ST MARY'S COLLEGE

MEMBERS' REPORT
&
FINANCIAL STATEMENTS

FOR THE PERIOD
01 AUGUST 2014 TO 31 JULY 2015

St Mary's College
Shear Brow, BLACKBURN, Lancs, BB1 8DX

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Report of the Members of the Governing Body for the Period from 1 August 2014 to 31 July 2015

Operating and Financial Review

Nature, Objectives and Strategies

The members present their report and the audited financial statements for the year ended 31 July 2015.

Legal Status

The College became designated under the Further and Higher Education Act 1992. The College is an exempt charity for the purposes of the Charities Act 1993 as amended by the Charities Act 2011 and from 1 September 2013 is regulated by the Secretary of State for Education.

Mission Statement

St Mary's College is a Roman Catholic College operating under the trusteeship of the Marist Fathers. We base our philosophy on the true Christian values proclaimed in the gospel and seek to provide challenging, high quality education whereby all members of the College community can grow as balanced individuals, morally, intellectually and spiritually.

Mission

The College aims to fulfil its mission by providing nationally accredited learning programmes at levels 1,2 and 3 for full-time, 16-19 year old students and part-time adults.

A range of schedule 2 and non-schedule 2 courses is provided for the local community on a part-time basis.

The College is linked with Liverpool Hope University and the University of Central Lancashire in the delivery of Degree and PGCE courses.

Essential Skills courses are provided in the St Mary's College Essential Skills Centre and various local centres in the community.

The College operates three nurseries in Blackburn. All three nurseries provide excellent quality and are financially sustainable.

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

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

- High quality teaching
- Widening participation and tackling social exclusion
- Excellent employment record for students
- Strong student support systems
- Links with employers, industry and commerce.

Operating and Financial Review (continued)

Implementation of Development Plan

The Governing Body monitors the performance of the College against its strategic objectives. The College updated its strategic aims at the Board meeting of July 2015.

The 4 Key Strategic Aims are:

- To ensure that the College achieves sustainable recruitment to safeguard future viability and accommodate changes to the funding methodology
- To ensure the highest quality educational provision
- To develop and consolidate a curriculum offer that attracts high-achieving 16 year old students while providing appropriate opportunities for learners across the College's catchment area. This will take account of the raising of the participation age and the local economic landscape
- To continue to develop the campus to provide first rate facilities to support teaching and learning.

The College is on target for achieving these objectives.

The College's specific objectives for 2013-15 and achievement of these objectives is addressed below:

- To achieve recruitment and progression to meet funded target number in 2015 – This has been achieved
- To address the cohort balance to ensure stability of numbers in subsequent years – This has been achieved
- To examine alternative funding streams to support College finances
- To raise the profile and reputation of the College among local catholic learners and the RC community – This has been achieved
- To manage the cost base to sector benchmark by 2015
- To improve the learning culture among students at the College
- To improve high grades at AS at least to match national benchmarks by 2015 and maintain A2 at 99% or higher
- To improve progression from Y12 to Y13 – This has been achieved
- To obtain "outstanding" status in OFSTED inspection of the 16-18 provision and nurseries
- To introduce vocational pathways to complement traditional academic A levels in an increasing number of curriculum areas
- To introduce Level 1 Pathways to provide progression opportunities for vulnerable learners – This has been achieved
- To consolidate the quality and sustainability of the higher education offer – This has been achieved
- To secure a niche position as a reputable provider of Essential Skills to adult learners
- To maintain occupancy and excellent customer satisfaction in the College nurseries – This has been achieved
- To provide a 4G flood-lit football pitch for curriculum and community use
- To raise all areas of the campus out of Condition C or D by 2015
- To achieve a 30% reduction in carbon emissions by 2015 – This has been achieved
- To develop the use and resourcing of information learning technology to reflect the ambition of the College.

Performance Indicators

The College is committed to observing the importance of sector measures and indicators and use the FE Choices website which looks at measures such as success rates.

The College is committed to observing the importance of the measures and indicators and is monitoring these through its Business Development Plan 2013-15. OFSTED judged the College to be Good in its inspection of the overall effectiveness of provision in September 2013 and the College has self-assessed as Good in 2014.

The College is required to complete the annual Finance Record for the Education Funding Agency (EFA). The Finance Record produces a financial health grading. The current rating is Good.

Operating and Financial Review (continued)

FINANCIAL POSITION

Financial results

The College generated an operating surplus after disposal of assets in the year of £33,857 (2013/14 deficit £373,865).

The College has accumulated reserves of £2,260,095 and cash balances and short term deposits of £1,309,447.

Tangible fixed asset additions during the year amounted to £462,579. This referred to £312,515 regarding works under the Building Condition Fund addressing category C & D improvements and £49,890 regarding works under the Condition Improvement Fund. The Balance of £100,174 related to general equipment.

Treasury policies and objectives

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

The College has a separate treasury management policy in place.

Any borrowing requires the authorisation of the Governing Body and shall comply with the requirements of the Financial Memorandum.

Cash flows

Operating cash inflow is £815,216 (2013/14 £54,300).

Liquidity

The College currently has outstanding loans amounting to £3,415,415. The size of the College's total borrowing and its approach to interest rates have been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cashflow.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student Numbers

In 2014/15 the College has delivered activity that had produced £3,732,617 in 16-18 Funding Body main allocation funding (2013/14 £4,438,741). The College had approximately 878 funded students.

Student achievements

Achievement rates remained high and above benchmarks in all areas, A2 Level 3 remains at 99% as it has for the last few years, and with all Level 2+ vocational areas recorded achievement rates of 100%. Success rates for the College are estimated at 89%. Some Outstanding achievements were recorded in many subjects with 61 of 90 courses achieving 100% pass rates. Value added grades of good to excellent are expected to be awarded for AS, Vocational and A2.

Curriculum developments

The college recruits a proportion of its learners from seven, 11 to 16 Catholic partner schools in Blackburn with Darwen and East Lancashire, but a number of applications come from twenty other schools across this region. The College has developed a strong reputation for its expertise in teaching subjects at Advanced Level, and by far the majority of students who apply to St Mary's College aspire to follow Level 3 programmes. However the College has been proactive in ensuring progression opportunities from high school for learners at Entry 3, levels 1 and level 2. A new Level 1 course was introduced in September

Operating and Financial Review (continued)

2013: Workskills and these numbers have increased by 100% in September 2015. In fact the numbers have increased from 5 to 53 in two years. Many of these students will progress to higher levels while in the College.

The College has established productive working partnerships with other FE Colleges, local high schools, and HE institutions, most notably Liverpool Hope University and UCLan. This has led to a broad range of successful collaborative activities which benefit the wider community. The mission promotes a caring and supportive ethos which encourages adults to return to learning. Evening classes on site, outreach activities and access learning programmes from entry level to postgraduate level have provided the stimulus for increasing numbers of adult learners. The evaluation of HE provision is not included in the College's self assessment activities since curriculum delivery and quality assurance are the responsibility of Liverpool Hope University and UCLan as appropriate.

The College reacted positively to the Government's 14-19 agenda and has introduced a range of vocational qualifications at levels 1,2 and 3 providing a broader curriculum for 14-19 students. The College also worked closely with the local authority to assist in the development and implementation of specialised diplomas.

The College nursery, which opened in 2003 to serve the local community as well as the staff and students at St. Mary's was made possible through a partnership involving the LSC, Blackburn with Darwen Early Years Excellence Team and the DfES. Such was the reputation and success of this facility, the College was invited to bid, in July 2007, to manage a second nursery, in Wensley Fold Children's Centre, and this opened in January 2008, reinforcing the close working relationship with the Local Authority.

The College opened a third nursery, The Park, in Blackburn in June 2014. In its first full year to July 2015 it has proved an outstanding success with maximum occupancy levels and is financially sustainable.

The College nursery was inspected by OFSTED in November 2011 and was rated Outstanding in every category. Wensley Fold Nursery was inspected during 2012/13 and was also given an Outstanding rating in every category.

RESOURCES

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

Tangible resources include the main college site, which since 2007 has been extensively upgraded with the construction of the Graystone Science Academy and O'Neill Performing Arts Theatre as well as a complete refurbishment of the main building on campus. In May 2011 the SMC Enterprise Centre was constructed at a cost of £554,000 partly funded by a grant of £477,000 from the Local Enterprise Growth Initiative.

Financial
The College has £9,212,704 of net assets before £1,720,000 pension liability and after long term debt of £3,290,370.

People
The College employs 142 people (expressed as full time equivalents), of whom 58 are teaching staff.

Reputation
The College has an excellent reputation locally and regionally. In the OFSTED inspection in September 2013, the College's was judged to be good in the overall effectiveness of the provision.

Operating and Financial Review (continued)

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 development plan, the Risk Management Group undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the Risk Management Group 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 Governing Body and monthly by the Risk Management Group. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

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

1. Government Funding

The College has considerable reliance on continued government funding through the education sector funding bodies and HEFCE. In 2014/15 73% of the College's revenue was ultimately public funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain at the same levels or on the same terms.

This risk is mitigated in a number of ways by:

- Deriving funding through a number of direct and indirect contractual arrangements
- Ensuring that the College is rigorous in delivering high quality education and training
- Placing considerable focus and investment on maintaining and managing key relationships with the various funding bodies
- Ensuring the College is focused on those priority sections which will continue to benefit from public funding
- Regular dialogue with the funding bodies
- Maintaining adequate funding of pension liabilities. The financial statements report the share of the pension scheme deficit on the College's balance sheet in line with the requirements of FRS 17.

2. Restructuring

The 2014/15 academic year proved to be particularly challenging. The necessity to make substantial savings and a fourth year of disappointing enrolments involved the College community in another restructuring process. Paramount in the considerations of all staff was the resolve that the student experience and student success should not be affected. Once again, the staff of St Mary's put their own difficulties to one side and continued to give unequivocal support to each learner. Pleasingly success rates in long level 3 and AS improved. However in August 2015 the College has increased its year 12 numbers to 526 and its percentage of Roman Catholic High School students by 65%. This has enabled the target number to be met.

During the 2014 Autumn term, College Management conducted a strategic review of staffing and a cost savings plan was approved and put into place. By the end of the year a number of teaching and support colleagues had left the College on grounds of voluntary redundancy and a number of others were offered and accepted variations in contract.

Non-staffing cost savings of approximately £100k have also been made to ensure a balanced budget for 2015/16.

Operating and Financial Review (continued)

STAKEHOLDER RELATIONSHIPS

In line with other colleges and universities, St Mary's College has many stakeholders. These include:

- Students
- Staff
- Funding bodies
- Diocese of Salford
- Local employers (with specific links)
- Local authorities
- Government Offices
- The Local Community
- Professional bodies
- Other FE institutions
- Two HE institutions
- Sixth Form/FE Commissioner.

The College recognises the importance of these relationships and engages in regular communication with them through the College Internet site and by meetings.

Equal opportunities and employment of disabled persons

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, ability, class and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy will be resourced, implemented and monitored on a planned basis. The College Equal Opportunities Policy, and Race Equality Policy are published on the College's internet and moodle sites.

The College considers all applications from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion, which are, as far as possible, identical to those for other employees.

Disability Statement

The College seeks to achieve the objectives set down in the Equality Act 2010:

- As part of its accommodation plan special toilet facilities have been installed for staff and students with physical disabilities including a toilet/rest area with specialist facilities
- Designated parking spaces have been provided including some as part of the DDA Reception/Lift Project
- The College has established an Equality Assurance group which undertakes to monitor and review the Disability Statement in conjunction with other Equality and Diversity policies and will seek to ensure that the content of this Statement is adhered to
- Named staff have been given specific responsibilities to oversee and coordinate the care of students with disabilities
- Whilst students with physical impairment or disabilities will follow the usual College admission policy, special consideration will be taken to address individual difficulties and make appropriate arrangements
- Academic and Curriculum support is given through identification (of potential students) provision, staff expertise and training and technology and equipment
- Counselling and Welfare arrangements are available via the chaplaincy team, student guidance and personal tutors
- The College has been graded Outstanding for its Safeguarding provision.

Operating and Financial Review (continued)

Ethos

The College strives to fulfil its mission to its students, staff and local community by responding quickly and efficiently to their needs. As a Catholic College, we respond to the spiritual and moral needs of the students by the provision of a caring Christian community in which the liturgical and religious aspects of College life harmonise with the secular and academic to ensure a holistic experience for the students. We seek to enhance mutual respect and understanding between those of different spiritual and ethnic backgrounds.

Disclosure of information to auditors

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

Approved by order of the members of the Governing Body on 8 December 2015 and signed on its behalf by:

N McNeil
Chairman

Professional Advisors

Financial Statement and Regularity Auditors:	Mazars LLP The Lexicon Mount Street Manchester M2 5NT
Internal auditors:	RSM 3 Hardman Street Manchester M3 3HF
Bankers:	Barclays Bank plc Corporate Banking Centre 1ST Floor 3 Hardman Street Spinningfields Manchester M3 3HF
Solicitors:	Farleys 22-27 Richmond Terrace Blackburn Lancashire BB1 7AQ
	Donald Race & Newton 5/7 Hargreaves Street Burnley Lancashire BB11 1EN

Statement of Corporate Governance and Internal Control

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

The College endeavours to conduct its business:

i. In accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
ii. Having due regard to the UK Corporate Governance Code ("the Code") insofar as it is applicable to the further education sector

The College is committed to exhibiting best practise in all aspects of corporate governance.

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 2015. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times.

The Governing Body

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

Name	Date of Appointment	Term of Office	Date of Resignation	Status of Appointment	Committees Served	Attended
Mr N McNeil	Jul-2014	4 yrs		Foundation	Chair: Board Chair: Resources BMAC	100%
Mr Z Aslam	Nov-2014	2 yrs		Parent	Resources	66%
Mr X Bowers	Jan-2013	4 yrs	Aug-2014	Foundation	Personnel	0%
Mr T Boys	Jul-2015	1 yr		Student	Quality Assurance	100%
Mr D Callaghan	Jan-2013	4 yrs		Foundation	Quality Assurance	50%
Mr M Conboy	Jan-2014	4yrs		Co-opted	Vice Chair: Audit	100%
Mrs S Crewe	Jan-2015	4 yrs		Foundation	Vice Chair: Quality Assurance	50%
Mr F Dixon	Dec-2013			Principal	BMAC Resources Quality Assurance	100%
Ms T Ellett	Apr-2015	2 yrs		Staff	Resources	100%
Mrs L Gouldthorpe	May-2015	1 yr		Student	Quality Assurance	100%
Mrs A Harkin	Apr-2015	4 yrs		Foundation	Resources	75%
Mrs S Hayward	Oct-2015	4yrs		Foundation	Audit	100%
Mr A Kharatkar	Aug-2015	4 yrs		Co-opted	Resources	50%
Mr N Kennedy	Oct-2014	4 yrs		Foundation	Chair: Audit	100%
Mr T Kennedy	Jan-2012	4 yrs	Dec-2014	Foundation	Audit	50%
Mr C Mason	Jan-2014	4 yrs	Oct-2014	Foundation	Quality Assurance	0%
Mrs C McGuire	Nov-2011	4 yrs		Foundation	Chair: Quality Assurance	75%
Ms A Patel	Apr-2014	1 yr	Apr-2015	Student	Quality Assurance	100%
Mr S Preugschat	Nov-2014	4 yrs		Foundation	Resources	66%
Mr A Rebello	Nov-2011	4 yrs		Foundation	Vice Chair: Board Vice Chair: Resources BMAC	75%
Mrs K Reynolds	Jul-2013	2 yrs	Apr-2015	Staff	Quality Assurance	50%
Mr P Reynolds	Apr-2013	4 yrs		Foundation	Vice Chair: BMAC	75%
Rev N Wynn	Nov-2011	4 yrs		Foundation	Chair: BMAC	100%
Mr M Wright	Jan-2015	4 yrs		Foundation	Resources	50%

Mrs Cathy Holmes acts as clerk to the Governors

Statement of Corporate Governance and Internal Control (continued)

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 four times per year.

The Governing Body conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Governing Body. These committees are Resources & Remuneration, Audit, Board Membership Advisory and Quality Assurance. Full minutes of all meetings, except those deemed to be confidential by the Governing Body, are available on the College's website at www.stmarysblackburn.ac.uk or from the clerk to the Governing Body at St Mary's College, Shear Brow, Blackburn, Lancashire, BB1 8DX.

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 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 Principal of the College are separate.

Appointments to the Governing Body

Any new appointments to the Governing Body, if to a position of Foundation Governor, are made by the Delegation Superior of the Marist Fathers (GB). All other appointments are a matter for the consideration of the Governing Body as a whole. The Governing Body has a search committee (Board Membership Advisory Committee) comprising 5 governors, which 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 the appropriate training is provided as required.

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

Resources & Remuneration committee

Throughout the year ending 31 July 2015 the College's Resources committee comprised 9 members. The committee's responsibilities include making recommendations to the Board on the remuneration and benefits of the Principal and the other senior post-holders.

Details of the remuneration for the year ended 31 July 2015 are set out in notes 5 & 6 to the financial statements.

Audit Committee

The Audit Committee comprises 4 members of the Governing Body (which excludes the Principal and the Chair). The committee operates in accordance with written terms and reference approved by the Governing Body. Its purpose is to advise the Governing Body on the adequacy and effectiveness of the College's systems of internal control and its arrangements for risk management, control and governance processes.

Statement of Corporate Governance and Internal Control (continued)

The Audit Committee meets on a termly basis and provides a forum for reporting by the College’s internal and financial statements auditors, who have access to the Committee for independent discussion, without the presence of College Management. The Committee also receives and considers reports from the main funding bodies as they affect the College’s business.

The College’s internal auditors review the systems of internal control, risk management controls and governance process 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 and financial statements auditors and their remuneration for both audit and non-audit work as well as reporting annually to the Governing Body.

Quality Committee

The Quality Committee comprises 8 members of the Governing Body. Its purpose is to promote the academic performance of the College through effective planning, target setting and monitoring and advising the Board of Governors on the College’s Strategic Plan and Performance Indicators. In addition it promotes the well-being of children, students and vulnerable adults and safeguards them from harm through effective planning and policies, target setting and monitoring of reports and advising the Board of Governors at the annual review of the appropriate policies and procedures.

The committee meets on a termly basis.

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 Financial Memorandum/Financial Agreement between the College and the funding bodies. He is also responsible for reporting to the Governing Body any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to 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 St Mary’s College for the year ended 31 July 2015 and up to the date of approval of the annual report and financial statements.

Statement of Corporate Governance and Internal Control (continued)

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 ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2015 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.

The College employs the services of RSM as Internal Auditor to undertake one piece of work per year as agreed with Senior Management and endorsed by the Governing Body on the recommendation of the Audit Committee.

Review of effectiveness

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

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

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

The Senior Management Team receives reports setting out key performance and risk indicators and considers possible control 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 the internal auditors and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The 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 December 2015 meeting, the Governing Body carried out the annual assessment for the year ended 31 July 2015 by considering documentation from the senior management team and internal audit and taking account of events since 31 July 2015.

Based on the advice of the Audit Committee and the Principal, 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 institution and the body and safeguarding of their assets".

Going concern

At the beginning of the 2014/15 year faced with under recruitment in its 16-18 students numbers the College formulated a cost savings plan which was implemented with immediate effect. As a result the College was able to turn in a surplus for the year and to operate within its bank covenants.

Excellent recruitment in August 2015 has enabled the target number of students to be achieved. The College has set a break-even budget for 2015/16 and once again expects that the existing bank covenants will not be breached. The College has a relatively high level of income coming from its diversification activities compared to other sixth form colleges and these are on track for performing at budget or better.

The College expects to increase its student numbers in 2016/17 and has set a target increasing diversified income by 20% over the three year business development plan.

Therefore while the College is braced for a reduction in the funding rate per student in 2016/17, the overall position of the College to manage this reduction is much stronger than twelve months ago.

Therefore the Governing Body considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Approved by order of the Governing Body on 8 December 2015 and signed on its behalf by:

Signed

N McNeil	F Dixon
Chairman	Principal

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 Funding Agency of material irregularity, impropriety and non-compliance with Education Funding Agency terms and conditions of funding, under the financial memorandum/funding agreement in place between the College and the Education Funding Agency. As part of its consideration we have had due regard to the requirements of the financial memorandum/funding agreement.

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

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

Signed

N McNeil	F Dixon
Chairman	Principal

Statement of the responsibilities of the members of the Governing Body

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

Within the terms and conditions of the Funding Agreement agreed between the Education Funding Agency, the Skills Funding Agency and the Governing Body of the College, the Governing Body, through its Principal, is required to prepare financial statements for each financial year in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions, and with the Accounts Direction for 2014/15 financial statements issued jointly by the Skills Funding Agency and the Education Funding Agency, and which give a true and fair view of the state of affairs of the College and the result for that year.

In preparing the financial statements the Governing Body is required to:-

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

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

The 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 relevant legislation of incorporation and other relevant accounting standards. It is responsible for taking such steps that are reasonably open to it to safeguard assets of the College and to prevent and detect fraud and other irregularities.

The maintenance and integrity of St Mary's 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 EFA and Skills Funding Agency are used only in accordance with the financial memorandum/financial agreement with the EFA and Skills Funding Agency and any other conditions which may be prescribed from time to time. Members of the Governing Body must ensure that there are appropriate financial and management controls in place sufficient to safeguard public funds and ensure that they are used only in accordance with the conditions under which they have been made available. In addition, members of the Governing Body are responsible for securing the 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 by the EFA and Skills Funding Agency are not put at risk.

Approved by the order of the members of the Governing Body on 8 December 2015 and signed on its behalf by:

N McNeil
Chairman

Independent auditor's report to the Governing Body of St Mary's College

We have audited the financial statements of St Mary's College for the year ended 31 July 2015 which comprise the Income and Expenditure Account, the Statement of Historical Cost Surpluses and Deficits, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). This report is made solely to the Governors as a body, in accordance with Article 22 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Governors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the Governors, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Governing Body of St Mary's College and auditor

As explained more fully in the Statement of Responsibilities of the Governing Body set out on page 15, the Governors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

Scope of the audit of the financial statements

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

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2015 and of the College's surplus of income over expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;

Matters on which we are required to report by exception

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

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

Mazars LLP
Chartered Accountants and Statutory Auditor
The Lexicon
Mount Street
Manchester, M2 5NT

Date:

Reporting accountant's assurance report on regularity to the Governing Body of St Mary's College and Secretary of State for Education acting through Education Funding Agency

In accordance with the terms of our engagement letter dated 23 September 2015 and further to the requirements of the funding agreement with Education Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by St Mary's College during the period 1 August 2014 to 31 July 2015 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

Respective responsibilities of St Mary's College and the reporting accountant

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

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

Approach

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

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

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

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

The work undertaken to draw to our conclusion includes:

- Reviewed the statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding.
- Reviewed the College's completed self-assessment questionnaire on regularity.
- Read the funding agreement with the EFA.

- Tested a sample of expenditure disbursed and income received to consider whether they have been applied to purposes intended by Parliament and in accordance with funding agreements where relevant.
- Obtained the policy for personal gifts and/or hospitality.
- Obtained the register of personal interests.
- Obtained the financial regulations/financial procedures.
- Obtained the College's whistleblowing policy.

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 2014 to 31 July 2015 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Mazars LLP
Chartered Accountants and Statutory Auditor
The Lexicon
Mount Street
Manchester, M2 5NT

Date:

Income and Expenditure Account

Income	Notes	2015 £	2014 £
Funding body income	2	4,979,397	5,656,190
Other income	3	1,838,248	1,719,409
Investment income	4	1,597	1,825
Total income		**6,819,242**	**7,377,424**
Expenditure			
Staff costs	5	4,568,111	5,417,150
Exceptional Restructuring Costs	5	88,280	219,806
Other operating expenses	7	1,254,087	1,225,793
Depreciation	10	685,997	646,119
Interest payable and other finance costs	8	190,015	242,421
Total expenditure		**6,786,490**	**7,751,289**
Surplus/(Deficit) on continuing activities after depreciation of tangible fixed assets		32,752	(373,865)
Profit on disposal of assets		1,105	-
Taxation	9		-
Surplus/(Deficit) for the year retained within general reserve		**33,857**	**(373,865)**

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

The notes on pages 24 to 45 form part of the financial statements.

Note of Historical Cost Surpluses and Deficits

	Notes	2015 £	2014 £
Surplus/(Deficit) for the year retained within general reserves		33,857	(373,865)
Difference between historical cost depreciation and the actual charge for the period calculated on the revalued amount	18	303	303
Historical Cost Surplus/(Deficit) for the Year		**34,160**	**(373,562)**

The notes on pages 24 to 45 form part of the financial statements.

Statement of total recognised gains and losses

	Notes	2015 £	2014 £
Surplus/(Deficit) for the year retained within general reserves		33,857	(373,865)
Actuarial (losses)/gains in respect of pension scheme	20	(395,000)	353,000
Total recognised losses since last report		**(361,143)**	**(20,865)**
Reconciliation of movement in reserves			
Opening reserves		913,347	934,212
Total recognised (losses) for the year		(361,143)	(20,865)
Closing reserves		**552,204**	**913,347**

The notes on pages 24 to 45 form part of the financial statements.

Balance sheet as at 31 July 2015

	Notes	2015 £	2014 £
Fixed Assets			
Tangible assets	10	12,555,929	12,781,001
		12,555,929	**12,781,001**
Current assets			
Debtors	12	38,022	72,704
Cash at bank and in hand		1,309,447	926,596
Investments	11	1	1
		1,347,470	**999,301**
Creditors: amounts falling due within one year	13	1,055,595	782,408
Net current assets		**291,875**	**216,893**
Total assets less current liabilities		**12,847,804**	**12,997,894**
Creditors: amounts falling due after more than one year	14	**3,290,370**	**3,415,414**
Provision for liabilities and charges	16	**344,730**	**390,608**
Net assets excluding pension liability		**9,212,704**	**9,191,872**
Net Pension liability	20	(1,720,000)	(1,262,000)
Net assets including pension liability		**7,492,704**	**7,929,872**
Deferred capital grants	17	**6,940,500**	**7,016,525**
Income and expenditure account excluding pension reserve	19	2,260,095	2,162,935
Pension reserve	20	(1,720,000)	(1,262,000)
Income and expenditure account including pension reserve	19	**540,095**	**900,935**
Revaluation reserve	18	**12,109**	**12,412**
		7,492,704	**7,929,872**

The financial statements on pages 19 to 45 were approved by the Governing Body on 8 December 2015 and were signed on its behalf by:

N McNeil
Chairman

F Dixon
Principal

Cash flow statement for year ended 31 July 2015

	Notes	2015 £	2014 £
Net cash flows from operating activities	21	815,216	54,300
Return on investments and servicing of finance	23	(188,861)	(241,424)
Interest Payable on pension/finance income (net)	20	(23,000)	23,000
Capital expenditure and financial investment	23	(83,814)	(119,942)
Financing	23	(136,691)	(130,763)
Increase/(Decrease) in cash in the period		**382,850**	**(414,829)**

RECONCILIATION OF NET CASH FLOW TO MOVEMENTS IN NET DEBT

	Notes	2015 £	2014 £
Increase/(Decrease) in cash in the period		382,850	(414,829)
Cash outflow in respect of loan repayments	23	136,691	130,763
Movement in net debt in the year		519,541	(284,066)
Net debt at 1 August 2014		(2,625,509)	(2,341,443)
Net debt at 31 July 2015		**(2,105,968)**	**(2,625,509)**

Notes to the Financial Statements

1 Statement of accounting policies

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

Basis of preparation

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

Basis of accounting

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

Going Concern

At the beginning of the 2014/15 year faced with under recruitment in its 16-18 students numbers the College formulated a cost savings plan which was implemented with immediate effect. As a result the College was able to turn in a surplus for the year and to operate within its bank covenants.

Excellent recruitment in August 2015 has enabled the target number of students to be achieved. The College has set a break-even budget for 2015/16 and once again expects that the existing bank covenants will not be breached. The College has a relatively high level of income coming from its diversification activities compared to other sixth form colleges and these are on track for performing at budget or better.

The College expects to increase its student numbers in 2016/17 and has set a target increasing diversified income by 20% over.

Therefore while the College is braced for a reduction in the funding rate per student in 2016/17, the overall position of the College to manage this reduction is much stronger than twelve months ago.

Recognition of Income

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

Other discrete Skills Funding Agency/EFA funds received during the year are taken to income and expenditure as incurred in line with the specific terms and conditions attached to each fund by the funding bodies.

Where the College receives and disburses funds to which it has no direct beneficial interest, such funds are excluded from the income and expenditure account on the grounds that the College does not have direct control over the future economic benefits derived from these funds. The College has applied this policy to certain funds received during the year from the Skills Funding Agency and the EFA (see note 28).

Notes to the Financial Statements (continued)

Non-recurrent grants from the funding bodies or other bodies received in respect of the acquisition of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets. Income from grants, contracts, and other services rendered is included to the extent the conditions of the funding have been met or the extent of the completion of the contract or service concerned.

Post retirement benefits

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes, which are externally funded and contracted out of the State Earnings-Related Pension Scheme (SERPS).

Contributions to the TPS scheme are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 20, the TPS is a multi employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The assets of the LGPS are measured using closing market values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses. Further details of the pension scheme are given in Note 20.

Enhanced Pensions

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

Tangible Assets

Land and Buildings

The College's land and buildings are owned by the Trustees. Under the principles of FRS 5 'Substance of Transactions' and the Statement of Recommended Practice (SORP) when accounting for land & buildings owned by third parties, the College has followed the Accounts direction guidance. Where an institution enjoys the use of an asset which it does not own, the Financial Statements must disclose this. A value should be attributed to this benefit and be capitalised. Work on the buildings which has been paid for by the College and which has been capitalised has been depreciated over 50 years. Where there has been a contribution to the cost with the aid of a specific grant, this has been capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected economic life of the related asset on a basis consistent with the depreciation policy. Freehold land is not depreciated.

Notes to the Financial Statements (continued)

Assets under construction

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

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- Market value of the asset has subsequently improved;
- Asset capacity increases;
- Substantial improvement in the quality of output or reduction in operating costs; or
- Significant extension of the asset's life beyond that conferred by repairs and maintenance.

Equipment

Equipment costing less than £500 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost. Equipment inherited from the local education authority is included in the balance sheet at net book value.

Equipment is depreciated over its useful economic life as follows:-

Computer Equipment	33.33%
Motor Vehicles	25%
General Equipment and fixtures and fittings	20%
Long Life Computer Equipment	20%

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

Investments

Current asset investments, which may include listed investments, are stated at the lower of their cost and net realisable value.

Maintenance of premises

The cost of routine corrective maintenance is charged to the income and expenditure account in the period it is incurred.

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 Chapter 3 Part II Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that said income or gains are applied exclusively to charitable purposes.

Notes to the Financial Statements (continued)

The College receives no similar exemption in respect of Value Added Tax. For this reason the College is generally unable to recover input VAT it suffers on goods and services purchased. Non–pay expenditure is therefore shown inclusive of VAT with any partial recovery netted off against these figures.

Liquid Resources

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

Provisions

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.

Agency arrangements

The College acts as an agent in the collection and payment of discretionary support funds and the 16-19 Bursary Fund and Adult Learning Grants. Related payments received from the funding body and subsequent disbursements to students and colleges are excluded from the Income and Expenditure account and are shown separately in note 28, except for the 5% of the grant received which is available to the College to cover administration costs relating to the grant. The College employs one member of staff dedicated to the administration of Learner Support Fund applications and payments.

Cash

Cash for the purpose of cash flow statement comprises cash in hand and deposits repayable on demand.

Notes to the Financial Statements (continued)

2 Funding Body income

	2015	2014
	£	£
Recurrent Grant	4,545,946	5,058,028
Release of deferred capital grants		
- Land & Buildings (note 17)	83,864	83,864
- Equipment (note 17)	281,496	223,608
Other Funds	68,091	290,690
Total	**4,979,397**	**5,656,190**

3 Other income

	2015	2014
	£	£
Other Funds	531,470	419,784
Releases of deferred capital grants		
- Land & Buildings (note 17)	63,808	63,808
- Equipment (note 17)	9,262	9,602
Other income generating activities	1,233,708	1,226,215
Total	**1,838,248**	**1,719,409**

4 Investment income

	2015	2014
	£	£
Other interest receivable	1,597	1,825
Total	**1,597**	**1,825**

Notes to the Financial Statements (continued)

5 Staff costs

The average number of persons (including senior post-holders) employed by the College during the period, expressed as full-time equivalents, was:

	2015 Number	2014 Number
Teaching departments	58	75
Teaching support services	6	10
Other support services	1	1
Administration and central services	22	27
Other Income Generating Activities	45	42
Premises	10	11
Total	**142**	**166**

Staff costs for the above persons:-	**2015 £**	**2014 £**
Teaching departments	2,561,128	3,158,412
Teaching support services	186,339	283,537
Other support services	17,959	27,331
Administration and central services	835,287	1,017,386
Other Income Generating Activities	694,897	644,682
Premises	165,701	188,302
Restructuring Costs	88,280	219,806
Recovery of LGPS Deficit	20,800	6,500
FRS 17 adjustment	86,000	91,000
Total	**4,656,391**	**5,636,956**
Wages and salaries	3,827,434	4,665,810
Social security costs	249,032	306,960
Other pension costs (including FRS17 adjustment £86,000 (2013/14 £91,000))	579,925	664,186
Total	**4,656,391**	**5,636,956**

Severance payments for both the current and prior year have been approved by the Governing Body.

Notes to the Financial Statements (continued)

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

	2015 Number of senior post-holders	2014 Number of senior post-holders	2015 Number of other staff	2014 Number of other staff
£60,001 to £70,000	0	0	0	1
£70,001 to £80,000	0	0	0	0
£80,001 to £90,000	1	1	0	0
£90,001 to £100,000	0	0	0	0
£100,001 to £110,000	1	1	0	0
	2	**2**	**0**	**1**

6 Senior post-holders' emoluments

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

	2015 Number	2014 Number
The number of senior post-holders including the Principal was:	2	3
Senior post-holders' emoluments are made up as follows:		
	£	£
Salaries	173,567	197,637
	173,567	**197,637**
Pension contributions	23,621	27,635
Total emoluments	197,188	225,272

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

	2015	2014
	£	£
Salaries	96,122	92,940
	96,122	**92,940**
Pension contributions	13,553	13,104
Total emoluments	109,675	106,044

Notes to the Financial Statements (continued)

The pension contributions in respect of the Principal and senior post-holders relate to employers' contributions to the Teachers' Pension Scheme and Local Government Pension Scheme and are paid at the same rate as for other employees.

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

7 Other operating expenses

	2015	2014
	£	£
Teaching departments	160,524	185,062
Teaching support services	223,281	247,622
Other support services	(5,009)	(2,057)
Administration and central services	134,793	167,361
General education expenditure	183,802	209,928
Premises costs	276,873	258,805
Catering	5,997	4,247
Enhanced Pension Provision	89,938	18,410
Other Income Generating Activities	183,888	136,415
Total	**1,254,087**	**1,225,793**

Operating expenses include:

Auditors' remuneration		
- external audit	14,498	13,171
- internal audit	2,802	8,944

Notes to the Financial Statements (continued)

8 Interest payable

	2015	2014
	£	£
On bank loans and overdrafts:		
- repayable wholly in more than 5 years	210,363	216,769
	210,363	**216,769**
Finance lease costs	2,652	2,652
Pension finance costs	(23,000)	23,000
Total	**190,015**	**242,421**

9 Taxation

The members do not believe the College was liable for any corporation tax arising out of its activities during the year.

Notes to the Financial Statements (continued)

10 Tangible fixed assets

	Leasehold	Equipment	Total
Cost or valuation	**£**	**£**	**£**
At 1 August 2014	**14,933,878**	**3,262,712**	**18,196,590**
Additions	-	462,579	**462,579**
Disposals	-	(82,821)	**(82,821)**
At 31 July 2015	**14,933,878**	**3,642,470**	**18,576,348**
Depreciation			
At 1 August 2014	**3,192,356**	**2,223,233**	**5,415,589**
Charge for period	275,740	410,257	**685,997**
Disposals	-	(81,167)	**(81,167)**
At 31 July 2015	**3,468,096**	**2,552,323**	**6,020,419**
Net book value at 31 July 2015	**11,465,782**	**1,090,147**	**12,555,929**
Net book value at 1 August 2014	**11,741,522**	**1,039,479**	**12,781,001**
Inherited	12,109	-	12,109
Financed by capital grant	6,098,596	841,904	6,940,500
Other	5,355,077	248,243	5,603,320
Net book value at 31 July 2015	**11,465,782**	**1,090,147**	**12,555,929**

Notes to the Financial Statements (continued)

11 Investments

At 31 July 2015 the College had a 7% interest in Lancashire Colleges Consortium Ltd, a company limited by guarantee incorporated in England and Wales. The principal business activity of the company is to advise and assist educational institutions as in respect of funds and grants that may be available to them. The value of the investment is £1.00.

12 Debtors

	2015	2014
	£	£
Amounts Falling Due Within One Year		
Debtors	15,047	22,758
Prepayments and accrued income	22,975	49,946
Total	**38,022**	**72,704**

13 Creditors: Amounts falling due within one year

	2015	2014
	£	£
Payments received on account	431,372	156,270
Trade creditors	240,374	230,657
Loans	125,046	119,844
Finance Lease	-	16,849
Other taxation and social security	131,799	160,614
Accruals	127,004	98,174
Total	**1,055,595**	**782,408**

14 Creditors: Amounts falling due after more than one year

	2015	2014
	£	£
Loans	3,290,370	3,415,414
Total	**3,290,370**	**3,415,414**

Notes to the Financial Statements (continued)

15 Borrowings

The loan is secured over the Land and Buildings of the College. The College paid a fixed rate of interest during the year of 6.22% and the repayment period is to 2033.

(a) Bank Loans

Loans are repayable as follows:-	2015 £	2014 £
Within one year	125,046	119,844
Between one and two years	132,125	125,046
Between two and five years	439,451	416,833
In five years or more	2,718,793	2,873,536
	3,415,415	**3,535,259**

(b) Finance Leases

The net finance lease obligations to which the institution is committed are:	2015 £	2014 £
Within one year	-	16,848
Between one and two years	-	-
	-	**16,848**

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

16 Provisions for liabilities and charges

	Enhanced Pension Provision	Other Provisions	Total Provisions
	£	£	£
At 1 August 2014	246,111	144,497	390,608
Releases	-	(144,497)	(144,497)
Additions	16,430	82,189	98,619
At 31 July 2015	**262,541**	**82,189**	**344,730**

The enhanced pension provision relates to staff who have already left the College's employment. The provision has been recalculated in accordance with guidance issued by the funding bodies.

Other provisions relates to exceptional restructuring costs resulting from Management conducting a strategic review of staffing and cost savings plan.

Notes to the Financial Statements (continued)

17 Deferred capital grants

	Funding Body	Other Grants	Donated Land & Buildings	Total
At 1 August 2014	**£**	**£**	**£**	**£**
Land and buildings	3,575,287	707,654	1,963,327	6,246,268
Equipment	739,335	30,922	-	770,257
Cash received				
Land and buildings	-	-	-	-
Equipment	362,405	-	-	362,405
Released to income and expenditure account				
Land and buildings	83,864	15,922	47,886	147,672
Equipment	281,496	9,262	-	290,758
At 31 July 2015	**4,311,667**	**713,392**	**1,915,441**	**6,940,500**
Land and buildings	3,491,423	691,732	1,915,441	6,098,596
Equipment	820,244	21,660	-	841,904
Total	**4,311,667**	**713,392**	**1,915,441**	**6,940,500**

The College occupies land and buildings provided to it by the Marist Fathers for which it pays a peppercorn rental. In accordance with the 2007 HE/FE SORP and the 2014/15 Accounts Direction Handbook these assets were brought onto the balance sheet at value with the corresponding credit to deferred capital grants.

18 Revaluation reserve

	2015
	£
At 1 August 2014	12,412
Transfer from revaluation reserve to general reserve in respect of depreciation on revalued assets	(303)
At 31 July 2015	**12,109**

Notes to the Financial Statements (continued)

19 Movement on General Reserves

	2015	2014
	£	£
Income and Expenditure account reserve		
At 1 August 2014	900,935	921,497
Surplus/(Deficit) retained for the year	33,857	(373,865)
Transfer from revaluation reserve	303	303
Actuarial (loss)/gain in respect of pension schemes	(395,000)	353,000
At 31 July 2015	**540,095**	**900,935**
Balance represented by		
Pension reserve	(1,720,000)	(1,262,000)
Income and expenditure account reserve excluding pension reserve	2,260,095	2,162,935
At 31 July 2015	**540,095**	**900,935**

20 Pension and similar obligations

The College's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff, and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Lancashire Pension Services. Both are defined benefit schemes.

Total pension costs for the year		**2015**		**2014**
		£'000		**£'000**
Teachers' Pension Scheme: contributions paid		300		367
Local Government Pension Scheme				
Contributions paid	194		206	
FRS17 Charge	86		91	
Charge to the Income and Expenditure Account		280		297
Total Pension Cost for Year		580		664

Notes to the Financial Statements (continued)

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

Contributions for employees and employers for both schemes amounting to £63,706 (2014 £76,444) were payable to the scheme at 31 July and are included within creditors.

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme. The regulations under which the TPS operates are 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 in England and Wales maintained by local authorities, to teachers in many independent and voluntary-aided schools, and to teachers and lecturers in establishments of further and higher education. Membership is automatic for full-time teachers and lecturers and from 1 January 2007 automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension Budgeting and Valuation Account

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

The Teachers' Pensions Regulations require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001, the Account has been credited with a real rate of return (in excess of price increases and currently set at 3.5%), which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Valuation of the Teachers' Pension Scheme

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

- employer contribution rates were set at 16.4% of pensionable pay
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion
- an employer cost cap of 10.9% of pensionable pay

The new employer contribution rate for the TPS will be implemented in September 2015.
A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:

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

Scheme Changes

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

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

Notes to the Financial Statements (continued)

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

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

The pension costs paid to TPS in the year amounted to £501,953 (2014 £606,785)

FRS 17

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme.

Accordingly, the College has taken advantage of the exemption in FRS17 and has accounted for its contributions to the scheme as if it were a defined-contribution scheme. The College has set out above the information available on the scheme and the implications for the College in terms of the anticipated contribution rates.

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme with the assets held in a separate fund administered by the Lancashire local authority. Employers' contributions made for the year ended 31 July 2015 totalled £172,685 and employees' contributions totalled £83,238.

The agreed contribution rates for future years are now tiered for employees' contributions and staged for employers at:

2014/15 – 2016/17 - 13%

plus deficit recovery contributions of 2015/16 £23,400, 2016/17 - £27,400. The deficit recovery period is 19 years.

Notes to the Financial Statements (continued)

FRS17
Principal Actuarial Assumption
The following information is based upon a full actuarial valuation of the fund at 31 March 2013 updated to 31 July 2015 by a qualified independent actuary.

	2015	2014
Rate of increase in salaries	3.7%	3.8%
Rate of increase in pensions in payment/inflation	2.2%	2.3%
Discount rate for liabilities	3.8%	4.3%
Rate of CPI inflation	2.2%	2.3%

An adjustment has been made for short term pay restraint in line with the most recent actuarial valuation.

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

	2015	2014
Retiring today		
Males	22.9	22.8
Females	25.4	25.3
Retiring in 20 years		
Males	25.1	25.0
Females	27.8	27.7

The assets and liabilities in the scheme and the expected rates of return were:

	Long term rate of return 2015	Value at 2015 £	Long term rate of return 2014	Value at 2014 £
- Equities	6.50%	2,083,000	7.00%	2,639,000
- Government Bonds	2.50%	333,000	3.20%	11,000
- Other Bonds	3.60%	157,000	4.10%	1,412,000
- Property	6.10%	551,000	6.20%	510,000
- Cash	0.50%	79,000	0.50%	127,000
- Other	6.50%	2,851,000	7.00%	611,000
Total Market value of assets		**6,054,000**		**5,310,000**
Present value of scheme liabilities				
- Funded		(7,774,000)		(6,572,000)

Notes to the Financial Statements (continued)

Analysis of the amount charged to income and expenditure account

	2015	2014
	£	£
Employer service cost (net of employee contributions)	269,000	300,000
Curtailments	71,000	5,000
Total operating charge	**340,000**	**305,000**

Analysis of pension finance costs

	2015	2014
	£	£
Expected return on pension scheme assets	308,000	287,000
Interest on pension scheme liabilities	(285,000)	(310,000)
Pension finance costs	**23,000**	**(23,000)**

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

	2015	2014
	£	£
Actuarial gains/(losses) on pension scheme assets	264,000	(291,000)
Actuarial (losses)/ gains on scheme liabilities	(659,000)	644,000
Actuarial (loss)/ gain recognised in STRGL	(395,000)	353,000

Movement in deficit during year

	2015	2014
	£	£
Deficit in scheme at 1 August	(1,262,000)	(1,501,000)
Movement in year:		
Employer service cost (net of employee contributions)	(269,000)	(300,000)
Employer contributions	254,000	214,000
Net interest on assets	23,000	(23,000)
Curtailments	(71,000)	(5,000)
Actuarial (loss)/ gain	(395,000)	353,000
Deficit in scheme at 31 July	(1,720,000)	(1,262,000)

Notes to the Financial Statements (continued)

Asset & Liability Reconciliation

	2015 £	2014 £
Reconciliation of liabilities		
Liabilities at start of period	6,572,000	6,587,000
Service cost	269,000	300,000
Interest cost	285,000	310,000
Employees contributions	84,000	92,000
Actuarial loss/(gain)	659,000	(644,000)
Benefits paid	(166,000)	(78,000)
Curtailments and settlements	71,000	5,000
Liabilities at end of period	7,774,000	6,572,000

	2015 £	2014 £
Reconciliation of Assets		
Assets at start of period	5,310,000	5,086,000
Expected return on assets	308,000	287,000
Actuarial loss/(gain)	264,000	(291,000)
Employer contributions	254,000	214,000
Employee contributions	84,000	92,000
Benefits paid	(166,000)	(78,000)
Assets at end of period	6,054,000	5,310,000

The estimated value of employer contributions for the year ended 31st July 2016 is £198,000.

History of experience (gains) or losses

	2015 £	2014 £	2013 £	2012 £	2011 £
Difference between the expected and actual return on assets					
Amount	265,000	(121,000)	501,000	(133,000)	208,000
Experience gains and losses on scheme liabilities:					
Amount	-	537,000	-	-	(225,000)
Total amounts recognised in statement of total recognised gains and losses					
Amount	395,000	(353,000)	(361,000)	325,000	380,000

Notes to the Financial Statements (continued)

21 Reconciliation of operating deficit to net cash outflow from operating activities

	2015 £	2014 £
Surplus/(Deficit) on continuing operations after depreciation of assets at valuation and tax	33,857	(373,865)
Depreciation (Note 10)	685,997	646,119
Deferred capital grants released to income (Notes 2 and 3)	(438,430)	(380,882)
Profit on sale of fixed assets	(1,105)	-
(Increase)/Decrease in debtors	(4,290)	3,547
Interest payable	190,504	242,818
Pension costs (less contributions payable)	86,000	91,000
Decrease in prepayments and accrued income	22,048	31,613
Increase/(Decrease) in creditors	9,717	(85,588)
Decrease in other taxation and social security	(28,816)	(25,709)
Increase/(Decrease) in payments on account	275,102	(149,883)
Increase/(Decrease) in accruals	32,153	(51,161)
(Decrease)/Increase in provisions	(45,878)	107,684
Interest receivable	(1,643)	(1,393)
Net cash inflow from operating activities	**815,216**	**54,300**

22 Analysis of changes in net debt

	2014 £	Cashflows £	2015 £
Cash in hand, at bank	926,597	382,850	1,309,447
Investments	1	-	1
Debt due within 1 year	(136,693)	11,647	(125,046)
Debt due after 1 year	(3,415,414)	125,044	(3,290,370)
Total	**(2,625,509)**	**519,541**	**(2,105,968)**

Notes to the Financial Statements (continued)

23 Analysis of cash flows for headings netted in the cash flow statement

	2015 £	2014 £
Returns on investments and servicing of finance		
Interest received	1,643	1,394
Interest paid	(187,852)	(240,166)
Interest element of finance lease rental payment	(2,652)	(2,652)
Net cash inflow from returns on investments and servicing of finance	**(188,861)**	**(241,424)**
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(460,978)	(573,707)
Sale of fixed assets	2,759	-
Deferred capital grants received	374,405	453,765
Net cash outflow for capital expenditure and financial investment	**(83,814)**	**(119,942)**
Financing		
Debt due beyond a year:		
Repayment of amounts borrowed	(136,691)	(130,763)
Net cash outflow from financing	**(136,691)**	**(130,763)**

24 Post balance sheet events

Details of post balance sheet events are given in the report of the members of the governing body.

25 Capital Commitments

	2015 £	2014 £
Commitments contracted for at 31 July	104,780	325,632
Authorised but not contracted for at 31 July	666,099	50,000

Notes to the Financial Statements (continued)

26 Financial Commitment

At 31 July the College had no annual commitments under non-cancellable operating leases.

27 Related party transactions

Due to the nature of the College's operations and the composition of the Governing Body (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 Governing Body may have an interest. All transactions involving organisations in which a member of the Governing Body may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

Transactions totalling £435 in respect of maintenance work at the College took place with P & C Reynolds, relating to a Governor, Mr P Reynolds.

28 Learner support funds

	2015	2014
	£	£
19+	4,466	5,072
Funding Body Grants	138,008	156,711
Interest earned	23	20
	142,497	**161,803**
19+	(600)	(5,072)
Disbursed to students	(131,130)	(148,642)
Administration	(6,930)	(8,089)
Balance unspent at 31 July	**3,837**	**-**