



Financial Statements for the Year Ended 31 July 2016

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NATURE, OBJECTIVES AND STRATEGIES:

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

Legal status

Board of Governors

The College became a designated independent institution on 1 April 1993 under the Further and Higher Education Act 1992. The Governing Body of the College was not granted corporate status at that time.

On 1 April 2001, however, the Governing Body was established under the Learning and Skills Act 2000 for the purposes of conducting King Edward VI College, Nuneaton.

The College is an exempt charity for the purposes of the Charities Act 2011.

Trustees

Land and buildings valued at £3,394,000 (net book value at 31 July 2016 - £2,093,000) on a depreciated replacement cost basis at 1 April 2001 are in the ownership of the Trustees of the King Edward VI Foundation and the Swinnerton Bequest. The Trust has a number of elements of which one relates to the education of young people in Nuneaton and the surrounding area. The College delivers education in the Trustees buildings on their behalf, but there is no formal leasehold agreement between the Trustees and the Governors.

Nevertheless, the Governors have concluded that the College enjoys a sufficient amount of the risks and rewards associated with the Land and Buildings that they have included them within the Financial Statements.

The fixtures and fittings, previously owned and maintained by the Local Education Authority, were transferred to the Governors on 1 April 1993. These fixtures and fittings are recognised in the Financial Statements as Equipment.

Vision

Our Vision: to be an Outstanding Sixth Form College.

Our Vision is of an independent College enabled, by virtue of its size and breadth of provision, and also as a result of its strategic direction and the strength of its ambition, to play its full part in education in Nuneaton and the surrounding areas for many years to come: building on the strong academic performance and ethical traditions of its long and successful history.

The medium/long term strategic vision is that King Edward VI College will be an independent high performing Academy, offering, at level 3, a programme with an unrivalled choice of AS/A2 subjects, and complementary vocational curriculum for 16-19 year olds in the Nuneaton and Bedworth area. The potential Academy conversion will not affect this vision.

The College has an excellent reputation and is characterised by high-level achievements delivered through personalised programmes with excellence in teaching and learning, in a safe, secure, pleasant, fit for purpose and supportive environment. The College will continue to have high levels of progression to Higher Education and employment with training.

The College strap line is; "Your Sixth Form Specialist"

Mission

Our Mission is to, within the framework of a Multi-Academy-Trust, remain an independent centre of excellence in advanced level education which realises potential and promotes aspiration and achievement in an environment in which students and staff are supported, challenged and encouraged to reach the best in everything they do.

Public Benefit

The College is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education for Sixth Form Colleges. The members of the Governing Body, who are trustees of the charity, are disclosed on page 16.

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
- Tackling social exclusion
- Providing excellent careers advice for students
- Excellent pastoral support for students
- Work related placements and links with employers

Implementation of Strategic Plan

Our Values

Our core values are to deliver the highest quality in all that we do; to put the student first and at the centre of all that we do; and to promote a fair, open and respectful culture.

We value: punctuality, reliability, determination, hard work, high standards, high aspiration and high achievement. We pride ourselves in a welcoming, caring, supportive, safe environment for students: each of us with individual and collective responsibility for initiative, innovation and creativity. We see teamwork as essential and lay great store in a commitment to critical self-evaluation and actions to improve.

In April 2015 the College adopted a strategic plan for the period 1 July 2016 to 31 July 2018.

The strategic plan is achieved via a range of actions detailed in individual action plans which include: the Quality Improvement Plans, Teaching and Learning Development Strategy, HR Strategy, Continuing Professional Development (CPD) Plan, Estates Strategy, Information and Learning Technology (ILT) Strategy, Financial Plan, Marketing Plan and Risk Management process.

Main Strategic Agenda

Our main strategic aim is to be recognised as an outstanding Sixth Form College and our recent OFSTED inspection indicates that we are very close to achieving this aim.

Our core activity is:

- Students who need academic challenge are able to access a wide range of AS and A Level programmes;
- Students who need to retake English or Mathematics level 2 qualifications, attend re-sit classes and sit these examinations; and
- The provision of an enriched range of vocational courses to either complement their A level programmes or to provide their primary study aims.

The College's continuing Strategic Aims

- **Aim One:** To provide outstanding values based education through the consistent pursuit of our core values & mission
- **Aim Two:** To build the capacity of all staff in order to deliver an outstanding experience for students, staff and other stakeholders
- **Aim Three:** To effectively manage college finances in order to preserve the health of the college, maintain a high quality well-resourced estate & prioritise investment in teaching & learning

Enablers

- Teaching & Learning Development Strategy
- Quality Assurance Policy
- Quality Improvement Plan
- CPD Plan
- Equality & Diversity Plan
- Safeguarding Policy
- Estates Strategy
- Financial Plan
- Risk Management Process
- Marketing Plan
- Curriculum Rationale
- Human Resource (HR) Strategy
- Community & Involvement Strategy
- ILT Strategy

Improving our Effectiveness

- To continue to improve our core processes: Teaching, learning and assessment.
- Support for students;
- To continue to invest in our physical and virtual environment so that it remains attractive, safe and conducive to learning;
- To continue to develop effective means of communication with and between all stakeholders within our community; and
To grow student numbers to counteract the funding.

Headline Success Indicators

- Staff lesson observation profile reflects Good and increasingly Outstanding teaching and learning grades;
- Retention, Achievement, Success Rates and Higher Grades at least at the benchmarks for Sixth Form Colleges;
- High Progression to HE/Employment;
- Strong Reputation and Public Image;
- Outstanding Support for Students;
- High levels of Student satisfaction;
- Financial KPI's at least at the benchmark for Sixth Form Colleges; and
- EFA Financial Health Rating Good.

FINANCIAL POSITION

Financial Results

The College Financial Statements have been prepared under the Statement of Recommended Practice 2015 (SORP 2015) and the previous year Financial Statements have been restated on the same basis.

The College generated an operating deficit in the year of £159,000 (2014/15: restated deficit of £149,000). The deficit includes FRS 102 pension costs of £90,000 (2014/15: restated £86,000) arising from the incorporation of the FRS102 pension liability.

The remaining pension costs relating to the incorporation of FRS 17/FRS102 are recognised in the Statement of Comprehensive Income. The deficit also includes the impact of the change in treatment of non-Government Deferred Capital Grants arising from FRS102. The result is that Grant Income has been reduced by £85,000 (2014/15: £85,000).

The College has income and expenditure reserves of £1,660,000 after providing for the pension liability and £3,223,000 before the provision (2014/15: £2,056,000 and £3,292,000).

The College wishes to maintain cash balances in order to create a contingency fund against future funding changes and to enable the College to match-fund any projects where this is a stipulation.

Tangible fixed asset additions for the College during the year amounted to £257,000, the majority of which were supported by external grants. This figure includes the amount treated as Assets under Construction at 31 July 2016.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2015/16, the funding bodies provided 93.9% (2014/15-94.3%) of the College's total income.

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.

Short term borrowing for temporary revenue purposes is authorised by the Director of Finance. Such arrangements are restricted by limits in the Financial Memorandum previously agreed with the LSC and subsequently transferred to the EFA. The Director of Finance shall report such short term borrowing to the full Governing Body at the earliest opportunity. All other borrowing requires the authorisation of the Governing Body and shall comply with the requirements of the Financial Memorandum.

Cash Flows

There was a small decrease of £19,000 (2014/15-£269,000 increase) in operating cash-flow prepared under the SORP 2015.

This arose through the timing of the receipt of the external grants supporting the Science classroom refurbishments. The Grant cannot be claimed until a completion certificate has been issued by the contractor.

Liquidity

During the year, the College repaid a total of £6,000 (2014/15-£6,000) of bank borrowings, which were originally taken out to help finance the purchase of the Annexe Building. During the year the College entered into two interest free loan arrangements with Salix Finance Limited to support the costs of new boilers in the College. The EFA also provided a Grant in support of the project.

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

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student Numbers

In 2015/16 the College delivered EFA activity with an outturn figure of £4,183,034. The funding outturn was £139,398 lower than the EFA 16-18 allocation. The 16-18 actual learner numbers were 1,042 compared to the 1,087 allocation.

Student Achievements

The A2 level success rate in 2015/16 was high again at 97.4% (2014/15-96.4%), with a high grade performance of 41% (2014/15-45%). AS results were broadly similar with a slight drop in achievement to 87.4% (2014/15-87.7%) and high grade performance of 25% (2014/15-32%). BTEC National results were marginally lower at 99.3% (2014/15-99.4%), with high grades up slightly to 77.1% (2014/15-76.5%).

| | 2015 | | 2016 | |
|---------------|--------------|-----------|--------------|-----------|
| | Success Rate | Benchmark | Success Rate | Benchmark |
| AS | 81.4 | 82.6 | 81.3 | 82.6 |
| A | 96.4 | 94.5 | 97.4 | 94.5 |
| BTEC National | 88.6 | 89 | 91.5 | 89 |
| GCSE | 89 | 87 | 90 | 87 |

The results obtained for our students on the HNC in Media and Foundation Diploma in Art were exceptional with a total of 14 distinctions from 26 passes.

Curriculum Developments

The College continues to have a high reputation for serving students from a wide range of backgrounds, ages and abilities. It is continually reviewing its course offer to ensure that it matches the needs of its students. In particular it has developed for 2016 enrolment a three year programme aimed at students who don't quite meet the requirements for an A Level programme. This will be further developed for 2017.

The College also undertakes collaborative work with schools where appropriate. Opportunities are given to students from feeder schools to undertake work placements on the College site. Partnerships with a number of employers have been developed this year.

Strong links and partnerships with the Universities of Cambridge, Warwick, Coventry, Aston and Birmingham City continue to benefit students when applying to these institutions. The College is also a "valued partner" of the University of Birmingham's A2B scheme. A large number of College students attend summer schools and visits to universities such as Birmingham, Cambridge and Oxford. Students also participate in maths challenges and master classes at both Aston and Birmingham University.

Payment Performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting year 1 August 2015 to 31 July 2016, the College paid 69% of supplier invoices representing 71% in value (2014/15-75% and 67%) of all its invoices within 30 days. This figure includes invoices where the College has negotiated extended payment terms. The College incurred no interest charges in respect of late payment for this period.

Post Balance Sheet Events

The only significant post balance sheet event is the proposal that the College should join a new University sponsored Multi-Academy-Trust following the proposed recommendations arising from Coventry and Warwickshire Area Review. If this proposal is adopted then the transition date will be either 1 August or 1 September 2017.

Future Developments

The College is under demand led funding and hence the recurrent grant from the EFA for 2016/17 has been confirmed at £4,237,641, a significant decrease from the 2015/16 figure of £4,322,432. This decrease is due to lower 16-18 enrolments in 2015/16.

The College has extended its HE offer in 2016/17 with the HNC in Business.

RESOURCES

The College has various resources that it can deploy in pursuit of its strategic objectives.

Financial

The College has non-current assets of £5,225,000.

The College has £1,660,000 of net assets (including £1,563,000 pension liability). At 31 July 2016, the College had short term debt of £22,000 and cash and short term deposits of £589,000.

People

The College employs 93 people (expressed as full time equivalents), of whom 45 are front line teaching staff.

Reputation

The College has a good reputation locally and nationally. Maintaining a quality brand is essential for the College's on-going success at attracting students and developing future external relationships.

PRINCIPAL RISKS AND UNCERTAINTIES

The College has undertaken further work during the year to develop and embed the system of internal control, including financial, operational and risk management, which is designed to protect the College's assets and reputation.

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

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

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

Government Funding

The College has considerable reliance on continued government funding through the education sector funding bodies. In 2015/16, 93.9% of the College's revenue was ultimately public funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

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

- The announcement in July that the Department for Education intend to undertake post 16 Area Reviews to ensure that the sector providers deliver value for money to the Department. In this regard the process is designed to ensure that providers are financially resilient to absorb possible funding cuts.
- The EFA have indicated a continuation of the lagged funding model which results in College's over recruiting 16-18 learners having to wait twelve months for funding for the over recruitment. A withdrawal of this model would result in the College having to review its marketing plans.
- The competition from local schools introducing sixth forms and the Department of Education plans for Institutes of Technology.
- The commitment of the Government to continue with their public expenditure reduction programmes in particular funding for adults.
- The impact on Government spending plans following the BREXIT referendum result.

These risks are mitigated in a number of ways:

- Seeking funding derived through a number of direct and indirect contractual arrangements.
- Build on the successes achieved through the OFSTED good rating in April/May 2015.
- Use all forms of marketing including social media to highlight our success rates.
- Review of AS/A2 curriculum changes and the number of subjects that students are advised to enrol for.
- By ensuring the College is rigorous in delivering high quality education.
- Maintaining focus and investment in managing key relationships with the various funding bodies.
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding. The College marketing initiatives must focus on those areas.

Local Competition

Nuneaton continues to be an area of intense competition with its "mixed economy" of the Sixth Form College, FE College and schools with sixth forms. The recent development of small sixth forms in academies and schools continues to pose a competitive threat, although no more are likely to be developed in the near future.

However, applications numbers continue to be high, which indicates that we remain in a strong competitive position. We offer a much wider range of both academic and vocational courses than small sixth forms. We are also working with the local GFE to devise complementary curriculum packages and pathways to extend the choices available to students at the end of year 11.

A decline in success rates, especially in high volume courses, would constitute a risk to reputation, which could result in falling numbers. The College takes intervention steps to ensure that high success rates are maintained.

Tuition Fee Policy

The College Tuition Fee Policy is approved each year by the Governing Body. However tuition fees are primarily only received from those students undertaking a HE programme or one of the full cost Counselling programmes. The policy is designated to maximise fee income without affecting student numbers.

This risk of reduced fee income is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students.
- Close monitoring of the demand for courses as prices change.

Maintain adequate funding of pension liabilities

The financial statements report the share of the pension scheme deficit on the College's Balance Sheet in line with the requirements of FRS102. However the outcome of the triennial LGPS actuarial review is likely to result in substantial increases in both employer contribution rate and the deficit recovery payments. The College considers that it will be able to absorb such increases without materially affecting the key liquidity ratios.

The potential conversion to Academy status and the treatment of the current deficit will require the consent of the Warwickshire LGPS administrators.

STAKEHOLDER RELATIONSHIPS

As a Sixth Form College, King Edward VI College has many stakeholders. These include:

- Students and their parents
- Education Sector Funding Bodies
- Staff
- Local employers
- Local Enterprise Partnership
- Nuneaton & Bedworth Council
- Warwickshire County Council
- Government Office for the West Midlands
- The local community & partner organisations
- Feeder schools
- Other FE Institutions and local sixth form Colleges
- Higher education institutions

- Trade Unions and professional bodies.

The College recognises the importance of these relationships and engages in regular communication through a variety of methods and media.

Parents are communicated with in writing and invited to the College throughout the year to discuss progress.

Students, parents, staff, local feeder schools, local business and the Local Authority are all represented on the College Governing Body.

Members of the College staff have a programme of visits to feeder schools.

The College is an active member of both the Association of Colleges (AoC) and the Sixth Form Colleges Association (SFCA).

The College communicates with prospective students through its website and its mobile App.

Local radio is used to advertise the College.

The use of social media is continually being expanded when communicating with current and potential students.

Equal Opportunities and Employment of Disabled Persons

King Edward VI College is proud of its commitment to equalising opportunity for all who learn and work at the College. The College respects and values differences in race, gender, sexual orientation, physical ability, class and age. The College has in place policies to address these issues and has a coordinating Equality and Diversity Committee which has oversight of the implementation, monitoring and development of policy and reports to the Governing Body.

The College's Equal Opportunities Policy, including its Equalities Policies, is published on the College's intranet site.

The College considers all applications from disabled persons and offers an interview to all disabled people who meet the job and person specification for any post. Where existing employees become disabled, every effort is made to ensure that their employment at the College continues. An equalities action plan setting clear targets is published each year and the identified actions are monitored by the Governing Body. This complies with Equality legislation.

Disability Statement

The College is committed to a policy of responding to the general needs of the community and the specific need of the individual. Disability or additional educational needs shall be defined as learning requirements that need support or provision additional to or different from that which is normally available. The College has

published a policy statement in relation to students with learning difficulties or disability. The main provisions of this statement include:

- to ensure increased access to the College from all sections of the community, regular liaison with schools, community groups, careers and guidance services and agencies working with those with specific learning difficulties and / or disabilities (SLDD) will be promoted and supported.
- the College application procedure will offer applicants the opportunity to provide information and discuss any special learning difficulty or disability that affects them. However, the College recognises that not all students may be willing or able to do this and that it is the responsibility of the College to ensure that alternative procedures are in place to identify and assess potential learning difficulties and that other opportunities exist to enable students to disclose any SLDD.
- in the event of a place not being offered to a student with a learning difficulty or disability, a record will be kept of the reasons given. Where possible, alternative options and guidance will be given in liaison with Prospects and Social Services, etc.
- when a student who wishes to enrol at this College cannot be admitted because the College cannot meet her or his learning needs, this information will be put before the Governing Body.
- advice will be available to students with disabilities or additional learning needs before, during and at the end of their course so that students can examine their individual needs within their progression route.

Changes to Senior Post Holders

There was a change in Senior Post Holder during the year as the ex-Principal left on 31 August 2015 and her replacement did not start until 28 September 2015. There was no change to the Clerk to the Governing Body during the year.

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 establish that the College's auditors are aware of that information.

Approved by order of the members of the Governing Body of King Edward VI College on 13th December 2016 and signed on its behalf by:



Simon Wright
Chair of Governing Body

Professional Advisers

Financial statement and regularity auditors:

PricewaterhouseCoopers LLP
Cornwall Court
19 Cornwall Street
Birmingham B3 2DT

Internal auditors:

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

Bankers:

Lloyds Bank
17-23 Coventry Street
Nuneaton CV11 5TL

Solicitors:

Mills and Reeve LLP
78-84 Colmore Row
Birmingham B3 2AB

Statement of Corporate Governance and Internal Control

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

The College endeavours to conduct its business:

1. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
2. 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. This statement describes the manner in which the College has applied the principles set out in the UK Corporate Governance Code 2014. Its' purpose is to help the reader of the financial statements understand how the principles have been applied.

In the opinion of the Governors, the College complies with all the provisions of the Code, in so far as they apply to the further education sector and it has complied throughout the year ended 31 July 2016 and up to the date of signing the financial statements. 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.

Board of Governors

The College became a designated independent institution on 1 April 1993 under the Further and Higher Education Act 1992. The Governing Body of the College was not granted corporate status at that time.

On 1 April 2001, however, the Governing Body was established under the Learning and Skills Act 2000 for the purposes of conducting King Edward VI College, Nuneaton.

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

King Edward VI College
 Financial Statements for the Year ended 31 July 2016
 Statement of Corporate Governance and Internal Control (continued)

The Governing Body

Governors serving on the board during 2015-16 and up to the date of signature of this report

| NAME | DATE APPOINTED | TERM OF OFFICE EXPIRES | COMMITTEES SERVED | ATTENDANCE ¹ (%) |
|-----------------------------------|----------------|------------------------|------------------------------------|-----------------------------|
| FOUNDATION GOVERNORS | | | | |
| Mr A Chadaway | 01.09.2002 | 31.08.2017 | Audit (Chair); Search & Governance | 92 |
| Mrs J Clements (Joint Vice-Chair) | 01.09.2007 | 31.08.2019 | Search & Governance | 75 |
| Mr B Davis | 01.09.2014 | 31.08.2018 | Audit | 82 |
| Mr R Greenway | 01.03.2016 | 29.02.2020 | Audit | 100 |
| Mr S Hall | 11.12.1995 | 31.08.2017 | Search & Governance | 100 |
| Mr W Rupp | 01.09.2014 | 31.08.2018 | | 86 |
| Mr S Stanley (Joint Vice-Chair) | 01.09.2012 | 31.08.2017 | Search & Governance | 88 |
| Mr R Warne | 01.09.2003 | 31.08.2017 | Search & Governance | 88 |
| Mr S Wright (Chair) | 01.01.2005 | 31.08.2019 | Search & Governance (Chair) | 50 |
| PARENT GOVERNORS | | | | |
| Mr M Hutchby | 13.10.2014 | 12.10.2016 | Audit | 82 |
| Mrs A Richardson | 11.10.2016 | 10.10.2018 | | n/a |
| Mr S Pearson | 11.10.2016 | 10.10.2018 | | n/a |
| STAFF GOVERNOR | | | | |
| Mrs K Phillips (Academic) | 17.09.2012 | 16.09.2016 | | 100 |
| Mr P Hickling (Academic) | 17.09.2016 | 16.09.2020 | | n/a |
| Mrs K Green (Support) | 24.09.2013 | 23.09.2017 | | 86 |
| STUDENT GOVERNORS | | | | |
| Miss L Miller | 01.09.2015 | 31.08.2016 | | 57 |
| Mr D Ramsell | 01.09.2015 | 31.08.2016 | | 57 |
| Ms C Edginton | 01.09.2016 | 31.08.2017 | | n/a |
| Mr A Kent | 01.09.2016 | 31.08.2017 | | n/a |
| PRINCIPAL | | | | |
| Mr U Lyons | 28.09.2015 | Ex Officio | Search & Governance | 100 |

¹Attendance figures relate to the academic year 2015/16 and do not include new appointments effective from the start of the 2016/17 academic year. The figure is a measure of both Board and Committee attendance.

Parent governors are nominated to the Governing Body for a period of two years

The staff elects staff governors for a period of four years, but their term of office ends if they leave the employment of the College before the end of the four-year period.

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

The Governing Body 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 Governing Body meets approximately eight times per academic year and at least once each term.

Further to a detailed review the Governing Body conducts its business through streamlined committees' structure that comprises Audit and Search and Governance. Each committee has terms of reference, which have been approved by the Governing Body. Full minutes of all meetings, except those deemed to be confidential by the Governing Body, are available at www.kecnuneaton.ac.uk or from the Clerk to the Governing Body at:

King Edward VI College
King Edward Road
Nuneaton
Warwickshire
CV11 4BE

The Clerk to the Governing Body 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 Governing Body, 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 Governing Body as a whole.

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

The Governing Body has a strong and independent non-executive element and no individual or group dominates its decision making process. The Governing Body 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 Governing Body and the Accounting Officer of the College are separate.

Appointments to the Governing Body

Any new appointments to the Governing Body are a matter for the consideration of the Governing Body as a whole. The Governing Body has a Search and Governance Committee comprising the Chair and Vice Chair(s) of the Governing Body, the Principal, and a minimum of four Foundation Governors. This Committee is responsible for the selection and nomination of any new member for the Governing Body's consideration. The Governing Body is responsible for ensuring that appropriate training is provided as required.

Members of the Governing Body are appointed for a term of office not exceeding 4 years.

Governing Body Performance

The Governing Body understands that regular self-assessment is an integral process to both their and the College's improvement. In April 2016, the Board self-assessed the effectiveness of a recently introduced streamlined governance structure. During the period covered by this report, the Board has also self-assessed its effectiveness through such means as performance indicators, peer assessments and an annual report from the Audit Committee. The Governing Body also drew on professional external input to facilitate self-assessment in February 2015. Areas for improvement are captured in an action plan against which progress is monitored.

Audit Committee

The Audit Committee comprises at least three members of the Governing Body. The Chair of the Governing Body and the Accounting Officer are excluded from membership of the Audit Committee. The committee operates in accordance with written terms of reference approved by the Governing Body.

The Audit Committee meets at least once per term 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 main FE funding bodies as they affect the College's business.

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

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

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

Internal Control

Scope of responsibility

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

The Governing Body 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 he is personally responsible, in accordance with the responsibilities assigned to him in the Funding Agreement between King Edward VI College and the funding bodies. He is also responsible for reporting to the Governing Body 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 on-going 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 King Edward VI College for the year ended 31 July 2016 and up to the date of approval of the annual report and Financial Statements.

Capacity to Handle Risk

The Governing Body 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 Governing Body is of the view that there is a formal on-going process for identifying, evaluating and managing the College's significant risks that has been in place for the year ending 31 July 2016 and up to the date of approval of the annual report and Financial Statements. This process is regularly reviewed by the Governing Body.

The Risk and Control Framework

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

- comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Governing Body;
- regular reviews by the Governing Body of periodic and annual financial reports, which indicate financial performance against forecasts;
- setting targets to measure financial and other performance;

- clearly defined capital investment control guidelines;
- the adoption of formal project management disciplines, where appropriate.

King Edward VI College has an internal audit service, which operates in accordance with the requirements of the EFA and SFA's Joint Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis.

The analysis of risk and the internal audit plans are endorsed by the Governing Body on the recommendation of the Audit Committee. At least annually, the Head of Internal Audit (HIA) provides the Governing Body with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management controls and governance processes.

Review of Effectiveness

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

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

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

The Senior Management Team receives reports setting out key performance and risk indicators and considers possible issues brought to their attention by early warning mechanisms which are embedded within the departments and reinforced by risk awareness training. 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 Governing Body'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 meeting on 13th December 2016, the Governing Body received a report from the Audit Committee on the annual activities and assessments carried out in 2015/16. The Audit Committee report and assurance will be based on the documentation presented to them by the Senior Management Team and internal auditors and taking account of events since 31 July 2016.

Based on the advice of the Audit Committee the Governing Body 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 College and the safeguarding of their assets".

Going Concern

The Governing Body has adopted the going concern basis in preparing these financial statements. The Governors have looked at two scenarios in reaching this conclusion.

College maintains independence

After making appropriate enquiries, the Governing Body considers that the College has adequate resources to continue in operational existence for the foreseeable future. This is supported by cash-flow forecasts to 31 December 2017 and the assumption that the Lloyds Bank Loan being rolled-forward for a further five years as envisaged when the Loan was set up in 2012.

College converts to an Academy -1 August 2017

The College's Governing Body would be dissolved on 31 July 2017 and all of the College's Assets and Liabilities transferred to a new Company Limited by Guarantee. The new Academy Company would commence trading on 1 August 2017. However the EFA Funding Agreement with the Academy would not start until 1 September 2017. The Academy would not therefore receive any EFA funding in August 2017 and still have to settle payroll and other expenditure in August 2017. The EFA have confirmed that the Academy would receive an additional months funding within the 2017/18 Funding Agreement and this would be received during August 2017. This scenario is further complicated by the current Lloyds Bank Loan where it is possible that the outstanding Loan balance of c£95,000 would have to be repaid on 25 July 2017. Under this scenario the Academy's cash-flow forecasts indicate that there would still be sufficient cash to trade through August 2017 and beyond.

The Audit Committee has reviewed the cash-flow forecasts and the likely impact of the above scenarios and considers that there will be sufficient resources to ensure that all necessary and essential August 2017 and later expenditure can be supported. For this reason they recommended to the Governing Body that the College should continue to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Governing Body on 13th December 2016 and signed on its behalf by:



Simon Wright
Chair of the Governing Body



Uly Lyons
Accounting Officer

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

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

We confirm, on behalf of the Governing Body, that after due enquiry, and to the best of our knowledge, we have not identified any material irregular or improper use of funds by the College, or non-compliance with the Education Funding Agency's terms and condition of funding under the College's funding agreement.

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



Simon Wright
Chair of the Governing Body



Uly Lyons
Accounting Officer

Statement of the Responsibilities of the Members of Governing Body

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

Within the terms and conditions of the Funding Agreement between the Education Funding Agency and the Governing Body of the College, the Governing Body, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the *2015 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *College Accounts Direction 2015 to 2016* issued jointly by the Skills Funding Agency and the Education Funding Agency, and which give a true and fair view of the state of affairs of the College and the result for that year.

In preparing the financial statements, the Governing Body 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 Governing Body is also required to prepare a Members Report, 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 Governing Body 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 Governing Body 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 Governing Body 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 Education Funding Agency are used only in accordance with the Financial Agreement with the Education Funding Agency and any other conditions that may be prescribed from time to time.

Statement of the Responsibilities of the Members of Governing Body (continued)

Members of the Governing Body 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 Governing Body 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 Education Funding Agency are not put at risk.

Approved by order of the members of the Governing Body on 13th December 2016 and signed on its behalf by:



Simon Wright
Chair of the Governing Body

Independent auditors' report to the Governing Body of King Edward VI College (the "institution")

Report on the financial statements

Our opinion

In our opinion:

- King Edward VI College's financial statements (the "financial statements") give a true and fair view of the state of the institution's affairs as at 31 July 2016 and of the institution's income and expenditure, recognised gains and losses and cash flows for the year then ended;
 - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
 - have been properly prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education.
-

What we have audited

The financial statements comprise:

- the institution Balance Sheet as at 31 July 2016;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Reserves for the year then ended;
- the Cash Flow Statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is the Statement of Recommended Practice for Further and Higher Education, incorporating United Kingdom Generally Accepted Accounting Practice.

In applying the financial reporting framework, the Governing Body has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, it has made assumptions and considered future events.

Opinions on other matters prescribed in the Joint Audit Code of Practice issued by the Education Funding Agency and the Chief Executive of Skills Funding

In our opinion, in all material respects:

- proper accounting records have been kept, and
 - the financial statements are in agreement with the accounting records and returns.
-

Responsibilities for the financial statements and the audit

Respective responsibilities of the Governing Body and auditors

As explained more fully in the Statement of Responsibilities of the Governing Body set out on page 23 and 24 the Governing Body is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those

King Edward VI College
Financial Statements for the Year ended 31 July 2016

standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Governing Body as a body in accordance with Article 22 of the institution's Articles of Government and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group and parent institution's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Governing Body; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Members of the Governing Body's judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Financial Statements for the year ended 31 July 2016 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

16 December 2016

- (a) The maintenance and integrity of King Edward VI College's website is the responsibility of the Governing body; 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.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Independent Reporting Accountant's Assurance Report on Regularity to the Governing Body of King Edward VI College the Secretary of State for Business, Innovation and Skills acting through Skills Funding Agency and Secretary of State for Education acting through Education Funding Agency

In accordance with the terms of our engagement letter dated 31 October 2016 and further to the requirements of the funding agreement with Education 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 King Edward VI College during the period 01 August 2015 to 31 July 2016 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

This report is made solely to the Governing Body of King Edward VI College and the Education Funding Agency in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Governing Body of King Edward VI College and Education Funding Agency those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Governing Body of King Edward VI College and Education Funding Agency for our work, for this report, or for the conclusion we have formed, save where expressly agreed in writing.

Respective responsibilities of King Edward VI College and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Joint Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 01 August 2015 to 31 July 2016 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them as set out in the Association of Colleges Accounts Direction 2015 to 2016.

Approach

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

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

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

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

The work undertaken to draw to our conclusion includes:

- o Obtaining an understanding of the College's key policies, procedures and controls;
- o Reviewing a sample of payments to governors, settlement payments and expenses; and
- o Confirming that activities during the year reflect the controls, policies and procedures identified.

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 01 August 2015 to 31 July 2016 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them as set out in the Association of Colleges Accounts Direction 2015 to 2016.

PricewaterhouseCoopers LLP

Date *16 December 2016*

PricewaterhouseCoopers LLP

Chartered Accountants

Statement of Comprehensive Income
For the year ended 31 July 2016

| | <i>Notes</i> | 2016 | 2015 |
|---|--------------|--------------|--------------|
| | | £'000 | £'000 |
| INCOME | | | |
| Funding body grants | 2 | 4,465 | 4,621 |
| Tuition fees and education contracts | 3 | 113 | 67 |
| Grants and other contracts | 4 | - | 12 |
| Other income | 5 | 176 | 198 |
| Investment income | 6 | 1 | 1 |
| Total income | | 4,755 | 4,899 |
| EXPENDITURE | | | |
| Staff costs | 7 | 3,555 | 3,494 |
| Other operating expenses | 8 | 1,023 | 1,202 |
| Depreciation | 11 | 285 | 304 |
| Interest and other finance costs | 9 | 50 | 47 |
| Total expenditure | | 4,913 | 5,047 |
| Deficit before other gains and losses | | (158) | (148) |
| Loss on disposal of assets | | (1) | (1) |
| Deficit before tax | | (159) | (149) |
| Taxation | 10 | - | - |
| Deficit for the year | | (159) | (149) |
| Actuarial loss in respect of pension schemes | | (237) | (113) |
| Total Comprehensive Expense for the Year | | (396) | (262) |
| Represented by: | | | |
| Restricted comprehensive expense | | - | - |
| Unrestricted comprehensive expense | | (396) | (262) |
| | | (396) | (262) |

**College Statement of Changes in Reserves
 For the year ended 31 July 2016**

| | Income and expenditure account £'000 | Total £'000 |
|--|--|----------------|
| Balance at 1st August 2014 | 2,318 | 2,318 |
| Deficit from income and expenditure account | (149) | (149) |
| Other comprehensive expense | (113) | (113) |
| Transfers between revaluation and income and expenditure reserves | - | - |
| Total comprehensive expense for the year | (262) | (262) |
| Balance at 31st July 2015 | 2,056 | 2,056 |
| Deficit from income and expenditure account | (159) | (159) |
| Other comprehensive expense | (237) | (237) |
| Transfers between revaluation and income and expenditure reserves | - | - |
| Total comprehensive expense for the year | (396) | (396) |
| Balance at 31st July 2016 | 1,660 | 1,660 |

Balance Sheets as at 31 July

| | <i>Notes</i> | 2016 | 2015 |
|--|--------------|--------------|--------------|
| | | £'000 | £'000 |
| Non current assets | | | |
| Tangible fixed assets | <i>11</i> | 5,225 | 5,254 |
| | | <u>5,225</u> | <u>5,254</u> |
| Current Assets | | | |
| Trade and other receivables | <i>12</i> | 101 | 75 |
| Cash and cash equivalents | <i>17</i> | 589 | 608 |
| | | <u>690</u> | <u>683</u> |
| Less: Creditors amounts falling due within one year | <i>13</i> | (499) | (457) |
| Net current assets | | <u>191</u> | <u>226</u> |
| Total assets less current liabilities | | 5,416 | 5,480 |
| Creditors: amounts falling due after more than one year | <i>14</i> | (2,193) | (2,188) |
| Provisions | | | |
| Defined benefit obligations | <i>16</i> | (1,563) | (1,236) |
| Other provisions | <i>16</i> | - | - |
| Total net assets | | <u>1,660</u> | <u>2,056</u> |
| Unrestricted reserves: | | | |
| Income and expenditure account | | 1,660 | 2,056 |
| Total unrestricted reserves | | <u>1,660</u> | <u>2,056</u> |

The financial statements on pages ~~30~~²⁹ to 54 were approved and authorised for issue by the Corporation on 13th December 2016 and are signed on its behalf by:



S Wright
Chair of the Governing Body



U Lyons
Accounting Officer

Cash Flow Statement
For the year ended 31 July 2016

| | <i>Notes</i> | 2016 | 2015 |
|---|--------------|--------------|--------------|
| | | £'000 | £'000 |
| Cash flow from operating activities | | | |
| Surplus/(deficit) for the year | | (159) | (149) |
| Adjustment for non-cash items | | | |
| Depreciation | | 285 | 304 |
| (Increase)/decrease in debtors | | (26) | 80 |
| Increase in creditors due within one year | | 26 | 112 |
| Decrease in creditors due after one year | | (47) | (39) |
| Increase/(decrease) in provisions | | - | (26) |
| Pensions costs less contributions payable | | 44 | 87 |
| Adjustment for investing or financing activities | | | |
| Investment income | | (1) | (1) |
| Interest payable | | 50 | 8 |
| Taxation paid | | - | - |
| Loss on sale of fixed assets | | 1 | 1 |
| Net cash flow from operating activities | | <u>173</u> | <u>377</u> |
| Cash flows from investing activities | | | |
| Investment income | | 1 | 1 |
| Payments made to acquire fixed assets | | (257) | (95) |
| Decrease in cash in the year | | <u>(256)</u> | <u>(94)</u> |
| Cash flows from financing activities | | | |
| Interest paid | | (4) | (8) |
| New unsecured loans | | 80 | - |
| Repayments of amounts borrowed | | (12) | (6) |
| | | <u>64</u> | <u>(14)</u> |
| (Decrease)/increase in cash and cash equivalents in the year | | <u>(19)</u> | <u>269</u> |
| Net funds at 31 July | <i>17</i> | <u>589</u> | <u>608</u> |
| Cash and cash equivalents at beginning of year | | 608 | 339 |
| Cash and cash equivalents at end of year | | <u>589</u> | <u>608</u> |

King Edward VI College

Financial Statements for the Year ended 31 July 2016

Notes to the Financial Statements (continued)

1. Statement of accounting policies and estimation techniques

Statement of accounting policies

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

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2015/16* and in accordance with Financial Reporting Standard 102 – “*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*” (FRS102).

The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Transition to the 2015 FE HE SORP

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

An explanation of how the transition to the 2015 FE HE SORP has affected the reported financial position, financial performance and cash flows of the results of the College is provided in note 25.

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

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

- Public benefit entity combinations-the College has continued to treat the entity combination in 1993 that helped form the College in accordance with its previous treatment and has not adjusted this under FRS 102.
- Lease incentives – the College has continued to recognise the residual benefits associated with lease incentives on the same basis as that applied at the date of transition

Basis of accounting

The financial statements are prepared under the historical cost convention.

King Edward VI College

Financial Statements for the Year ended 31 July 2016

Notes to the Financial Statements (continued)

1. Statement of accounting policies and estimation techniques (continued)

Going Concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Members' Report. The financial position of the College, its cashflow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

The College currently has £102,000 of unsecured loans outstanding with bankers on terms negotiated in 2012. The terms of the existing agreement terminate in 2017. 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.

Accordingly 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. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments, the income recognised is the final allocation for the year.

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

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

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

All income from short-term deposits is credited to the Statement of Comprehensive Income in the period in which it is earned on a receivable basis.

Accounting for post-employment benefits

Post-employment benefits to employees of the 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.

King Edward VI College

Financial Statements for the Year ended 31 July 2016

Notes to the Financial Statements (continued)

1. Statement of accounting policies and estimation techniques (continued)

Accounting for post-employment benefits (continued)

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method. The TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

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

Short term Employment benefits

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

Non-current Assets - Tangible fixed assets

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

Land and buildings

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

- Main College Campus – 50 years
- Major Refurbishments – 10-25 years

Freehold land is not depreciated.

King Edward VI College

Financial Statements for the Year ended 31 July 2016

Notes to the Financial Statements (continued)

1. Statement of accounting policies and estimation techniques (continued)

Non-current Assets - Tangible fixed assets (continued)

Where land and buildings are acquired with the aid of specific Government grants, they are capitalised and depreciated as above. The related grants are credited to a deferred income account within creditors, and are released to the Statement of Comprehensive Income over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

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

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings.

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets after initial purchase it is charged to the Statement of Comprehensive 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 £5,000 per individual item is recognised as expenditure in the period of acquisition, unless the individual item is part of a major replacement programme, in which case such items may be capitalised. All other equipment is capitalised at cost.

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

- General equipment 4-15 years
- computer equipment 3-4 years
- furniture, fixtures and fittings 5-10 years

Where equipment is acquired with the aid of specific Government grants, they are capitalised and depreciated as above. The related grants are credited to a deferred income account within creditors, and are released to the Statement of Comprehensive Income over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

Borrowing costs

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

Leased assets

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

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

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

King Edward VI College

Financial Statements for the Year ended 31 July 2016

Notes to the Financial Statements (continued)

1. Statement of accounting policies and estimation techniques (continued)

Leased assets (continued)

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

Other investments

Listed investments held as non-current assets and current asset investments, which may include listed investments, are stated at fair value, with movements recognised in Comprehensive Income.

Investments comprising unquoted equity instruments are measured at fair value, estimated using a valuation technique.

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 12 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 not registered for Value Added Tax, so that it cannot recover any 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.

King Edward VI College

Financial Statements for the Year ended 31 July 2016

Notes to the Financial Statements (continued)

1. Statement of accounting policies and estimation techniques (continued)

Provisions and contingent liabilities

Provisions are recognised when the College has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the statement of comprehensive income in the period it arises.

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

Contingent liabilities are not recognised in the balance sheet but are disclosed in the notes to the financial statements.

Agency arrangements

The College acts as an agent in the collection and payment of discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure 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. 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 22, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 July 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

King Edward VI College

Financial Statements for the Year ended 31 July 2016

Notes to the Financial Statements (continued)

2. Funding body grants

| | 2016 £'000 | 2015 £'000 |
|-------------------------------------|---------------|---------------|
| Recurrent grants | | |
| Education Funding Agency | 4,322 | 4,472 |
| Higher Education Funding Council | 6 | 9 |
| Specific grants | | |
| Education Funding Agency | 26 | 34 |
| Releases of deferred capital grants | 111 | 106 |
| Total | 4,465 | 4,621 |

3. Tuition fees and education contracts

| | 2016 £'000 | 2015 £'000 |
|------------------------------------|---------------|---------------|
| Fees for HE loan supported courses | 38 | 21 |
| Total tuition fees | 38 | 21 |
| Education Contracts | 75 | 46 |
| Total | 113 | 67 |

4. Grants and other contracts

| | 2016 £'000 | 2015 £'000 |
|----------------------------|---------------|---------------|
| Other grants and contracts | - | 12 |
| Total | - | 12 |

5. Other income

| | 2016 £'000 | 2015 £'000 |
|----------------------|---------------|---------------|
| Miscellaneous income | 176 | 198 |
| Total | 176 | 198 |

6. Investment Income

| | 2016 £'000 | 2015 £'000 |
|---------------------------|---------------|---------------|
| Other interest receivable | 1 | 1 |
| Total | 1 | 1 |

King Edward VI College

Financial Statements for the Year ended 31 July 2016

Notes to the Financial Statements (continued)

7. Staff costs

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

| | 2016 Number | 2015 Number |
|-------------------------|----------------|----------------|
| Teaching Staff | 45 | 47 |
| Non-teaching staff | 48 | 50 |
| Total emoluments | 93 | 97 |

Staff costs for the above persons:

| | 2016 £'000 | 2015 £'000 |
|----------------------------------|---------------|---------------|
| Wages and salaries | 2,743 | 2,778 |
| Social security costs | 199 | 186 |
| Other pension costs | 488 | 438 |
| Payroll sub total | 3,430 | 3,402 |
| Contracted out staffing services | 125 | 92 |
| Total staff costs | 3,555 | 3,494 |

The above pension costs include £44,000 (2015 : restated £45,000) in respect of the LGPS FRS 102 calculation and £33,333 (2015 : £14,833) in respect of LGPS Deficit Recovery Payments.

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 Senior Management Team, which comprises the Principal, Deputy Principal, Assistant Principal and Director of Finance.

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

| | 2016 Number | 2015 Number |
|--|----------------|----------------|
| The number of key management personnel including the Accounting Officer was: | 5 | 5 |

The number of key management personnel and other staff who received annual emoluments in the following ranges was:

| | Key management personnel | | Other Staff | |
|----------------------|-----------------------------|----------------|----------------|----------------|
| | 2016 Number | 2015 Number | 2016 Number | 2015 Number |
| £20,000 to £30,000 | 1 | 1 | - | - |
| £50,001 to £60,000 | 1 | 2 | - | - |
| £60,001 to £70,000 | 1 | 1 | - | - |
| £90,001 to £100,000 | 1 | 1 | - | - |
| £100,001 to £110,000 | 1 | - | - | - |
| | 5 | 5 | - | - |

King Edward VI College

Financial Statements for the Year ended 31 July 2016

Notes to the Financial Statements (continued)

7. Staff costs (continued)

Key management personnel emoluments are made up as follows:

| | 2016 £'000 | 2015 £'000 |
|--|-------------------|-------------------|
| Salaries | 203 | 225 |
| Benefits in kind | - | - |
| | <u>203</u> | <u>225</u> |
| Pension and National Insurance contributions | 54 | 55 |
| Total emoluments | <u><u>257</u></u> | <u><u>280</u></u> |

There were no amounts due to key management personnel that were waived in the year, nor any salary sacrifice arrangements in place.

The above emoluments include amounts payable to the previous Accounting Officer who left on 31 August 2015 (who was the highest paid senior post-holder) of:

| | 2016 £'000 | 2015 £'000 |
|--|-----------------|------------------|
| Salaries | 7 | 86 |
| Benefits in kind | - | - |
| | <u>7</u> | <u>86</u> |
| | <u><u>7</u></u> | <u><u>86</u></u> |
| Pension and National Insurance contributions | 2 | 22 |
| | <u>2</u> | <u>22</u> |
| | <u><u>2</u></u> | <u><u>22</u></u> |

The above emoluments include amounts payable to the current Accounting Officer who started on 28 September 2015 (who is now the highest paid senior post-holder) of:

| | 2016 £'000 | 2015 £'000 |
|--|------------------|-----------------|
| Salaries | 73 | - |
| Benefits in kind | - | - |
| | <u>73</u> | <u>-</u> |
| | <u><u>73</u></u> | <u><u>-</u></u> |
| Pension and National Insurance contributions | 21 | - |
| | <u>21</u> | <u>-</u> |
| | <u><u>21</u></u> | <u><u>-</u></u> |

Compensation for loss of office paid to former key management personnel

| | 2016 £ | 2015 £ |
|---|-----------|-----------|
| Compensation paid to the former post holder - contractual | - | - |
| Estimated value of other benefits, including provisions for pension | - | - |

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

King Edward VI College

Financial Statements for the Year ended 31 July 2016

Notes to the Financial Statements (continued)

8. Other operating expenses

| | 2016 | 2015 |
|--------------------|--------------|--------------|
| | £'000 | £'000 |
| Teaching costs | 168 | 232 |
| Non-teaching costs | 631 | 697 |
| Premises costs | 224 | 273 |
| Total | 1,023 | 1,202 |

| Other operating expenses include: | 2016 | 2015 |
|---|-------|-------|
| | £'000 | £'000 |
| Auditors' remuneration: | | |
| Financial statements audit | 18 | 17 |
| Internal audit | 12 | 12 |
| Other services provided by the financial statements auditor | - | - |
| Loss on disposal of non-current assets | 1 | 1 |
| Hire of assets under operating leases | 114 | 119 |

No other services have been provided by the college's internal auditors.

9. Interest and other finance costs

| | 2016 | 2015 |
|---|-----------|-----------|
| | £'000 | £'000 |
| On bank loans, overdrafts and other loans | 4 | 5 |
| | <u>4</u> | <u>5</u> |
| Pension finance costs (note 22) | 46 | 42 |
| | <u>50</u> | <u>47</u> |

10. Taxation

The Governing Body do not believe the College was liable for any Corporation tax arising out of its activities during this year.

King Edward VI College

Financial Statements for the Year ended 31 July 2016

Notes to the Financial Statements (continued)

11. Tangible fixed assets

| | Land and Buildings Freehold £'000 | Land and Buildings Long Leasehold £'000 | Equipment £'000 | Assets under Construction £'000 | Total £'000 |
|---------------------------------------|--|---|--------------------|---------------------------------------|----------------|
| Cost or valuation | | | | | |
| At 1 August 2015 | 200 | 6,570 | 950 | - | 7,720 |
| Additions | - | - | 182 | 75 | 257 |
| Disposals | - | - | (16) | - | (16) |
| At 31 July 2016 | 200 | 6,570 | 1,116 | 75 | 7,961 |
| Depreciation | | | | | |
| At 1 August 2015 | 187 | 1,805 | 474 | - | 2,466 |
| Charge for the year | 6 | 177 | 102 | - | 285 |
| Disposals | - | - | (15) | - | (15) |
| At 31 July 2016 | 193 | 1,982 | 561 | - | 2,736 |
| Net book value at 31 July 2016 | 7 | 4,588 | 555 | 75 | 5,225 |
| Net book value at 31 July 2015 | 13 | 4,765 | 476 | - | 5,254 |

Long leasehold land and buildings at 31 July 2016 include £2,093,000 relating to the land and buildings that are owned by the Trustees of King Edward VI Foundation and the Swinerton Bequest and occupied by the College. The College believes that the assets should be included on the Balance Sheet as they enjoy the majority of the risks and rewards associated with the assets. These assets were valued on a depreciated replacement cost basis at the date of incorporation. The related credit has been re-classified in Income & Expenditure Reserves under FRS 102.

Assets under construction at 31 July 2016 refers to work-in-progress refurbishment of two Science classrooms.

12. Trade and other receivables

| | 2016 £'000 | 2015 £'000 |
|--|---------------|---------------|
| Amounts falling due within one year | | |
| Trade receivables | 31 | 1 |
| Prepayments and accrued income | 70 | 74 |
| Total | 101 | 75 |

King Edward VI College

Financial Statements for the Year ended 31 July 2016

Notes to the Financial Statements (continued)

13. Creditors: amounts falling due within one year

| | 2016 | 2015 |
|---|------------|------------|
| | £'000 | £'000 |
| Bank loans | 6 | 6 |
| Holiday pay accrual | 15 | 15 |
| Trade payables | - | - |
| Other loans | 16 | - |
| Other taxation and social security | 61 | 57 |
| Accruals and other deferred income | 201 | 202 |
| Deferred income-government capital grants | 116 | 115 |
| Amounts owed to funding bodies | 84 | 62 |
| Total | 499 | 457 |

14. Creditors: amounts falling due after more than one year

| | 2016 | 2015 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Bank loans | 96 | 102 |
| Other loans | 58 | - |
| Deferred income - government capital grants | 2,039 | 2,086 |
| Total | 2,193 | 2,188 |

15. Maturity of debt

(a) Bank loans and overdrafts

Bank loans are repayable as follows:

| | 2016 | 2015 |
|------------------------------|------------|------------|
| | £'000 | £'000 |
| In one year or less | 6 | 6 |
| Between one and two years | 6 | 6 |
| Between three and five years | 19 | 19 |
| In five years or more | 71 | 77 |
| Total | 102 | 108 |

The bank loan taken out on 25 July 2012 of £125,000, at a fixed interest rate of 4.185% is repayable in equal quarterly tranches of £1,562.50.

The bank loan is unsecured.

King Edward VI College

Financial Statements for the Year ended 31 July 2016

Notes to the Financial Statements (continued)

15. Maturity of debt (continued)

(b) Other loans

During the year the College received two interest-free loans from Salix Finance Limited. The loans of £47,845 and £32,530 are repayable over four and eight years respectively. The net loan obligations to which the College is committed are:

| | 2016 £'000 | 2015 £'000 |
|------------------------------|---------------|---------------|
| In one year or less | 16 | - |
| Between one and two years | 16 | - |
| Between three and five years | 30 | - |
| In five years or more | 12 | - |
| Total | 74 | - |

16. Provisions

| | Defined benefit obligations £'000 | Total £'000 |
|-------------------------|---|----------------|
| At 1 August 2015 | 1,236 | 1,236 |
| Expenditure in the year | - | - |
| Additions in the year | 327 | 327 |
| At 31 July 2016 | 1,563 | 1,563 |

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 22.

17. Cash and cash equivalents

| | At 1 August 2015 £'000 | Cash Flows £'000 | Other Changes £'000 | At 31 July 2016 £'000 |
|---------------------------|---------------------------------|------------------------|---------------------------|--------------------------------|
| Cash and cash equivalents | 608 | (19) | - | 589 |
| Overdrafts | - | - | - | - |
| Total | 608 | (19) | - | 589 |

King Edward VI College

Financial Statements for the Year ended 31 July 2016

Notes to the Financial Statements (continued)

18. Capital commitments

| | 2016 | 2015 |
|---------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Commitments contracted for at 31 July | 30 | 39 |

19. Lease obligations

At 31 July, the Group had commitments under non-cancellable operating leases as follows:

| | 2016 | 2015 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Equipment | | |
| Not later than one year | 98 | 103 |
| Later than one year and not later than five years | 45 | 141 |
| | 143 | 244 |

20. Contingent liabilities

The College is unaware of any contingent liabilities that may be accruing at the date of approval of these Financial Statements by the Governing Body.

21. Events after the reporting period

There are no events after the reporting period that would have a material effect on these Financial Statements. However the College is actively proceeding to convert to an Academy (within a Multi Academy Trust) sometime after 31 July 2017.

22. Defined benefit obligations

The College's employees belong to two principal post-employment benefit plans, the Teachers' Pensions Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is administered by the Warwickshire County Council Pension Fund. Both are multi-employer defined-benefit plans.

King Edward VI College

Financial Statements for the Year ended 31 July 2016

Notes to the Financial Statements (continued)

22. Defined benefit obligations (continued)

| | | 2016 | | 2015 |
|--|-------|------------|-------|------------|
| Total pension cost for the year | £'000 | £'000 | £'000 | £'000 |
| Teachers' Pension Scheme: contributions paid | | 291 | | 256 |
| Local Government Pension Scheme: | | | | |
| Contributions paid | 153 | | 137 | |
| FRS 102 (28) charge | 44 | | 45 | |
| Charge to Statement of Comprehensive Income | | 197 | | 182 |
| Enhanced pension charge to Statement of Comprehensive Income | | - | | - |
| Total Pension Cost for year within staff costs | | 488 | | 438 |

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

Contributions amounting to £13,414 (2015: £13,365) and £38,132 (2015: £34,960) were payable to the LGPS and TPS schemes respectively at 31 July 2016 and are included within creditors.

Teachers' Pension Scheme

The Teachers' Pensions 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 in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension Budgeting and Valuation Account

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

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

Valuation of the Teachers' Pensions 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% (including administration fees of 0.08%);
- 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.

King Edward VI College

Financial Statements for the Year ended 31 July 2016

Notes to the Financial Statements (continued)

22 Defined benefit obligations (continued)

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

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

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

Scheme Changes

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

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

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

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

The pension costs paid to TPS in the year amounted to £291,000 (2015: £256,000).

FRS 102 (28)

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

Accordingly, the College has taken advantage of the exemption in 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

The LGPS is a funded defined-benefit scheme, with the assets held in separate funds administered by Warwickshire County Council Pension Fund. The total contributions made for the year ended 31 July 2016 was £195,000 of which employers contributions totalled £120,000, deficit recovery costs of £33,000 and employees' contributions totalled £42,000. The agreed contribution rates until 31 March 2017 is 16.7% for employers and range from 5.50% to 12.5% for employees depending on salary.

Principal Actuarial Assumptions

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

King Edward VI College

Financial Statements for the Year ended 31 July 2016

Notes to the Financial Statements (continued)

22 Defined benefit obligations (continued)

| | At 31 July 2016 | At 31 July 2015 |
|--------------------------------------|--------------------|--------------------|
| Rate of increase in salaries | 3.90% | 4.50% |
| Future pension increases | 1.90% | 2.60% |
| Discount rate for scheme liabilities | 2.40% | 3.60% |
| Inflation assumptions (CPI) | 1.90% | 2.60% |
| 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 2016 | At 31 July 2015 |
|----------------------|--------------------|--------------------|
| Retiring today | | |
| Males | 22.4 | 22.4 |
| Females | 24.4 | 24.4 |
| Retiring in 20 years | | |
| Males | 24.3 | 24.3 |
| Females | 26.6 | 26.6 |

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

| | 2016 £'000 | 2015 £'000 |
|---|----------------|----------------|
| Fair value of plan assets | 2,822 | 2,387 |
| Present value of plan liabilities | (4,385) | (3,623) |
| Present value of unfunded liabilities | - | - |
| Net pensions (liability) / asset (Note 16) | (1,563) | (1,236) |

King Edward VI College

Financial Statements for the Year ended 31 July 2016

Notes to the Financial Statements (continued)

22 Defined benefit obligations (continued)

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

| | 2016 £'000 | 2015 £'000 |
|--|----------------|----------------|
| Amounts included in staff costs | | |
| Current service cost | 197 | 184 |
| Past service cost | - | - |
| Total | <u>197</u> | <u>184</u> |
| Amounts included in interest payable | | |
| Net interest cost | <u>(46)</u> | <u>(42)</u> |
| Amount recognised in other comprehensive income | | |
| Return on pension plan assets | 212 | 116 |
| Experience losses arising on defined benefit obligations | - | - |
| Changes in assumptions underlying the present value of plan | <u>(449)</u> | <u>(229)</u> |
| Amount recognised in other comprehensive income | <u>(237)</u> | <u>(113)</u> |
| Movement in net defined benefit (liability) / asset during year | | |
| | 2016 £'000 | 2015 £'000 |
| Net defined benefit (liability) / asset in scheme at 1st August | (1,236) | (1,036) |
| Movement in year: | | |
| Current service cost | (197) | (184) |
| Employer contributions | 153 | 139 |
| Net interest on the defined (liability) / asset | (46) | (42) |
| Actuarial (loss)/gain | (237) | (113) |
| Net defined benefit (liability) / asset at 31st July | <u>(1,563)</u> | <u>(1,236)</u> |

King Edward VI College

Financial Statements for the Year ended 31 July 2016

Notes to the Financial Statements (continued)

22 Defined benefit obligations (continued)

Local Government Pension Scheme (continued)

Asset and Liability Reconciliation

| Changes in the present value of defined benefit obligations | 2016 £'000 | 2015 £'000 |
|---|---------------|---------------|
| Defined benefit obligations at start of year | 3,623 | 3,099 |
| Current service cost | 197 | 184 |
| Interest cost | 134 | 127 |
| Contributions by scheme participants | 42 | 44 |
| Experience gains and losses on defined benefit obligations | 449 | 229 |
| Estimated benefits paid | (60) | (60) |
| Defined benefit obligations at end of year | 4,385 | 3,623 |
| Changes in fair value of plan assets | | |
| Fair value of plan assets at start of year | 2,387 | 2,063 |
| Interest on plan assets | 88 | 85 |
| Return on plan assets | 212 | 116 |
| Employer contributions | 153 | 139 |
| Contributions by scheme participants | 42 | 44 |
| Estimated benefits paid | (60) | (60) |
| Fair value of plan assets at end of year | 2,822 | 2,387 |

23 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 may take place with organisations in which a member of the board of governors may have an interest. All transactions involving such organisations are conducted in accordance with the College's financial regulations and normal procurement procedures. No transactions were identified which should be disclosed under FRS 102.

No Governor, other than staff governors has received any remuneration, expenses reimbursement or waived payments from the College during the year (2015: None).

King Edward VI College

Financial Statements for the Year ended 31 July 2016

Notes to the Financial Statements (continued)

24 Amounts disbursed as agent

Learner support funds

| | 2016 £'000 | 2015 £'000 |
|---|---------------|---------------|
| Funding body grants - bursary support | | |
| Funding body grants - discretionary learner support | 159 | 137 |
| Other funding body grants | 11 | 13 |
| | <hr/> 170 | <hr/> 150 |
| Disbursed to students | (81) | (83) |
| Administration costs | (5) | (5) |
| | <hr/> 84 | <hr/> 62 |
| Balance unspent as at 31 July, included in creditors | 84 | 62 |

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

The income and expenditure in the College's Statement of Comprehensive Income includes payments from learner support funds (£Nil) to compensate the College for the cost of meals provided to students who qualify for support from such funds.

25 Transition to FRS 102 and the 2015 FE HE SORP

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

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

King Edward VI College

Financial Statements for the Year ended 31 July 2016

Notes to the Financial Statements (continued)

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

| | Note | 01-Aug-14 College £'000 | 31-Jul-15 College £'000 |
|---|------|-------------------------------|-------------------------------|
| Financial Position | | | |
| Total reserves under previous SORP | | 69 | (108) |
| Employee leave accrual | (a) | (15) | (15) |
| Release of non-government capital grants | (b) | 2,264 | 2,179 |
| Changes to measurement of net finance cost on defined benefit plans | (c) | - | - |
| Total effect of transition to FRS 102 and 2015 FE HE SORP | | 2,249 | 2,164 |
| Total reserves under 2015 FE HE SORP | | 2,318 | 2,056 |

| | Note | College £'000 |
|--|------|------------------|
| Financial Performance | | |
| Surplus for the year after tax under previous SORP | | (25) |
| Release of non-government grants | (b) | - |
| Reversal of capital grants amortisation | (b) | (85) |
| Pensions provision - actuarial loss | | (113) |
| Changes to measurement of net finance cost on defined benefit plans | (c) | (39) |
| Total effect of transition to FRS 102 and 2015 FE HE SORP | | (237) |
| Total comprehensive income for the year under 2015 FE HE SORP | | (262) |

a) Recognition of short term employment benefits

No provision for short term employment benefits such as holiday pay was made under the previous UK GAAP. Under FRS 102 the costs of short-term employee benefits are recognised as a liability and an expense. The annual leave year runs to 31st August each year for non-teaching staff meaning that, at the reporting date, there was an average of 5.8 days unused leave for non-teaching staff. In addition, certain non-teaching employees are entitled to carry forward up to 2 days of any unused holiday entitlement at the end of the leave year. The cost of any unused entitlement is recognised in the period in which the employee's services are received. An accrual of £15,000 was recognised at 1 August 2014, and at both 31 July 2015 and 2016.

King Edward VI College

Financial Statements for the Year ended 31 July 2016

Notes to the Financial Statements (continued)

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

b) Non-government grants accounted for under performance model

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

c) Change in recognition of defined benefit plan finance costs

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

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

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