

KING EDWARD VI COLLEGE, STOURBRIDGE

GOVERNORS' FINANCIAL STATEMENTS

31 JULY 2015

KING EDWARD VI COLLEGE, STOURBRIDGE

GOVERNORS' FINANCIAL STATEMENTS

FOR THE YEAR TO 31 JULY 2015

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KING EDWARD VI COLLEGE, STOURBRIDGE

OPERATING AND FINANCIAL REVIEW

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Nature, Objectives and Strategies

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

The College and its legal status

King Edward VI College, in Stourbridge, is a non-denominational sixth form college designated under section 30 of the Further and Higher Education Act 1992; which is within the further education sector established by that Act. Unlike the majority of sixth form and further education colleges, incorporation of the College was not possible for King Edward's at that time because of its long establishment as a charitable trust dating back to its foundation in 1552. However, the Learning and Skills Act 2000, provided for the incorporation of the Governing Bodies of designated colleges and, for King Edward's, this took place on 1 April 2001.

King Edward VI College is an exempt charity under the Part 3 of the Charities Act 2011 and from 1st September 2013, is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations.

Any members of the Governing Body, who are also trustees of the charity are highlighted on page 1m. The Trustees are required under the terms of the Trust Deed to provide accommodation to the Governors for educational purposes. A Memorandum of Understanding between the Foundation Trustees and the Governors has been signed by both boards to facilitate this arrangement. The Governors have the oversight of the ongoing strategic educational and resource requirements of the College, while day-to-day management is the responsibility of the Principal and Senior Management Team. The staff members of the College are employed by the Board of Governors.

Mission and Values

"To challenge each student to achieve personal and academic excellence leading to enhanced life and career opportunities."

Our ethos and values fundamental to this philosophy are:-

- | | |
|------------------|---|
| 1. Excellence: | high student achievement |
| 2. Enrichment: | education of the whole student |
| 3. Independence: | fostering initiative in student attitudes to learning |
| 4. Opportunity: | success regardless of background |
| 5. Equality : | a safe place to value and celebrate diversity |
| 6. Community: | students, staff, parents and local people working together. |
| 7. Partnerships; | collaborative relationships with other organisations |
| 8. Continuity: | celebrating our past while embracing the future. |
| 9. Integrity: | in all we do |

In the determination of King Edward VI College's strategic objectives, the governors have had due regard to the various contributions made by the college for the public benefit. Accordingly its main strategic aims comprise:-

1. To support and inspire students to achieve the highest levels of academic attainment and personal development.
2. To provide the highest possible quality of learning environment.
3. To provide a safe environment for students and staff, ensuring they benefit from the practice of equal opportunities.
4. To equip students with the confidence to embrace their future.
5. To embed a culture of ongoing quality improvement.
6. To pursue an ethos of continuing professional development in order to maintain the highest standards.

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7. To promote creative solutions to efficient and effective management of resources in a challenging financial environment.
8. To ensure that the College plays an integral role in the life of the local community.
9. To build and maintain collaborative partnerships with other organisations, securing the continuing future of the College.

Strategic plan

The main themes emanating from the strategic plan present a number of challenges to the College which can be summarised thus:

- Continuing strong competition from school sixth forms, other colleges and university sponsored free schools, combined with the recent drive for academy conversion and multi-academy trusts present greater challenge for recruitment.
- An increasingly consumerist approach by students to their choice of post 16 institution, with most students now making multiple applications to various schools and colleges in the area.
- The government austerity measures and subsequent funding cuts have created ever-more competition for the College in terms of student recruitment, already made difficult owing to a 9% reduction to the local 16-19 population in recent years.
- Curriculum changes are making the step up to the new A levels, increasingly difficult for students particularly given the corresponding introduction of less demanding GCSE's over the period 2015-2017.
- Linked to the curriculum is the need to prepare for a linearization and increased difficulty of A level qualifications from 2015-16, causing increased financial pressure to reduce the typical student's programme size.
- The recently announced increase to the cost of NIC and teachers pension contribution has added around £250,000 to our annual operating costs.
- Greater partnership working has seen the development of our Multi-Academy Trust and enabled us to strengthen our links with other schools.

Responding to these fresh challenges in a proactive way, the college is planning to:

- Continue to lessen its reliance on central government funding by developing income streams in the areas of higher education and international student work. Also, wherever possible, extend our business partnerships, similar to our work with The Royal Bank of Scotland. Senior staff will also regularly monitor new funding opportunities as they arise and be proactive in attracting new funding streams to the College.
- Secure a further increase to our market share of the academically gifted students from the Dudley area and increasingly beyond using a range of measures. These include use of bursary schemes for less well-off students; further development of 14-16 initiatives; more refinement to our recruitment and liaison processes; the use of a series of bus and minibuses services to make transport to college feasible from outlying rural areas; greater development of links with new schools through attendance at progression events and provision of bespoke help.
- Ensure that equality and diversity is fully embedded across all functions within the College and that the equality objectives are actively pursued.
- Use the accommodation strategy to identify and respond promptly to any new tranches of government (or other external body) funding in continuing to upgrade facilities for students.
- Develop a sustainable approach to resource management e.g. in printing, and at the same time promote greater use of IT technology throughout teaching and learning.
- Regularly review and update our curriculum. This will include provision of a small number of high end academic vocational courses in areas such as sport, science, performing arts and IT. Looking at a series of curriculum pathways designed to be more tailored to individual student need (and also dependent on aptitude, interest, preferred mode of study and future direction) and potential expansion of the extended project qualification to a bigger range of students.

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- To continue to work to refine curriculum plan modelling in the light of recent curriculum and funding changes, ensuring efficient use of resources and financial stability in the long term.
- Continue to develop our quality and sharing good practice systems to the highest possible standards, making use of external subject expert consultants in provision of focussed quality improvement strategies.
- There will be a continued focus on ensuring that students experience the very highest quality in the classroom in terms of personalised support, appropriate challenge and clarity of improvement targets. The lesson observation process will help to drive further improvements during the year.
- Ensure staff are fully prepared for the delivery of new linear specifications, providing appropriate training to support them in this. We will also provide training for teachers and support staff in understanding the needs of a more diverse student population.
- Embed the use of recently trialled college tracking and monitoring systems to better support students, investing time in 1-1 student support and making full use of the newly developed e-ILP – this will help to raise results further, better identify our students' needs and thereby provide for even more individualised help and pertinent support to each young person.
- Develop the marketing of the College brand regionally, ensuring effective communication as to exactly what the College's mission and values are all about.
- Develop our admissions processes to be both fully transparent and more efficient. This will mean students being given earlier interviews and offers as well as the establishment of a range of approaches to keep in touch with each prospective student before they arrive in September.
- Continue to explore alternative funding streams to support those students most in need.
- Ongoing development to our partnership working with local secondary and primary schools includes the exploration of academy sponsorship. This will enable the College to work collaboratively with local institutions in promoting the best learning experience possible for the students, whilst at the same time maintain stability for all concerned through a shared approach to the use of resources and expertise.
- Ensure robust financial health for the college using the various strategies above.
- Continue to reduce any gaps in student outcomes between subjects and groups of students.

Key Successes

The college has continued to build upon its success in recent years:

- Maintained our excellent results with the College placed seventh in the national league tables in 2015 (2014 placed sixth). Data on King Edward's also regularly show outstanding student success, achievement and retention rates across sexes, the main ethnic groups and all subject groupings, which is in contrast to the fall within other external sixth form performance data in recent years.
- Continued to improve the quality of teaching and learning. In 2014-15, we have focussed our attention on four key priorities – *ethos of learning*; *engagement*; *assessment for learning* and *independence* – and further making judgements on classroom practice in the light of these issues. The result has been greater focus on those areas that can most help to improve the learning experience for our students. We have also ensured that judgements on lessons are even more rigorous using a series of paired observations alongside regular observation moderation meetings.
- Grown our curriculum in a variety of ways (see below) to enhance and broaden our students' education and to better prepare them for their next steps.
- Developed productive working relationships with partners including Royal Bank of Scotland, Cambridge University (through the vehicle of HE+), Middlesex University, BCU, The London School of Economics, WJEC, Maple Group colleges and ongoing positive links with all our feeder schools as well as the local authority. Links have also been established with schools further afield in South Birmingham and Worcestershire.
- Maintained the College's financial health in spite of increasingly challenging circumstances, with the College consistently operating efficiently in terms of the distribution of students to classes and courses.

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- Undertaken a programme of classroom refurbishment, focussed on key areas of need, with particular attention to the upgrading of the science laboratories but also subject areas such as music technology, sociology and MFL.
- Already received approval from HEFCE to recruit HE students onto Dip HE courses from September 2013, along with institutional acknowledgement from Middlesex University. 2013-14 was in fact used to prepare for a fully marketed set of courses which began in the academic year 2014-15, following final approval for our plans. From September 2016 it is hoped that a new degree in Business, validated by BCU will begin.
- Following the addition to our buildings last year with the opening of a new maths block, the College has in 2015, further added to the college estate via the construction of a new student common room and refectory within a development which also provided many more classrooms for use across a range of subjects. We have also undertaken a programme of classroom refurbishment, focussing on key areas of need, with particular attention to the upgrading of the science laboratories but also subject areas such as music technology, sociology and MFL. This summer also saw the opening of our brand new sports pavilion on our Greenfields site which greatly enhances the sports and recreational facilities for both our students and the local community.

- **Programmes of Study**

The College has reviewed the curriculum pathways for all students and is now offering a range of options related to ability, interest, preferred mode of study & assessment and future direction. The focus however is on choice and personalisation. From 2015-16 the typical student will have a programme of study as below (although taking EPQ or academic enrichment is optional, all year 12 students will have to choose at least one enrichment activity):

Main Programme (3 or 4 A levels or B/CTEC plus one)
+
Recreational enrichment
+
Extended Project OR Statistical Problem Solving OR Academic Enrichment
+
1-1 and workshop support in both subjects and through a personal tutor
1-2

In addition, all students are able to receive help as appropriate in gaining suitable work experience or voluntary work placement. Those without a GCSE in English or Maths at grade C or above will also be given tuition in these areas to enable them to gain a C. On top of all the above, students have access to a professional careers service, librarian support and college counsellors according to individual need.

- **New Curriculum Initiatives**

The college has, over the past year, sought to further develop its curriculum offer in the following ways:

Finance and other Baccalaureate Courses

Continued development and extension of the Finance Baccalaureate for talented students with potential to work in the finance industry. The College is now working with 10 other partner institutions and there are around 250 students taking the qualification this year. RBS has agreed also to continue sponsorship of the programme throughout 2015, allowing for continued expansion regionally and nationally. The qualification would lead naturally into a newly designed Business degree from September 2015 (see below).

Overseas Students

King Edward's has started to deliver A level programmes to overseas students with 5 recruited in 2014-15 and targeted at least 12 for 2015-16. The college has secured UKBA accreditation in its own right as we aim to further grow towards 40-50 by 2018-19. Our senior staff have also successfully undertaken a small number of overseas visits with the full support of the British Council. The College has entered into contract arrangements with a small but growing number of key overseas agents, continues to develop

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its marketing materials and to recruit a pool of home-stay families - using parents of existing and former students. The project will be reviewed after a five year period in summer 2019 with a view to further development.

Level 4 and 5 (Degree Standard) Work

The college has continued to develop its partnership arrangements with three other leading sixth form colleges and Middlesex University as well as Birmingham City University (BCU) in order to extend its provision of higher education courses, started from September 2014. We are hoping to receive institutional approval for a business degree course from BCU or another suitable HE institution in 2016 which is an exciting new development and already showing signs of being a popular addition to our HE provision come September 2016.

HE Plus

King Edward's continues to develop the HE+ programme for students aspiring to places at the very best universities in Britain and is seen by Cambridge University as the most successful regional hub in the country. King Edward VI College, Stourbridge has also been successful in maintaining its funding from Cambridge to develop and expand the programme on offer, which is now being delivered to over 200 students from across the region.

Statistical Problem Solving Qualification

This qualification is in its third year, and is a version of an extended project for those interested in social science research e.g. Psychology, Geography as well as subjects such as Biology. The course, originally part-written by the deputy principal Mark Kent, and now rewritten with the aid of King Edward's staff, is provided by WJEC and is one against which the college is a beacon of excellence. It is jointly delivered by Psychology, Biology and Geography staff with large benefits to any student wishing for a career in the social sciences. It is anticipated that many more students will take the course next year.

Cambridge Technicals (CTECs) and BTECs

The College is continuing the roll-out of a small amount of high-end vocational provision for bright students who prefer a continuous assessment / more practical approach to study. The next course to be added (in 2016-17) is a BTEC in Biomedical Science which will provide excellent career progression for those interested in the more technician focussed fields of science such as radiography or in disciplines such as physiotherapy, nursing or biomedical science.

Level 3 Maths Course for non-Mathematicians (Core Maths)

The college is currently in the second year of trialling this qualification with MEI, who have been commissioned by the government to provide a course based on a problem-solving and critical thinking approach to mathematical ideas. It is intended to be suitable for the 50% of the student body who don't take some form of Maths qualification currently, and will last for the two year duration that a student is here. It will ultimately form one of the measures in the newly redesigned league tables. We have also successfully applied for government funding for this pilot in order to further refine the materials and delivery approaches.

FINANCIAL POSITION

Financial results

The College made a surplus of £48,815 (2013/14 £83,646) from normal college operations.

However, after charging FRS17 adjustments of £72,622 (2013/14 £66,000), the outcome recorded per the accounts (page 3) shows a deficit for the year before tax on continuing operations of £(23,807) (2013/14 surplus £17,646)

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Total cash balances of £1,247k (2014: 1,567k) were comprised of :-

	£000s	£000s
	2015	2014
National Westminster Bank Plc	12	983
HBOS	453	453
Lloyds Bank plc	501	10
COIF and College Fund HSBC	281	122
	<hr/>	<hr/>
Total cash balance	£1,247	£1,568
	<hr/> <hr/>	<hr/> <hr/>

The accumulated reserves of the College amounted to £10,677k which comprises a general reserve and pension reserve.

Tangible fixed asset additions during the year amounted to £2,637k. This was split between improvement to leasehold property of £30k, Land & Buildings Arts block of £2,385k and general equipment purchased of £222k

The College has significant reliance on the EFA for its principal funding source, largely from recurrent grants. In 2014/15 the EFA provided 97.37% (2014: 98.20%) of the College's total income .

Treasury Management

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

Borrowing requires the authorisation of the Board of Governors and must comply with the requirements of the Financial Memorandum of the EFA.

Cash flows

Net cash outflow for the year amounted to £320,261 (2013/14 outflow £7,080).

Liquidity

The College ensures that sufficient cash balances are preserved in real terms to enable capital repayments and fund operational activities without recourse to overdraft or loan funding. During the year this margin was comfortably exceeded.

KING EDWARD VI COLLEGE, STOURBRIDGE**OPERATING AND FINANCIAL REVIEW****FOR THE YEAR TO 31 JULY 2015****CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE****Student numbers**

The College is funded according to the number of students, their learning programmes and their achievement. In 2014/15 the College received its EFA main allocation funding target of £7,900,307 (2013/14- £7,818,133) by maintaining a strong College roll with excellent retention rates, and by achieving excellent examination results.

In 2014/15 the College achieved its EFA target total of 1,860 students achieving 1,997 on roll on 1st October 2015. The College had a high in-year retention figure of 97% and an achievement profile of a 99.4% pass rate at A level and a 95.6 pass rate at AS level. The College exceeded its funding target by 7.3%. In addition to the above there was also a total of 13 overseas students on roll at 1st October 2015.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2014 to 31 July 2015, the College paid 94 per cent of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

Post balance sheet events

There were no post balance sheet events.

Future developments

The College remains a very popular destination for students and results continue to exceed national averages. Whilst it is recognised that funding is likely to be adversely affected over the next few years, finance and reserves remain robust. For the foreseeable future the College remains a going concern.

Resources

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

Tangible resources held of £14.1m include the main college site in addition to £1.4m held in current assets.

Financial

The College has £10.7m of net assets (including £1.35m pension liability) and long term debt of £2.6m.

People

The College employs 158 (2013/14 - 156) people (expressed as full time equivalents), of whom 93 (2013/14 - 93) are teaching staff.

Reputation

The College has an excellent reputation both locally and nationally. Maintaining a quality brand is essential to the College's continued success at attracting students and external relationships.

PRINCIPAL RISKS AND UNCERTAINTIES**(i) Funding**

Instability exists both nationally and at institutional level, as a result of reduction to entitlement funding (down to only 73% of the previous grant levels covering student enrichment, tutorial and careers) to the base unit of funding, down to just £4,000 per student.

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King Edward's has already faced a funding reduction of up to 17% per student over the past three years and will now lose some additional £745,000 when formula protection ends in 2015/16. The college plan to mitigate against the impact of this reduction within its principal income source by increasing its actual student numbers from 1,860 in the current year, to 1,997 for 2015/16 and through to 2,100 in 2016/17.

The College also looks to reduce reliance on central government funding, in the light of this uncertainty and are looking toward the recruitment of additional overseas students and actively exploring other income opportunities.

The long term future of capital funding is unclear at this time, however as a sixth form college we are duly eligible and will be submitting a bid against the recently introduced Condition Improvement Fund [CIF] in 2015/16.

(ii) Efficiency

The College is now running at considerably greater efficiency levels than in previous years, albeit that we shall have to increase curriculum staffing by 2 for 2015/16 in order to staff the classes linked to the associated growth of our student population. The known existing change to funding methodology and threat of reduced funding per student from 2016/17 requires us to review all costing processes in order to better monitor and manage our programmes for the future and explore and develop even greater efficiencies within our curriculum.

(iii) Other Local and national economic issues

Budget cuts have hit DMBC and all other local institutions, meaning that the level of services on offer from careers to music tuition is now considerably reduced. The college has responded by employing a specialist careers advisor and in recruiting our own pool of peripatetic music teachers.

Increased competition from all institutions is now a major issue. Marketing from our competitors is becoming more aggressive and increased student enticements such as £500 bursaries, free tablets and free bus travel are becoming commonplace.

Many colleges now boast newer buildings and more modern accommodation and there is some evidence that some of the most able students are being drawn away from King Edward's, so it is important that we find alternative strategies to draw such students to the college. We have accordingly recently invested in our new buildings and increased our own marketing and publicity, introducing bursaries of our own and now looking to recruit further afield; at the same time as improving upon our student transport links.

(iv) Accommodation needs

College accommodation has been maintained and improved to allow for updating of technology and increases in capacity, with a new-build Maths teaching block opened in September 2013 as well as a new Arts block and JCR which opened in January 2015. Pressure on resources continues as our student numbers grow and we will continue to update the college site and infrastructure. We are pleased to present the image of a vibrant, modern learning environment whilst still maintaining attractive buildings complete with their historical tradition of excellence

(v) Other activities

The College continues to develop and embed its system of internal control, including financial, operational and risk management, in order to protect the College assets and reputation. The Risk Committee meet regularly to review the nature and extent of risks facing the college organisation.

The Risk Committee has governor representation each time it meets and there is an annual reporting mechanism in place to allow the Governors to review the effectiveness of its operation.

All risks are recorded into a risk register and identify the level of risk of each eventuality, the likelihood of those risks occurring, together with their potential impact on the College. Risks are ranked and prioritised using a consistent scoring system.

KING EDWARD VI COLLEGE, STOURBRIDGE**OPERATING AND FINANCIAL REVIEW****FOR THE YEAR TO 31 JULY 2015****STAKEHOLDER RELATIONSHIPS**

In line with other colleges and with universities, King Edward VI College has many stakeholders. These include:

- Students
- Funding Councils
- Staff
- Sixth form providers and other FE institutions
- Local Authorities
- Government Offices/ Regional Development Agencies
- The local community
- Local schools
- Providers of work-based learning (local employers)
- Trade unions
- Professional bodies

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

Charitable and taxation status

The College is an exempt charity for the purposes of The Charities Act 2011 and is not liable to corporation tax.

Equality and Diversity

King Edward's is committed to ensuring equality of opportunity for all who learn and work here. We respect and positively value differences in race, gender, sexual orientation, physical ability or disability 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's Equality & Diversity Policy is published on the College website.

The College considers all applications for employment 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. This in turn reaffirms its already long-standing commitment to the needs of physically disabled people and those with learning difficulties. The College also seeks to make students, parents, teachers, and careers advisers alike, aware of the existing provision for study and support currently available at the College for the disabled and those with learning difficulties, and, thereby, to assist those with special educational needs to make well-informed choices about further education. King Edward's is committed to ensuring that disabled students or those with learning difficulties are not disadvantaged in any way or discriminated against, receive the same educational experience and pastoral care as their peers, and reach their full academic and social potential.

These commitments are evidenced in a number of different ways. These include:

- A dedicated additional learning support [ALS] team who provide a variety of support to students with learning differences and/or physical disabilities.
- The College has a range of specialist equipment available for use by disabled students and staff.
- The admissions policy for all students is referred to on the College website, together with its associated appeals procedure.

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- An extensive programme of physical improvements to buildings, to assist both the physically disabled and the visually impaired, has been implemented by the Governors and access to most parts of the College is now possible for the physically disabled.
- A full audit of access for the disabled has been carried out by experts to enable the College to meet the requirements of DDA. The existing alterations were completed in 2014 and continue to be maintained through all of our new build developments.
- There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
- 2 educational assessors are employed by the college who are able to assess and diagnose some learning difficulties.

Disclosure of information to auditors

The Governors 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 Governor 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 Governors of the College on 09 December 2015 and signed on its behalf by:

Professor Chris Painter
Chairman

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FOR THE YEAR TO 31 JULY 2015

Professional advisers

Financial statement and regularity auditors

CK Audit
No.4 Castle Court 2
Castlegate Way
Dudley
West Midlands
DY1 4RH

Bankers

Lloyds Bank Plc
125 Colmore Row
Birmingham
West Midlands
B3 3SF

KING EDWARD VI COLLEGE, STOURBRIDGE

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

FOR THE YEAR TO 31 JULY 2015

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

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

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the College Board has adopted and complied with the Foundation Code.

In the opinion of the Governors, the College complies with all the provisions of the Foundation Code, and it has complied throughout the year ended 31 July 2015. The Governing body recognises that, as a body entrusted with both public and private funds, it has particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The English Colleges' Foundation Code of Governance issued by the Association of Colleges in December 2011, which it formally adopted in March 2014 and the Audit and Accountability Annex to the Foundation Code that was issued in March 2013 and adopted by the College in June 2014.

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

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STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

FOR THE YEAR TO 31 JULY 2015

The Governing Body

The Governors serving during the year and up to the date of signature of this report are listed in the following table

Name	Date of appointment (note 1)	Term of Office	Date of Resignation	Status of appointment	Committees served (note 2)	Attendance in 2014/15
Prof Chris Painter (Chair)	1 Sept 2010 1 Sept 2014	4 years		Foundation Governor	F&R Rem, S Prof Chris Painter is also a member of the Trustees	23/23
Mr Chris Fonteyn MBE (Vice Chair)	1 Sept 2010 1 Sept 2014	4 years		Foundation Governor	F&R, Rem, AA Mr Chris Fonteyn is also a member of the Trustees	17/17
Mrs Gloria Bates	10 Oct 2012 1 Sept 2014	4 years	31 August 2015		Aud.	9/12
Mr Ian Carey	1 Sept 2014	4 years			F&R	5/13
Mrs Nicola Chapman	9 Dec 2015	4 years		Foundation Governor	Aud	NA
Andrew Condlyffe	1 Feb 2009 1 Sept 2012 1 Sept 2015	4 years		Foundation Governor	S, QS (to 14/10/2015) FR (from 14/10/2015) Mr Andrew Condlyffe is also a member of the Trustees	15/16
John Cunningham	10 Oct 2012	31 August 2016		Foundation Governor (nominated by Dudley MBC)	Aud. Rem	14/14
Mr Alan Cutler	12 July 1995 1 Sept 1997 1 Sept 2001 1 Sept 2005 1 Sept 2009 1 Sept 2013	4 years		Foundation Governor	Aud, S Mr Alan Cutler is also a member of the Trustees	15/16
Dr Peter Hancox	12 Oct 2005 1 Sept 2009 1 Sept 2013	4 years		Foundation Governor (nominated by Birmingham University)	Aud. AA, S (April 2015 to October 2015)	8/14
Mr Andrew Hollies	8 July 2015	To 31 Aug 2018		Foundation Governor	F&R	N/A
Mrs Kathleen Jackson	1 Jan 2011 1 Jan 2015	4 years 4 years		Parent Governor Foundation Governor		14/14

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FOR THE YEAR TO 31 JULY 2015

Name	Date of appointment (note 1)	Term of Office	Date of Resignation	Status of appointment	Committees served (note 2)	Attendance in 2014/15
Mrs Ruth Waterhouse	13 May 2015	To 31 April 2017		Parent Governor	S	1/1
Mr Jeff Caseley	1 February 2015	4 years		Staff Governor		5/5
Mrs Diane Edwards	1 Jan 2011	4 years	31 December 2014	Staff Governor	S	4/4
Ms Bethan Weston-Smith	27 March 2013	Up to 31/12/2016		Staff Governor	QS	9/11
Miss Alice Parker	14 May 2014		30 April 2015	Student Governor	QS	4/7
Ms Stacey Atim Uma	14 May 2014		30 April 2015	Student Governor		3/5
Mr Cameron Di Leo	13 May 2015	30 April 2016		Student Governor	QS (to 14 Oct 2015)	2/3
Ms Nadia Hathway	13 May 2015	30 April 2016		Student Governor	QS (from 14 Oct 2015)	2/2
Mr David Burrows	Co opted member of the Audit Committee from 1 August 2008 to 31 July 2012 Co opted member of the Audit Committee from 12 December 2012 to 31 August 2016 Mr David Burrows is also a member of the Trustees					3/3
Mrs Elizabeth Ball	Clerk to the Governors from 1 April 2014					

Note 1:

Date of first appointment is given with subsequent re-appointment dates

Note 2:

AA Academic Appeals Committee

Aud = Audit Committee

FR = Finance and Resources Committee

S = Search Committee

QS = Quality and Standards Committee

Rem = Remuneration Committee

SA = Staffing Appeals Committee

KING EDWARD VI COLLEGE, STOURBRIDGE

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

FOR THE YEAR TO 31 JULY 2015

The Governing Body (continued)

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

The Governors are 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 seven times per year.

The Governing Body conducts its business through a number of committees. Each committee has terms of reference which are approved annually by Governors. These committees are: Audit, Finance and Resources, Search, Quality and Standards, Remuneration and Staffing Appeals. Minutes of all meetings except those deemed by the Governing Body to be confidential are available from the Clerk to the Governors at King Edward VI College, Stourbridge, West Midlands, DY8 1TD.

The Clerk to the Governors 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 Governors who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, appraisal 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 Chairman and Principal are separate.

Appointments to the Governing Body

Any new appointments to the Governing Body are a matter for consideration of the Governing Body as a whole. The Governing Body has a Search Committee which comprises four Governors as set out in the Table of Governors above. This Committee is responsible for the selection and nomination of any new member for consideration by the Governing Body other than the Parent, Staff and Student Governors who are elected. The Governing Body is responsible for ensuring that appropriate training is provided as required.

The Governors are appointed for a term of office not exceeding four years.

Remuneration Committee

Throughout the year ending 31 July 2015 the College's Remuneration Committee comprised four Governors as set out in the Table of Governors above. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal, other senior post holders and the Clerk to the Governors.

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

Audit Committee

The Audit Committee comprises four Governors (excluding the Principal and the Chairman) and one or more co-opted Governor as set out in the Table of Governors above. The Committee operates in accordance with written terms of reference approved annually by the Governing Body.

The Audit Committee meets at least on a termly basis and provides a forum for reporting by the College's financial statements auditors who also have access to the Committee for independent discussion without the

KING EDWARD VI COLLEGE, STOURBRIDGE

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

FOR THE YEAR TO 31 JULY 2015

presence of College management. The Committee receives and considers reports from external bodies, including those planned as part of the independent evaluation programme, as they affect the College's business.

The College has evolved its own system of internal control, risk management controls and governance processes in accordance with an agreed plan of input and reports its findings to management and the Audit Committee.

Management is responsible for the implementation of agreed audit recommendations and reports back as and when such recommendations have been implemented.

The Audit Committee also advises the Governing Body on the appointment financial statements auditors and their remuneration for both audit and non-audit work.

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 Governors have delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal financial control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which the Principal is responsible, in accordance with the responsibilities assigned to the Principal in the Financial Memorandum between King Edward VI College and the Education Funding Agency. The Principal is also responsible for reporting to the Governing Body any material weaknesses or breakdowns in internal financial control.

The purpose of the system of internal control

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

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 period ending 31 July 2015 and up to the date of the approval of the annual report and accounts. 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; and
- the adoption of formal project management disciplines where appropriate.

KING EDWARD VI COLLEGE, STOURBRIDGE

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

FOR THE YEAR TO 31 JULY 2015

King Edward VI College has an external evaluation function which has replaced the previous internal audit service and which operates in accordance with the requirements of the Audit Code of Practice. The work of the external evaluation function is informed by an analysis of a broad spectrum of the risks to which the College is exposed and by the college's self assessment report. External evaluation activities are based on this analysis. The analysis of risks and the external evaluation activities are endorsed by the Governing Body on the recommendation of the Audit Committee. At least annually the Principal provides the Governing Body with a report on the external evaluation activity undertaken for the College.

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

The Principal has been advised on the implications of the result of the review of the effectiveness systems of internal control by the Audit Committee, which oversees the work of the Risk Management Group. A plan is in place to address weaknesses and ensure continuous improvement of the systems.

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 departments and reinforced by risk awareness training. 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 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 October 2014 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 the independent evaluation programme and taking account of events since 31 July 2015.

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

Going Concern

After making appropriate enquiries the Governors consider 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.

KING EDWARD VI COLLEGE, STOURBRIDGE

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

FOR THE YEAR TO 31 JULY 2015

The King Edward VI College, in Stourbridge, is a non-denominational sixth form College designated under section 30 of the Further and Higher Education Act 1992; which is within the further education sector established by that Act. Unlike the majority of sixth form and further education Colleges, incorporation of the College was not possible for King Edward's at that time because of its long establishment as a charitable trust dating back to its foundation in 1552. However, the Learning and Skills Act 2000, provided for the incorporation of the Governing Bodies of designated Colleges and, for King Edward's, this took place on 1 April 2001.

King Edward VI College is an exempt charity under the Part 3 of the Charities Act 2011 and from 1st September 2013, is regulated by the Secretary of State for Business, Innovation and skills as Principal Regulator for all FE Corporations.

Any members of the Governing Body, who are also trustees of the charity, are highlighted on page 1m. The Trustees are required under the terms of the Trust deed to provide accommodation to the Governors for educational purposes. A Memorandum of Understanding between the Foundation Trustees and the Governors has been signed by both Boards to facilitate this arrangement. The Governors have the oversight of the on-going strategic educational and resource requirements of the College, while day-to-day management is the responsibility of the Principal and Senior Management Team. The staff members of the College are employed by the Board of Governors.

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

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

We confirm, on behalf of the Corporation, that to the best of its knowledge, the Corporation believes it is 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 further confirm that any instances of material irregularity, impropriety or funding non-compliance discovered to date have been notified to the Education Funding Agency

We confirm that no instances of material irregularity, impropriety or 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.

Approved by order of the Board of Governors on 09 December 2015 and signed on its behalf by:

Signed:

Signed:

Professor Chris Painter
Chairman

Ms Remley Mann
Principal

KING EDWARD VI COLLEGE, STOURBRIDGE

STATEMENT OF RESPONSIBILITIES OF THE BOARD OF GOVERNORS

FOR THE YEAR TO 31 JULY 2015

The Governors of the College are required to present audited financial statements for each financial year.

Within the terms and conditions of the Financial Memorandum agreed between the Education Funding Agency (EFA) and the Board of Governors of the College, the Board of Governors, 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 2013-14 financial statements issued jointly by the Skills Funding Agency and the EFA, and which give a true and fair view of the state of affairs of the College and the result for that year.

In preparing the financial statements the Board of Governors 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 Board of Governors is also required to prepare a Board of Governors 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 Board of Governors 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 relevant legislation 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 the College website is the responsibility of the Board of Governors of the College. The work carried out by 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.

Governors of the College 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 Council are used only in accordance with the Financial Memorandum with the Council and any other conditions which the Council may from time to time prescribe. The Governors must ensure that there are appropriate financial and management controls in place sufficient to safeguard public funds and other funds and ensure they are used properly. In addition, the Board of Governors 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 Council are not put at risk.

Approved by order of the Board of Governors on 09 December 2015 and signed on its behalf by:

Professor Chris Painter
Chairman

KING EDWARD VI COLLEGE, STOURBRIDGE**INDEPENDENT AUDITORS' REPORT TO THE BOARD OF GOVERNORS****FOR THE YEAR TO 31 JULY 2015**

We have audited the financial statements of King Edward VI College, Stourbridge for the year ended 31 July 2015, which comprise the income and expenditure account, the balance sheet, the cash flow statement, the statement of recognised gains and losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK accounting standards (UK Generally Accepted Accounting Practice).

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

Respective Responsibilities of the Board of Governors and Auditors

As explained more fully in the Statement of Responsibilities of the Board of Governors on page 1s, the College's Board of Governors is responsible for the preparation of financial statements which give a true and fair view.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Governors; and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the College as at 31 July 2015 and of the surplus of income over expenditure for the year then ended;
- the financial statements have been properly prepared in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education.
- proper accounting records have been kept; and
- the financial statements are in agreement with the accounting records.

Wendy Davies (Senior Statutory Auditor)
for and on behalf of CK Audit

Chartered Accountants
Statutory Auditor

09 December 2015

No 4 Castle Court 2
Castlegate Way
Dudley
West Midlands
DY1 4RH

KING EDWARD VI COLLEGE, STOURBRIDGE

INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR TO 31 JULY 2015

	Note	2015 £	2014 £
INCOME			
Funding Body Income	2	8,315,198	8,190,524
Other operating income	3	216,345	137,779
Investment income	4	7,945	10,058
Total income		<u>8,539,488</u>	<u>8,338,361</u>
EXPENDITURE			
Staff costs	5	6,494,249	6,250,104
Other operating expenses	7	1,521,434	1,613,287
Depreciation	10	475,646	415,866
Interest payable	9	71,966	42,358
Total expenditure		<u>8,563,295</u>	<u>8,321,615</u>
(Deficit)/Surplus on continuing operations after depreciation of assets at valuation and exceptional items but before tax		(23,807)	16,746
Donation from College Fund		-	-
Profit on disposal of assets		-	900
Taxation	8	-	-
(Deficit)/Surplus on continuing operations after depreciation of assets at valuation, exceptional items and tax	19	<u>(23,807)</u>	<u>17,646</u>

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

KING EDWARD VI COLLEGE, STOURBRIDGE
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR TO 31 JULY 2015

	2015 £	2014 £
(Deficit)/Surplus on continuing operations after depreciation of assets at valuation, exceptional items and tax	(23,807)	17,646
Actuarial gain in respect of pension scheme	<u>(200,000)</u>	<u>61,000</u>
Total recognised (losses)/gains relating to the year	<u><u>(223,807)</u></u>	<u><u>78,646</u></u>
Reconciliation		
Opening reserves	919,607	840,961
Total recognised (losses)/gains for the year	<u>(223,807)</u>	<u>78,646</u>
Closing reserves	<u><u>695,800</u></u>	<u><u>919,607</u></u>

KING EDWARD VI COLLEGE, STOURBRIDGE

BALANCE SHEET

AT 31 JULY 2015

	Note	2015 £	2014 £
Fixed assets			
Tangible assets	10	14,080,560	11,919,056
Investments	12	-	-
		<u>14,080,560</u>	<u>11,919,056</u>
Current assets			
Stock		2,270	3,034
Debtors	13	81,696	299,462
Investments	14	86,250	86,250
Cash at bank and in hand		1,246,669	1,566,930
Total current assets		<u>1,416,885</u>	<u>1,955,676</u>
Creditors: amounts falling due within one year	15	<u>(1,012,659)</u>	<u>(1,028,630)</u>
Net current (liabilities)/assets		<u>404,226</u>	<u>927,046</u>
Total assets less current liabilities		14,484,786	12,846,102
Creditors: amounts falling due after one year	16	(2,442,762)	(1,336,907)
Provisions for liabilities and charges	18	(11,687)	(13,706)
Net assets excluding pension scheme liability		<u>12,030,337</u>	<u>11,495,489</u>
Net Pension Scheme liability	25	<u>(1,353,617)</u>	<u>(1,079,617)</u>
Net assets including pension scheme liability		<u>10,676,720</u>	<u>10,415,872</u>
Reserves and grants			
Deferred capital grants	17	<u>9,980,920</u>	<u>9,496,265</u>
Reserves			
General reserve excluding pension reserve		2,049,417	1,999,224
Pension reserve		(1,353,617)	(1,079,617)
General reserve including pension reserve	19	<u>695,800</u>	<u>919,607</u>
Total reserves		<u>695,800</u>	<u>919,607</u>
TOTAL		<u>10,676,720</u>	<u>10,415,872</u>

The financial statements on pages 3 to 23 were approved by the Board of Governors on 09 December 2015 and signed on behalf of the Board by the Chairman and by the Principal on behalf of the College.

Professor Chris Painter
Chairman

Ms Remley Mann
Principal

KING EDWARD VI COLLEGE, STOURBRIDGE

CASH FLOW STATEMENT

FOR THE YEAR TO 31 JULY 2015

	Note	2015 £	2014 £
Cash flow statement			
Net cash (outflow)/inflow from operating activities	20	368,121	(390,736)
Returns on investments and servicing of finance	21	(66,021)	(22,300)
Capital expenditure and financial investment	22	(1,817,793)	(291,628)
Financing	23	1,195,432	697,584
(Decrease)/Increase in cash	24	<u>(320,261)</u>	<u>(7,080)</u>
 Reconciliation of net cash flow to movement in net debt			
(Decrease)/Increase in cash in the period		(320,261)	(7,080)
Loan increase net of repayments		<u>(1,195,432)</u>	<u>(697,584)</u>
Change in net funds		(1,515,693)	(704,664)
Net funds at 31 July 2014		253,587	958,251
Net funds at 31 July 2015	24	<u>(1,262,106)</u>	<u>253,587</u>

KING EDWARD VI COLLEGE, STOURBRIDGE

NOTES TO THE GOVERNORS' FINANCIAL STATEMENTS

FOR THE YEAR TO 31 JULY 2015

1 Accounting policies**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 in Further and Higher Education 2007 (the SORP) and in accordance with applicable Accounting Standards. They conform to guidance published by the Education Funding Agency (EFA), in the Accounts Direction Handbook.

Basis of accounting

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

Going concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Operating and Financial Review. The financial position of the College, its cashflow, liquidity and borrowings are described in the Financial Statements and accompanying notes.

Recognition of income

Income from research grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned. All income from short-term deposits is credited to the income and expenditure account in the year in which it is earned. The annual recurrent allocation from the EFA, which is intended to meet recurrent costs, is credited direct to the income and expenditure account.

The recurrent grants from the EFA represent the funding allocations attributable to the current financial year and are credited direct to the income and expenditure account. Recurrent grants are recognised in line with planned activity. Any under achievement against this planned activity is adjusted in the year and reflected in the level of recurrent grant recognised in the income and expenditure account.

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

KING EDWARD VI COLLEGE, STOURBRIDGE

NOTES TO THE GOVERNORS' FINANCIAL STATEMENTS

FOR THE YEAR TO 31 JULY 2015

1 Accounting policies (continued)**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 are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payrolls. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. The TPS is a multi employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution 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.

Enhanced Pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by a 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 pensions spreadsheet provided by the AOC on behalf of the EFA.

Tangible fixed assets**a Land and buildings**

Freehold land and buildings are owned by the Foundation Trustees and are used by the College under a Memorandum of Understanding.

Minor Improvements and alterations to freehold buildings are written off to the income and expenditure account in the year they are carried out. Major improvements, alterations and extensions to freehold buildings are capitalised at cost. Where they are acquired with the aid of specific grants, the related grants are credited to a deferred capital grant account. The deferred capitals are written off over the expected useful life of the asset.

Improvements to leasehold property are written off straight line over a period of ten years commencing with the date of first usage.

Freehold buildings are depreciated over their expected useful life of 50 years. This represents a change in accounting policy.

b Buildings owned by third parties

Where buildings are used, but the legal rights are held by a third party, they are capitalised if the College has rights or access to ongoing future economic benefit. These buildings are depreciated over 50 years. This represents a change in accounting policy (see prior year adjustment note above).

KING EDWARD VI COLLEGE, STOURBRIDGE

NOTES TO THE GOVERNORS' FINANCIAL STATEMENTS

FOR THE YEAR TO 31 JULY 2015

1 Accounting policies (continued)**c Equipment**

Inherited equipment is depreciated on a straight line basis over its remaining useful economic life to the College of 3 years.

All equipment is depreciated over its useful economic life as follows:

General equipment	: - between 3 & 10 years on a straight-line basis
Technical equipment	: - up to 10 years as prescribed by the board of governors
Motor vehicles	: - 20% straight line

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.

Leased assets

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Investments

Current asset investments are included in the balance sheet at the lower of their original cost and net realisable value.

Maintenance of premises

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

Taxation

The College is an exempt charity within the scope Charities Act 2011 and as such is a charity within the meaning of section 506(1) of the Income and Corporation Taxes Act 1988 (ICTA 1988). Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 505 of ICTA 1988 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

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.

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 Learner Support Funds. Related payments received from the EFA and subsequent disbursements to students are excluded from the income and expenditure account and are shown separately in Note 35, except for the 5% of the grant received which is available to the College to cover the administration of Learner Support Fund applications and payments.

KING EDWARD VI COLLEGE, STOURBRIDGE

NOTES TO THE GOVERNORS' FINANCIAL STATEMENTS

FOR THE YEAR TO 31 JULY 2015

2 Education Funding Agency Grants

	2015	2014
	£	£
Recurrent grant	7,980,494	7,955,055
Release of deferred capital grant (note 17)	334,704	235,469
	<u>8,315,198</u>	<u>8,190,524</u>

3 Other operating income

	2015	2014
	£	£
Recharges	8,290	6,166
Seconded staff	35,852	12,581
Overseas students	45,708	19,600
Library fines	1,469	406
Stationery, equipment, books and photocopying sales	1,046	809
Transport Contribution	1,511	1,667
Examination fees	51,081	40,781
Telephone calls	20	49
Music lessons	21,426	24,209
Other income	15,316	19,549
Catering	-	-
Project income	28,714	-
Donations	5,912	11,962
	<u>216,345</u>	<u>137,779</u>

4 Investment income

	2015	2014
	£	£
Income from investments	4,336	3,957
Bank and building society interest	3,609	6,101
	<u>7,945</u>	<u>10,058</u>

KING EDWARD VI COLLEGE, STOURBRIDGE

NOTES TO THE GOVERNORS' FINANCIAL STATEMENTS

FOR THE YEAR TO 31 JULY 2015

5 Staff costs

The average weekly 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 – teaching staff	93	93
Teaching departments - other staff	21	14
Administration and central services	31	37
Premises	13	12
	<u>158</u>	<u>156</u>

Staff costs for the above persons:

	2015 £	2014 £
Teaching departments – teaching staff	4,400,724	4,255,387
Teaching departments – other staff	566,941	353,860
Administration and central services	1,214,100	1,351,077
Premises	236,484	233,780
FRS 17 Adjustment	76,000	56,000
	<u>6,494,249</u>	<u>6,250,104</u>

	£	£
Wages and salaries	5,295,935	5,131,661
Social security costs	376,080	369,437
Other pension costs	746,234	693,006
FRS 17 Adjustment	76,000	56,000
	<u>6,494,249</u>	<u>6,250,104</u>

	£	£
Employment costs for staff on permanent contracts	6,178,899	5,947,088
Employment costs for staff on short term and temporary contracts	66,350	82,016
FRS 17 retirement benefit charge	249,000	221,000
	<u>6,494,249</u>	<u>6,250,104</u>

KING EDWARD VI COLLEGE, STOURBRIDGE

NOTES TO THE GOVERNORS' FINANCIAL STATEMENTS

FOR THE YEAR TO 31 JULY 2015

5 Staff costs (continued)

The number of staff, including senior post-holders and the Principal, who received emoluments 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
£30,001 to £40,000	1	1	-	-
£60,001 to £70,000	-	1	3	1
£70,001 to £80,000	2	1	-	1
£80,001 to £90,000	-	-	-	-
£101,000 to £110,000	1	1	-	1
	<u>4</u>	<u>4</u>	<u>3</u>	<u>3</u>

A 1% general pay award was made for the year.

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:	<u>4</u>	<u>4</u>

Senior post-holders' emoluments are made up as follows:

	2015 £	2014 £
Salaries	266,382	245,225
Pension contributions	38,266	34,730
Total emoluments	<u>304,648</u>	<u>279,955</u>

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

	£	£
Salary	99,144	95,344
Pension contributions	13,979	13,444
Total emoluments	<u>113,123</u>	<u>108,788</u>

The Governors, other than the staff members do not receive any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties. In the year to 31 July 2015 the amounts paid to Governors for these expenses was £nil (2014 £300).

Senior post-holders, including the Principal, received 1% pay award. This was approved by the Governing Body.

KING EDWARD VI COLLEGE, STOURBRIDGE

NOTES TO THE GOVERNORS' FINANCIAL STATEMENTS

FOR THE YEAR TO 31 JULY 2015

7 Other operating expenses

	2015	2014
	£	£
Teaching departments	169,568	210,936
Teaching support services	34,543	22,218
Other support services	67,444	88,532
Administration and central services	442,026	479,098
General education	457,523	434,837
Premises costs	339,473	360,118
Planned maintenance	6,114	11,250
Catering equipment and maintenance	4,743	6,298
	<u>1,521,434</u>	<u>1,613,287</u>

Other operating expenses include:

	£	£
Auditors' remuneration		
- internal audit	-	-
- external audit	8,160	7,920
- other services provided either by external or internal auditors	3,254	1,560
Operating leases – Land and buildings	83,582	106,913
– Other	79,943	83,609
	<u>174,942</u>	<u>200,002</u>

8 Taxation

The College is a Charity for the purposes of The Charities Act 2011 and is not liable to corporation tax.

9 Interest and other finance costs

	2015	2014
	£	£
On bank loans repayable wholly or partly in more than five years	73,966	32,358
Pension finance income/(costs) (note 25)	(2,000)	10,000
	<u>71,966</u>	<u>42,358</u>

KING EDWARD VI COLLEGE, STOURBRIDGE

NOTES TO THE GOVERNORS' FINANCIAL STATEMENTS

FOR THE YEAR TO 31 JULY 2015

10 Tangible fixed assets

Cost or valuation	Non Beneficial Interest in property £	Improvements to leasehold property £	Freehold land and buildings £	Asset in the Course of Construction £	Inherited capital items £	General equipment £	Motor vehicles £	Total £
At 1 August 2014	6,025,237	157,297	4,822,069	1,843,870	140,945	970,704	84,572	14,044,694
Additions	-	30,099	2,385,543	-	-	221,510	-	2,637,152
Disposals	-	-	-	-	-	-	-	-
Transfer	-	-	1,749,955	(1,843,870)	-	93,915	-	-
At 31 July 2015	6,025,237	187,396	8,957,567	-	140,945	1,286,129	84,572	16,681,846

Depreciation

At 1 August 2014	602,530	135,078	519,887	-	140,945	676,750	50,450	2,125,640
On disposals	-	-	-	-	-	-	-	-
Charge for year	120,505	22,423	212,266	-	-	110,686	9,766	475,646
At 31 July 2015	723,035	157,501	732,153	-	140,945	787,436	60,216	2,601,286

Net book value

At 31 July 2015	5,302,202	29,895	8,225,414	-	-	498,693	24,356	14,080,560
At 31 July 2014	5,422,707	22,219	4,302,182	1,843,870	-	293,954	34,122	11,919,054

Tangible fixed assets inherited from the Local Education Authority at the vesting day have been valued by the Board of Governors on a depreciated replacement cost basis with the assistance of independent professional advice.

11 Freehold land and buildings

The non beneficial interest in freehold property represents a value which has been attributed to land and buildings owned and funded by the Trustees. The College has the right to occupy the property for its educational purposes and this right is established by a Charitable Scheme and is amplified in a (Memorandum of Understanding between the Trustees and the Board of Governors. The value attributed to these buildings is based on a notional rent value. The corresponding credit has been transferred to deferred capital grants.

This change in accounting policy was approved by the Governors at a full board meeting in July 2009.

Freehold land and buildings have been funded by the College but are owned by the Trustees.

KING EDWARD VI COLLEGE, STOURBRIDGE

NOTES TO THE GOVERNORS' FINANCIAL STATEMENTS

FOR THE YEAR TO 31 JULY 2015

12 Fixed asset investment

The college previously owned 100% of the share capital of KEVIC Limited, a company incorporated in England and Wales. This company has since been wound up, the official date of strike off was 30 August 2012. As all balances with the College were repaid in February 2012 no investment has been shown in the accounts.

13 Debtors

	2015	2014
	£	£
Amounts falling due within one year:		
Grants and charges receivable	-	-
Prepayments and accrued income	45,413	70,266
Other debtors	36,283	229,196
Amounts due from group companies	-	-
	<u>81,696</u>	<u>299,462</u>

14 Investments

	2015	2014
	£	£
COIF charities fixed interest and deposit fund	<u>86,250</u>	<u>86,250</u>

Market value at 31 July 2015 - COIF fixed interest and deposit fund £95,950 (2014 £92,286).

15 Creditors: amounts falling due within one year

	2015	2014
	£	£
Trade creditors	547,309	549,072
Accruals and deferred income	294,522	397,506
Bank loan	152,262	62,685
Other Creditor	18,566	19,367
	<u>1,012,659</u>	<u>1,028,630</u>

KING EDWARD VI COLLEGE, STOURBRIDGE

NOTES TO THE GOVERNORS' FINANCIAL STATEMENTS

FOR THE YEAR TO 31 JULY 2015

16 Creditors: amounts falling due after one year

	2015	2014
	£	£
Bank loan	2,442,762	1,336,907
	<u>2,442,762</u>	<u>1,336,907</u>

The Governors have arranged for a loan from Lloyds TSB plc totalling £1 million, to be repaid over 20 years, to assist with the financing of the development of C Block and the DDA building works. The full amount of this loan had been drawn down by 31 July 2009. An additional loan totalling £2million has been drawn by 31 July 2015. The loan is unsecured, but the Trustees have issued, at the request of the Governors, a letter of negative pledge in respect of the college buildings which was one of the conditions stipulated by the bank for the issue of the loan.

Analysis of loans

	2015	2014
	£	£
Not wholly repayable within five years by instalments:		
Bank loan	2,595,024	1,399,592
Included in current liabilities	(152,262)	(62,685)
	<u>2,442,762</u>	<u>1,336,907</u>
Instalments not due within five years	<u>1,808,355</u>	<u>670,482</u>
Loan maturity analysis	£	£
In more than one year but not more than two years	155,283	536,505
In more than two year but not more than five years	479,124	129,920
In more than five years	<u>1,808,355</u>	<u>670,482</u>

17 Deferred Capital Grant

	LSC	Other	Total
	Grants	Grants	£
	£	£	£
At 1 August 2014	699,422	8,796,843	9,496,265
Received from EFA 2012-13 capital building project	-	819,359	819,359
Received from Trustees	-	-	-
Released to income and expenditure account	(15,543)	(319,161)	(334,704)
At 31 July 2015	<u>683,879</u>	<u>9,297,041</u>	<u>9,980,920</u>

KING EDWARD VI COLLEGE, STOURBRIDGE

NOTES TO THE GOVERNORS' FINANCIAL STATEMENTS

FOR THE YEAR TO 31 JULY 2015

18 Provisions for liabilities and charges

	£
At 1 August 2014	13,706
Expenditure in the year	(907)
Transferred from income and expenditure account	(1,112)
	<hr/>
At 31 July 2015	<u>11,687</u>

19 Movement on general reserve

	2015 £	2014 £
Income and expenditure account reserve		
At 1 August	919,607	840,961
(Deficit)/Surplus for the year	(23,807)	17,646
Actuarial (loss)/gain in respect of pension scheme	(200,000)	61,000
	<hr/>	<hr/>
At 31 July	<u>695,800</u>	<u>919,607</u>
Balance represented by:	£	£
Pension reserve	(1,353,617)	(1,079,617)
Income and expenditure account reserve excluding pension reserve	2,049,417	1,999,224
	<hr/>	<hr/>
At 31 July	<u>695,800</u>	<u>919,607</u>

20 Reconciliation of consolidated operating surplus/(deficit) to net cash inflow from operating activities

	2015 £	2014 £
Surplus on continuing operations after depreciation of assets at valuation	(23,807)	17,646
Depreciation (notes 1 and 10)	475,646	415,872
Release of capital grant (note 2 and 17)	(334,704)	(235,469)
Interest payable (note 9)	73,966	32,358
Pension cost less contributions payable (note 25) (FRS17 adjustment)	74,000	66,000
(Increase)/decrease in stock	764	1,464
(Increase)/decrease in debtors	217,766	(165,160)
Increase/(decrease) in creditors	(105,549)	(513,468)
Increase/(decrease) in provisions	(2,019)	85
Interest receivable (note 4)	(7,945)	(10,058)
Miscellaneous roundings	3	(6)
Loss on sale of fixed assets	-	-
	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities	<u>368,121</u>	<u>(390,736)</u>

KING EDWARD VI COLLEGE, STOURBRIDGE
NOTES TO THE GOVERNORS' FINANCIAL STATEMENTS
FOR THE YEAR TO 31 JULY 2015

21	Returns on investments and servicing of finance			
		2015	2014	
		£	£	
	Income from investments	4,336	3,957	
	Bank and building society interest	3,609	6,101	
	Interest paid	(73,966)	(32,358)	
		<hr/>	<hr/>	
	Net cash outflow from returns on investment and servicing of finance	(66,021)	(22,300)	
		<hr/> <hr/>	<hr/> <hr/>	
22	Capital expenditure and financial investment			
		2015	2014	
		£	£	
	Purchase of tangible fixed assets	(2,637,152)	(1,686,657)	
	Deferred capital grants received	819,359	1,395,029	
	Sale of tangible fixed assets	-	-	
		<hr/>	<hr/>	
	Net cash outflow from capital expenditure and financial investment	(1,817,793)	(291,628)	
		<hr/> <hr/>	<hr/> <hr/>	
23	Financing			
		2015	2014	
		£	£	
	Debt due beyond a year:			
	Advance of loan/(Repayment of amounts borrowed)	1,195,432	697,584	
		<hr/>	<hr/>	
	Net cash inflow/(outflow) from financing	1,195,432	697,584	
		<hr/> <hr/>	<hr/> <hr/>	
24	Analysis of changes in net funds			
		At 1 August	Cash	Other
		2014	flows	changes
		£	£	£
	Cash in hand, and at bank	1,566,929	(320,261)	-
	Current asset investments	86,250	-	-
		<hr/>	<hr/>	<hr/>
		1,653,179	(320,261)	-
	Debt due within one year	(62,685)	(89,579)	-
	Debt due after one year	(1,336,907)	(1,105,853)	-
		<hr/>	<hr/>	<hr/>
	Total	253,587	(1,515,693)	(1,262,106)
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

KING EDWARD VI COLLEGE, STOURBRIDGE

NOTES TO THE GOVERNORS' FINANCIAL STATEMENTS

FOR THE YEAR TO 31 JULY 2015

25 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 West Midlands Pension Fund. Both are defined-benefit schemes.

Total pension cost for the year	2015	2014
	£	£
Teachers Pension Scheme: contributions paid	571,612	526,643
Local Government Pension Scheme:		
Charge to the Income and Expenditure Account (staff costs)	249,000	221,000
Enhanced pension charge to Income and Expenditure Account (staff costs)	(1,378)	1,363
Total Pension cost for year	<u>819,234</u>	<u>749,006</u>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuations of the TPS was 31 March 2004 and the LGPS 31 March 2013.

There were no outstanding or prepaid contributions at either the beginning or the end of the financial year.

Teachers' Pension Scheme

The TPS is an unfunded defined benefit scheme. Contributions on a "pay-as-you-go" basis are credited to the Exchequer under arrangements governed by the Superannuation Act 1972. A notional asset value is ascribed to the scheme for the purpose of determining contribution rates.

The last valuation was undertaken in March 2013

Proportion of members' accrued benefits covered by the notional value of the assets	98 per cent
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Following the implementation of Teacher's Pension (Employers' Supplementary Contributions) Regulations 2000, the Government Actuary review on the level of employer contributions resulted in the employer contribution rate of 14.1% for the period from 1 August 2004 to 31 July 2014. An appropriate provision in respect of unfunded pensioners' benefits is included in provisions.

KING EDWARD VI COLLEGE, STOURBRIDGE

NOTES TO THE GOVERNORS' FINANCIAL STATEMENTS

FOR THE YEAR TO 31 JULY 2015

25 Pension and similar obligations (continued)

Teachers' Pension Scheme

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 separate trustee-administered funds. The total contribution made for the year ended 31 July 2015 was £245,855 of which employer's contributions totalled £173,000 and employees' contributions totalled £72,747. The agreed contribution rates for future years are 16.2% per cent for employers and from April 2014 there are variable rates for employees according to salary within a range of 5.50% to 8.30%.

FRS 17

The following information is based upon a full actuarial valuation of the fund at 31 March 2007 updated to 31 July 2015 by a qualified independent actuary.

	At 31 July 2015	At 31 July 2014	At 31 July 2013
Rate of increase in salaries	3.95%	4.05%	4.15%
Rate of increase for pensions in payment/inflation	2.20%	2.30%	2.40%
Discount rate for scheme liabilities	3.70%	4.20%	4.50%
Inflation assumption	2.20%	2.30%	2.40%

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 2014	At 31 July 2014
<i>Retiring today</i>		
Males	23.0	22.9
Females	25.6	25.5
<i>Retiring in 20 years</i>		
Males	25.2	25.1
Females	28.0	27.8

KING EDWARD VI COLLEGE, STOURBRIDGE

NOTES TO THE GOVERNORS' FINANCIAL STATEMENTS

FOR THE YEAR TO 31 JULY 2015

25 Pension and similar obligations (continued)

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

	Long-term rate of return expected at 31 July 2015	Value at 31 July 2015 £'000	Long-term rate of return expected at 31 July 2013	Value at 31 July 2014 £'000	Long-term rate of return expected at 31 July 2013	Value at 31 July 2013 £'000
Equities	6.50%	2,023	7.00%	1,326	7.00%	1,205
Bonds	2.50%	260	3.20%	237	2.50%	239
Other bonds	3.60%	356	4.10%	306	3.40%	319
Property	6.10%	287	6.20%	255	6.00%	247
Cash	0.50%	164	0.50%	134	0.50%	117
Other	6.50%	332	7.00%	709	7.00%	717
Total market value of assets		<u>3,422</u>		<u>2,967</u>		<u>2,844</u>
Present value of scheme liabilities		(4,776)		(4,047)		(3,919)
Related deferred tax liability				-		-
Deficit in the scheme		<u>(1,354)</u>		<u>(1,080)</u>		<u>(1,075)</u>
Analysis of the amount charged to income and expenditure account				£'000		£'000
Employer service cost (net of employee contributions)				247		221
Past service cost				-		-
Total operating charge				<u>247</u>		<u>221</u>
Analysis of pension finance income/(costs)				£'000		£'000
Expected return on pension scheme assets				177		171
Interest on pension liabilities				(175)		(181)
Pension finance costs				<u>2</u>		<u>(10)</u>
Amount recognised in the statement of total recognised gains and losses (STRGL)				£'000		£'000
Actual return less expected return on pension scheme assets				131		(198)
Experience gains and losses arising on the scheme liabilities				-		-
Change in financial and demographic assumptions underlying the scheme liabilities				(331)		259
Actuarial (loss)/gain/ recognised in STRGL				<u>(200)</u>		<u>61</u>

KING EDWARD VI COLLEGE, STOURBRIDGE

NOTES TO THE GOVERNORS' FINANCIAL STATEMENTS

FOR THE YEAR TO 31 JULY 2015

25 Pension and similar obligations (continued)

	2015 £'000	2014 £'000			
Movement in surplus during year					
Deficit in scheme at 1 August	(1,080)	(1,074)			
Movement in year:					
Employer service cost (net of employee contributions)	(175)	(181)			
Employer contributions	173	165			
Past service cost	-	-			
Net interest/return on assets	(72)	(50)			
Actuarial gain or loss	(200)	60			
Curtailments	-	-			
Deficit in scheme at 31 July	<u>(1,354)</u>	<u>(1,080)</u>			
 History of experience gains and losses					
	2015	2014	2013	2012	2011
Difference between the expected and actual return on assets:					
Amount £'000	(131)	(198)	208	(82)	69
Percentage of scheme assets	3.8%	6.7%	7.3%	3.4%	3.1%
Experience gains and losses on scheme liabilities:					
Amount £'000	-	319	-	-	56
Percentage of scheme liabilities	0.0%	7.9%	0.0%	0.0%	1.7%
Total amount recognised in STRGL:					
Amount £'000	200	(61)	141	(183)	145
Percentage of scheme liabilities	4.2%	-1.5%	-3.6%	5.1%	4.6%
 Asset and Liability Reconciliation					
	2014	2014			
	£'000	£'000			
Reconciliation of Liabilities					
Liabilities at start of period	4,047	3,919			
Service cost	249	221			
Interest cost	175	181			
Employee contributions	65	60			
Experience gains and losses on scheme liabilities	-	-			
Actuarial (gain)/loss	331	(259)			
Benefits paid	(91)	(75)			
Past Service cost	-	-			
Curtailments and settlements	-	-			
Liabilities at end of period	<u>4,776</u>	<u>4,047</u>			
 Reconciliation of Assets					
Assets at start of period	2,967	2,844			
Expected return on assets	177	171			
Actuarial gain/(loss)	131	(198)			
Employer contributions	173	165			
Employee contributions	65	60			
Benefits paid	(91)	(75)			
Assets at end of period	<u>3,422</u>	<u>2,967</u>			

The estimated value of employer contributions for the year ended 31 July 2016 is £204,000

KING EDWARD VI COLLEGE, STOURBRIDGE

NOTES TO THE GOVERNORS' FINANCIAL STATEMENTS

FOR THE YEAR TO 31 JULY 2015

26 Financial commitments

At 31 July 2014 the college had annual commitments under non cancellable operating leases as follows:

Expiry date	Land and buildings 2015 £	Other 2015 £	Land and buildings 2014 £	Other 2014 £
Within one year	-	243	-	-
Between two to five years	-	45,367	65,311	40,125
After five years	-	-	-	-
	<u>-</u>	<u>45,610</u>	<u>63,311</u>	<u>40,125</u>

27 Capital commitments

	2015 £	2014 £
Contracted for at 31 July 2015	-	95,398
Authorised but not contracted for at 31 July 2015	-	-
Commitments under finance leases entered into but not yet provided for in the financial statements	Nil	Nil

28 Related party transactions

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

Mr A Condlyffe is director of PMP Consultants Limited. During the year consultancy fees from PMP Consultants Limited of £33,162 (2014 £33,957) were charged to the College. At the year end the balance due to PMP Consultants Limited was £nil (2014: £nil).

During the year The King Edward's Stourbridge Academy Trust was incorporated. The Chair of the Board of Governors at King Edward VI College, Stourbridge is a member of the Company. He holds no other office. During the year management fees of £30,723 were charged to the academy, this consisted of a recharge against salaries and overheads in respect of time spent by the then Principal, Clerk to the Governors and the Director of Finance.

KING EDWARD VI COLLEGE, STOURBRIDGE

NOTES TO THE GOVERNORS' FINANCIAL STATEMENTS

FOR THE YEAR TO 31 JULY 2015

29 Amounts disbursed as agent

Learner support funds	Year ended 31 July 2015	Year ended 31 July 2014
	£	£
EFA grants	138,900	124,875
Interest earned	-	-
	<u>138,900</u>	<u>124,875</u>
Disbursed to students	(132,187)	(124,875)
Administration fees	(6,713)	-
	<u>-</u>	<u>-</u>
Balance unspent/(deficit) at 31 July 2015	<u>-</u>	<u>-</u>

Learning Skills Council grants are available solely for students; the College acts only as paying agent. The grants are related disbursements and therefore excluded from the income and expenditure account except where a deficit is incurred.

KING EDWARD VI COLLEGE, STOURBRIDGE**INDEPENDENT AUDITOR'S REPORT ON REGULARITY TO THE BOARD OF GOVERNORS
FOR THE YEAR TO 31 JULY 2015**

This report is produced in accordance with the terms of our engagement letter for the purpose of reporting on the College's Statement of Regularity, Propriety and Compliance in respect of whether the transactions underlying the College's financial statements for the year ended 31 July 2015 are regular as defined by and in accordance with the Financial Memorandum with the Chief Executive of Skills Funding/Funding Agreement with Secretary of State for Education acting through the Education Funding Agency, in accordance with the authorities that govern them.

The regularity assurance framework that has been applied is set out in the Joint Audit Code of Practice and the Regularity Audit Framework published by the Skills Funding Agency and the Education Funding Agency.

Our review has been undertaken so that we might state to the Corporation and the Chief Executive of Skills Funding/Secretary of State for Education acting through the Education Funding Agency those matters we are required to state to them in a report and for no other purpose. This report is made solely to the Corporation and the Chief Executive of Skills Funding/Secretary of State for Education acting through the Education Funding Agency in accordance with the terms of our engagement letter. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation and the Chief Executive of Skills Funding/Secretary of State for Education acting through the Education Funding Agency, for our review work, for this report, or for the opinion we have formed.

**Respective responsibilities of the Board of Governors of
King Edward VI College, Stourbridge and Auditors**

The Corporation is responsible under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that financial transactions are in accordance with the framework of authorities which govern them and that transactions underlying the financial statements for the year ended 31 July 2015 are regular.

The Corporation is also responsible, under the requirements of the Accounts Direction 2014/15 published by the Skills Funding Agency and the Education Funding Agency for the preparation of the Statement on Regularity, Propriety and Compliance. The Statement confirms that, to the best of its knowledge, the Corporation believes it is able to identify any material, irregular or improper use of funds by the College, or material non-compliance with the Skills Funding Agency/Education Funding Agency's terms and conditions of funding under the College's financial memorandum/funding agreement. It further confirms that any instances of material irregularity, impropriety or funding non-compliance discovered in the year to 31 July 2015 have been notified to the Skills Funding Agency/Education Funding Agency.

Auditor's responsibilities

Our responsibility is to express a reasonable assurance opinion in respect of whether the transactions underlying the College's financial statements for the year ended 31 July 2015 are in all material respects regular, based on the procedures that we have performed and the evidence we have obtained. Our reasonable assurance engagement was undertaken in accordance with the Joint Audit Code of Practice, the Regularity Audit Framework and our engagement letter. The International Standards on Auditing (UK and Ireland) and Joint Audit Code of Practice require that we plan and perform this engagement to obtain reasonable assurance in respect of the Assertion that the transactions underlying the financial statements are in all material respects regular.

Basis of opinion

We have performed procedures on a sample basis so as to obtain information and explanations which we consider necessary in order to provide us with sufficient appropriate evidence to express reasonable assurance that the College's Statement of Regularity, Propriety and Compliance is fairly stated in respect of whether the transactions underlying the College's financial statements are in all material respects regular for the year ended 31 July 2015.

KING EDWARD VI COLLEGE, STOURBRIDGE

**INDEPENDENT AUDITOR'S REPORT ON REGULARITY TO THE BOARD OF GOVERNORS
FOR THE YEAR TO 31 JULY 2015**

Opinion

In our opinion the College's Statement of Regularity, Propriety and Compliance is fairly stated in respect of whether the transactions underlying the College's financial statements are in all material respects regular for the year ended 31 July 2015.

**Wendy Davies (Senior Statutory Auditor)
for and on behalf of CK Audit**

**Chartered Accountants
Statutory Auditor**

09 December 2015

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