

**KING EDWARD VI COLLEGE, STOURBRIDGE**

**GOVERNORS' FINANCIAL STATEMENTS**

**31 JULY 2016**

**KING EDWARD VI COLLEGE, STOURBRIDGE**

**GOVERNORS' FINANCIAL STATEMENTS**

**FOR THE YEAR TO 31 JULY 2016**

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## KING EDWARD VI COLLEGE, STOURBRIDGE

### OPERATING AND FINANCIAL REVIEW

#### FOR THE YEAR TO 31 JULY 2016

#### **Nature, Objectives and Strategies**

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

#### **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.

#### **Public Benefit**

King Edward VI College is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education for sixth form colleges.

A public benefit statement is available on the college website.

Any members of the Governing Body, who are also trustees of the charity are highlighted on page 11. 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 the Executive Leadership Team. The staff members of the college are employed by the Board of Governors.

The Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. Accordingly, the college, in the delivery of its mission, provide the following identifiable public benefits towards that advancement:

#### **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  |

#### **Implementation of the strategic plan**

In July 2016, the college adopted a strategic plan for the period 2016 to 2019 that incorporated the property and financial plans. The corporation monitor the performance of the college against these plans which are reviewed and updated each year.

## KING EDWARD VI COLLEGE, STOURBRIDGE

## OPERATING AND FINANCIAL REVIEW

## FOR THE YEAR TO 31 JULY 2016

Our strategic priorities seek to enable students to become independent thinkers and productive contributors to society. Our priorities will help us to continue to deliver outstanding education whilst strengthening collaborative partnerships and ensuring the on-going development and financial stability of the college.

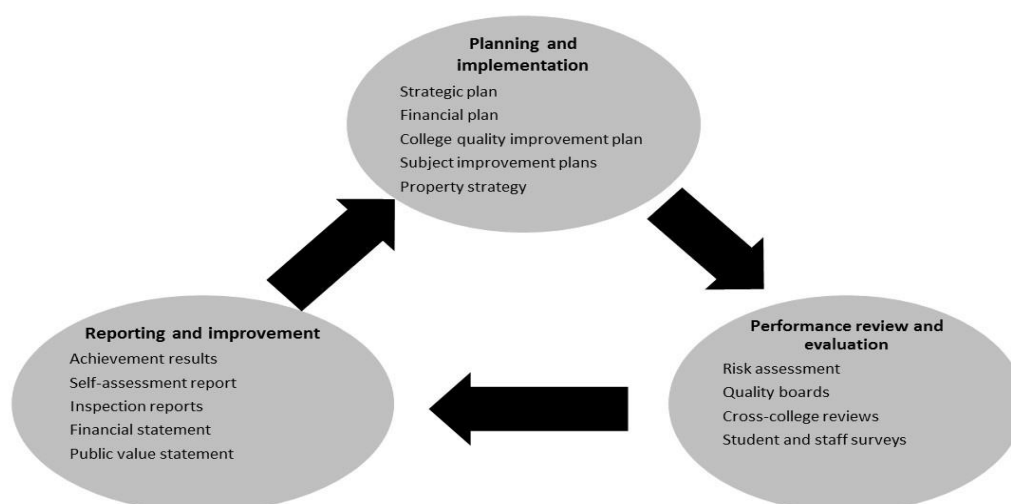
These priorities reflect our values and the changing world in which we live:

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;
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.

### Planning, implementation and accountability cycle

The cycle below details how we intend to ensure a clear understanding of the implementation and monitoring process:

- The strategic plan establishes a clear framework for planning, implementing and reviewing our strategic priorities over the next three years. To deliver the ambitious priorities set out in this plan, we have developed a series of annual plans with specific actions leading to measurable outcomes. Our strategic priorities are thus translated into operational actions as part of the implementation phase.
- A robust cycle of review ensures we can adjust our actions as required to ensure they are aligned with identified areas for development emerging from our annual self-assessment cycle.
- The Board of Governors regularly scrutinises the effectiveness of the college in achieving its strategic priorities and in its contribution to public value. The annual cycle of strategic planning encompasses three phases:



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### OPERATING AND FINANCIAL REVIEW

#### FOR THE YEAR TO 31 JULY 2016

#### Area Review

King Edward VI College took part in wave three of the national area based reviews, along with the other 16 – 19 FE education providers located within the Black Country. A large part of the review centred around the collaborative working aspects of the colleges and, in particular, explored the ways that the colleges might best equip themselves for the wider needs of all those who live and work in the Black Country and the wider West Midlands area. Joint consultation and collaborative working alongside other significant stakeholders, including the LEP; local authorities and employers in the area were identified as being a most effective way to help co-ordinate and help deliver the ambitions and outcomes of all partners concerned.

#### Performance indicators

The college is committed to observing the importance of sector measures and indicators and uses the DfE's college performance tables.

The college is funded according to the number of students, their learning programmes and their achievement. In 2015/16 the college received its EFA main allocation funding target of £8,357,133 (2014/15- £7,775,744) by maintaining a strong college roll with excellent retention rates, and by achieving excellent examination results.

In 2015/16 the college achieved its EFA target total of 1,997 students. The number of students on roll on 1st October 2016 was 2,030. The college had a high in-year retention figure of 97% and an achievement profile of a 99.5% pass rate at A level and a 94.7 % pass rate at AS level. In addition to the above there was also a total of 29 international students on roll at 1st October 2016.

The college is required to complete the annual Finance Record for the Education Funding Agency (EFA). The college is assessed by the EFA as having a "satisfactory" financial health grading. The current rating of satisfactory is considered an acceptable outcome.

#### Key Successes

During 2016 the college:

- maintained its long history of excellent results, confirming once again the college's status as one of the best A level providers in the country;
- continued to improve the quality of teaching and learning to provide a flexible curriculum offer that is responsive to national curriculum needs;
- maintained the breadth of the A level curriculum, ensuring that our offer meets the needs and aspirations of our students.

#### FINANCIAL POSITION

##### Financial results

The College made a surplus of £108,576 (2014/15 £185,552) from normal college operations, after making an FRS102 adjustment in respect of the Local Government Pension Scheme of £(56,000) (2014/15 £(6,000)) and after charging pension finance costs against interest expenditure of £(47,000) (2014/15 £(44,000)).

Exceptional redundancy costs were incurred in the year, following a staff re-structure amounting to £(95,222) (2014/15 £nil). Other exceptional items included a surplus of £2,000 from the sale of tangible assets and from the gain against investments of £7,479 reflecting their true market value, in accordance with the requirements of FRS102.

The surplus before tax was £22,833 (2014/15 £189,216).

## KING EDWARD VI COLLEGE, STOURBRIDGE

## OPERATING AND FINANCIAL REVIEW

## FOR THE YEAR TO 31 JULY 2016

Tangible fixed asset additions during the year amounted to £238k. This included further expenditure against a new sports pavilion at Greenfields at £147k, refurbishment of the caretakers house of £9k and general equipment purchased at £82k.

Fixed asset disposals consisted wholly of the sale of several porta cabins.

Total cash balances of £1,539k (2015: 1,247k) were comprised of :-

	£000s	£000s
	2016	2015
National Westminster Bank Plc	-	12
HBOS	-	453
Lloyds Bank plc	1231	501
COIF and College Fund HSBC	308	281
	<u>          </u>	<u>          </u>
Total cash balance	<u>£1,539</u>	<u>£1,247</u>

The balance against deferred income received in respect of governmental capital grants is now included within creditors:-

Amount falling due within one year	£0.3 M
Amount falling due after more than one year	£8.8 M
	<u>          </u>
Total Deferred income from capital grants	<u>£9.1 M</u>

The accumulated reserves for the College amount to £366,952 (2014/15 £1,081,307) which comprises the retained balance from the income & expenditure account together with the defined benefit obligation reserve.

The movement in year reflects a provision made of £(749,000) in respect of the actuarial loss on the defined benefit pension scheme and an actuarial gain against the enhanced pension provision of £11,812.

The College has significant reliance on the EFA for its principal funding source, largely from recurrent grants. In 2015/16 the EFA provided 95.8% (2015: 97.37%) of the College's total income.

The College has one subsidiary company, South Black Country Education Limited. The two shareholders, K E VI College and Halesowen College, both share limited liability of one ordinary share of £1 each.

The principal activity of South Black Country Education Limited is the provision of shared services to both colleges. Incorporated in July 2016 the company plans to commence trading on 21st November 2016 and the areas of shared services initially identified include cleaning and catering services. A number of staff currently employed by both colleges will be subject to TUPE across to the new company, effective from this date.

### Reserves Policy

The corporation review the level of reserves held by KE VI College on a quarterly basis as part of the management accounts review. The college is dependent upon grant funding from the Educational Funding Agency and must ensure sufficient reserves are maintained to sustain satisfactory or better financial health to allow the college to achieve its strategic objectives. Also to realise ongoing investment in order to continue to provide an outstanding learning experience for its students so that the college remains the leading choice for sixth form A level and other high levels of academic educational attainment.

The reserves policy is reviewed annually by the corporation and ensures continued financial sustainability for the college, taking account of any potential risks and contingencies as may arise, from time to time.

**KING EDWARD VI COLLEGE, STOURBRIDGE****OPERATING AND FINANCIAL REVIEW****FOR THE YEAR TO 31 JULY 2016**

Reserves are that part of college funds that are freely available to spend on any allowable purposes. All budgets and future plans need to be considered, in particular against any uncertainty over future income as well as any potential risk from unexpected expenditure. Reserves are maintained in order to help the college operate effectively.

Charity law requires any income held by an exempt charity to be spent within a reasonable period from receipt. The college therefore must hold a level of reserves that is coterminous with its financial targets and these are established annually.

**Treasury Management**

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

The College has a separate treasury management policy in place.

Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum / EFA Funding Agreement.

**Cash flows**

Net cash inflow for the year amounted to £292,816 (2014/15 outflow £320,261).

The net cash flow resulted from operational activities and from the receipt of a capital grant towards the cost of the new sports pavilion amounting to £147k; Repayment of long term loans amounting to £163k and the acquisition of assets during the year amounting to £238k

**Liquidity**

The College ensures that sufficient cash balances are preserved in real terms to enable all capital repayments and to 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 2016****CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE****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 2015 to 31 July 2016, the College paid 96 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 include the main college site of £13.8m in addition to £1.7m held in current assets.

**People**

The College employs 160 (2014/15 - 158) people (expressed as full time equivalents), of whom 95 (2014/15 - 93) are teaching staff.

**Reputation**

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

**PRINCIPAL RISKS AND UNCERTAINTIES**

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

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

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

This is supported by a risk management training programme to raise awareness of risk throughout the College.



**KING EDWARD VI COLLEGE, STOURBRIDGE****OPERATING AND FINANCIAL REVIEW****FOR THE YEAR TO 31 JULY 2016**

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

**(i) Funding**

The college has considerable reliance on the continuation of government grant funding through the Education Funding agency and in 2015/16, over 95% of total revenue was publicly funded in this way.

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

Government policy in successive years has seen significant reduction to EFA funding and in 2015/16, the base unit of funding was down to £4,000 per student (Representing only 73% of the previous grant levels to cover student enrichment, tutorial and careers).

King Edward VI college received some £745,000 during 2015/16 through formula protection funding during this transition which amount has been significantly reduced to £554,000 for 2016/17. Protection monies for 2017/18 and beyond have not been guaranteed.

The college plan to mitigate against the impact of this reduction within its principal income source by increasing its actual student numbers from 1,997 in the current year, to 2,030 for 2016/17 and through to 2,100 in 2017/18.

The College is also looking to diversify its income streams as it looks to reduce reliance on central government funding. Future income strategies are therefore being developed which include the recruitment of additional overseas students along with other identifiable additional income opportunities.

The long term future of capital funding is also unclear at this time amid significant change to eligibility within the Condition Improvement Fund [CIF].

**(ii) Maintain adequate funding of pension liabilities**

The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS 102. The provision has increased immensely by some 63% during 2015/16 representing an increase of £852k. The liability has increased mainly due to continued underperformance of the West Midland Pension Fund, exacerbated through lower than expected returns against corporate bond rates.

**(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 with 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 therefore continue to invest in our buildings; have increased our own marketing and publicity; introduced more bursaries of our own and now looking to recruit further afield; at the same time as improving upon our student transport links.

**KING EDWARD VI COLLEGE, STOURBRIDGE****OPERATING AND FINANCIAL REVIEW****FOR THE YEAR TO 31 JULY 2016****STAKEHOLDER RELATIONSHIPS**

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

- Students
- Education sector funding bodies
- Staff
- Sixth form / FE Commissioner
- Local Employers
- Local Authorities
- The local community
- Local schools
- Other FE institutions (Specific collaborations)
- 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 Opportunities**

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

The College publishes an Annual Equality Report and Equality Objectives to ensure compliance with all relevant equality legislation including the Equality Act 2010. The College undertakes equality impact assessments on all new policies and procedures and publishes the results. Equality impact assessments are also undertaken for existing policies and procedures on a prioritised basis.

The College is a 'Positive about Disabled' employer and has committed to the principles and objectives of the Positive about Disabled standard. The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. 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, as far as possible, provide identical opportunities to those of non-disabled 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.

**KING EDWARD VI COLLEGE, STOURBRIDGE****OPERATING AND FINANCIAL REVIEW****FOR THE YEAR TO 31 JULY 2016**

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.
- 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 but continue to be maintained through all of our extensive maintenance developments, particularly throughout 2016 and 2017.
- 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 07 December 2016 and signed on its behalf by:**

Professor Chris Painter  
Chairman

**KING EDWARD VI COLLEGE, STOURBRIDGE****OPERATING AND FINANCIAL REVIEW****FOR THE YEAR TO 31 JULY 2016****Key Management Personnel, Board of Governors and Professional advisers****Key management personnel**

Key management personnel are defined as members of the executive Leadership Team and were represented by the following in 2015/16:

Remley Mann - Principal and Accounting officer  
Jeremy Sheen - Vice Principal Operations  
Iain Estell - Vice Principal Academic  
Keith Dolling - Director of Finance

**Board of Governors**

A full list of Governors is given on page 11 of these financial statements.

Liz Ball acted as Clerk to the Corporation throughout the period.

**Professional advisers**

Financial statement auditors and reporting accountant

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 2016

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 2016. 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.

## KING EDWARD VI COLLEGE, STOURBRIDGE

## STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

FOR THE YEAR TO 31 JULY 2016

**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 2015/16
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	20/20
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	11/14
Mrs Gloria Bates	10 Oct 2012 1 Sept 2014	4 years	31 August 2015		Aud.	N/A
Mr Ian Carey	1 Sept 2014	4 years	31 August 2015		F&R	N/A
Mrs Nicola Chapman	9 Dec 2015	4 years	1 June 2016	Foundation Governor	Aud	2/4
Andrew Condlyffe	1 Feb 2009 1 Sept 2012 1 Sept 2015	4 years	31 July 2016	Foundation Governor	S, QS (to 14/10/2015) FR (from 14/10/2015) Mr Andrew Condlyffe is also a member of the Trustees	4/12
John Cunningham	10 Oct 2012 31 August 2016	4 years		Foundation Governor (nominated by Dudley MBC)	Aud. Rem	12/12
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	0/9 (Mr Cutler's attendance during the year was affected by serious illness)
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)	10/10
Mr Andrew Hollies	8 July 2015	To 31 Aug 2018		Foundation Governor	F&R	7/9
Mrs Kathleen Jackson	1 Jan 2011  1 Jan 2015	4 years  4 years		Parent Governor  Foundation Governor	Q&S Rem. Audit (June 2016 only)	14/14
Mr Harvey Owen	12 July 2016	1 year to 31 July		Foundation Governor	F&R	N/A

## KING EDWARD VI COLLEGE, STOURBRIDGE

## STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

## FOR THE YEAR TO 31 JULY 2016

		2016				
Mrs Ruth Waterhouse	13 May 2015	To 31 April 2017		Parent Governor	S	7/8
Mr Jeff Caseley	1 February 2015	4 years		Staff Governor	F&R	10/10
Ms Bethan Weston-Smith	27 March 2013	Up to 31/12/2016		Staff Governor	QS	7/10
Mr Cameron Di Leo	13 May 2015	30 April 2016		Student Governor	QS (to 14 Oct 2015)	4/6
Ms Nadia Hathway	13 May 2015	30 April 2016		Student Governor	QS (from 14 Oct 2015)	4/6
Ms Mason Taylor	25 May 2016	1 year to 30 April 2017		Student Governor	QS	2/3
Mr Daniel Taylor	25 May 2016	1 year to 30 April 2017		Student Governor	QS	3/3
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					2/3
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 2016

**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 at least 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 that comprises five 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 2016 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 2016 are set out in notes 5 and 6 to the financial statements.



## KING EDWARD VI COLLEGE, STOURBRIDGE

## STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

FOR THE YEAR TO 31 JULY 2016

**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 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 2016 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 2016 and up to the date of the approval of the annual report and accounts. This process is regularly reviewed by the Governing Body.

## KING EDWARD VI COLLEGE, STOURBRIDGE

## STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

FOR THE YEAR TO 31 JULY 2016

***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 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 2016 meeting the Governing Body carried out the annual assessment for the year ended 31 July 2016 by considering documentation from the executive leadership 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 2016

**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 07 December 2016 and signed on its behalf by:

Signed:

Signed:

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Professor Chris Painter  
Chairman

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Ms Remley Mann  
Principal

## KING EDWARD VI COLLEGE, STOURBRIDGE

## STATEMENT OF RESPONSIBILITIES OF THE BOARD OF GOVERNORS

## FOR THE YEAR TO 31 JULY 2016

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 07 December 2016 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 2016**

We have audited the financial statements of King Edward VI College, Stourbridge for the year ended 31 July 2016, 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 1r, 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 2016 and of the surplus of income over expenditure for the year then ended;
- the financial statements have been properly prepared in accordance with the 2015 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**

**07 December 2016**

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

## KING EDWARD VI COLLEGE, STOURBRIDGE

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR TO 31 JULY 2016

	Note	2016 £	2015 (Re-stated) £
<b>INCOME</b>			
Funding Body Grants	2	8,734,400	8,284,754
Tuition Fees and Education Contracts	3	106,924	45,708
Other income	4	258,938	462,438
Investment income	5	9,545	7,945
<b>Total income</b>		<u>9,109,807</u>	<u>8,800,845</u>
<b>EXPENDITURE</b>			
Staff costs	6	6,805,478	6,500,249
Other operating expenses	7	1,506,288	1,521,432
Depreciation	9	569,829	475,646
Interest and other finance costs	8	119,636	117,966
<b>Total expenditure</b>		<u>9,001,231</u>	<u>8,615,293</u>
<b>Surplus before other gains and losses</b>		108,576	185,552
Profit on disposal of assets		2,000	-
Gain on investments		7,479	3,664
Exceptional redundancy costs		(95,222)	-
<b>Surplus before tax</b>		<u>22,833</u>	<u>189,216</u>
Taxation	10	-	-
<b>Surplus for the year</b>		<u>22,833</u>	<u>189,216</u>
Unrealised surplus on revaluation of assets		-	-
Actuarial loss in respect of pension schemes	21	(749,000)	(148,000)
Actuarial gain on enhanced pension provision		11,812	-
<b>Total Comprehensive income for the Year</b>		<u>(714,355)</u>	<u>41,216</u>

## KING EDWARD VI COLLEGE, STOURBRIDGE

## STATEMENT OF CHANGES IN RESERVES

## FOR THE YEAR TO 31 JULY 2016

	£
<b>College</b>	
<b>Restated Balance at 1<sup>st</sup> August 2014</b>	1,040,091
Surplus from the income and expenditure account	41,216
Other Comprehensive income	-
<b>Balance at 31<sup>st</sup> July 2015</b>	<u>1,081,307</u>
<b>(Deficit) from the income and expenditure account</b>	(714,355)
Other comprehensive income	-
<b>Total Comprehensive Income for the Year</b>	<u>(714,355)</u>
<b>Balance at 31<sup>st</sup> July 2016</b>	<u><u>366,952</u></u>

## KING EDWARD VI COLLEGE, STOURBRIDGE

## BALANCE SHEET

AT 31 JULY 2016

	Note	2016 £	2015 (Re-stated) £
<b>Non-current assets</b>			
Tangible assets	9	13,748,600	14,080,560
Investments		-	-
		<u>13,748,600</u>	<u>14,080,560</u>
<b>Current assets</b>			
Stock		2,930	2,270
Trade and other receivables	11	71,658	81,696
Investments	12	103,429	95,950
Cash and cash equivalents	20	1,539,485	1,246,669
Total current assets		<u>1,717,502</u>	<u>1,426,585</u>
<b>Creditors:</b> amounts falling due within one year	13	<u>(1,835,774)</u>	<u>(1,685,380)</u>
<b>Net current assets</b>		<u>(118,272)</u>	<u>(258,795)</u>
<b>Total assets less current liabilities</b>			
<b>Creditors:</b> amounts falling due after one year	14	13,630,328 <u>(11,057,759)</u>	13,821,765 <u>(11,375,154)</u>
<b>Provisions</b>			
Defined benefit obligations	21	(2,205,617)	(1,353,617)
Other Provisions	16	-	(11,687)
<b>Total net assets</b>		<u><u>366,952</u></u>	<u><u>1,081,307</u></u>
<b>Unrestricted Reserves</b>			
Income and expenditure account (excluding pension reserve)		2,572,569	2,434,924
Defined benefit obligation reserve		(2,205,617)	(1,353,617)
Revaluation reserve		-	-
<b>Total unrestricted reserves</b>		<u><u>366,952</u></u>	<u><u>1,081,307</u></u>

The financial statements on pages 3 to 23 were approved by the Board of Governors on 07 December 2016 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  
Accounting Officer



## KING EDWARD VI COLLEGE, STOURBRIDGE

## CASH FLOW STATEMENT

FOR THE YEAR TO 31 JULY 2016

	Note	2016 £	2015 (Re-stated) £
<b>Cash flow from operating activities</b>			
Surplus/(Deficit) for the year		22,833	189,216
<b>Adjustment for non-cash items</b>			
Depreciation		569,829	475,646
Release of capital grant amortisation		(304,260)	(304,260)
(Increase)/Decrease in stocks		(660)	764
(Increase)/Decrease in debtors		10,038	217,766
Increase/(Decrease) in creditors due within one year		150,371	(105,559)
Increase/(Decrease) in creditors due after one year		-	-
Increase/(Decrease) in provisions		125	(2,007)
Pensions costs less contributions payable		103,000	126,000
Taxation		-	-
<b>Adjustment for investing or financing activities</b>			
Investment income		(9,545)	(7,945)
Interest Payable		72,636	73,966
Taxation paid		-	-
(Profit)/loss on sale of fixed assets		(2,000)	-
(Gains)/loss on investments		(7,479)	(3,664)
<b>Net cash flow from operating activities</b>		<b>604,888</b>	<b>659,923</b>
<b>Cash flows from investing or financing activities</b>			
Proceeds from sale of fixed assets		2,000	-
Investment income		9,545	7,945
Payments made to acquire fixed assets		(237,868)	(2,637,152)
<b>Cash flows from financing activities</b>		<b>378,565</b>	<b>(1,969,284)</b>
Interest paid		(72,636)	(73,966)
New government capital grants		149,522	527,557
New unsecured loans		-	2,000,000
Repayments of amounts borrowed		(162,635)	(804,568)
<b>Increase/(Decrease) in cash and cash equivalents in the year</b>		<b>292,816</b>	<b>(320,261)</b>
Cash and cash equivalents at beginning of the year		1,246,669	1,566,930
Cash and cash equivalents at end of the year		1,539,485	1,246,669

## KING EDWARD VI COLLEGE, STOURBRIDGE

## NOTES TO THE GOVERNORS' FINANCIAL STATEMENTS

## FOR THE YEAR TO 31 JULY 2016

**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 2015 (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

**Transition to the 2015 FE HE SORP**

The College is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the College has amended certain accounting policies to comply with FRS 102 and the 2015 FE HE SORP.

An explanation of how the transition to the 2015 FE HE SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the College is provided in note 24.

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

**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 cash flow, liquidity and borrowings are described in the Financial Statements and accompanying notes.

The College currently has £2,432,389 of loans outstanding with bankers on terms negotiated in 2015. The terms of the existing agreement are for 5 years. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

Accordingly the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

## KING EDWARD VI COLLEGE, STOURBRIDGE

## NOTES TO THE GOVERNORS' FINANCIAL STATEMENTS

## FOR THE YEAR TO 31 JULY 2016

**1 Accounting policies (continued)****Recognition of income**

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

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

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

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

**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.

**Short term Employment benefits**

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

**Enhanced Pensions**

The actual cost of any enhanced ongoing pension to a former member of staff is paid by 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.

## KING EDWARD VI COLLEGE, STOURBRIDGE

## NOTES TO THE GOVERNORS' FINANCIAL STATEMENTS

## FOR THE YEAR TO 31 JULY 2016

**1 Accounting policies (continued)****Non-current assets - 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 income 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.

**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.

**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.

**Borrowing costs**

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

**Leased assets**

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

## KING EDWARD VI COLLEGE, STOURBRIDGE

## NOTES TO THE GOVERNORS' FINANCIAL STATEMENTS

## FOR THE YEAR TO 31 JULY 2016

**1 Accounting policies (continued)****Investments**

Current asset investments are included in the balance sheet at their fair value. Any movement in this value at the year end has been shown in the statement of comprehensive income.

**Inventories**

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

**Cash and cash equivalents**

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. An investment qualifies as a cash equivalent when it has maturity of 3 months or less from the date of acquisition.

**Financial liabilities and equity**

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

All loans, investments and short term deposits held by the College are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost; however the College has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

**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.

## KING EDWARD VI COLLEGE, STOURBRIDGE

## NOTES TO THE GOVERNORS' FINANCIAL STATEMENTS

## FOR THE YEAR TO 31 JULY 2016

**1 Accounting policies (continued)****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.

**Judgements in applying accounting policies and key sources of estimation uncertainty**

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

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the College's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 21, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 July 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

## KING EDWARD VI COLLEGE, STOURBRIDGE

## NOTES TO THE GOVERNORS' FINANCIAL STATEMENTS

FOR THE YEAR TO 31 JULY 2016

<b>2</b>	<b>Funding body grants</b>	<b>2016</b>	<b>2015</b>
		£	£
	<b>Recurrent grant</b>		
	Education Funding Agency	8,416,660	7,945,912
	Sport England	1,351	-
	Other	12,129	34,582
	<b>Specific grants</b>		
	Release of government capital grants	304,260	304,260
		<u>8,734,400</u>	<u>8,284,754</u>
		<u><u>8,734,400</u></u>	<u><u>8,284,754</u></u>
<b>3</b>	<b>Tuition fees and education contracts</b>	<b>2016</b>	<b>2015</b>
		£	£
	Total tuition fees	106,924	45,708
	Education contracts	-	-
		<u>106,924</u>	<u>45,708</u>
		<u><u>106,924</u></u>	<u><u>45,708</u></u>
<b>4</b>	<b>Other income</b>	<b>2016</b>	<b>2015</b>
		£	£
	Catering and residences	-	-
	Other income generating activities	108,929	120,583
	Non-government capital grants	125,420	291,802
	Miscellaneous income	24,589	50,053
		<u>258,938</u>	<u>462,438</u>
		<u><u>258,938</u></u>	<u><u>462,438</u></u>

## KING EDWARD VI COLLEGE, STOURBRIDGE

## NOTES TO THE GOVERNORS' FINANCIAL STATEMENTS

## FOR THE YEAR TO 31 JULY 2016

**5 Investment Income**

	<b>2016</b>	<b>2015</b>
Other investment income	4,388	4,336
Other interest receivable	5,157	3,609
<b>Total</b>	<u>9,545</u>	<u>7,945</u>

**6 Staff costs –College**

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

	<b>2016 Number</b>	<b>2015 Number</b>
Teaching staff	95	93
Non-teaching staff	65	65
	<u>160</u>	<u>158</u>

**Staff costs for the above persons:**

	<b>2016 £</b>	<b>2015 £</b>
Wages and salaries	5,450,422	5,295,935
Social security costs	429,742	376,080
Other pension costs	925,314	828,234
	<u>6,805,478</u>	<u>6,500,249</u>



## KING EDWARD VI COLLEGE, STOURBRIDGE

## NOTES TO THE GOVERNORS' FINANCIAL STATEMENTS

## FOR THE YEAR TO 31 JULY 2016

**Key Management Personnel**

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Executive Leadership Team which comprises the Principal, Vice Principals and Director of Finance. Staff costs include compensation paid to key management personnel for loss of office.

**Emoluments of Key Management Personnel, Accounting Officer and other higher paid staff**

	<b>2016 Number</b>	<b>2015 Number</b>
The number of key management personnel including the Accounting Officer was:	4	4
	<u>4</u>	<u>4</u>

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

	<b>Key Management Personnel</b>		<b>Other Staff</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
£60,001 to £70,000 p.a.	2	1	-	-
£70,001 to £80,000 p.a.	-	1	-	-
£80,001 to £90,000 p.a.	-	-	-	-
>£90,000 p.a.	-	1	-	-
<b>Total</b>	<u><b>2</b></u>	<u><b>3</b></u>	-	-

Key management personnel emoluments are made up as follows:

	<b>2016 £</b>	<b>2015 £</b>
Salaries	181,135	266,382
Pension contributions	28,932	38,266
<b>Total emoluments</b>	<u><b>210,067</b></u>	<u><b>304,648</b></u>

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

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

	<b>£</b>	<b>£</b>
Salary	79,388	99,144
Benefits in Kind	-	-
Pension Contributions	<u>12,957</u>	<u>13,979</u>
<b>Total emoluments</b>	<u><b>92,345</b></u>	<u><b>113,123</b></u>

## KING EDWARD VI COLLEGE, STOURBRIDGE

## NOTES TO THE GOVERNORS' FINANCIAL STATEMENTS

## FOR THE YEAR TO 31 JULY 2016

<b>7 Other operating expenses</b>	<b>2016</b>	<b>2015</b>
	£	£
Teaching costs	575,067	661,634
Non-teaching costs	654,825	520,325
Premises costs	276,396	339,473
	<u>1,506,288</u>	<u>1,521,432</u>
<b>Other operating expenses include:</b>		
	£	£
Auditors' remuneration		
- internal audit	-	-
- financial statement audit	9,047	8,160
- other services provided by the financial statement auditors	3,500	3,254
- other services provided by internal auditors	-	-
Hire of assets under operating leases	52,350	79,943
	<u>52,350</u>	<u>79,943</u>
<b>8 Interest and other finance costs</b>	<b>2016</b>	<b>2015</b>
	£	£
On bank loans overdrafts and other loans	72,636	73,966
On Finance leases	-	-
Pension Finance Costs (Note 21)	47,000	44,000
	<u>119,636</u>	<u>117,966</u>

## KING EDWARD VI COLLEGE, STOURBRIDGE

## NOTES TO THE GOVERNORS' FINANCIAL STATEMENTS

FOR THE YEAR TO 31 JULY 2016

**9 Tangible fixed assets**

<b>Cost or valuation</b>	<b>Land &amp; Buildings Freehold £</b>	<b>Land &amp; Buildings Long Leasehold £</b>	<b>Equipment £</b>	<b>Asset in the Course of Construction £</b>	<b>Total £</b>
At 1 August 2015	8,957,567	6,212,633	1,511,646	-	16,681,846
Additions	147,434	8,500	81,934	-	237,868
Disposals	(45,082)	-	-	-	(45,082)
Transfer	-	-	-	-	-
<b>At 31 July 2016</b>	<b>9,059,919</b>	<b>6,221,133</b>	<b>1,593,580</b>	<b>-</b>	<b>16,874,633</b>
<b>Depreciation</b>					
At 1 August 2015	732,153	880,536	988,597	-	2,601,286
On disposals	260,888	125,767	183,174	-	569,829
Charge for year	(45,082)	-	-	-	(45,082)
<b>At 31 July 2016</b>	<b>947,959</b>	<b>1,006,303</b>	<b>1,171,771</b>	<b>-</b>	<b>3,126,033</b>
<b>Net book value</b>					
At 31 July 2016	8,111,960	5,214,830	421,809	-	13,748,600
At 31 July 2015	8,225,414	5,332,097	523,049	-	14,080,560

**10 Taxation**

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

## KING EDWARD VI COLLEGE, STOURBRIDGE

## NOTES TO THE GOVERNORS' FINANCIAL STATEMENTS

## FOR THE YEAR TO 31 JULY 2016

## 11 Debtors

	2016 £	2015 £
<b>Amounts falling due within one year:</b>		
Trade receivables	24,230	36,283
Prepayments and accrued income	47,428	45,413
	<u>71,658</u>	<u>81,696</u>
<b>Total</b>	<u><u>71,658</u></u>	<u><u>81,696</u></u>

## 12 Current Investments

	2016 £	2015 £
COIF charities fixed interest and deposit fund	103,429	95,950
	<u>103,429</u>	<u>95,950</u>

Cost of at 31 July 2016 - COIF fixed interest and deposit fund £86,250 (2015: £86,250).

## 13 Creditors: amounts falling due within one year

	2016 £	2015 £
Trade payables	420,816	547,308
Accruals and deferred income	958,415	681,550
Bank loan	155,283	152,262
Deferred income – government capital grants	301,260	304,260
	<u>1,835,774</u>	<u>1,685,380</u>
	<u><u>1,835,774</u></u>	<u><u>1,685,380</u></u>

**KING EDWARD VI COLLEGE, STOURBRIDGE**  
**NOTES TO THE GOVERNORS' FINANCIAL STATEMENTS**  
**FOR THE YEAR TO 31 JULY 2016**

**14 Creditors:** amounts falling due after one year

	<b>2016</b>	<b>2015</b>
	£	£
Bank loan	2,277,106	2,442,762
Deferred income – government capital grants	8,780,653	8,932,392
<b>Total</b>	<u>11,057,759</u>	<u>11,375,154</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 was 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.

**15 Maturity of debt**

**Bank loans and overdrafts**

Bank loans and overdrafts are repayable as follows:

	<b>2016</b>	<b>2015</b>
	£	£
In one year or less	155,283	152,262
Between one and two years	157,446	155,283
Between two and five years	1,854,654	479,124
In five years or more	265,006	1,808,355
	<u>2,432,389</u>	<u>2,595,024</u>

**KING EDWARD VI COLLEGE, STOURBRIDGE**  
**NOTES TO THE GOVERNORS' FINANCIAL STATEMENTS**  
**FOR THE YEAR TO 31 JULY 2016**

**16 Provisions for liabilities and charges**

	£
At 1 August 2015	11,687
Expenditure in the year	125
Actuarial Gain over the year	(11,812)
	-
At 31 July 2016	-

**17 Capital and other commitments**

	2016 £	2015 £
<b>Commitments contracted for at 31 July</b>	<b>156,503</b>	-

**18 Events after the reporting period**

On 20 July 2016 South Black Country Education Limited was incorporated. 50% of the share capital is owned by King Edward VI College, Stourbridge. The company did not start to trade until after the year end and the College's share of its results will be reflected in the financial statements for the year ended 31 July 2017.

## KING EDWARD VI COLLEGE, STOURBRIDGE

## NOTES TO THE GOVERNORS' FINANCIAL STATEMENTS

## FOR THE YEAR TO 31 JULY 2016

**19 Lease Obligations**

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

**Future minimum lease payments due**

	2016 £	2015 £
<b>Land and Buildings</b>		
Not later than one year	-	-
Later than one year and not later than five years	-	-
Later than five years	-	-
<b>Other</b>		
Not later than one year	-	-
Later than one year and not later than five years	82,515	136,790
Later than five years	-	-
	<u>82,515</u>	<u>136,790</u>

**20 Cash and cash equivalents**

	At 1 August 2015 £	Cash flows £	Other changes £	At 31 July 2016 £
Cash and cash equivalents	1,246,669	292,816	-	1,539,485
Overdrafts	-	-	-	-
<b>Total</b>	<u>1,246,669</u>	<u>292,816</u>	<u>-</u>	<u>1,539,485</u>

## KING EDWARD VI COLLEGE, STOURBRIDGE

## NOTES TO THE GOVERNORS' FINANCIAL STATEMENTS

## FOR THE YEAR TO 31 JULY 2016

**21 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.

<b>Total pension cost for the year</b>	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Teachers Pension Scheme: contributions paid	612,189	574,612
Local Government Pension Scheme:		
Contributions Paid	257,000	249,000
FRS 102 (28) Charge	56,000	6,000
Enhanced pension charge to Statement of Comprehensive Income	125	(1,378)
<b>Total Pension cost for year</b>	<u>925,314</u>	<u>828,234</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 2016

## 21 Pension and similar obligations (continued)

**Teachers' Pension Scheme****FRS 102 (28)**

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

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

**Local Government Pension Scheme**

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 July 2016 was £330,000 of which employer's contributions totalled £257,000 and employees' contributions totalled £73,000. 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%.

**Principal Actuarial Assumptions**

The following information is based upon a full actuarial valuation of the fund at 31 March 2007 updated to 31 July 2016 by a qualified independent actuary.

	<b>At 31 July 2016</b>	<b>At 31 July 2015</b>
Rate of increase in salaries	3.75%	3.95%
Future pension increases	2.00%	2.20%
Discount rate for scheme liabilities	2.50%	3.70%

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

	<b>At 31 July 2016 Years</b>	<b>At 31 July 2015 Years</b>
<i>Retiring today</i>		
Males	23.0	23.0
Females	25.7	25.6
<i>Retiring in 20 years</i>		
Males	25.3	25.2
Females	28.1	28.0

## KING EDWARD VI COLLEGE, STOURBRIDGE

## NOTES TO THE GOVERNORS' FINANCIAL STATEMENTS

## FOR THE YEAR TO 31 JULY 2016

## 21 Pension and similar obligations (continued)

The assets in the scheme were:

	Fair Value at 31 July 2016 £'000	Fair Value at 31 July 2015 £'000
Equity Instruments	2,513	2,023
Debt Instruments	1,114	948
Property	337	287
Cash	272	164
<b>Total fair value of plan assets</b>	<u>4,236</u>	<u>3,422</u>
Actual Return on plan assets	<u>281</u>	<u>183</u>

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

	2016 £ '000	2015 £ '000
Fair value of plan assets	4,236	3,422
Present value of plan liabilities	(6,442)	(4,776)
Net pensions (liability)/asset	<u>(2,206)</u>	<u>(1,354)</u>

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

	2016 £'000	2015 £'000
<b>Amounts included in staff costs</b>		
Current service costs	313	255
<b>Total</b>	<u>313</u>	<u>255</u>
<b>Amounts included in investment income</b>		
Net interest income	-	-
<b>Amount recognised in Other Comprehensive Income</b>		
Return on pension plan assets	281	183
Changes in assumptions underlying the present value of plan liabilities	(1,030)	(331)
<b>Amount recognised in Other Comprehensive Income</b>	<u>(749)</u>	<u>(148)</u>

## KING EDWARD VI COLLEGE, STOURBRIDGE

## NOTES TO THE GOVERNORS' FINANCIAL STATEMENTS

## FOR THE YEAR TO 31 JULY 2016

<b>Movement in net defined benefit (liability)/asset during year</b>	<b>2016 £'000</b>	<b>2015 £'000</b>
Net defined benefit (liability)/asset in scheme at 1 August	(1,354)	(1,080)
Movement in year:		
Current service cost	(313)	(255)
Employer contributions	257	173
Past service cost	-	-
Net interest on the defined (liability)/asset	(47)	(44)
Actuarial gain or loss	(749)	(148)
<b>Net defined benefit (liability)/asset at 31 July</b>	<b>(2,206)</b>	<b>(1,354)</b>
<b>Asset and Liability Reconciliation</b>	<b>2016 £'000</b>	<b>2015 £'000</b>
<b>Change in the present value of defined benefit obligations</b>		
<b>Defined benefit obligations at start of period</b>	4,776	4,047
Current service cost	313	255
Interest cost	179	169
Contributions by Scheme participants	73	65
Experience gains and losses on defined benefit obligations	-	-
Changes in financial assumptions	1,030	331
Estimated benefits paid	71	(91)
Past Service cost	-	-
Curtailments and settlements	-	-
<b>Defined benefit obligations at end of period</b>	<b>6,442</b>	<b>4,776</b>
<b>Changes in fair value of plan assets</b>		
<b>Fair value of plan assets at start of period</b>	3,422	2,967
Interest on plan assets	134	128
Return on plan assets	279	180
Employer contributions	257	173
Contributions by Scheme participants	73	65
Estimated benefits paid	71	(91)
<b>Fair value of plan assets at end of period</b>	<b>4,236</b>	<b>3,422</b>

## KING EDWARD VI COLLEGE, STOURBRIDGE

## NOTES TO THE GOVERNORS' FINANCIAL STATEMENTS

## FOR THE YEAR TO 31 JULY 2016

**22 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 £22,550 (2015 £33,162) were charged to the College. At the year end the balance due to PMP Consultants Limited was £nil (2015: £nil).

The Chair of the Board of Governors at King Edward VI College, Stourbridge is a member of the King Edward's and Halesowen College's Academy Trust (formerly King Edward's Stourbridge Academy Trust). He holds no other office.

During the year management fees of £1,906 (2015: £30,723) were charged to the academy, this consisted of a recharge against salaries and overheads in respect of time spent by the Clerk to the Governors and the Director of Finance.

**23 Amounts disbursed as agent**

	Year ended 31 July 2016	Year ended 31 July 2015
	£	£
Funding body grants – discretionary learner support	129,715	138,900
	<hr/>	<hr/>
Disbursed to students	129,715	138,900
Administration fees	(122,743)	(132,187)
	(6,972)	(6,713)
	<hr/>	<hr/>
Balance unspent/(deficit) at 31 July 2016	-	-
	<hr/> <hr/>	<hr/> <hr/>

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

## NOTES TO THE GOVERNORS' FINANCIAL STATEMENTS

## FOR THE YEAR TO 31 JULY 2016

**24 Transition to FRS 102 and the 2015 FE HE SORP**

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

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

<b>Financial Position</b>	<b>As at 1<sup>st</sup> August 2014</b>	<b>As at 31<sup>st</sup> July 2015</b>
Total Reserves under previous SORP	919,607	695,800
Employee leave accrual	(368,463)	(368,463)
Release of non-Government capital grants	482,911	744,268
Movement in COIF market value	6,036	9,702
<b>Total effect of transition to FRS 102 and 2015 FE HE SORP</b>	<u>120,484</u>	<u>385,507</u>
<b>Total reserves under 2015 FE HE SORP</b>	<u><u>1,040,091</u></u>	<u><u>1,081,307</u></u>
<b>Financial Performance</b>	<b>Year ended 31<sup>st</sup> July 2015</b>	
<b>Surplus for the year after tax under previous SORP</b>	(23,807)	
Release of non-Government grants received	291,803	
Reversal of capital grants amortisation	(30,446)	
Pensions provision – actuarial loss	(148,000)	
<b>Changes to measurement of net finance cost on Defined benefit plans</b>	(52,000)	
<b>Movement in market value of investments</b>	3,666	
<b>Total effect of transition to FRS 102 and 2015 FE HE SORP</b>	65,023	
<b>Total comprehensive income for the year Under 2015 FE HE SORP</b>	<u><u>41,216</u></u>	

## KING EDWARD VI COLLEGE, STOURBRIDGE

## NOTES TO THE GOVERNORS' FINANCIAL STATEMENTS

## FOR THE YEAR TO 31 JULY 2016

**a) Recognition of short term employment benefits**

No provision for short term employment benefits such as holiday pay was made under the previous UK GAAP. Under FRS 102 the costs of short-term employee benefits are recognised as a liability and an expense. The annual leave year runs to 31<sup>st</sup> August each year for teaching staff meaning that, at the reporting date, there was an average of 31 days unused leave for teaching staff. The cost of any unused entitlement is recognised in the period in which the employee's services are received. An accrual of £368,463 was recognised at 1 August 2014, and at 31 August 2015.

**b) Non-government grants accounted for under performance model**

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

**c) Change in recognition of defined benefit plan finance costs**

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

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

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

**e) Market value of investments**

Under previous UK GAAP the COIF investments were held at cost. Under FRS 102 these should be held at market value with any movement going through the statement of comprehensive income.

## KING EDWARD VI COLLEGE, STOURBRIDGE

## REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY

FOR THE YEAR TO 31 JULY 2016

**To: The Corporation of King Edward VI College and Secretary of State for Education acting through Education Funding Agency**

In accordance with the terms of our engagement letter and further to the requirements of the funding agreement with Education Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by King Edward VI College during the period 1<sup>st</sup> August 2015 to 31 July 2016 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

**Respective responsibilities of King Edward VI College and the reporting accountant**

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Joint Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1<sup>st</sup> August 2015 to 31 July 2016 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

**Approach**

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

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

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

## KING EDWARD VI COLLEGE, STOURBRIDGE

## REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY (continued)

## FOR THE YEAR TO 31 JULY 2016

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

The work undertaken to draw to our conclusion includes:

- A review of management reporting documents;
- A review of governors' meeting minutes;
- A review of income to assess whether grants have been applied in accordance with the terms and conditions attached to them; and
- A review of policies and procedures to assess whether they are sufficiently robust to ensure that expenditure has been applied for the purposes intended by Parliament.

**Conclusion**

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1<sup>st</sup> August 2015 to 31 July 2016 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

**07 December 2016**

**CK**  
**Chartered Accountants**

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