance.

Remuneration Committee

Throughout the year ending 31 July 2017, the College's Remuneration Committee comprised the Chair and Vice Chair (ex officio) and three other eligible members of the Board of Governors. The committee's responsibilities are to make recommendations to the Board on the remuneration and conditions of service of the Principal and other senior post holders.

Details of remuneration for the year ended 31 July 2017 are set out in note 7 to the financial statements.

Audit Committee

The Audit Committee comprises seven eligible members of the Corporation (excluding the Principal and Chair) and one co-opted non governor. The Committee operates in accordance with written terms of reference approved by the Corporation. Its purpose is to advise the Corporation on the adequacy and effectiveness of the College's systems of internal control and its arrangements for risk management control and governance processes.

The Audit Committee meets at least on a termly basis and provides a forum for reporting by the College's internal, regularity, and financial statement 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 Skills Funding Agency and Education Funding Agency as they affect the College's business.

The College's internal auditors monitor 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 statement auditors and their remuneration for both audit and non-audit work.

The Board also uses short-life 'task & finish' groups to oversee particular projects and, in 2016/17 deployed such groups to oversee capital projects and the response to the College's December 2015 OFSTED inspection.

Internal control

Scope of responsibility

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

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between Wirral Metropolitan College and the Skills Funding Agency and Education Funding Agency. She is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of college policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Wirral Metropolitan College for the year ended 31 July 2017 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

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

The risk and control framework

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

- Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Board of Governors

- Regular reviews by the Board of Governors 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

Wirral Metropolitan College has an internal audit service, which operates in accordance with the requirements of the ESFA's Post 16 Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. As a minimum annually, the Head of Internal Audit (HIA) provides the Board of Governors with a report on internal audit activity in the College.

Review of effectiveness

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. Her 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 regularity and financial statements auditors in their management letters and other reports

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

The Principal and the senior management team receive 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 Principal and the senior management team and the Audit Committee also receive regular reports from Internal Audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2017 meeting the Corporation carried out the annual assessment for the year ended 31 July 2017 by considering documentation from the senior management team and Internal Audit, and taking account of events since 31 July 2017.

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

Going concern

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements. Continued investment in 16-18 provision and improvements in the estate, leading to growth and improvements in Construction and Engineering provision. These are underpinned by quality and efficiency measures aimed at improving the quality and financial status of the College.

Approved by order of the members of the Corporation on 14th December 2017 and signed on its behalf by:

Signed	**Signed**
David Clark	Sue Higginson
David Clark	**Susan Higginson**
Chair	**Principal/Accounting Officer**

Governing Body's Statement on the College's Regularity, Propriety and Compliance with Funding Body Terms and Conditions of Funding

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

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

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

Approved by order of the members of the Corporation on 14th December 2017 and signed on its behalf by:

David Clark	**Susan Higginson**
Chair	**Principal/Accounting Officer**

Statement of Responsibilities of the Members of the Corporation

The members of the Corporation, who act as trustees for the charitable activities of the College, are required to present audited financial statements for each financial year.

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

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

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

The Corporation is also required to prepare 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 College, and which enable it to ensure that the financial statements are prepared in accordance with the Charities Act 2011 and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

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

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the Skills Funding Agency and Education Funding Agency are used only in accordance with the Financial Memorandum of the Skills Funding Agency and any other conditions that may be prescribed from time to time.

Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the Skills Funding Agency and Education Funding Agency are not put at risk.

Wirral Metropolitan College

Approved by order of the members of the Corporation on 14th December 2017 and signed on its behalf by:

David Clark

Chair

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF WIRRAL METROPOLITAN COLLEGE FOR THE YEAR ENDED 31 JULY 2017

Opinion

We have audited the financial statements of Wirral Metropolitan College (the 'college') for the year ended 31 July 2017 which comprise the Statement of Comprehensive Income, the Statement of Changes in Reserves, the Balance Sheet, the Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies and other explanatory information. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the college's affairs as at 31 July 2017, and of its income and expenditure and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the report and financial statements, other than the financial statements and our auditor's report thereon. The Corporation is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the Corporation

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 21, the Corporation is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Use of our report

This report is made solely to the Corporation, as a body, in accordance with the Financial Memorandum published by Skills Funding Agency.

Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility for any other purpose or for or to any other person, for our audit work, for this report, or for the opinions we have formed.

Wylie & Bisset LLP
Chartered Accountants
Statutory Auditor
168 Bath Street
Glasgow
G2 4TP

14th December 2017

Wirral Metropolitan College

REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY

To: The Corporation of Wirral Metropolitan College and Secretary of State for Education acting through the Department for Education ("the Department")

In accordance with the terms of our engagement letter and further to the requirements of the financial memorandum with Education and Skill 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 Wirral Metropolitan College during the period 1 August 2016 to 31 July 2017 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

Respective responsibilities of Wirral Metropolitan College and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2016 to 31 July 2017 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

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

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

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

The work undertaken to draw to our conclusion includes:

- Documenting the framework of authorities which govern the activities of the College;
- Undertaking a risk assessment based on our understanding of the general control environment and any weaknesses in internal controls identified by our audit of the financial statements;
- Reviewing the self-assessment questionnaire which supports the representations included in the Chair of Governors and Accounting Officer's statement on regularity, propriety and compliance with the framework of authorities;
- Testing transactions with related parties;
- Confirming through enquiry and sample testing that the College has complied with its procurement policies and that these policies comply with delegated authorities; and
- Reviewing any evidence of impropriety resulting from our work and determining whether it was significant enough to be referred to in our regularity report.

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2016 to 31 July 2017 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Wylie . Bisset LLP

Wylie & Bisset LLP
Chartered Accountants
Statutory Auditor
168 Bath Street
Glasgow
G2 4TP

14th December 2017

Wirral Metropolitan College – Statement of Comprehensive Income

	Notes	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Income			
Funding Body grants	2	16,585	15,786
Tuition fees and education contracts	3	2,550	2,960
Other grants and contracts	4	655	427
Other income	5	218	309
Investment income	6	3	7
Total income		**20,011**	**19,489**
Expenditure			
Staff costs	7	14,285	14,418
Fundamental restructuring costs	7	315	77
Other operating expenses	8	4,525	4,295
Depreciation	10	1,487	1,214
Interest and other finance costs	9	481	520
Total expenditure		**21,093**	**20,524**
(Deficit) before other gains and losses		**(1,082)**	**(1,035)**
Gain/(Loss) on disposal of assets	10	-	-
(Deficit) before tax		**(1,082)**	**(1,035)**
Taxation		-	-
(Deficit) for the year		**(1,082)**	**(1,035)**
Unrealised surplus on revaluation of assets		-	-
Actuarial gain/(loss) in respect of pensions schemes		3,279	(3,626)
Total Comprehensive Income for the year		**2,197**	**(4,661)**

Wirral Metropolitan College – Statement of Changes in Reserves

	Income and Expenditure Account £'000
Balance at 31st July 2016	**(6,600)**
(Deficit) from the income and expenditure account	(1,082)
Other comprehensive income	3,279
Transfers between revaluation and income and expenditure reserves	-
Total comprehensive income for the year	2,197
Balance at 31st July 2017	**(4,403)**

Wirral Metropolitan College – Balance Sheet as at 31st July

	Notes	2017 £'000	2016 £'000
Fixed assets			
Tangible fixed assets	10	29,616	30,827
		29,616	**30,827**
Current assets			
Stocks		-	-
Trade and other receivables	11	614	1,088
Cash and cash equivalents	16	1,696	1,243
		2,310	**2,331**
Less: Creditors – amounts falling due within one year			
	12	(3,295)	(3,181)
Net current (liabilities)/assets		**(985)**	**(850)**
Total assets less current liabilities		**28,631**	**29,977**
Less: Creditors – amounts falling due after one year			
	13	(17,352)	(18,169)
Provisions			
Defined benefit obligations	15	(13,115)	(15,711)
Other provisions	15	(2,567)	(2,697)
Total net liabilities		**(4,403)**	**(6,600)**
Unrestricted reserves			
Income and expenditure account		(4,403)	(6,600)
Total unrestricted reserves		**(4,403)**	**(6,600)**

The financial statements on pages 28 to 55 were approved and authorised for issue by the Corporation on 14th December 2017 and were signed on its behalf on that date by:

David Clark

David Clark

Chair

Sue Higginson

Susan Higginson

Principal/Accounting Officer

Wirral Metropolitan College – Statement of Cashflows

	Notes	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Cash inflow from operating activities			
(Deficit) for the year		(1,082)	(1,035)
Adjustment for non cash items			
Depreciation		1,487	1,214
(Increase)/decrease in stocks		-	-
(Increase)/decrease in debtors		474	325
Increase/(decrease) in creditors due within one year		113	(257)
Increase/(decrease) in creditors due after one year		(635)	1,787
Increase/(decrease) in provisions		(130)	(17)
Pensions costs less contributions payable		683	561
Adjustment for investing or financing activities			
Investment income		(3)	(7)
Interest payable		40	50
Net cash flow from operating activities		**947**	**2,621**
Cash flows from investing activities			
Investment income		3	7
Payments made to acquire fixed assets		(277)	(3,995)
		(274)	(3,988)
Cash flows from financing activities			
Interest paid		(40)	(50)
New unsecured loans		-	-
Repayments of amounts borrowed		(180)	(181)
		(220)	(231)
Increase/(decrease) in cash and cash equivalents in the year		**453**	**(1,598)**
Cash and cash equivalents at beginning of the year	16	**1,243**	**2,841**
Cash and cash equivalents at end of the year	16	**1,696**	**1,243**

Wirral Metropolitan College – Notes to the Accounts

1. Statement of accounting policies and estimation techniques

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

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2016 to 2017* and in accordance with the Financial Reporting Standard 102 – "*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*" (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention

Going Concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Report of the Governing Body. The financial position of the College, its cash flow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes. The College is reporting net current liabilities of £985k, however this is after accounting for deferred capital grants of £838k and accrued holiday pay of £403k for which the College does not expect to require cash out flows within the next 12 months. The net liability position of £4,403k arises due to the classification of deferred capital grants as deferred income within creditors due within one year and due after more than one year, and also the defined benefit pension obligation, the latter of which is not expected to crystallise in the foreseeable future.

The College currently has £2.4m of loans outstanding with bankers, on terms negotiated in 2015 secured against the Wirral Waters Campus. The terms of the existing agreement are for 13 more years. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

The College's forecasts and financial projections indicate that the College 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 its Financial Statements.

Recognition of income

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under achievement for the Adult

Education Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the Funding Body following the year end, and the results of any funding audits. EFA 16-18 learner-responsive funding is not subject to reconciliation and is therefore not subject to contract adjustments.

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

Where part of a government grant is deferred, the deferred element is recognised as deferred income within creditors and allocated between creditors due within one year and creditors due after more than one year as appropriate.

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

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

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

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

Accounting for post-employment benefits

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

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method.

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

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

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

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

Short term employment benefits

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

Enhanced pensions

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

Non-current assets - tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Land and buildings

Freehold and leasehold buildings are depreciated on a straight line basis on the lower of 50 years from the date that the building was brought into use by the College or the estimated life of the building when constructed. Freehold land is not depreciated as it is considered to have an infinite useful life. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred income account within creditors, and are released to the income and expenditure account over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year. A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

Assets under construction

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

Subsequent expenditure on existing fixed assets

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

Equipment

Equipment costing less than £3,000 per individual item is recognised as expenditure in the period of acquisition, unless it forms part of a capital expenditure project costing more than £3,000. All other equipment is capitalised at cost.

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

- Technical equipment – 4 years
- IT equipment – 4 years
- Motor vehicles – expected life of vehicle
- Computer equipment – 4 years
- Furniture, fixtures and fittings – 10 years

Borrowing costs

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

Leased assets

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

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as finance leases. Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Inventories

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

Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. An investment qualifies as a cash equivalent when it has maturity of 3 months or less from the date of acquisition.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. All loans, investments and short term deposits held by the College are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the College has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the Balance Sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

Foreign currency translation

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial period with all resulting exchange differences being taken to income in the period in which they arise.

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes. The College is partially exempt in respect of Value Added Tax, so that it can only recover around 2% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

Provisions and contingent liabilities

Provisions are recognised when the College has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the statement of comprehensive income in the period it arises.

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

Agency arrangements

The College acts as an agent in the collection and payment of discretionary support funds. Except for adult bursaries, which are part of the Adult Education Budget, related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

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

Other key sources of estimation uncertainty

Tangible fixed assets

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

Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 21, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 Funding Body grants

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Recurrent grants		
Skills Funding Agency	5,338	5,500
Education Funding Agency	9,700	8,660
Higher Education Funding Council	308	439
Other funding body grants		
Skills Funding Agency	240	81
Education Funding Agency	22	119
Specific Grants		
Skills Funding Agency	170	443
Releases of government capital grants	764	481
Releases of HEFCE capital grants	43	63
Total	**16,585**	**15,786**

3 Tuition fees and education contracts

	2017 £'000	2016 £'000
Adult education fees	278	349
Apprenticeship fees and contracts	-	-
Fees for FE loan supported courses	578	535
Fees for HE loan supported courses	1,325	1,653
Commercial fees	322	387
European (excluding UK) students	-	-
International students fees	-	-
Total tuition fees	2,503	2,924
Education contracts	47	36
Total	**2,550**	**2,960**

4 Other grants and contracts

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Other grants and contracts	655	427
Total	**655**	**427**

5 Other income

	2017 £'000	2016 £'000
Non government capital grants	42	43
Miscellaneous income	176	266
Total	**218**	**309**

6 Investment income

	2017 £'000	2016 £'000
Other interest receivable	3	7
	3	**7**

7 Staff costs

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

	Year ended 31 July 2017 No.	Year ended 31 July 2016 No.
Teaching staff	254	274
Non teaching staff	208	198
	462	**472**

Staff costs for the above persons

		2016 £'000	2015 £'000
Wages and salaries		10,031	10,380
Social security costs		839	729
Other pension costs		2,171	2,115
Payroll sub total		**13,041**	**13,224**
Contracted out staffing services		1,233	1,194
		14,274	**14,418**
	Apprenticeship Levy	11	
		14,285	**14,418**
Fundamental restructuring	contractual	315	77
	non contractual	-	-
		14,600	**14,495**

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College's Senior Leadership Team which comprises the Principal, Deputy Principal, Vice Principal, and Director of Human Resources (Post removed April 2017).

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

	2017 No.	2016 No.
The number of key management personnel including the Accounting Officer was:	4	4

7 Staff costs Continued

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

	Key management personnel		Other staff	
	Year ended 31 July 2017	Year ended 31 July 2016	Year ended 31 July 2017	Year ended 31 July 2016
	No.	No.	No.	No.
£50,001 to £60,000	1	-	-	-
£60,001 to £70,000	-	1	-	-
£70,001 to £80,000	-	-	-	-
£80,001 to £90,000	1	2	-	-
£90,001 to £100,000	1	-	-	-
£100,001 to £110,000	-	-	-	-
£110,001 to £120,000	-	-	-	-
£120,001 to £130,000	1	-	-	-
£130,001 to £140,000	-	1	-	-
	4	**4**	**-**	**-**

Key management personnel emoluments are made up as

	2017 £'000	2016 £'000
Salaries	312	344
Benefits in kind	-	-
	312	**344**
Pension contributions	50	47
Total emoluments	**362**	**391**

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

	2017 £'000	2016 £'000
Salary	108	123
Benefits in kind	-	-
	108	123
Pension contributions	19	17

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

8 Other operating expenses

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Teaching costs	559	658
Non teaching costs	2,977	2,618
Premises costs	989	1,019
Total	**4,525**	**4,295**

Other operating expenses include:	**2017 £'000**	**2016 £'000**
Auditors' remuneration:		
Financial statements audit	22	22
Internal audit	29	29

9 Interest and other finance costs

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
On bank loans, overdrafts and other loans:	40	50
	40	50
Enhanced pension finance costs	62	61
Pension finance costs (note 21)	379	409
Total	**481**	**520**

10 Tangible fixed assets

	Land and buildings		Equipment and Fixtures	Assets in the Course of Construction	Total
	Freehold	Long leasehold			
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2016	23,951	9,601	5,150	2,634	41,336
Additions	0	2	274	-	276
Transfers	1,460	-	1,174	(2,634)	(0)
Disposals	-	-	-	-	-
At 31 July 2017	**25,411**	**9,603**	**6,598**	**0**	**41,612**
Depreciation					
At 1 August 2016	7,034	293	3,182	-	10,509
Charge for the year	523	192	772	-	1,487
Elimination in respect of disposals	-	-	-	-	-
At 31 July 2017	**7,557**	**485**	**3,954**	**-**	**11,996**
Net book value at 31 July 2017	**17,854**	**9,118**	**2,644**	**0**	**29,616**
Net book value at 31 July 2016	**16,916**	**9,309**	**1,968**	**2,634**	**30,827**

Land and Buildings are valued at Historical Cost

11 Trade and other receivables

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Amounts falling due within one year:		
Trade receivables	328	305
Prepayments and accrued income	286	610
Other debtors	-	61
Amounts owed by the Skills Funding Agency	-	112
Total	**614**	**1,088**

12 Creditors - amounts falling due within one year

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Bank loans and overdrafts	181	181
Trade payables	540	599
Other taxation and social security	250	281
Pensions	177	182
Accruals and deferred income	235	338
Accrued holiday balances	403	386
Deferred income - government capital grants	796	857
Deferred income - other capital grants	42	42
Amounts owed to the Skills Funding Agency	481	0
Capital grants held on account	16	6
Other amounts held on account	174	309
Total	**3,295**	**3,181**

13 Creditors - amounts falling due after one year

	2017 £'000	2016 £'000
Bank loans	2,170	2,351
Deferred income - government capital grants	13,901	14,495
Deferred income - other capital grants	1,281	1,323
Total	**17,352**	**18,169**

14 Maturity of debt

Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
In one year or less	181	181
Between one and two years	181	181
Between two and five years	542	542
In five years or more	1,447	1,627
Total	**2,351**	**2,531**

Bank loans, repayable by instalments falling due between 1 August 2015 and 31 July 2030 totalling £2,351,000 are secured on a portion of the leasehold land and buildings of the College.

15 Provisions

	Defined Benefit Obligations	Enhanced pensions	Other	Total
	£'000	£'000	£'000	£'000
At 1 August 2016	15,711	2,697	-	18,408
Expenditure in the period	(1,047)	(198)	-	(1,245)
Transferred from income and expenditure account	(1,549)	68	-	(1,481)
At 31 July 2017	**13,115**	**2,567**	-	**15,682**

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

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

The principal assumptions for this calculation are:

	2017	2016
Price inflation	2.30%	4.06%
Discount rate	1.30%	2.25%

16 Cash and cash equivalents

	At 1 August 2016	Cash flows	Other changes	At 31 July 2017
	£'000	£'000	£'000	£'000
Cash and cash equivalents	1,243	453	-	1,696
Total	**1,243**	**453**	-	**1,696**

17 Capital commitments

	Year ended 31 July 2017	Year ended 31 July 2016
	£'000	£'000
Commitments contracted for at 31 July 2016	0	111

18 Lease Obligations

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

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	85	19
Later than one year and not later than five years	-	116
later than five years	-	-
	85	135
Other		
Not later than one year	50	7
Later than one year and not later than five years	58	138
later than five years	-	-
	108	145

19 Contingent liabilities

There are no contingent liabilities.

20 Events after the reporting period

There are no events after the reporting period.

21 Defined benefit obligations

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

		Year ended 31 July		Year ended 31 July
Total pension cost for the year		**2017**		**2016**
		£'000		**£'000**
Teachers Pension Scheme:		854		858
Local Government Pension Scheme:				
Contributions paid	1,007		935	
FRS 102 (28) charge	304		152	
Charge to the Statement of Comprehensive Income		1,311		1,087
Enhanced pension charge to Statement of Comprehensive Income		6		170
Total pension cost for the year		**2,171**		**2,115**

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2016. Contributions amounting to £177k (2016; £182k) were payable to the schemes and are included in creditors.

Teachers' Pension Scheme

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

The Teachers' Pension Budgeting and Valuation Account

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

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

Valuation of the Teachers' Pension Scheme

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

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

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

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

Scheme changes

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

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

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

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

The pension costs paid to TPS in the year amounted to £854,000 (2016: £858,000)

21 Defined benefit obligations (continued)

FRS 102 (28)

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

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

Local Government Pension Scheme (Merseyside Pension Fund)

The Merseyside Pension Fund (MPF) is a funded defined-benefit plan, with the assets held in separate funds administered by Wirral Borough Council . The total contribution made for the year ended 31 July 2017 was £1,276,000, of which employer's contributions totalled £1,007,000 and employees' contributions totalled £269,000. The agreed contribution rates for future years are 16.7 % for employers and range from 5.5% to 7.5% cent for employees, depending on salary.

Principal actuarial assumptions

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

	At 31 July 2017	At 31 July 2016
Rate of increase in salaries	3.70%	3.20%
Future pensions increases	2.20%	1.80%
Discount rate for scheme liabilities	2.50%	2.50%
Inflation assumption (CPI)	2.20%	1.70%
Commutation of pensions to lump sums	50%	50%

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

	At 31 July 2017	At 31 July 2016
	years	**years**
Retiring today		
Males	21.90	22.50
Females	24.70	25.40
Retiring in 20 years		
Males	24.90	24.90
Females	27.70	28.20

21 Defined benefit obligations (continued)

Local Government Pension Scheme (continued)

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

	Long-term rate of return expected at 31 July 2017	Fair Value at 31 July 2017	Long-term rate of return expected at 31 July 2016	Fair Value at 31 July 2016
		£'000		£'000
Equities	52.40%	18,700	52.50%	16,957
Government bonds	3.40%	1,213	4.60%	1,486
Other bonds	12.10%	4,318	11.80%	3,811
Property	8.00%	2,855	8.20%	2,649
Cash	4.80%	1,713	3.70%	1,195
Other	19.30%	6,888	19.20%	6,202
Total market value of assets		**35,687**		**32,300**
Weighted average expected long term rate of return	10.40%		12.20%	
Actual return on plan assets		**3,387**		**3,528**

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

	2017 £'000	2016 £'000
Fair value of plan assets	35,687	32,300
Present value of plan liabilities	(48,802)	(48,011)
Present value of unfunded liabilities	-	-
Net pensions (liability) (note 15)	**(13,115)**	**(15,711)**

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

	2017 £'000	2016 £'000
Amounts included in staff costs		
Current service cost	1,296	1,075
Past service cost	-	-
Total	**1,296**	**1,075**
Amounts included in investment income		
Net interest (cost)	(379)	(409)
	(379)	**(409)**
Amounts recognised in Other Comprehensive Income		
Return on pension plan assets	2,508	2,490
Experience gains arising on defined benefit obligations	2,514	-
Changes in assumptions underlying the present value of plan liabilities	(1,743)	(6,116)
Amount recognised in Other Comprehensive Income	**3,279**	**(3,626)**

21 Defined benefit obligations (continued)

Local Government Pension Scheme (continued)

Movement in net defined benefit (liability)/asset during the year

	2017 £'000	2016 £'000
(Deficit) in scheme at 1 August	(15,711)	(11,524)
Movement in year:		
Current service cost	(1,296)	(1,075)
Employer contributions	1,047	945
Past service cost		
Net interest on the defined (liability)/asset	(379)	(409)
Administration expenses	(22)	(22)
Curtailments or settlements	(33)	-
Actuarial gain or loss	3,279	(3,626)
Net defined (liability)/asset at 31 July	**(13,115)**	**(15,711)**

Asset and liability reconciliation

	2017 £'000	2016 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	48,011	40,296
Current service cost	1,296	1,075
Interest cost	1,188	1,473
Contributions by scheme participants	271	274
Experience gains and losses on defined benefit	-	-
Changes in financial assumptions	(771)	6,116
Estimated benefits paid	(1,226)	(1,223)
Past service cost	-	-
Curtailments and settlements	33	-
Defined benefit obligations at end of period	**48,802**	**48,011**
Reconciliation of assets		
Fair value of plan assets at start of period	32,300	28,772
Interest on plan assets	809	1,064
Return on plan assets	2,508	2,490
Employer contributions	1,047	945
Administration expenses	(22)	(22)
Contributions by scheme participants	271	274
Estimated benefits paid	(1,226)	(1,223)
Assets at end of period	**35,687**	**32,300**

22 Related party transactions

Owing to the nature of the College's operations and the composition of the Board of Governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Board of Governors may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

The total expenses paid to or on behalf of the Governors during the year was £1,158; 3 Governors (2016: £1,591; 4 Governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.
No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2016: None).

23 Amounts disbursed as agent

Learner support funds

	2017 £'000	2016 £'000
Carried forward	208	33
Funding body grants – bursary support	439	323
Funding body grants – discretionary learner support	141	340
Funding body grants – residential bursaries	-	-
Other funding body grants	157	258
Interest earned	-	-
	945	954
Disbursed to students	(711)	(707)
Transfers	(78)	
Administration costs	(22)	(39)
Balance unspent as at 31 July, included in creditors	134	208

Funding body grants are available solely for students. In the majority of instances, the College only acts as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the Statement of Comprehensive Income (except Discretionary Learner Support which is now part of the Adult Education Budget).