



Annual Report and Financial Statements for the Year Ended 31 July 2018

INDEX

	Page
<i>Members' Report</i>	2-14
<i>Statement of Corporate Governance and Internal Control</i>	15-20
<i>Governing Body's statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding</i>	21
<i>Statement of the Responsibilities of the Members of the Governing Body of King Edward VI College</i>	22
<i>Independent Auditors' Report to the Governing Body of King Edward VI College</i>	23-24
<i>Statement of Comprehensive Income</i>	25
<i>Statement of Changes in Reserves</i>	26
<i>Balance Sheet as at 31 July</i>	27
<i>Cash Flow Statement</i>	28
<i>Notes to the Accounts</i>	29-48
<i>Independent Reporting Accountants Report on Regularity to the Governing Body of King Edward VI College</i>	49-50

King Edward VI College

Financial Statements for the Year ended 31 July 2018 Members' Report

NATURE, OBJECTIVES AND STRATEGIES:

The members present their Report and the audited Financial Statements for the year ended 31 July 2018.

Legal status

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 purpose 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 2018 - £1,923,000) 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 become a national hub for excellence in sixth form education

Our Vision is to be part of a Multi-Academy-Trust 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 potential Academy conversion will not affect this vision.

The medium/long term strategic vision is that King Edward VI College will be part of a high performing Multi-Academy-Trust, offering, at level 3, a programme with an unrivalled choice of A level subjects, and complementary vocational curriculum for 16-19 year olds in the Nuneaton and Bedworth area.

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, transform the futures of young people through educational excellence, innovation and opportunity.

King Edward VI College

Financial Statements for the Year ended 31 July 2018 Members' Report (continued)

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

Strategic plan

In July 2018 the College adopted a strategic plan for the period 1 September 2018 to 31 August 2021.

Our Values (What is important to us?)

Ambitious	We are committed to creating exceptional learning experiences for our students, staff and communities. We seek creative solutions to our challenges and are always striving to connect new ideas with concrete realities.
Curious	We have a love of learning and a strong desire to know more. We constantly ask questions of ourselves and others, embrace new approaches and aren't afraid to fail.
Involved	We are inclusive, open and are all actively engaged to make a difference to the communities we serve. We value and celebrate our communities' diversity of thought, expertise, experience and background.
Supportive	We support each other's work and we support each other as individuals, both professionally and personally. We empower each other to make decisions that improve our work and benefit our students, staff and community.
Genuine	We always tell the truth, own up when we've made mistakes and deal with the consequences of our actions. We keep our promises and our actions reflect the things we say and believe in. "We say what we mean and do what we say."
Optimistic	We view everything with a positive eye and an open mind. Everything we do is with an effort to foster an environment of optimism, even in the toughest of situations.

Our Strategic Priorities

Aim One

Taking students on the journey from being school children to being young adults ready for the wider world and already active in making positive contribution to that world

By the end of the Plan we will have:

King Edward VI College

Financial Statements for the Year ended 31 July 2018

Members' Report (continued)

- Implemented a framework for developing and rewarding the broad range of skills and attributes students need in order to be successful at University or in the world of work.
- Established a reputation with schools, HEIs and employers for providing a solution to the skills needs of the region.
- Have effective and timely processes for supporting, inspiring & intervening with students at every step of their journey from enrolment to University or employment.
- A wide range of study programmes which provide work experience, valuable advice and guidance from experts and industry related experiences that help students make informed decisions on their future pathway into higher education and employment.
- Ensured students have good awareness of the pressures of modern life, together with the skills and understanding of how to stay safe inside and outside the college environment.

Aim Two

Developing a curriculum that meets the needs and interests of students through excellent learning experiences delivered by highly developed & reflective practitioners

By the end of the Plan we will have:

- Become the pre-eminent provider of A Levels and Applied General programmes in the region.
- Motivated and challenged students to achieve exceptional outcomes with qualifications and grades that exceed their initial expectations.
- Embedded an open and reflective culture where all staff and students are willing to take risks and learn from their mistakes in order to keep improving.
- Collaboration between teaching, pastoral & support staff across the whole college which facilitates ongoing joint practice development and effective interventions to be made.
- Developed our staff and curriculum to further embrace new ways of learning and the application of digital Technologies.

Aim Three

Creating a thriving culture where all staff & students give, receive and use feedback that results in high levels of engagement with college life and continuous improvement

By the end of the Plan we will have:

- High levels of staff and student satisfaction that show that they feel valued, supported, empowered and are engaged in change to move themselves and the college forward.
- Student leadership embedded in all aspects of our provision, enabling high levels of engagement and Improvement.
- Reflective processes and feedback mechanisms that engage all stakeholders with the student journey to enable the best outcomes for students.
- Robust mechanisms to support individual staff and teams to achieve their potential, and the best outcomes for students.
- Self-assessment processes that are owned by all stakeholders, using a wide variety of data sources to ensure continuous and measurable improvement.

Aim Four

Securing financial strength to ensure the best resources are available to facilitate teaching, learning and student support.

By the end of the Plan we will have:

- Secured a financially sustainable provision in the ever-changing context of national funding decisions.
- Maintained healthy cash balances and secured capital funding in order to re-invest in the College estate.
- Equipped leaders at all levels with the skill to ensure effective financial management that enhance the student experience.
- Developed a marketing & partnership strategy to ensure ESFA-funded student recruitment at circa 1,150 but also develop opportunities to grow to circa 1,300 learners.
- Maximised opportunities for improving financial health through founding membership of Better Futures MAT with Coventry University.

King Edward VI College

Financial Statements for the Year ended 31 July 2018 Members' Report (continued)

The key performance indicators that the College will use are:

Progress	Destinations	Finance	Enrolments	Feedback
Ensure high levels of retention and achievement above benchmarks. Grades per Starter (GPS) will be at least: Academic Progress: +0.2 Vocational Progress: +0.3	The percentage of students who progress on to employment, education or training will be above benchmark with positive destinations above 97%	Our Financial Health Grade will continue to remain as Good , aiming to become graded as Outstanding by 2020	To ensure we recruit and retain over 1,200 students by September 2021.	To ensure staff, student and parent satisfaction levels are above 90% positive

FINANCIAL POSITION

Financial Objectives

The College's financial objectives in 2017/18 were to:

- to achieve a minimum 1.74% EBITDA of income in 2017/18 in order to protect cash balances and support the College's preferred Area Review recommendations. The year-end EBITDA figure is 2.1%.
- to pursue income diversification, on a selective basis, consistent with the College's core competencies, and the need for a financial contribution to the College's overall finances. The College was unable to secure growth in HE numbers and full cost income.
- to provide sufficient financial resources to maintain and improve OfSTED good grade achieved in April/May 2015. The College OfSTED good grade was maintained following the November 2017 inspection.
- to fund continued capital investment preferably through grant support initiatives. The college successfully secured an £84k ESFA CIF Grant to refurbish certain windows within the College.
- to ensure that sufficient teaching support resources are available to assist the teaching staff in delivering successful student outcomes whilst ensuring that staff costs do not exceed 77.1% of income. The year-end figure is 76.8%.

A series of performance indicators have been agreed to monitor the successful implementation of the policies and to maintain the College's financial health grade as Good.

Under the ESFA approach to assessing the financial health of Colleges, the College is currently graded as Good.

Performance Indicators for 2017-18

	Target	Achievement
ESFA student number target	1,048	1,103
Cash days in hand	45	55
Adjusted Current ratio	1.7	1.7
Pay as % of income	77.1%	76.8%

The College is committed to observing the importance of the measures and indicators and is monitoring the financial indicators through the completion of the annual Finance Record for the Education and Skills Funding Agency ("ESFA"). The current official rating of Good is considered an acceptable outcome.

Financial Results

The College Financial Statements have been prepared under the Statement of Recommended Practice 2015 (SORP 2015).

King Edward VI College

Financial Statements for the Year ended 31 July 2018 Members' Report (continued)

Financial Results (continued)

The College generated an operating deficit in the year of £210,000 (2017: deficit of £199,000). The deficit includes FRS 102 pension costs of £153,000 (2017: £97,000).

The remaining pension costs relating to FRS102 are recognised in the Statement of Comprehensive Income. The deficit also includes the continuing 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 (2017: £85,000) with no corresponding Depreciation reduction.

The College has income and expenditure reserves of £2,020,000 after providing for the pension liability and £3,064,000 before the provision (2017: £1,919,000 and £3,121,000).

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 £229,000.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2017/18, the funding bodies provided 93.6% (2016/17-92.6%) of the College's total income.

Reserves Policy

The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation, and ensures that there are adequate reserves to support the College's core activities. As at the Balance Sheet date the Income & Expenditure Reserves stands at £2,020,000 (2016/17: £1,919,000). It is the Governing Body's intention to increase reserves over the life of the strategic plan through the generation of annual operating surpluses.

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 Conditions of Funding Agreement agreed with the ESFA. 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 Conditions of Funding Agreement.

Cash Flows

There was a decrease of £52,000 (2016/17-£174,000 increase) in operating cash-flow prepared under the SORP 2015. This arose through significant capital expenditure in both the catering facilities and the replacement of certain poor condition windows.

Liquidity

The College has three interest-free loans from Salix Finance Limited. The amounts repaid on the three Salix Finance Limited loans in the year were £19,000 (2016/17-£12,000).

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

King Edward VI College

Financial Statements for the Year ended 31 July 2018 Members' Report (continued)

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student Numbers

In 2017/18 the College delivered ESFA activity with an outturn figure of £4,431,962. The funding outturn was £188,185 (4.4%) higher than the ESFA 16-18 allocation. The 16-18 actual learner numbers were 1,103 compared to the 1,048 allocation.

Student Achievements

The outcomes show the College's performance is broadly similar to that of 2016/17 despite all the changes to the structure of A level and vocational qualifications. The overall achievement rate (formerly known as success rate) dropped slightly to 87.1% but this was in response to the lower retention figure (92.2% compared to 94.3% in 16/17) associated with linearisation of the curriculum. Indeed, the college's pass rate improved from 93.1% to 94.5%. The college's retention on linear A-level is much higher than that of the Sixth Form College sector as a whole. The key results are summaries in the table below:-

	Starts	Achievement Rate %	Retention %	Pass Rate %	High Grades %
Whole College	1,609	87.1	92.2	94.5	39.8
A2 (Modular)	260	91.9	97.7	94.1	32.2
A Level (Linear)	751	83.6	89.3	93.6	29.5
Academic	1,011	85.8	91.5	93.7	30.2
Vocational	598	89.5	93.3	95.9	56.1

The academic success rate in 2017/18 was high again at 85.8% with a high grade performance of 30.2% which is lower than the previous year due to the increasing linearity of the curriculum. BTEC achievement rates were marginally down at 89.5% with high grades down to 56.1%.

Achievement rates for English GCSE resits have been exceptional for a number of years and are currently at 85%, almost double the national average and have a DfE progress score of +1.08. GCSE Maths has a progress score of +0.47.

The results obtained for our students on the HNC's in Media and Business, Foundation Diploma in Art and Adult Counselling programmes continue to be very strong.

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. No courses were deleted from the curriculum offer at the start of 2018/19.

The College also undertakes collaborative work with schools and other colleges where appropriate, particularly through the West Midlands Exams Consortium. Partnerships with a number of employers have been developed this year, particularly due to the success of the employability fair run at the college at the end of each autumn term.

The impending link-up with Coventry University (the MAT sponsor) will enable the College staff and students to access the full range of resources at the University. It is also anticipated that the collaboration will enable the College to extend the range of HE programmes offered to students in the community.

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.

King Edward VI College

Financial Statements for the Year ended 31 July 2018 Members' Report (continued)

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 2017 to 31 July 2018, the College paid 73% of supplier invoices representing 60% in value (2016/17-66% and 60%) 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 continuing process to join the newly created Coventry University sponsored Better Futures Multi-Academy Trust. The College and its advisers are currently finalising land ownership issues with the King Edward VI Foundation and Swinnerton Bequest. The earliest likely conversion date is 1 January 2019. The implications are set out in the Notes to the Accounts.

Future Developments

The College is under demand led funding and hence the recurrent grant from the ESFA for 2018/19 has been confirmed at £4,451,736, a significant increase on the 2017/18 figure of £4,243,777. This increase is due to higher student numbers in 2017/18.

The College extended its HE offer in 2016/17 with the introduction of a HNC in Business. It is a growth area that the College is keen to take advantage of through collaboration with Coventry University. The College is also investigating opportunities for franchising the full cost Counselling programmes through Coventry University.

RESOURCES

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

Financial

The College has non-current assets of £4.963 million.

The College has £2.02 million of net assets (including £1.04 million pension liability). At 31 July 2018, the College had short term debt of £20,000 and cash and short term deposits of £711,000.

People

The College employs 90 people (expressed as full time equivalents), of whom 46 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

King Edward VI College

Financial Statements for the Year ended 31 July 2018

Members' Report (continued)

Principal Risks and Uncertainties continued

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.

Risk	Impact	Mitigation measure
Failure of Government to increase national funding rate	Potential reduction in operating surplus with College having to prioritise resource requests	Continue to promote the College's Good OfSTED grade more effectively and aggressively in particular making more consistent and creative use of social media. Review level of pastoral support. Becoming part of a MAT will enable the College to recover input VAT and therefore improve the financial performance.
Substantial pay increases	The current 2018/19 budget includes a 1% pay increase well below that requested by the teaching and support staff unions. Each further 1% will cost the College c£35k or 100% of planned operating surplus	Continue to efficiently manage the curriculum through a combination of teaching and pastoral support in delivering programmes Lobby Government to fund substantial increases
Substantial increase in TPS/LGPS employer contributions	Each 1% increase in employer contributions will cost the College c£30k per annum. A 3% increase plus a further 1% scale point increase would effectively result in wiping out the VAT benefit and ensuring that operating deficits would continue for the foreseeable future. This would put the College's sustainability and liquidity into question.	Increases of c3% would result in the College reviewing staffing structures with an indirect impact on student outcomes and staff wellbeing. The College would also need to be more ruthless in cutting out programmes with low enrolments

King Edward VI College

Financial Statements for the Year ended 31 July 2018

Members' Report (continued)

Failure to proceed with the planned Academy conversion.	Academisation was the College's preferred outcome following the Area Reviews conducted in 2016 and 2017. Failure to complete this process would most likely bring into question the College's ability to continue as a going concern.	When the Financial Statements were prepared there were no major issues preventing an Academisation in early 2019. The College and its advisors are confident of a successful transfer. However failure to complete would result in the College having to put in place a full staffing restructure and explore other collaboration opportunities.
A no deal Brexit would result in the Government adopting their back-up strategy.	Further pressures on Government departmental budgets.	Expand BFMAT membership to increase cost saving collaboration opportunities.

King Edward VI College

Financial Statements for the Year ended 31 July 2018 Members' Report (continued)

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
- The local community & partner organisations
- Feeder schools
- Other FE Institutions and local sixth form Colleges
- Higher education institutions
- Trade Unions and professional bodies.

Following Academisation the principal stakeholder will be the Multi-Academy Trust through the new governance structure.

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.

Current composition of the Governing Body includes staff, students, parents and Foundation Governors, the majority of whom are in employment with local organisations.

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

The College remains an active member of the Sixth Form Colleges Association (SFCA).

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

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

King Edward VI College

Financial Statements for the Year ended 31 July 2018 Members' Report (continued)

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
- 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.

The College has a specific Inclusive Learning leader, who provides information, advice and guidance and support to students who apply or are at the College. She interviews all prospective students with declared difficulties or disabilities and prepares a support plan for them should they enrol at the College. Use is made of specialist sign language and care staff.

Trade union facility time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require the college to publish information on facility time arrangements for trade union officials at the college

King Edward VI College

Financial Statements for the Year ended 31 July 2018 Members' Report (continued)

Numbers of employees who were employed in relevant period	FTE employee number
3	2.6

Percentage of time	Number of employees
0%	0
1-50%	3
51-99%	0
100%	0

Total cost of facility time	£4,030
Total pay bill	£3,648,000
Percentage of total bill spent on facility time	0.11%

Time spent on paid trade union activities as a percentage of total paid facility time	2.72
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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 11 December 2018 and signed on its behalf by:



Mr S Stanley
Chair of Governing Body

King Edward VI College

Financial Statements for the Year ended 31 July 2018 Members' Report (continued)

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

Blake Morgan--Academisation
One Central Square
Cardiff
CF10 1FS

Board of Governors

A full list of Members of the Governing Body is given on page 16 of these Financial Statements. Mrs J Twigger acted as Clerk to the Corporation throughout the period.

King Edward VI College

Financial Statements for the Year ended 31 July 2018 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 year from 1 August 2017 to 31 July 2018 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 2018 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 2018 Statement of Corporate Governance and Internal Control (continued)

The Governing Body

Governors serving on the board during 2017-18 and up to the date of signature of this report are listed below.

NAME	DATE APPOINTED	TERM OF OFFICE EXPIRES/EXPIRED	COMMITTEES SERVED	ATTENDANCE ¹ (%)
FOUNDATION GOVERNORS				
Mr A Chadaway	01.09.2002	31.08.2018	Audit; Search & Governance	75
Mrs J Clements (Joint Vice-Chair)	01.09.2007	31.08.2019	Search & Governance	88
Mr B Davis	01.09.2014	31.08.2019	Audit	64
Mr R Greenway (Joint Vice-Chair)	01.03.2016	29.02.2020	Audit	67
Mr S Hall	11.12.1995	31.08.2019	Search & Governance	63
Ms L de-Main	12.03.2018	11.03.2022	Audit	40
Mr W Rupp	01.09.2014	31.08.2019		88
Mr S Stanley (Chair)	01.09.2012	31.08.2019	Search & Governance	75
Mr R Warne	01.09.2003	31.08.2019	Search & Governance	75
PARENT GOVERNORS				
Mr Q Khan	10.10.2017	09.10.2019	Audit	30
Mr S Pearson	11.10.2016	10.10.2018	Audit	45
STAFF GOVERNOR				
Mr P Hickling	17.09.2016	16.09.2020		86
Mrs K Green	24.09.2013	31.12.2018		71
STUDENT GOVERNORS				
Miss C Dune	01.09.2017	31.08.2018		43
Miss E Jones	01.09.2017	31.08.2018		71
Mr M Ahmed	01.09.2018	31.08.2019		n/a
Miss H Birch	01.09.2018	31.08.2019		n/a
PRINCIPAL				
Mr U Lyons	28.09.2015	Ex Officio	Search & Governance	100

¹Attendance figures relate to the academic year 2017-18 only. The figure is a measure of both Board and Committee attendance.

King Edward VI College

Financial Statements for the Year ended 31 July 2018 Statement of Corporate Governance and Internal Control (continued)

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.

The Governing Body conducts its business through a streamlined committee 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 on the College's website (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.

King Edward VI College

Financial Statements for the Year ended 31 July 2018 Statement of Corporate Governance and Internal Control (continued)

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 May 2017 the Governing Body self-assessed its governance practices with areas for improvement captured in an action plan against which progress is monitored.

During the period covered by this report the Board has also self-assessed its effectiveness through such means as performance indicators and an annual report from the Audit Committee.

Audit Committee

The Audit Committee comprises at least three members of the Governing Body. The Chair of the Governing Body, the Accounting Officer and Staff Governors 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.

King Edward VI College

Financial Statements for the Year ended 31 July 2018 Statement of Corporate Governance and Internal Control (continued)

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 2018 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 2018 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 ESFA Post 16 Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of 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.

King Edward VI College

Financial Statements for the Year ended 31 July 2018 Statement of Corporate Governance and Internal Control (continued)

Review of effectiveness (continued)

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 11 December 2018, the Governing Body received a report from the Audit Committee on the annual activities and assessments carried out in 2017/18. 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 2018.

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 not adopted the going concern basis in preparing these Financial Statements. The Governors have looked at two scenarios in reaching this conclusion.

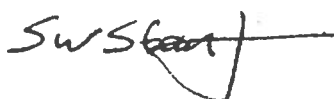
College maintains independence

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 the cash-flows to 31 December 2019.

College converts to an Academy – 1 January 2019

The College's Governing Body would dissolve on 31 December 2018 and its activities, assets and liabilities would transfer by way of a gift to Better Futures Multi-Academy Trust (a Company limited by guarantee) on 1 January 2019. These Financial Statements are prepared on the basis that the College is not a going concern. However, no material adjustments arise as a result of ceasing to apply the going concern basis and the College's assets and liabilities would transfer to the BFMAT at their book value. Given the circumstances of the transfer the College continues to present the balances relating to tangible fixed assets, net pension liability and deferred capital grants as non-current assets and liabilities respectively in the Financial Statements.

Approved by order of the members of the Governing Body of King Edward VI College on 11 December 2018 and signed on its behalf by:



Mr S Stanley
Chair of Governing Body



Mr U Lyons
Accounting Officer

King Edward VI College

Financial Statements for the Year ended 31 July 2018 Statement of Corporate Governance and Internal Control (continued) Governing Body's statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding

The Governing Body has considered its responsibility to notify the Education and Skills Funding Agency of material irregularity, impropriety and non-compliance with Education and Skills Funding Agency terms and conditions of funding, under the funding agreement in place between the College and the Education and Skills Funding Agency. As part of its consideration the 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 and Skills 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 and Skills Funding Agency. If any instances are identified after the date of this statement, these will be notified to the Education and Skills Funding Agency.



Mr S Stanley
Chair of Governing Body



Mr U Lyons
Accounting Officer

King Edward VI College

STATEMENT OF REPOSNSIBILITIES OF THE MEMBERS OF THE GOVERNING BODY OF KING EDWARD VI COLLEGE

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 and Skills 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 2016 to 2017 issued by the Education and Skills 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 and Skills Funding Agency are used only in accordance with the Funding Agreement with the Education and Skills Funding Agency and any other conditions that may be prescribed from time to time.

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 and Skills Funding Agency are not put at risk.

Approved by order of the members of the Governing Body of King Edward VI College on 11 December 2018 and signed on its behalf by:



Mr S Stanley
Chair of Governing Body

King Edward VI College

INDEPENDENT AUDITORS REPORT OF THE GOVERNING BODY OF KING EDWARD VI COLLEGE

Report on the audit of the financial statements

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 2018 and of the income and expenditure and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

We have audited the financial statements, included within the Financial Statements for the Year Ended 31 July 2018 (the "Annual Report"), which comprise the Balance Sheet as at 31 July 2018; the Statement of Comprehensive Income for the year then ended; the Statement of Changes in Reserves for the year then ended; the Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter - financial statements prepared on a basis other than going concern

In forming our opinion on the financial statements, which is not modified, we draw attention to note 1 to the financial statements which describes the members of the Governing Body's reasons why the financial statements have been prepared on a basis other than going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Governing Body is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

King Edward VI College

INDEPENDENT AUDITORS REPORT OF THE GOVERNING BODY OF KING EDWARD VI COLLEGE (continued)

Responsibilities for the financial statements and the audit

Responsibilities of the Governing Body for the financial statements

As explained more fully in the Statement of the Responsibilities of the Members of the Governing Body set out on page 22, the Governing Body is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Governing Body is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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.

Other Required Reporting

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

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.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham 20 December 2018

- (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 jurisdiction

King Edward VI College

Financial Statements for the Year ended 31 July 2018

Statement of Comprehensive Income

	<i>Notes</i>	Year ended 31 July	Year ended 31 July
		2018	2017
		£'000	£'000
INCOME			
Funding body grants	2	4,387	4,386
Tuition fees and education contracts	3	113	132
Grants and other contracts	4	-	-
Other income	5	185	218
Investment income	6	-	2
Total income		4,685	4,738
EXPENDITURE			
Staff costs	7	3,648	3,565
Other operating expenses	8	970	1,053
Depreciation	11	239	277
Interest and other finance costs	9	34	42
Total expenditure		4,891	4,937
Deficit before other gains and losses		(206)	(199)
Loss on disposal of assets		(4)	-
Deficit before tax		(210)	(199)
Taxation	10	-	-
Deficit for the year		(210)	(199)
Actuarial gain in respect of pension schemes	24	311	458
Total Comprehensive Income for the Year		101	259
Represented by:			
Unrestricted comprehensive income		101	259
		101	259
Surplus for the year attributable to:			
Corporation of the College		101	259
Total comprehensive income for the year attributable to:		101	259
Corporation of the College		101	259

King Edward VI College

Financial Statements for the Year ended 31 July 2018

Statement of Changes in Reserves

	Income and expenditure account £'000	2018 Total £'000	2017 Total £'000
Balance at 1st August 2017 and 1 August 2016	1,919	1,919	1,660
Deficit from income and expenditure account	(210)	(210)	(199)
Other comprehensive income	311	311	458
Total comprehensive income for the year	101	101	259
Balance at 31st July 2018 and 31 July 2017	2,020	2,020	1,919


King Edward VI College


Financial Statements for the Year ended 31 July 2018

Balance Sheet as at 31 July

	<i>Notes</i>	2018	2017
		£'000	£'000
Non current assets			
Tangible fixed assets	11	4,963	4,977
		<u>4,963</u>	<u>4,977</u>
Current Assets			
Trade and other receivables	12	73	92
Cash and cash equivalents		711	763
		<u>784</u>	<u>855</u>
Less: Creditors amounts falling due within one year	13	(594)	(603)
Net current assets		<u>190</u>	<u>252</u>
Total assets less current liabilities		5,153	5,229
Creditors: amounts falling due after more than one year	14	(2,089)	(2,108)
Provisions			
Defined benefit obligations	16	(1,044)	(1,202)
Total net assets		<u>2,020</u>	<u>1,919</u>
Unrestricted reserves:			
Income and expenditure account		2,020	1,919
Total unrestricted reserves		<u>2,020</u>	<u>1,919</u>

The Financial Statements on pages 25 to 48 were approved and authorised for issue by the Corporation on 11 December 2018 and were signed on its behalf on that date by:


Mr S. Stanley
Chair of Governing Body


Mr U Lyons
Accounting Officer

King Edward VI College

Financial Statements for the Year ended 31 July 2018

Cash Flow Statement

For the year ended 31 July 2018

	2018	2017
	£'000	£'000
Cash flow from operating activities		
Deficit for the year	(210)	(199)
Adjustment for non-cash items		
Depreciation	239	277
Decrease in debtors	19	9
(Decrease)/increase in creditors due within one year	(5)	102
(Decrease)/increase in creditors due after one year	(4)	9
Pensions costs less contributions payable	119	59
Adjustment for investing or financing activities		
Investment income	-	(2)
Interest payable	34	42
Loss on sale of fixed assets	4	-
Net cash flow from operating activities	<u>196</u>	<u>297</u>
Cash flows from investing activities		
Investment income	-	2
Payments made to acquire fixed assets	(229)	(29)
Net cash flows from investing activities	<u>(229)</u>	<u>(27)</u>
Cash flows from financing activities		
Interest paid	-	(4)
New unsecured loans	-	22
Repayments of amounts borrowed	(19)	(114)
Net cash flows from financing activities	<u>(19)</u>	<u>(96)</u>
(Decrease)/increase in cash and cash equivalents in the year	<u>(52)</u>	<u>174</u>
Cash and cash equivalents at beginning of year	763	589
Cash and cash equivalents at end of year	<u>711</u>	<u>763</u>

King Edward VI College

Financial Statements for the Year ended 31 July 2018

Notes to the Accounts

1. Statement of accounting policies and estimation techniques

General Information

King Edward VI College ("the College") is a corporation established under the Further & Higher Education Act 1992 as an English sixth form college of further education. The registered office address of the College is King Edward Road, Nuneaton, Warwickshire CV11 4BE. The nature of the College's operations are set out in the Members' Report.

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. As set out in the Going Concern paragraph below, the financial statements have been prepared on a basis other than going concern.

Monetary amounts in these Financial Statements are rounded to the nearest £1,000 except where stated.

Basis of accounting

The Financial Statements are prepared under the historical cost convention.

Going Concern

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

The College repaid its Bank borrowings in July 2017 and at the dates of these accounts had three interest free loans with Salix Finance Limited, full details of which are set out in note 15. The College's forecasts and financial projections indicate that the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future.

As explained in the Statement of Governance and Internal Control the College is likely to dissolve on 31 December 2018, and its activities, assets and liabilities would transfer by way of a gift to Better Futures Multi-Academy Trust Limited on 1 January 2019. As required by FRS102 the Financial Statements have been prepared on the basis that the College is not a going concern. However no material adjustments arise as a result of ceasing to apply the going concern basis and the College's assets and liabilities will transfer to the Academy Trust at their book value. Given the circumstances of the transfer the College continues to present the balances relating to tangible fixed assets, net pension liability and deferred capital grants as non-current assets and liabilities respectively in the Financial Statements.

King Edward VI College

Financial Statements for the Year ended 31 July 2018

Notes to the Accounts (continued)

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

Recognition of income

Government revenue grants including 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.

King Edward VI College

Financial Statements for the Year ended 31 July 2018

Notes to the Accounts (continued)

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

Accounting for post-employment benefits (continued)

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

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of valuations using a projected unit 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. Differences between contributions payable in the year and contributions paid are shown as either accruals or prepayments.

The LGPS is a funded scheme and the assets of the Scheme are held separately. 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 in staff costs 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 included within finance costs. This 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 comprehensive income.

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

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 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

Freehold land is not depreciated.

King Edward VI College

Financial Statements for the Year ended 31 July 2018

Notes to the Accounts (continued)

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

Non-current Assets - Tangible fixed assets (continued)

The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 10 and 25 years.

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.

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.

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

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

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

King Edward VI College

Financial Statements for the Year ended 31 July 2018

Notes to the Accounts (continued)

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

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 less than 3 months 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 year 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.

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 that reflects the rates specific to the liability. The unwinding of the discount is recognised as a finance cost in the Statement of Comprehensive Income in the period it arises.

King Edward VI College

Financial Statements for the Year ended 31 July 2018

Notes to the Accounts (continued)

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

Provisions and contingent liabilities (continued)

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 from the funding bodies. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the Statement of Comprehensive Income of the College where the College does not have control of the 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 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.
- Determine whether assets used should be included on the Balance Sheet (see note 11).

Other key sources of estimation uncertainty

□ *Tangible fixed assets*

Tangible fixed assets 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, maintenance programmes and the impending transfer of assets to the BFMAT 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 2016 has been used by the actuary in valuing the pensions liability at 31 July 2018. 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 2018

Notes to the Accounts (continued)

2 Funding body grants	Year ended 31 July	Year ended 31 July
	2018 £'000	2017 £'000
Recurrent grants		
Education and Skills Funding Agency	4,244	4,238
Higher Education Funding Council	-	11
Specific grants		
Releases of government capital grants	89	115
Education & Skills Funding Agency	54	22
Total	4,387	4,386
3 Tuition fees and education contracts	Year ended 31 July	Year ended 31 July
	2018 £'000	2017 £'000
Fees for HE loan supported courses	72	84
Total tuition fees	72	84
Education contracts	41	48
Total	113	132
4 Grants and contracts	Year ended 31 July	Year ended 31 July
	2018 £'000	2017 £'000
Other grants and contracts	-	-
Total	-	-

King Edward VI College

Financial Statements for the Year ended 31 July 2018

Notes to the Accounts (continued)

5 Other income	Year ended 31	Year ended 31
	July	July
	2018	2017
	£'000	£'000
Other income generating activities	-	-
Non-funding body capital grants	-	-
Miscellaneous income	185	218
	<hr/>	<hr/>
Total	185	218

6 Investment income	Year ended 31	Year ended 31
	July	July
	2018	2017
	£'000	£'000
Income from bank deposits	-	2
	<hr/>	<hr/>
Total	-	2

King Edward VI College

Financial Statements for the Year ended 31 July 2018

Notes to the Accounts (continued)

7. Staff costs and key management personnel remuneration

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

	2018	2017
	No.	No.
Teaching staff	46	46
Non-teaching staff	44	46
	<hr/>	<hr/>
	90	92
Staff costs for the above persons		
	2018	2017
	£'000	£'000
Wages and salaries	2,789	2,739
Social security costs	247	246
Other pension costs	565	519
	<hr/>	<hr/>
Payroll sub total	3,601	3,504
Contracted out staffing services	47	61
	<hr/>	<hr/>
Total Staff costs	3,648	3,565

The above pension costs include £119,000 (2017: £59,000) in respect of the LGPS FRS 102 calculation and £28,333 (2017: £38,667) 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 (until 30 September 2016) Director of Finance and Director of Innovation & Systems (from 1 August 2017).

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

	2018	2017
	No.	No.
The number of key management personnel including the Accounting Officer was:	4	4
	<hr/>	<hr/>

King Edward VI College

Financial Statements for the Year ended 31 July 2018

Notes to the Accounts (continued)

7. Staff costs and key management personnel remuneration – (continued)

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

Key Management Personnel	2018 No.	2017 No.
£1 to £10,000.	-	1
£20,001 to £30,000	1	1
£40,001 to £50,000.	1	-
£50,001 to £60,000	-	-
£60,001 to £70,000	1	1
£80,001 to £90,000	1	1
£90,001 to £100,000	-	-
£100,001 to £110,000	-	-
	<u>4</u>	<u>4</u>

No other members of staff received emoluments above £60,000 (2017: 60,000).

Key management personnel (including the Accounting Officer) emoluments are made up as follows:

	2018 £'000	2017 £'000
Salaries	217	176
National Insurance Contributions	25	20
Benefits in kind	-	-
	<u>242</u>	<u>196</u>
Pension contributions	29	29
	<u>271</u>	<u>225</u>

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

The above emoluments include amounts payable to the Accounting Officer (who is also the highest paid Senior post-holder) of:

	2018 £'000	2017 £'000
Salaries	89	87
National Insurance Contributions	11	11
Benefits in kind	-	-
	<u>100</u>	<u>98</u>
Pension contributions	15	14

King Edward VI College

Financial Statements for the Year ended 31 July 2018

Notes to the Accounts (continued)

There were no severance payments to key management personnel in either year.

Governors Remuneration

The members of the Corporation, other than the Accounting Officer and staff members, did not receive any salary payment from the College. The total expenses paid to Governors in the year amounted to £Nil in respect of costs they incurred from performing their duties.

8. Other operating expenses

	2018	2017
	£'000	£'000
Teaching costs	179	237
Non-teaching costs	515	582
Premises costs	276	234
	<hr/>	<hr/>
Total	970	1,053

Deficit before tax is stated after charging:

	2018	2017
	£'000	£'000
Auditors' remuneration:		
Financial statements audit*	19	18
Internal audit**	12	12
Other services provided by the financial statements auditor	-	-
Taxation incl. VAT services	-	-
Losses on disposal of non-current assets	4	-
Hire of assets under operating leases	50	97
	<hr/>	<hr/>

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

King Edward VI College

Financial Statements for the Year ended 31 July 2018

Notes to the Accounts (continued)

9. Interest and other finance costs

	2018 £'000	2017 £'000
On bank loans, overdrafts and other loans	-	4
	-	4
Net interest on defined benefit pension liability (note 22)	34	38
	34	42

10. Taxation

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

11. Tangible fixed assets

	Land & Land and Buildings Buildings Freehold £'000	Land & Buildings Long Leasehold £'000	Equipment £'000	Total £'000
Cost				
At 1 August 2017	200	6,570	1,220	7,990
Additions	-	84	145	229
Transfers	-	-	-	-
Disposals	-	-	(25)	(25)
At 31 July 2018	200	6,654	1,340	8,194
Accumulated Depreciation				
At 1 August 2017	200	2,160	653	3,013
Charge for the year	-	182	57	239
Disposals	-	-	(21)	(21)
At 31 July 2018	200	2,342	689	3,231
Net book value at 31 July 2018	-	4,312	651	4,963
Net book value at 31 July 2017	-	4,410	567	4,977

Long Leasehold Land and Buildings at 31 July 2018 include £1,923,266 relating to the Land and Buildings that are owned by the Trustees of King Edward VI Foundation and the Swinnerton 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.

King Edward VI College

Financial Statements for the Year ended 31 July 2018

Notes to the Accounts (continued)

12 Trade and other receivables

	2018 £'000	2017 £'000
Amounts falling due within one year		
Trade receivables	26	2
Amounts owed by subsidiary undertakings	-	-
Prepayments and accrued income	47	90
Total	<u>73</u>	<u>92</u>

13 Creditors: amounts falling due within one year

	2018 £000	2017 £000
Bank loans		-
Holiday pay accrual	15	15
Trade payables	82	44
Other loans	20	24
Other taxation and social security	123	62
Accruals and other deferred income	176	283
Deferred income-government capital grants	86	86
Amounts owed to funding bodies	92	89
	<u>594</u>	<u>603</u>

14 Creditors: amounts falling due after one year

	2018 £'000	2017 £'000
Bank loans	-	-
Other loans	45	60
Deferred income - government capital grants	2,044	2,048
	<u>2,089</u>	<u>2,108</u>

King Edward VI College

Financial Statements for the Year ended 31 July 2018

Notes to the Accounts (continued)

15 Maturity of debt

(a) Bank loans and overdrafts

Bank loans are repayable as follows:

	2018 £'000	2017 £'000
In one year or less	-	-
Between one and two years	-	-
Between three and five years	-	-
In five years or more	-	-
Total	-	-

The bank loan of £125,000 taken out on 25 July 2012 at a fixed interest rate of 4.185% and repayable in equal quarterly instalments. The loan was repaid in full on 25 July 2017.

The bank loan was unsecured.

(b) Other loans

In 2015/16 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. In 2016/17 the College received a further interest-free loan of £21,572 from Salix Finance Limited repayable over five years. The net loan obligations to which the College is committed are:

	2018 £'000	2017 £'000
Less than one year	20	24
Between one and two years	14	20
Between three and five years	21	23
In five years or more	10	17
Total	65	84

16 Provisions

	Defined benefit obligations 2018 £'000	Defined benefit obligations 2017 £'000
At 1 August 2017	1,202	1,563
Expenditure in the year	-	-
Net reductions in the year	(158)	(361)
At 31 July 2018	1,044	1,202

King Edward VI College

Financial Statements for the Year ended 31 July 2018

Notes to the Accounts (continued)

16 Provisions (continued)

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 Financial instruments

	2018	2017
Financial Assets	£'000	£'000
Debt instruments measured at amortised cost	26	2
Financial Liabilities		
Financial Liabilities measured at amortised cost	213	248

18 Capital and other commitments

	2018	2017
	£'000	£'000
Commitments contracted for at 31 July	-	85

19 Lease obligations

	2018	2017
Equipment:	£'000	£'000
Not later than one year	13	21
Later than one year and not later than five	17	30
Later than five years	-	-
	<u>30</u>	<u>51</u>

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.

King Edward VI College

Financial Statements for the Year ended 31 July 2018

Notes to the Accounts (continued)

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 conversion to conversion to a Multi Academy Trust probably on 1 January 2019. The impact of this are set out on pages 20 and 29.

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.

Total pension cost for the year	2018	2017
	£000	£000
Teachers' Pension Scheme: contributions paid	294	288
Local Government Pension Scheme:		
Contributions paid	152	172
FRS 102 (28) charge	119	59
Charge to the Statement of Comprehensive Income	<u>271</u>	<u>231</u>
Total Pension Cost for Year within staff costs	<u>565</u>	<u>519</u>

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 2016.

Contributions amounting to £33,086 (2017: £16,429) and £38,301 (2017: £36,364) were payable to the LGPS and TPS schemes respectively at 31 July 2018 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 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.

King Edward VI College

Financial Statements for the Year ended 31 July 2018

Notes to the Accounts (continued)

22 Defined benefit obligations (continued)

Valuation of the Teachers' Pensions Scheme

Not less than every four years the Government Actuary ("GA"), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors.

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 in June 2014. The key results of the valuation and subsequent consultations are:

- a. Total scheme liabilities for service (pensions currently payable and the estimated cost of future benefits) of £191.5 billion;
- b. Value of notional assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) of £176.6 billion;
- c. Notional past service deficit of £14.9 billion;
- d. Assumed real rate of return is 3% in excess of prices and 2% in excess of earnings;
- e. Rate of real earnings growth is assumed to be 2.75%;
- f. Assumed nominal rate of return is 5.06%;

The employer contribution rate was 14.1% until 1 September 2015, when it increased to 16.48% (including a 0.08% administration fee) with an employer cost cap of 10.9% of pensionable pay. The employer contribution rate will be payable until the next valuation as at March 2016, whereupon the employer contribution rate is expected to be reassessed and will be effective from at the earliest 1 April 2019.

The pension costs paid to TPS in the year amounted to £294,000 (2017: £288,000).

The TPS is a multi-employer pension plan and there is insufficient information to account for the scheme on as a defined benefit plan so it is accounted for as a defined contribution plan.

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.asp>

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.

King Edward VI College

Financial Statements for the Year ended 31 July 2018

Notes to the Accounts (continued)

22 Defined benefit obligations (continued)

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 2018 was £199,000 of which employers' contributions totalled £152,000 and employees' contributions totalled £47,000. The agreed contribution rates until 31 March 2019 is 20.6% for employers and range from 5.5% and 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 2016 updated to 31 July 2018 by a qualified independent actuary.

	At 31 July 2018	At 31 July 2017
Rate of increase in salaries	3.0%	3.10%
Future pension increases	2.4%	2.50%
Discount rate for scheme liabilities	2.8%	2.70%
Inflation assumptions (CPI)	2.4%	2.50%
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 2018	At 31 July 2017
Retiring today		
Males	22.5	22.5
Females	24.7	24.7
Retiring in 20 years		
Males	24.3	24.3
Females	26.7	26.7

The College's share of the assets in the plan at the balance sheet date was:

	Fair Value at 31 July 2018		Fair Value at 31 July 2017	
	£'000	% split 2018	£'000	% split 2017
Equity instruments	1,969	63	1,793	65
Debt instruments	687	22	607	22
Property	375	12	303	11
Cash	94	3	55	2
Total fair value of plan assets	3,125	100	2,758	100
Actual return on plan assets	120		(305)	

King Edward VI College

Financial Statements for the Year ended 31 July 2018

Notes to the Accounts (continued)

22 Defined benefit obligations (continued)

Local Government Pension Scheme (continued)

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

	2018 £'000	2017 £'000
Amounts included in staff costs		
Current service cost	299	232
Past service cost	-	-
Total	<u>299</u>	<u>232</u>
Amounts included in interest and other finance costs		
Net interest expense	<u>(34)</u>	<u>(38)</u>
Amount recognised in other comprehensive income		
Return on pension plan assets	120	(305)
Changes in assumptions underlying the present value of plan obligations	<u>191</u>	<u>763</u>
Amount recognised in other comprehensive income	<u>311</u>	<u>458</u>

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

	2018 £'000	2017 £'000
Net defined benefit (liability) in scheme at 1st August	(1,202)	(1,563)
Movement in year:		
Current service cost	(299)	(232)
Employer contributions	180	173
Administrative expenses	-	-
Net interest on the defined (liability)	(34)	(38)
Actuarial gain	311	458
Net defined benefit (liability) at 31st July	<u>(1,044)</u>	<u>(1,202)</u>

King Edward VI College

Financial Statements for the Year ended 31 July 2018

Notes to the Accounts (continued)

22 Defined benefit obligations (continued)

Local Government Pension Scheme (continued)

Asset and Liability Reconciliation

Changes in the present value of defined benefit obligations	2018 £'000	2017 £'000
Defined benefit obligations at start of year	3,960	4,385
Current service cost	299	232
Interest cost	111	108
Contributions by scheme participants	44	44
Experience gains and losses on defined benefit obligations	(191)	(763)
Benefits paid	(54)	(46)
Defined benefit obligations at end of year	4,169	3,960
Changes in fair value of plan assets		
Fair value of plan assets at start of year	2,758	2,822
Interest on plan assets	77	70
Return on plan assets	120	(305)
Employer contributions	180	173
Administrative expenses	-	-
Other actuarial gains	-	-
Contributions by scheme participants	44	44
Benefits paid	(54)	(46)
Fair value of plan assets at end of year	3,125	2,758

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

No Governor, other than staff governors has received any remuneration, expenses reimbursement or waived payments from the College during the year (2017: None).

24 Learner support funds

	2018 £'000	2017 £'000
Funding body grants - discretionary learner support	216	204
Other funding body grants	-	-
	<u>216</u>	<u>204</u>
Disbursed to students	(119)	(110)
Administration costs	(5)	(5)
Balance unspent as at 31 July, included in creditors	92	89

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.

King Edward VI College

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

In accordance with the terms of our engagement letter dated 18 September 2018 and further to the requirements of the financial memorandum with the Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by King Edward VI College during the period 1 August 2017 to 31 July 2018 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post-16 Audit Code of Practice issued by the Education and Skills 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 and Skills 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 and Skills 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 and Skills 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 and Skills 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 Post-16 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 1 August 2017 to 31 July 2018 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 2017 to 2018.

Approach

We conducted our engagement in accordance with the Post-16 Audit Code of Practice issued jointly by the Education and Skills 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.

King Edward VI College

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

The work undertaken to draw to our conclusion includes:

- Obtaining an understanding of King Edward VI College's key policies, procedures and controls;
- Reviewing a sample of payments to governors, expenses; and
- 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 1 August 2017 to 31 July 2018 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Date 20 December 2018

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants

- a) The maintenance and integrity of the 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 financial statements may differ from legislation in other jurisdictions.