



Halesowen College

Annual Members' Report and Financial Statements 2016/17

**For the year ended
31 July 2017**

Report of the Members of the
Corporation and Financial Statements for
the period 1 August 2016 to 31 July 2017

Key Management Personnel, Board of Governors and Professional Advisers

Key Management Personnel

Key management personnel are defined as members of the College Executive and were represented by the following in 2016/17:

David Williams, Principal and Chief Executive/Accounting Officer
Joanne Williams, Deputy Principal; Director of Learning and Teaching
Jacqueline Carman, Vice Principal; Director of Finance and Corporate Services

Note that between 1 October 2016 and 30 June 2017 Joanne Williams acted as Interim Principal and Chief Executive following the retirement of Keith Bate on 30 September 2016.

Board of Governors

A full list of Governors is provided on pages 26 to 27 of these financial statements.

Jennifer Sunter acted as Clerk to the Corporation throughout the period.

Professional Advisers

Financial Statements Auditors and Reporting Accountants

RSM UK Audit LLP
St Philips Point
Temple Row
Birmingham
B2 5AF

Bankers

Lloyds Bank
Corporate
2nd Floor
125 Colmore Row
Birmingham
B3 3SF

Internal Auditors

TIAA Ltd
53-55 Gosport Business Centre
Aerodrome Road
Gosport
Hampshire
PO13 0FQ

Solicitors

Shakespeare Martineau
No 1 Colmore Square
Birmingham
B4 6AA

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MEMBERS' REPORT

Nature, Objectives and Strategies

The members present their report and the audited financial statements for the year ended 31 July 2017.

Legal Status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Halesowen College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011. The Corporation was incorporated as Halesowen College. The Education Act 2011 introduced new legislative freedoms for Colleges, however, Halesowen College has not changed its legal status as a result of this legislation.

Mission

The 2015-2020 strategic plan supported an overarching mission approved by the members

'to be the leading choice for post 16 education and training'.

Public Benefit

Halesowen College is an exempt charity under the Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 26 to 27.

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

The College first adopted a Public Benefit Statement in April 2013 which has since been reviewed annually. In delivering its mission, the College provides identifiable public benefits through the advancement of education.

- High quality teaching
- Widening participation and promoting inclusion
- Excellent employment records for students
- Outstanding student support
- Relationships with employers and the local community
- Links with Local Enterprise Partnerships (LEPs)

The College is accountable to its learners, the wider community it serves and other stakeholders; adding value to the social, economic and wellbeing of the community it serves.

The provision at Halesowen College meets the public benefit principles in as much as there are identifiable benefits to the public/section of the public.

The purpose of the College is the delivery of high quality education and training that maximises student opportunities and success. This will be achieved through a framework to:

- design and promote services to fulfil clients' requirements and needs;
- provide a wide range of high quality learning programmes;
- ensure that the College actively seeks to improve quality, efficiency and effectiveness in all its activities.

Each year the Corporation formally review its activities to ensure that they meet the public benefit definition and that they are within its powers.

Implementation of Strategic Plan

The College adopted a strategic plan for the period 1 August 2015 to 31 July 2020. As part of the strategic planning process the College has an investment and property strategy and prepares annual risk management and financial plans. The Corporation monitors the performance of the College against its strategic objectives with the Chief Accounting Officer/Principal providing an update at each meeting of the Corporate Board. Measurable annual targets covering all key aspects of College activities are established and monitored. It is a fundamental responsibility of the Corporation to approve the quality strategy and the College has an accountability cycle to set and monitor targets and standards and ensure continuous improvement. The College has reviewed its approach to self-assessment to reflect the current Ofsted model. The College operates on a yearly cycle corresponding with the academic year which involves a complex combination of processes to achieve institutional success and external scrutiny.

The strategic plan '*Leading Education and Learning for the Future*' aims to enable continued success and development at outstanding levels of performance and recognition. The key components within the plan were subject to consultation with staff, students, partners and the wider community. In defining core and enabling strategies and associated aims the College has evaluated current and emerging strengths and challenges encompassing a broad range of factors including education, economic, financial and demographic.

In order to provide a clear direction for staff, students, partners and the community the plan is structured based on three core strategies supported by three enabling strategies:

Core Strategies

- Deliver the most extensive range of high quality 14-25 learning and progression opportunities.
- Lead in diverse, inclusive and innovative learning, teaching and assessment.
- Drive strong collaborative learning partnerships in meeting the needs of the economy, education and the community.

Enabling Strategies

- A reputation and brand as the outstanding College of choice that leads to local learning.
- Be an exemplary employer recognised for the most capable committed and caring staff.
- Ensure financial strength and stability to deliver excellent facilities and resources.

Each core comprises a set of aims within which there are two defining aims.

- Recognise the individual needs of learners and put in place support and direction through the delivery of an inclusive portfolio of provision from entry level to higher education.
- Establishing the College as a leading centre for training in education and learning within the region.

The College is on target for achieving these objectives. Throughout the period of a Strategic Plan it is essential that the attainment of priorities is kept under scrutiny to ensure that the College achieves its full potential. Priorities will be continuously reviewed through the planning and accountability cycle and to inform the annual review.

The strategic plan provides a fundamental platform to attain challenging ambitions over a five year period. The underpinning core and enabling strategies are reviewed annually within the planning cycle based on a clear set of targets to put in place the vision for the College in 2020. These form the annual plan which itemises areas for specific development and actions/ outcomes required.

The College operates on a Corporate Board model rather than a committee structure. The approach to reporting has been enhanced to focus on key issues affecting the strategic overview of the College. This is based on items falling within the risk framework set out in the plan and emerging developments.

The College's specific targets for 2016/17 and achievement of these objectives is addressed in the table below.

Core/Enabling Strategies

[1] Deliver the most extensive range of high quality 14-25 learning and progression opportunities	
Action/Outcome	Progress to Date
Expand and diversify to meet needs of local employers	The plan is in place and regularly updated. A significant number of new apprenticeships are planned for 2017/18. The College is migrating from frameworks to new standards and fully embracing apprenticeship reform.
Extend pathways for local students in progressing to higher education with partner universities	HE Development plan is in place and meetings with HEIs are extending pathways. The marketing of these courses is key to expansion although nationally there is a decline in the numbers of students progressing to HE
Implement the actions identified from the mock inspection to progress the College to Outstanding recognition	The current Quality Improvement and Development Plans show good progress. Ofsted confirmed the College as grade 2 'good' in September 2017.
[2] Lead in diverse, inclusive and innovative learning, teaching and assessment	
Action/Outcome	Progress to Date
Intensify individual student profiling and tracking throughout all curriculum areas	The STARS system is now used throughout the College and will continue to be enhanced for tracking and monitoring in 2017/18.
Strengthen English and Maths delivery through revised highly focused teams with external specialist direction and advice	English and Maths GCSE are now led by a designated member of staff with relevant knowledge and experience. Intensive work throughout the year to raise achievement was actioned. For 2018-19 link roles with curriculum areas will further enhance this approach

[2] Lead in diverse, inclusive and innovative learning, teaching and assessment	
Action/Outcome	Progress to Date
Ensure rigorous and effective attention to safeguarding throughout all college operations including the embedding of PREVENT and British Values within delivery	PREVENT and British Values have been embedded in schemes of work and promoted throughout the College. The Safeguarding Team has been expanded and the Leaders in Safeguarding accreditation will further assure a highly effective safeguarding function. Key messages are reinforced via posters around the campuses

[3] Drive strong collaborative learning partnerships in meeting the needs of the local economy, education and the community	
Action/Outcome	Progress to Date
Establish a College partnership for Multi Academy Trust delivery	The Trust was established and is now undergoing due diligence to dissolve and be part of Stour Vale Trust. This will be advantageous in terms of quality and finance which includes two outstanding schools.
Participate with local universities in the NCOP initiative for the Black Country and West Midlands	Engagement with Aspire and Aim Higher underway with a variety of activities planned in 2017/18
Implement the agreements established through the Black Country Area Review	The Colleges meet on a variety of these strands including High Needs, Staff Development, Apprenticeships and Finance Directors work on most of these groups and they are useful in terms of sharing joint practice and some joint ventures.

[4] A reputation and brand as the outstanding College of choice that leads local learning	
Action/Outcome	Progress to Date
Implement high profile activities engaging all stakeholders over the calendar year	A range of activities were arranged culminating in the aerial picture with the world's biggest selfie stick. Events were well publicised and stimulated social media attention.
Put in place programmes of activity with partner schools to enhance engagement and progression	The University Access Project and school tasters have continued this year and remain popular with participating schools. The strategy will be reviewed in line with emerging recruitment trends for 2017/18. There is also a need to review the current collegiate/college + programme to ensure it is still relevant and meets the needs of learners.
Implement new Block 13 Performance Centre and reconfigure Block 3 for new Access Centre	The Performing Arts Centre was officially launched in September 2016 by Lord Cobham. The use is now becoming well embedded and the multi-functionality has proved very useful during the exam and enrolment periods. The Block 3 Access Centre was launched in November 2016 by Camilla Phillips MBC and again has been very well received by the students.

[5] Be an exemplary employer, recognised for the most capable, committed and caring staff	
Action/Outcome	Progress to Date
Implement extensive and comprehensive programmes for all staff incorporating personal coach, curriculum leadership and professional support roles	Three programmes have been implemented in 2016-17. For teaching staff - Curriculum Leadership Programme and Personal Coach Programme, and for support staff the Professional Support Programme. These have all been timetabled and well attended and have allowed staff to receive updates and training on cross-College priorities.

[5] Be an exemplary employer, recognised for the most capable, committed and caring staff	
Action/Outcome	Progress to Date
Target groups of managers with responsibilities for delivering organisational development strategy	The management programme has been developed for delivery from September 2017 onwards
Implement new approaches for prospectus and promotional materials in correlation with the website	Key focus this year has been on social media presence and this has been developed to launch in September 2017

[6] Ensure financial strength and stability to deliver excellent facilities and resources	
Action/Outcome	Progress to Date
Implement new company and approaches for the delivery of shared services	South Black Country Education Ltd was implemented and has been operational in the academic year. The setting up and initial implementation went well. Following the first year of operation the current arrangements have been reviewed and the company is a benefit in both quality and financial terms to the shareholding colleges.
Implement new plan 2016-2020	New plan approved by the Corporation. During Summer 2017 additional student social space has been created alongside a new visitor's entrance to the Whittingham Road campus and enhancements to the frontage to aid safety and create a curbside presence.
Extend professional service review initiatives to engage in greater efficiencies and cross team operations	Professional Service reviews have continued - the key change this year was the restructure of Learning Support.

At each meeting of the Corporate Board the Accounting Officer/Principal presents a strategic update together with monthly performance information against predetermined annual targets which have been approved by the Corporation. The report shows comparative month by month performance, a risk rating and direction of travel. Any comments or interventions required are narrated. The targets for 2016/17 and performance in year are as follows:

■ Students Learning and Teaching

Target /Minimum Level of Performance (MLP)	Actual
Achievement at 94%	94%
Attendance - minimum level of performance (MLP) 90%	84.9%
Average class size to exceed 18	16.08
Curriculum areas judged as good or better than 100%	100%
Increase in HE income by 20%	20.05%
Increase Apprenticeship income by 20%	21.2%
Progression of students to enter employment, HE or FE 95%	96%
Punctuality MLP 95%	98.96%

Target /Minimum Level of Performance (MLP)	Actual
Retention at least 94%	94.44%
Success rates at least 88.5%	88.5%
Teaching and learning to be good or better 95%	96%
Total room utilisation to exceed 80%	80.18%

▪ Staffing

Target /Minimum Level of Performance (MLP)	Actual
Absence rate less than 3%	2.10%
Participation in CPD activity 8 per staff member	10
Teaching staff deployment to exceed 98%	105.23%
Creation of online staff development courses to be > 20	21

▪ Digital

Target /Minimum Level of Performance (MLP)	Actual
Increase number of digital workspaces by at least 100 to provide a ratio of computers to students 1:1.2	113
Ensure a resilient network with < 0.1% down time	0.00%
Review print fleet and increase student printing capacity by 10% (page per hour output)	7%
Improve log-on speed to under 30 seconds by revising group policies to standard machine	92% of machines currently meet this target
Increase connectivity to Coombs Wood and Shenstone House by at least 25%	23%

▪ Estates and Environment

Target /Minimum Level of Performance (MLP)	Actual
Reduce estate costs to less than £50 per m ²	£52
Increase condition of estate to 96% in category 1 and 2	95%
Teaching Room assessment as good or outstanding 90%	75%
Percentage of gross internal area used for teaching to be within recommended range of 43-50%	44.5%
Minimum number of workstations/floor area to be within the recommended range of 11.5 m ²	11.7 m ²
Reduce carbon footprint by a further 1%	0.01%

Financial Objectives

In order to assist the College in achieving its strategic objectives, the governing body sets annually financial targets which are coterminous with those financial objectives set out in the College's strategic plan. The purpose of setting and monitoring such objectives is to establish limits within which the College can operate and achieve its overarching strategies. The College regularly compares its performance against published averages from various sources and, has developed a set of key performance indicators, which focus on the core areas of activity. It is helpful to review actual performance against plan and to review the targets. The College operates on a Corporate Board model and has developed a finance dashboard as part of the monthly performance monitoring. There is also a formal report each month showing College performance against annual targets. The actual performance is shown alongside the comparison from the previous period. The distance of travel is highlighted and each performance criteria RAG rated to demonstrate risk. Each month the finance dashboard is updated to report performance against targets and core ratios in graphical format so trends are easily highlighted. A link is provided to the full management accounts pack. The Corporation consider targets for the year ahead to ensure that they remain appropriate; achievable, yet challenging. A more long term set of aims preserves the financial profile of the College ensuring that the organisation remains a going concern and is sufficiently robust to achieve its strategic objectives. It is useful to compare College achievement with those of equivalent institutions and to monitor trends over time. Targets and effective financial management have been established to ensure liquidity, profitability/viability, constraint of costs and gearing.

The financial targets for Halesowen College in 2016/17 were as follows:

Liquidity

A current ratio of at least 5.5 (actual 6.02).

Cash days in hand greater than 190 (actual 206).

Profitability/Viability

Earnings before interest, taxation, depreciation and amortisation as a percentage of income to exceed 7%. (Actual was 10.18% of income).

Performance ratio is the adjusted operating surplus (adjusted for pension adjustments and depreciation) divided by income less deferred capital grant release and should be at least 6%. (Actual 10.49%).

The financial health grade from the agency should be outstanding and this was achieved.

Gearing

Gearing is a term describing a financial ratio that compares equity (or capital) to borrowed funds. Gearing is a measure of financial leverage, demonstrating the degree to which activities are funded by College funds versus those of a creditor. A high gearing ratio represents a high proportion of debt to equity, and a low gearing ratio represents a low proportion of debt to equity. As such a high gearing ratio is indicative of a great deal of leverage, where debt is being used to pay for its continuing operations. In a period of downturn, such organisations may have difficulty in meeting their debt repayment schedules which would have a range of adverse consequences; ultimately bankruptcy. A low gearing ratio may be indicative of

conservative financial management, but would also indicate that the College cannot afford to become overextended in a period of on-going financial challenge and decreasing surplus.

The College's gearing ratio should be no more than 20%. (Actual excluding defined benefit obligations 16.44%).

The College's debt charges, should be no higher than 2.5% of income and be reflective of the level of borrowing. (Actual 0.68%).

Total borrowing as a percentage of income should be less than 25%. (Actual 18.72%).

Available reserves as % of income should exceed 100% (Actual 113.86%).

Constraint of Costs

The College's pay bill should be met within 60% of income (excluding the release of deferred capital grants) after accounting for extraordinary items. (Actual 59.31%).

The year on year percentage increase in pay must be consistent with the inflationary pay award, projected incremental drift and approved volume changes (after accounting for FRS102 pension adjustments). This was achieved.

The year on year percentage increase in non-pay (excluding depreciation) must be consistent with the inflationary price increases and approved volume changes. This was achieved.

Changes in Levels of Activity

The year on year change in income should be determined annually based on financial projections. Expenditure levels should be maintained within the income figure to maintain the budgeted surplus.

Performance Indicators

The College is committed to observing the importance of the measures and indicators, and uses the FE choices, data available on the GOV.UK website, which looks at measures such as success rates. The College is required to complete the annual Finance Record for the Education and Skills Funding Agency (ESFA). The College is assessed by the ESFA as having an outstanding financial health grading. The current rating of outstanding as calculated via the financial plan is considered a positive outcome.

FINANCE POSITION

Financial Results

The Group generated a surplus before FRS 102 adjustments and other gains and losses in the year of £709,000 (2015/16 – surplus of £1,842,000); with total comprehensive income of £(50,000) (2015/16 £(1,769,000))

The Group has accumulated total reserves of £19,166,000 of which £17,361,000 relates to general reserve (excluding pension reserve), and cash balances of £2,363,000 (and short term investments which can be liquidated of £9,892,000).

The College's cash and investments includes a bond held with Lloyds Bank on behalf of Walsall Council to provide the required security for a growth fund capital grants provided by the Black Country Local Enterprise Partnership. This grant would be repayable should output targets not be achieved.

Tangible fixed asset additions during the year amounted to £2,646,000. This was split between land and buildings acquired of 1,679,000 (less £611,000 in progress) and equipment purchased of £967,000. This related to the capital developments at the Whittingham campus to increase student social space, create a new visitors reception and remodel the frontage to improve safety whilst creating a presence from the highway.

The Group has significant reliance on the education sector funding bodies for its principal funding sources, largely from recurrent grants. In 2016/17 the FE funding bodies provided 79.34% of the Group's total income.

The College has one wholly owned subsidiary company, Halesowen College Enterprises Limited (HCE). The principal activities of HCE are the provision of retail outlets offering students a range of pre-prepared hot and cold foods, drinks, snacks and Starbucks coffee. The company also deals with for-profit activities such as room hire, bespoke training, the sale of study aids and other retail goods. For 2016/17 HCE has transferred under Gift Aid the surplus generated to The Halesowen Foundation, a registered charity reference 1130576. Whilst The Halesowen Foundation is a separate legal entity the College and HCE are significant stakeholders. The charitable objects are:

- To advance the education and training within Halesowen College and the wider community and to develop the talents and abilities of students by providing training, equipment or facilities including but not restricted to grants, loans, scholarships, bursaries and prizes not usually provided for by the statutory authorities.
- To support such charitable purposes as the Directors may determine.

The operating profit generated by HCE was £57,068.

The turnover of the company is consistent with budget and the previous period.

The College is also a partner in South Black Country Education Limited (SBCE) alongside King Edward VI College. This is a shared services company providing catering and cleaning services to both colleges. The financial ethos of SBCE is to provide services in the most efficient and effective manner, breaking even with any residual profit distributed to the shareholding colleges. The financial relationship with SBCE is documented in a memorandum of understanding which has been approved by the Corporation. All liabilities to SBCE are fully reflected in these financial statements. The College owns fifty percent of the share capital (two £1 ordinary shares).

Treasury Policies and Objectives

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

The College has a separate treasury management policy in place.

The College now has facility to lodge investments with four banks:

- NatWest
- Barclays

- Bank of Scotland/Lloyds
- HSBC

There is no short term borrowing for temporary revenue purposes, however any such borrowing for temporary revenue purposes would be authorised by the Accounting Officer. All other borrowing requirements shall be authorised by the Corporation.

Cashflows and Liquidity

Operating cash inflow is strong. In 2006/07 the College consolidated its borrowing; with additional borrowing of £1.25m drawn in March 2009 at a fixed rate of 5.55%, £1.25m drawn in November 2010 at a variable rate of 1.50% above LIBOR and £1.32m drawn in August 2011 at a variable rate of 1.50% above LIBOR.

In 2016/17 net cashflow from operating activities is £1,147,000 and the movement in cash in the period is an increase of £1,057,000.

As stated above capital projects have been financed from College reserves. The College has not taken any additional borrowing to finance these stages of the property strategy. Ongoing investment strategy will impact on future cashflows. The capital grant of £1.059m from the LEP has been used to part finance the advanced science and technology centre and the second grant of £700,000 used to part finance the Access Centre on the Whittingham campus

Currently the College has a strong liquidity position.

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

The College is fully compliant with all loan covenants.

Reserves Policy

The Corporation on behalf of Halesowen College reviews the levels of reserves monthly as part of the management accounts review. The College is dependent on agency funding from the Education and Skills Funding Agency and must ensure sufficient reserves to sustain outstanding financial health allowing the College to achieve its strategic objectives and realise ongoing investment to provide an outstanding learning experience so that the College remains the leading choice for post 16 education and training.

The reserves policy of Halesowen College is to maintain sufficient levels of reserves to enable operating activities to be maintained, taking account of potential risks and contingencies that may arise from time to time. The policy is reviewed annually by the Corporation.

Reserves are that part of the College's unrestricted funds that is freely available to spend on any allowable purposes. This definition excludes restricted income funds and endowment funds, although holding such funds may influence this reserves policy. Reserves will also normally exclude tangible fixed assets held for the College's use and amounts designated for essential future spending.

Any restrictions on the use of the funds must be explained to the Corporation. Budgets and future plans need to be considered, in particular any uncertainty over future income or the risk of unexpected expenditure.

Reserves are held to help the College operate effectively.

Charity law requires any income received by a charity (including an exempt charity) to be spent within a reasonable period of receipt. The College must hold a level of reserves which is coterminous with the financial targets established annually.

The current level of reserves are coterminous with this policy.

CURRENT AND FUTURE DEVELOPMENTS AND PERFORMANCE

Financial Health

Despite increasing costs of pay, in particular national living wage and LGPS pension coupled with no inflationary funding from the agencies, the College has retained its outstanding financial health. This is forecast to extend into 2017/18 albeit with a reducing level of surplus.

Student Numbers

In 2016/17 the College realised a stable position with regard to the profile of 16-18 students and will achieve the ESFA 16-18 contractual targets. At the funding point R12 the College had 3,576 16-18 students compared to contractual target of 3,550. This is reflected in the lagged funding for 2017/18 which again is flat. To ensure the ongoing viability of the College, efficiencies will continue to be realised in both pay and non-pay whilst using reserves to invest in the College's strategic objectives.

In terms of the adult education contract the College has performed to contract in 2016/17 for classroom based learning. Growth funds were received for apprenticeships linking with the activity targets in the LEP contract. There will be clawback of income despite the classroom based over performance as adult apprenticeships have not reached maximum contract value.

The College plans to build capacity with apprenticeships and has realised £306,000 in terms of 16-18 learners and £115,000 for adults.

Student Achievements

Students at Halesowen College continue to achieve and progress to higher/further education or employment. The success rate target for 2016/17 was 88.4% and actual performance 88.58% (2015/16 88.5%).

Curriculum Developments

The College has a curriculum which is broad in terms of range of subjects and levels. Methods of learning, teaching and assessment are under continuous review and development to ensure that the curriculum makes a positive contribution to the local economy/community and provides a valuable resource to local groups, organisations, individuals and employers. The College also aims to extend opportunities for students to follow personalised pathways which ensure they reach their full potential and take the next positive step. In 2016/17 the College has continued to respond to government priorities and the needs of local employers by developing higher apprentice frameworks and migrating to new standards. This links with the priorities identified by the Local Enterprise Partnership. The Skills Plan provides a framework for academic, vocational and technical pathways and presents significant changes for the sector. An overall review of the curriculum is scheduled for 2017/18 in order to ensure study programmes and apprenticeships meet the needs of the learner and build the skills required by employers to ensure all students secure sustainable employment or progress to a further course of study. English and maths continue to be a priority for 16-18 study programmes and adult skills. Within the Black Country the percentage of people with no qualifications exceed the national average. Also only 22.4% of the population held a Level 4 qualification compared to 37.1% nationally. In addressing this need the College has developed an Access Centre to facilitate HE study and focus on basic skills which are essential in the workplace.

The College has a digital strategy and is investing resources for learning using technology.

Staff development will aid staff upskill to effectively utilise digital technology.

Recruitment to 16-18 provision draws from over thirty feeder secondary schools. Approximately 70% of students follow a vocational programme ranging from entry level to advanced programmes. Only 27% of the College intake comes from schools performing at or above the national level. Therefore the College focuses on individual choice and puts in place high levels of support. There is an increasing volume of students on an Education Health Care Plan. As a response to government priorities the College has focused on improving standards of literacy and numeracy and employability skills. Work experience is a key part of vocational study programmes.

The College has a statutory and moral responsibility for safeguarding including Prevent and, as part of this agenda, has introduced a cyber-safety qualification as part of the tutorial framework. Across all areas clear progression pathways are in place and the College has developed courses to respond to the needs of individuals with mental health issues and those requiring training and employment skills. Links with universities provide additional options for students looking to continue studying past Level 3. The College continues to develop its own range of higher level courses.

The College has excellent links with local employers and community groups.

The College is continuing to link with schools to support the 14-19 agenda.

The College has an Associate College Model with University of Worcester.

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%. During the accounting period 1 August 2016 to 31 July 2017 the College paid 80% of its invoices within 30 days. The College incurred no interest charges from commercial debtors in respect of late payment for this period. Calculated creditor days averaged at 22.00 over the period. The College has monitored performance against this target, in terms of value and volume, for a number of years and reports monthly on compliance as part of the management accounts available to senior management and governors.

After the End of the Reporting Period

There are no significant post balance sheet events.

Future Prospects

The College's key source of income is from the funding agency. Income for 16-19 learners 2017/18 (as stated in the finance plan) is as follows:

EFA Income	2015/16	2016/17	2017/18
Main grant	15,172,983	13,555,877	13,361,608
Retention Factor	-728,303	-677,794	-603,277
PCWF	1,141,130	1,004,491	960,320
High level ALS	96,000	96,000	96,000*
Disadvantage	2,168,922	1,862,569	2,023,176
Large programme factor	0	1,600	1,600
Core maths early adopters	0	0	0
Sub Total	17,850,732	15,842,743	15,839,427
Bursary	554,698	420,377	421,956
Free FE meals	164,495	165,057	160,078
Subtotal	719,193	585,434	582,034
TOTAL EFA	18,569,925	16,428,177	16,421,461

The Education Funding Agency income disclosed in Note 2 excludes the bursary funding as the College is effectively a paymaster for these funds.

The table shows a comparison year on year in funding. Income in 2017/18 is a flat position and reflects the number of students who enrolled in 2016/17. There is a decline in the demographic and increased competition from other colleges, schools, sixth forms and apprenticeship options. The application profile for 2017/2018 demonstrates a positive trend and the financial plan assumes a modest recovery which will be realised through the lagged model.

The College has an adult education budget of £1,063,540. Following apprenticeship reform, the College is providing frameworks and standards via the levy. The College is currently bidding for a contract to continue to deliver to non-levy paying employers and this uncertainty is highlighted in the risk register.

Despite risks and uncertainties the College will maintain a strong financial base over the forthcoming period.

Efficiencies have been made to both the pay and non-pay budgets to ensure financial resilience and maintenance of outstanding financial health.

The summary from the financial plan in the table below demonstrates the forecast position.

	Year ended 2018	Year ended 2019
	£000s	£000s
Income	22,857	23,067
Expenditure	(21,240)	(21,485)
Surplus before interest, tax, depreciation and amortisation costs	1,617	1,582
Adjusted Current Ratio	4.11	4.26
Gearing; Borrowing as a % of income	17.35%	15.70%
EBITDA as a percentage of income	7.46%	7.05%

This financial profile provides assurance that the College is a going concern and corresponds with the revised targets adopted by the Corporation to ensure financial stability in the short/medium term. These financial targets fully incorporate UK GAAP 'FRS102'.

The Corporation will need to continue to address

- changes in Government policy and its impact on funding;
- finance targets and the investment strategy;
- recommendations from Skills Plan, Smith Review and future updates.

The Black Country area review is now complete and eight challenges identified. Halesowen College will continue to work collaboratively as part of Black Country College to deliver the targets and recommendations.

Currently the College position is one of financial strength and this is forecast to continue. This will ensure the continued financial viability of the organisation whilst at the same time maintaining high levels of quality and the achievement of the strategic objectives.

The College has the ability to continue to function as a tertiary college offering its range of education and training for the medium term. Despite the impact of cuts and efficiencies, the College has a strong financial base and will be responsive to the continued challenges ahead. As such, as stated above, these accounts are prepared on the assumption that the College is a going concern.

RESOURCES

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

Tangible resources include the main College sites of Whittingham Road, Coombs Wood (Advanced Science and Technology Centre) and Shenstone House.

Financial

The Group has £19.166 million of net assets (including pension liability) and long term debt.

People

The Group employs 378.56 people (expressed as full time equivalents), of whom 220.78 are teaching staff.

Reputation

The College has a good reputation locally and nationally. Maintaining a quality brand is essential for the College's success at attracting students and developing external relationships. The College aims to ensure marketing and promotional activities are positively managed to further enhance this excellent reputation and emphasise positive messages.

PRINCIPAL RISKS AND UNCERTAINTIES

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

The Risk Management Policy is subject to annual review and the Corporation has determined an overarching risk appetite, ie the amount of risk the College is prepared to accept, tolerate or be exposed to at any point in time. It is important to understand the level of acceptable risks. Looking at risk without considering any of the controls in place gives the level of inherent risk whereas to establish the residual risk the control environment and other mitigating factors must be taken into account. The overall risk appetite is set at balanced; ie:

- Willing to consider a range of options and adapt strategic aims and devolved management structure to move the organisation forward.
- Prepared to make decisions where there is an element of risk, provided appropriate controls are in place.
- Innovation and systems development supported within overarching strategic objectives/ designated projects.
- Technological development encouraged to enhance quality and efficiency.
- Resources allocated to capitalise on developments and potential opportunities.

Risks are assessed using a 5 point scoring system for likelihood of occurrence and materiality. In order to derive the overall risk score these two numbers are multiplied together; for example a risk having a medium likelihood of occurrence but a significant impact would score 3 (medium) multiplied by 4 (significant) hence the overall risk score would be 12.

For a balanced risk appetite the maximum risk score is 12.

For risks scoring 12 or more a risk plan is produced and any that have a net risk outside of the appetite a traffic light system of red and amber is applied. Red risks could present serious challenges for the College and must be monitored at the highest level with an appropriate level of scrutiny. The Corporation consider and accept such risks.

Based on the strategic plan and associated annual plan, a comprehensive review of the risks to which the College is exposed was undertaken. This identifies 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, any risks which may arise as a result of a new area of work being undertaken by the College are considered. For all risks scoring 12 or more the sources of assurance are documented.

A risk register is maintained at the College level which is reviewed formally at least annually by the Audit and Assurance Committee. Risks are also reviewed throughout the year. The risk register identifies and categorises the key risks, the likelihood of those risks occurring and their potential impact on the College. For significant risks the actions being taken to reduce and mitigate the risks are noted. Risks are prioritised using a consistent scoring system.

Following the completion of the 2017/18 risk register an action plan was produced to address key factors. This will be monitored via the Audit and Assurance Committee. In addition as part of the risk exercise relevant legislation is considered to ensure compliance.

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.

Government Funding

The College has considerable reliance on continued government funding through the education sector funding bodies and through HEFCE. In 2016/17, 80.84% of the Group's revenue was ultimately public funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms. The College is aware of several issues which may impact on future funding, including apprenticeship reforms and the devolution of the adult education budget. The College, in conjunction with its key stakeholders, is developing a strategy in response to the devolution agenda and to the apprenticeships reform. It is recognised that the introduction of the apprenticeship levy will significantly affect that marketplace though the full implications are not yet known as government policy continues to develop. Indeed for 2016/17 the College's EFA allocation has been reduced. The College also faces increased competition from local providers and there is a declining demographic. The financial position and forecast is wholly dependent on maintaining student numbers and indeed a modest recovery against EFA profiles.

The College acknowledges failure to respond to the needs of students, employers and to adhere to the government's agenda are risks. Moreover, adverse financial impact due to changes in funding methodologies/resource allocation is a high scoring risk in the register.

This risk is mitigated by ensuring the College is rigorous in delivering high quality education and training hence meeting stakeholder expectations. The College is focused on delivering in priority sectors which continue to benefit from public funding. An apprenticeship development plan is used to monitor work based learning and employer engagement.

Tuition Fee Policy

Ministers have confirmed that the fee assumption remains at 50% for 2016/17.

Halesowen College will apply tuition fees in accordance with the fee assumptions. As stated above significant changes to remission rules and the increase of 19+ learning loans have impacted on the College and transferred risk from the agency to the provider. The price elasticity of adult learning is changeable. The risk for the College is that students will be unable and/or unwilling to afford to pay fees especially in the ongoing macroeconomic climate and be unwilling to incur debt in the form of a student loan. This will impact on the strategy of the College.

This risk is mitigated by ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students and closely monitoring the demand for courses. The College has held workshops for students to offer advice and guidance together with practical support to enable students to invest in their future.

Maintain Adequate Funding for 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 FRS102.

This risk is mitigated by an agreed deficit recovery plan with the West Midlands Superannuation Scheme.

Failure to Maintain the Financial Viability of the College

The College's current financial health grade is classified as "outstanding" as described above. This is largely the consequence of outstanding financial management and detailed budget planning. Notwithstanding that, the continuing challenge to the College's financial position remains the constraint on further education funding arising from the ongoing cuts in public sector spending whilst maintaining the student experience. This risk is mitigated in a number of ways:

- By rigorous budget setting procedures and sensitivity analysis
- Regular in year budget monitoring
- Robust financial controls
- Exploring ongoing procurement efficiencies

Fraud and Corruption

Failure to detect fraud and corruption and/or prevent bribery can be a risk.

Failure to detect fraud arises when there is a poor control environment and/or when staff have no mechanisms for reporting concerns. Fraud can be planned or opportunistic, and may be a one-off event or ongoing over a period of time. The risk of failing to detect fraud inevitably leads to financial loss plus other less tangible adverse effects such as staff morale. The overarching risk is to the College's reputation should the incident be serious.

In order to combat this risk the College has:

- a robust system of internal control and whenever problems are identified uses audit services to help facilitate remedial action;
- implemented a Whistleblowing Policy, and Anti-Fraud Policy and Response Plan;
- anti-money laundering regulations in place and implemented a procedure to safeguard against money laundering and enhance controls on safe key handling;
- an effective Audit and Assurance Committee;
- an anti-bribery policy;
- a new approach to assurance which is prepared using a risk based approach and approved by the Audit and Assurance Committee;
- annual anti-fraud self-assessment which is reported to the Audit and Assurance Committee.

Risks Identified in the Risk Register

The key themes include competition, curriculum changes, increasing volume of students with high needs and digital plus external factors such as the Skills Plan and apprenticeship reform.

Key themes can be summarised as follows:

- Apprenticeship reform, although an opportunity, presents financial uncertainty and a requirement to invest.
- Significant curriculum changes and potential impact on learning, teaching and assessment.

- Failure of staff to develop the skills to effectively utilise digital systems thus impeding the digital learning strategy and adverse impact on the core activities of the College.
- Delivering Maths and English in the 16-18 study programme and associated funding conditions particularly given the 9 to 1 GCSE and future changes resulting from the Smith Review.
- Devolvment of the Adult Education Budget to the West Midlands Combined Authority.
- Demographic decline/increased competition and impact on student numbers and funding, hence a need for ongoing quality improvement, investment in resources and effective marketing.
- Impact of external factors such as the Skills Plan, Brexit, government policy and Prevent responsibilities.
- Failure to make the optimum balance between financial resilience and investment.
- Failure to provide effective student support especially given the increased and complex individual needs of students; in particular mental health.
- Failure to sustain at least good in an Ofsted inspection.
- Opportunities and risk arising from change such as apprenticeships.

STAKEHOLDER RELATIONSHIPS

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

- Students
- Education sector funding bodies
- FE Commissioner
- Staff
- Local employers (with specific links)
- Local Authorities
- Local Enterprise Partnerships
- The local community
- Other FE institutions
- HE institutions
- Trade unions
- Professional bodies
- Local schools
- The Halesowen Foundation
- South Bank Country Education Limited

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

EQUALITY

Halesowen College is committed to ensuring equality of opportunity for all who learn and work at the College. The College respects and values positively differences under the protected characteristics defined in the Equality Act 2010. Thus, strives vigorously to remove conditions which place people at a disadvantage and actively combats bigotry. This policy will be resourced, implemented and monitored on a planned basis. The College has published data

required under the Act. An Equality and Diversity Consultative Forum has been established and is chaired by the Accounting Officer/Principal demonstrating the College's commitment at the highest level. The group has considered the implications of the Equality Act 2010 ensuring compliance and they lead on equality impact assessment. A thorough site survey has been undertaken by DisabledGo with whom the College continues to work.

The College's Equality documents are published on the College's website. These policies incorporate all protected characteristics. There is an annual Equality Report and Equality Objectives to ensure compliance with all relevant legislation.

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

The College has been accredited under the Leaders in Diversity scheme.

The College holds the values of commitment, learning, partnership, respect, standards and trust are central to its mission in placing the student experience at the heart of all College policies and procedures. Accordingly this places great emphasis on access to education and aims to remove barriers in order to create a culture of inclusiveness that is committed to challenging discrimination in all aspects of its work.

The College is determined to create an ethos where the diversity of staff and students is both promoted and valued. It sees diversity as being key to widening participation in education and enriching the College experience for all. Hence it seeks to promote positive practice with all external agencies such as government bodies, employers, contractors etc.

Disability Statement

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

- As part of its property strategy the College has updated its access audit. Experts in this field conduct a full access audit and the results of this have informed capital projects.
- The College has a team that co-ordinates the provision of information and advice and arrangements of support where necessary for students with disabilities.
- There is specialist equipment which the College can make available for use by students and assistive technology is available in the library.
- The admissions policy for all students is described in the College charter. Appeals against a decision not to offer a place are dealt with under the complaints policy. The College has a responsibility and statutory duty in relation to students who have or may have special educational needs or disabilities.
- The College has made a significant investment in the appointment of specialist staff to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. 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.
- Specialist programmes are described in College prospectuses, and achievements and

destinations are recorded and published in the standard College format.

- Counselling and welfare services are available and promoted in College Student information.
- The College has submitted information to the Local Authority to form part of the Local Offer bringing together health, education and social care for young people.

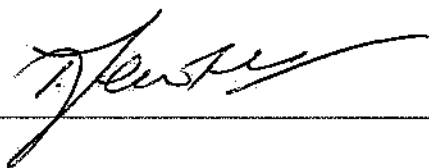
The College is aware of and complies with its duties under the Equality Act 2010.

Disclosure of Information to Auditors

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

Approved by order of the members of the Corporation on 28 November 2017 and signed on its behalf by

Ian Jewkes
Chair

A handwritten signature in black ink, appearing to read 'I. Jewkes', is written over a horizontal line.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2016 to 31 July 2017 and up to the date of approval of the annual report and financial statements.

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 Code of Good Governance for English Colleges ('the 'Code'); and
- iii. having due regard to the UK Corporate Governance Code 2016 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 Code.

In the opinion of the Governors, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2017. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times.

The Corporation resolved to adopt the Code of Good Governance for English Colleges from 1 August 2015, noting one area of variance on length and terms of office.

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.

As stated previously the Corporation has adopted a Public Benefit Statement. The College is accountable to its learners, to the wider community it serves and other stakeholders. The Public Benefit Statement describes how Halesowen College adds value to the social, economic and wellbeing of the community it serves.

The Corporation

The members who served on the Corporation during the year and up to the date of signature of this report were as listed in the table below. (Attendance is given for 1 August 2016 to 31 July 2017).

Governors Serving on the College Board 2016/17

Name	Date of Appointment	Term of Office	Date of Resignation/Completion	Status of Appointment	Committees Served	Corporation Members Attendance
Amanda Allen	01/08/2017 - 31/07/2018	1 yr		Member	Audit & Assurance	n/a
Keith Bate			30/09/2016	Accounting Officer / Principal	Search and Governance	2/2
Elaine Cammies	01/08/2017 - 31/07/2019	2 yrs		Staff		n/a
Jane Chan	24/10/2013 – 31/07/2014 01/08/2014 – 31/07/2017	< 1 yr 3 yrs	31/07/2017	Member		4/11
Karen Cocker	24/09/2014 – 31/07/2015 01/08/2015 – 31/07/2018	< 1 yr 3 yrs		Member	Search & Governance	10/11
Peter Coley	01/03/2017 - 31/07/2018	> 1 yr		Member	Audit & Assurance	5/5
Kiran Dior	01/08/2017 - 31/07/2018	1 yr		Student		n/a
Geoffrey Elliott	01/01/2014 – 31/07/2014 01/08/2014 – 31/07/2017	< 1 yr 3 yrs	31/07/2017	Member	Audit & Assurance	3/11
Jamie Fox	30/11/2016 01/03/2017 - 31/07/2018	> 1 yr		Co-optee		6/8
Ian Jewkes	11/2011 11/2012 01/08/2013 – 31/07/2016 01/08/2016 – 31/07/2019	1 yr 1 yr 3 yrs 3 yrs		Member	Vice Chair of Corporation Chair of Corporation Search and Governance	8/11
Mark Johnson	24/09/2014 – 31/07/2015 01/08/2015 – 31/07/2018	< 1 yr 3 yrs		Member	Audit and Assurance Search and Governance	10/11

Name	Date of Appointment	Term of Office	Date of Resignation/Completion	Status of Appointment	Committees Served	Corporation Members Attendance
Helene Jones	01/08/2015 – 31/07/2016 01/08/2016 – 31/07/2019	1 yr 3 yrs		Member	Search and Governance Vice Chair of Corporation	9/11
Louise Jones	01/08/2017 - 31/07/2018	1 yr		Member	Search & Governance	n/a
Allison Matthews	11/2013 – 11/2015 27/11/2015 – 31/07/2017	2 yrs	31/07/2017	Staff		11/11
Peter Mitchell	11/2011 11/2012 01/10/2013 – 31/07/2014 01/08/2014 – 31/07/2015 01/08/2015 – 31/07/2018 01/04/2017 - 31/07/2017	1 yr 1 yr 1 yr 1 yr 3 yrs	31/03/2017	Member Co-optee	Audit and Assurance	2/8
Harvey Owen	01/03/2016 – 31/07/2016 01/08/2016 – 31/07/2019	< 1yr 3 yrs	28/02/2017	Member	Audit and Assurance	3/6
Joanne Williams	1/10/2016		30/06/2017	Interim Principal/ Accounting Officer	Search and Governance	9/9
Leslie Williams	12/2005 12/2009 01/12/2013 – 31/07/2016 01/08/2016 – 31/07/2017	4 yrs 4 yrs 3 yrs 1 yr	31/12/2016	Member	Chair of Corporation Search and Governance	4/4
David Williams	01/07/2017			Accounting Officer/ Principal	Search & Governance	
Monika Zilionyte	01/08/2016 – 31/07/2017	Academic Year 2016/17	31/07/2017	Student		2/11
Claire Simmonds	24/09/2014 - 31/07/2015 01/08/2015 - 31/07/2016 01/08/2016 - 31/07/2018		13/10/2016	Co-optee	Audit & Assurance	1/1
Jennifer Sunter	Clerk to the Corporation					

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

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and human resources related matters such as health and safety and environmental issues. The Corporation meets several times each year on a monthly cycle of business.

The Corporation conducts its business through a Corporate Board model and retains only the statutory committees of Search and Audit. Each committee has terms of reference, which have been approved by the Corporation. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website at www.halesowen.ac.uk or from the Clerk to the Corporation at:

Halesowen College
Whittingham Road
Halesowen
West Midlands
B63 3NA

The Clerk to the Corporation 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 Corporation, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Corporation 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 Corporation has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Corporation considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

There is a clear division of responsibility in that the roles of the Chair and Accounting Officer/Principal are separate.

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search and Governance, consisting of five current members of the Corporation, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not usually exceeding three years. However, new appointments are made for a one year term of office in the first instance. The student governor is appointed for one year and the staff governor for two years.

Corporation Performance

Success measures agreed by the Corporation are intended to provide a further means to review effectiveness in governance, performance and delivery of the strategic plan and objectives. The Search and Governance Committee review progress. The measures themselves are reviewed and updated to reflect the changing environment within which the College operates.

Governance – Success Measures

- Clear progress in delivering the next year of the Strategic Plan for the period 2015 to 2020 by successful implementation of the Annual Plan.
- Definable progress towards achieving an Outstanding rating at the next Ofsted inspection, including further external review and preparation of the Governors for inspection.
- Completion of securing access to an appropriate skill base in Governors, set against the Skills matrix, with recruitment of digital media experience and replacement of those governors leaving.
- Achievement of an appropriate outcome from the Area Based Review, within the terms of the mandate agreed at the January 2016 Residential.
- Active collaboration with other Black Country Colleges and local schools to strengthen the educational offer and long term sustainability of the College.

Performance of the College – High Level Success Measures

- Maintenance of levels of student applications consistent with achieving sustainability and continued development of the College.
- College to meet financial targets each year.
- Range of provision to remain inclusive and to be expanded.
- Student results to improve on previous year's levels.
- Proportion of students progressing to further or higher education, or appropriate employment/career path to increase on previous year's level.

Strategic Plan Objectives - Delivery of 2017/18 Key Performance Indicators against Core and Enabling Strategies as being developed by the College Executive.

Remuneration Committee

Halesowen College does not operate a Remuneration Committee. The remuneration and benefits of the Accounting Officer/Principal and other key management personnel are determined by the Corporation.

Details of remuneration for the year ended 31 July 2017 are set out in Note 8 to the financial statements.

Audit and Assurance Committee

The Audit and Assurance Committee comprises of three members and a co-opted member to the Corporation (excluding the Accounting Officer/Principal and Chair). The Committee operates in accordance with written terms of reference approved by the Corporation.

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

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

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

The Audit and Assurance Committee also advises the Corporation on the appointment of internal, reporting accountants and financial statements auditors and their remuneration for both audit and non-audit work as well as reporting annually to the Corporation.

The Audit and Assurance Committee is responsible for advising the Corporation on the assurance framework and will set out their opinion in their annual report.

Search and Governance Committee

The College has a Search and Governance Committee to oversee the effectiveness of the search and appointment; monitor the arrangements for induction, training and self-assessment; monitor the arrangements for appraisal of the Clerk, senior post holders and the Accounting Officer/Principal, and oversee governance arrangements. The Committee comprises four current members.

Internal Control

Scope of responsibility

The Corporation 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 Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer/Principal, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which they are personally responsible, in accordance with the responsibilities assigned to them in the Financial Memorandum between Halesowen College and the funding bodies. The Principal is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to 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 Halesowen College for the year ended 31 July 2017 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation 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 Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2017 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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

- comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the governing body
- regular reviews by the governing body of periodic and annual financial reports which indicate financial performance against forecasts
- setting targets to measure financial and other performance
- clearly defined capital investment control guidelines
- the adoption of formal project management disciplines, where appropriate.

Halesowen College has an internal audit service, which operates in accordance with the requirements of the ESFA's Post 16 Audit Code of Practice. The work of the internal audit service is part of the College's overall assurance model which maps the key performance indicators, as defined in the strategic plan, against risks to identify areas where the Corporation require external scrutiny/additional assurance. The audit plan forms part of this framework and is approved by the Corporation on the recommendation of the Audit and Assurance Committee.

The appointed internal audit service centre their work on key financial controls. Specialist providers are engaged for other aspects of the assurance plan. Given this change to the assurance model the Audit and Assurance Committee have received several alternative reports on this assurance activity which included:

- assurance gap analysis
- risk management report including risk appetite, risk plans, sources of assurance, early warning indicators and contra risk
- anti-fraud self-assessment
- regularity audit checklist and associated evidence
- accountability review evaluation to replace the FMCE

as well as the annual opinion of the external auditor, a report on key financial controls from the internal audit service and reports on student records from a specialist audit firm.

Review of effectiveness

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

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

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

The Accounting Officer/Principal and senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the faculties and reinforced by risk awareness training. The Accounting Officer/Principal and senior management team and the Audit and Assurance Committee also receive reports from internal audit and other sources of assurance which include recommendations for improvement. The Audit and Assurance Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit and Assurance Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its September 2017 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2017 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2017.

Based on the advice of the Audit and Assurance Committee and the Accounting Officer/Principal, 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 Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing financial statements.

Approved by order of the members of the Corporation on 28 November 2017 and signed on its behalf by:



Ian Jewkes
Chair

Date: 28 November 2017



David Williams
Accounting Officer/Principal

Date: 28 November 2017

Statement of Propriety and Compliance

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

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

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



Ian Jewkes
Chair

Date: 28 November 2017



David Williams
Accounting Officer/Principal

Date: 28 November 2017

Statement of Responsibilities of the Members of the Corporation

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

The law applicable to charities in England and the terms and conditions of the College's Financial Memorandum between the ESFA and the Corporation of the College requires the Corporation of the College to prepare financial statements for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education and with the College Accounts Direction issued jointly by the ESFA which give a true and fair view of the state of affairs of the College is surplus of income over expenditure for that period.

In preparing the financial statements, the Corporation is required to:

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

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the College, and which enable it to ensure that the financial statements are prepared in accordance with the Charities Act 2011 and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

The maintenance and integrity of the College website is the responsibility of the Corporation of the College; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Members of the Corporation are responsible for ensuring that funds from the ESFA are used only in accordance with the authorities that govern them as deferred by and in accordance with the Further and Higher Education Act 1992, subsequent legislation and related regulations and the Financial Memorandum with the ESFA and any other conditions that may be prescribed from time to time.

Approved by order of the members of the Corporation on 28 November 2017 and signed on its behalf by:



Ian Jewkes, Chair

Date: 28 November 2017

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF HALESOWEN COLLEGE

Opinion

We have audited the financial statements of Halesowen College (the "College") and its subsidiary (the "Group") for the year ended 31 July 2017 which comprise the consolidated and college statements of comprehensive income; the consolidated and college balance sheets, the consolidated and college statements of changes in reserves, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" as set out in our engagement letter.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the College's affairs as at 31 July 2017 and of the Group's and the College's surplus of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the governors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the governors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the college's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The governors are responsible for the other information. The other information comprises the information included in the Report and Financial Statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice 2016 to 2017 issued by the Department for Education requires us to report to you if, in our opinion:

- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records; or

- we have not received all the information and explanations required for our audit.

Responsibilities of the Corporation of Halesowen College

As explained more fully in the Statement of the Corporation's Responsibilities set out on page 34 the Corporation is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

This report is made solely to the Corporation, as a body, in accordance with the Financial Memorandum published by the Skills Funding Agency and our engagement letter. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are required under our engagement letter 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 Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

Ben J. Lott and

RSM UK AUDIT LLP
Chartered Accountants
St Philips Point
Temple Row
Birmingham
B2 5AF

16 Dec 2014

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON REGULARITY TO THE CORPORATION OF HALESOWEN COLLEGE AND THE SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE DEPARTMENT FOR EDUCATION

Conclusion

We have carried out an engagement, in accordance with the terms of our engagement letter and further to the requirements of the financial memorandum with Skills Funding Agency, to obtain limited assurance about whether the expenditure disbursed and income received by Halesowen College during the period 1 August 2016 to 31 July 2017 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2016 to 31 July 2017 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Basis for conclusion

The framework that has been applied is set out in the Post-16 Audit Code of Practice 2016 to 2017 issued by the Department for Education. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which Education and Skills Funding Agency has other assurance arrangements in place.

We are independent of the Halesowen College in accordance with the ethical requirements that are applicable to this engagement and we have fulfilled our ethical requirements in accordance with these requirements. We believe the assurance evidence we have obtained is sufficient to provide a basis for our conclusion.

Responsibilities of Corporation of Halesowen College for regularity

The Corporation of Halesowen College is responsible, under the financial memorandum and 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. The corporation of Halesowen College is also responsible for preparing the Governing body's Statement of Regularity, Propriety and Compliance.

Reporting accountant's responsibilities for reporting on regularity

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Post-16 Audit Code of Practice 2016 to 2017.

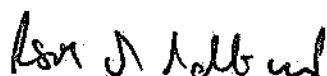
The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity. A limited assurance engagement is more limited in scope than a reasonable assurance engagement and the procedures performed vary in nature and timing from, and are less in extent than for a reasonable assurance engagement; consequently a limited assurance engagement 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.

We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2016 to 31 July 2017 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities including the specific requirements of the financial memorandum with Skills Funding Agency and high level financial control areas where we identified a material irregularity is likely to arise. We undertook detailed testing, on a sample basis, on the identified areas where a material irregularity is likely to arise where such areas are in respect of controls, policies and procedures that apply to classes of transactions.

This work was integrated with our audit of the financial statements and evidence was also derived from the conduct of that audit to the extent it supports the regularity conclusion.

This report is made solely to the corporation of Halesowen College and the Secretary of State for Education acting through the Department for Education in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of Halesowen College and the Secretary of State for Education acting through the Department for Education 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 Halesowen College and the Secretary of State for Education acting through the Department for Education for our work, for this report, or for the conclusion we have formed.



RSM UK AUDIT LLP
Chartered Accountants
St Philips Point
Temple Row
Birmingham
B2 5AF

18 Dec 2017

Halesowen College
Consolidated and College Statements of Comprehensive Income

	Notes	Year ended 31 July 2017		Year ended 31 July 2016	
		Group	College	Group	College
		£'000	£'000	£'000	£'000
INCOME					
Funding body grants	2	17,909	17,909	19,767	19,767
Tuition fees and education contracts	3	2,212	2,212	2,110	2,110
Other grants and contracts	4	137	137	59	59
Other income	5	1,840	1,151	1,934	1,186
Investment income	6	55	55	79	78
Donations and endowments	7	0	0	0	0
Total income		22,153	21,464	23,949	23,200
EXPENDITURE					
Staff costs	8	13,718	13,718	13,895	13,895
Fundamental restructuring costs	8	0	0	0	0
Other operating expenses	9	6,510	5,884	6,817	6,174
Depreciation	12	1,484	1,484	1,277	1,277
Interest and other finance costs	10	369	369	352	352
Total expenditure		22,081	21,455	22,341	21,698
Surplus before other gains and losses and FRS pension adjustments		709	646	1,842	1,736
FRS102 pension adjustments		(637)	(637)	(234)	(234)
Surplus before other recognised gains and losses being surplus before tax		72	9	1,608	1,502
Taxation	11	0	0	0	0
Surplus for the year		72	9	1,608	1,502
Unrealised surplus on revaluation of assets		0	0	0	0
Actuarial loss in respect of pensions schemes	26	(122)	(122)	(3,377)	(3,377)
Total Comprehensive Income for the year		(50)	(113)	(1,769)	(1,875)

Halesowen College
Consolidated and College Statements of Changes in Reserves

	Income and Expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Group			
Balance at 1st August 2015	19,242	1,906	21,148
Surplus from the income and expenditure account	1,608	0	1,608
Other comprehensive income	(3,377)	0	(3,377)
Transfers between revaluation and income and expenditure reserves	50	(50)	0
Total comprehensive income for the year	(1,719)	(50)	(1,769)
Gift Aid	(106)	0	(106)
Balance at 31st July 2016	17,417	1,856	19,273
Balance at 1st August 2016	17,417	1,856	19,273
Surplus from the income and expenditure account	72	0	72
Other comprehensive income	(122)	0	(122)
Transfers between revaluation and income and expenditure reserves	51	(51)	0
Total comprehensive income for the year	1	(51)	(50)
Gift Aid	(57)	0	(57)
Balance at 31st July 2017	17,361	1,805	19,166
College			
Balance at 1st August 2015	19,248	1,906	21,154
Surplus from the income and expenditure account	1,502	0	1,502
Other comprehensive income	(3,377)	0	(3,377)
Transfers between revaluation and income and expenditure reserves	50	(50)	0
Total comprehensive income for the year	(1,825)	(50)	(1,875)
Balance at 31st July 2016	17,423	1,856	19,279
Balance at 1st August 2016	17,423	1,856	19,279
Surplus from the income and expenditure account	9	0	9
Other comprehensive income	(122)	0	(122)
Transfers between revaluation and income and expenditure reserves	51	(51)	0
Total comprehensive income for the year	(62)	(51)	(113)
Balance at 31st July 2017	17,361	1,805	19,166

Halesowen College
Balance sheets as at 31 July 2017

	Notes	Group	College	Group	College
		2017 £'000	2017 £'000	2016 £'000	2016 £'000
Fixed assets					
Tangible fixed assets	12	27,443	27,443	26,281	26,281
Investments	13	0	0	0	0
		27,443	27,443	26,281	26,281
Current assets					
Stocks		37	28	40	33
Debtors	14	952	1,123	1,095	1,245
Investments	15	9,892	9,892	12,189	12,189
Cash and cash equivalents	21	2,363	2,126	1,306	1,045
		13,244	13,169	14,630	14,512
Less: Creditors – amounts falling due within one year	16	(2,617)	(2,542)	(2,843)	(2,719)
Net current assets		10,627	10,627	11,787	11,793
Total assets less current liabilities		38,070	38,070	38,068	38,074
Less: Creditors – amounts falling due after more than one year	17	(9,767)	(9,767)	(9,906)	(9,906)
Provisions					
Defined benefit obligations	19	(8,991)	(8,991)	(8,734)	(8,734)
Other provisions	19	(146)	(146)	(155)	(155)
Total net assets		19,166	19,166	19,273	19,279
Unrestricted reserves					
Income and expenditure account		17,361	17,361	17,417	17,423
Revaluation reserve		1,805	1,805	1,856	1,856
Total unrestricted reserves		19,166	19,166	19,273	19,279

The financial statements on pages 39 to 69 were approved and authorised for issue by the Corporation on 28 November 2017 and were signed on its behalf on that date by:

Ian Jewkes
Chair



David Williams
Accounting Officer



Halesowen College
Consolidated Statement of Cash Flows

	Notes	2017 £'000	2016 £'000
Cash inflow from operating activities			
Surplus for the year		72	1,608
Adjustment for non cash items			
Depreciation		1,484	1,277
Decrease/(increase) in stocks		3	(1)
Decrease/(increase) in debtors		143	(306)
(Decrease)/increase in creditors		(306)	365
(Decrease)/increase in provisions		(9)	1
Pensions costs less contributions payable		135	234
Gift aid distribution		(57)	(106)
Deferred capital grants released to income		(416)	(347)
Taxation		0	0
Adjustment for investing or financing activities			
Investment income		(55)	(79)
Interest payable		153	169
Taxation paid		0	0
Loss on sale of fixed assets		0	0
		<u>1,147</u>	<u>2,815</u>
Net cash flow from operating activities			
Cash flows from Investing activities			
Proceeds from sale of fixed assets		0	0
Disposal of non-current asset investments		0	0
Investment income		55	79
Withdrawal of deposits		2,297	0
New deposits		0	(1,064)
Payments made to acquire fixed assets		(2,646)	(4,111)
Capital grants received		721	936
		<u>427</u>	<u>(4,160)</u>
Cash flows from financing activities			
Interest paid		(153)	(169)
Interest element of finance lease rental payments		0	0
New unsecured loans		0	0
Repayments of amounts borrowed		(364)	(350)
Capital element of finance lease rental payments		0	0
		<u>(517)</u>	<u>(519)</u>
Increase/(Decrease) in cash and cash equivalents in the year		<u>1,057</u>	<u>(1,864)</u>
Cash and cash equivalents at beginning of the year	21	1,306	3,170
Cash and cash equivalents at end of the year	21	<u>2,363</u>	<u>1,306</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 AUGUST 2016 TO 31 JULY 2017

Note 1 Accounting Policies

General Information

Halesowen College is a corporation established under the Further and Higher Education Act 1992 as an English general college of further education. The address of the College's principal place of business is given on page 28. The nature of the College's operations are set out in the Members' Report.

Basis of Accounting

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2016 to 2017* and in accordance with Financial Reporting Standard 102 – “*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*” (FRS102) under the historical cost convention modified to include the revaluation of freehold properties. The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS102.

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been applied consistently applied to all the years presented, unless otherwise stated.

The consolidated financial statements are presented in sterling which is also the functional currency of the College.

Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

Basis of Consolidation

The consolidated financial statements include the College and its subsidiary, Halesowen College Enterprises Limited, controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of any subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales, profits and balances are eliminated fully on consolidation. In accordance with FRS102, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2017.

All intra-group transactions, balances and unrealised gains on transactions between group entities are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

Going Concern

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

The College currently has £4,196,000 of loans outstanding with bankers on terms negotiated between 2006 and 2011. A summary of loans is included in the table below:

Date	Value Drawn	Term	Type	Rate	Bank
May 2006	£1,525,000	20 years	Variable	0.45% + base	NatWest
May 2006	£1,525,000	20 years	Fixed	6.08%	NatWest
March 2009	£1,250,000	20 years	Fixed	5.55%	NatWest
Nov 2010	£1,250,000	20 years	Variable	1.5% + LIBOR	NatWest
Aug 2011	£1,320,000	20 years	Variable	1.5% + LIBOR	NatWest

The College's forecasts and financial projections indicate that it will be able to finance loans and meet covenants for the foreseeable future.

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

Recognition of Income

Revenue Grants Funding

Government revenue grants are accounted for under the accrual model and are recognised where a reliable estimate of the fair value of the asset received or receivable can be made on a systematic basis over the periods in which the related costs for which the grant compensates are recognised.

Funding body recurrent grants are measured in line with best estimates for the year of what is receivable and depend on the particular income stream involved. Any under achievement of the Adult Education Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end. Where this process involves negotiations in respect of over achievement or adjustment to claw back in respect of underachievement, where negotiations are subsequent to the year end, they are not reflected in the income recognised.

16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments and is recognised when receivable.

The recurrent grant from HEFCE represents the funding allocations attributable to the current financial year and is recognised when received or receivable.

Grants from non-government sources, including grants relating to assets, are recognised in income when the College has met the performance-related conditions and the grant will be received. Income received in advance of performance related conditions being met is recognised as a liability.

Government capital grants for assets, other than land, are accounted for under the accrual model. The grant income received or receivable will be recognised over the expected useful life of the asset, with any amount of the asset-related grant that is deferred being recognised as deferred income. The deferred income is allocated between creditors due within one year and those due after more than one year.

Other Income

Income from the supply of services is recognised at fair value of the consideration received or receivable and represents the value of services to the extent there is a right to consideration. Income from tuition fees is recognised over the period for which it is received.

All income from short-term deposits is accrued in the period in which it is earned on a receivable basis.

Retirement Benefits

Retirement benefits to employees of the College are principally provided by Teachers' Pensions Scheme (TPS) and the Local Government Pension Scheme (LGPS), which are multi-employer defined benefit plans.

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of valuations using a projected unit method. The TPS is a multi-employer scheme but sufficient information is not available to use defined benefit accounting and therefore it is accounted for as a defined contribution scheme, with the amount charged to the statement of comprehensive income being the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

The LGPS is a funded scheme, and the assets of the scheme are held separately. Pension schemes are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability/asset is charged to comprehensive income and included within finance costs. Remeasurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

Short Term Employment Benefits

Short term employment benefits such as salaries and compensated absences (holiday pay) are recognised as an expense in the year in which the employees render service to the College. The cost of any unused holiday entitlement the College expects to pay in future periods is recognised in the period the employees' services are rendered.

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 comprehensive income in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the funding bodies.

College

Interests in subsidiaries and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses in the separate financial statements of the college.

Interests in subsidiaries and jointly controlled entities are assessed for impairment at each reporting date. Any impairment losses or reversals of impairment losses are recognised immediately in comprehensive income.

Group

Jointly Controlled Entities

Entities in which the Group has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities. Jointly controlled entities are accounted for using the equity method, as described in the accounting policy for associates above.

Other Investments

Listed investments are stated at fair value through the profit or loss. Investments comprising unquoted equity instruments whose fair values cannot be measured reliably are measured at cost less impairment.

Tangible Fixed Assets

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

Land and buildings

Freehold buildings are depreciated on a straight line basis over their expected useful lives which is usually 50 years.

Freehold land is not depreciated.

The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 10 and 50 years.

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

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

On adoption of FRS102, the College followed the transitional provision to retain the book value of land and buildings, which were not revalued. The College has adopted a policy of no revaluation of these properties in the future unless there is belief that the carrying value is materially different from the fair value at the end of each accounting period.

Assets under construction

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

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets after initial purchase it is charged to income in the period it is incurred, unless it increases the future benefits to the College, in which case it is capitalised and depreciated on the relevant basis.

Equipment

Equipment costing less than £5,000 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost.

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

■ technical equipment	4 years
■ motor vehicles	5 years
■ computer equipment	4 years
■ other	4-10 years

Other

Assets which are used collectively for one purpose may be grouped.

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

Subsequent costs, including replacement parts, are only capitalised when it is probable that such costs will generate future economic benefits. Any replaced parts are then derecognised. All other costs of repairs and maintenance are expenses as incurred.

Impairments of Fixed Assets

An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, an estimate is made of the recoverable amount of the asset.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use, are recognised as impairment losses. Impairment of revalued assets, are treated as a revaluation loss. All other impairment losses are recognised in comprehensive income.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in comprehensive income or, for revalued assets, as a revaluation gain. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

Borrowing Costs

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

Leased Assets

Operating Leases

All other leases are operating leases and annual rents are charged to comprehensive income on a straight line basis over the lease term.

Stock

Stock is valued at the lower of cost and estimated selling price less costs to complete and sell. Where necessary, provision is made for obsolete, slow-moving and defective items.

Financial Instruments

The Group has chosen to adopt Sections 11 and 12 of FRS102 in full in respect of financial instruments.

Financial Assets and Liabilities

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

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 financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets measured at fair value through the profit or loss, which are initially measure at fair value (which is normally the transaction price excluding transaction costs), unless arrangement constitutes a financing transaction. A financial asset or financial liability that is payable or receivable in one year is measured at the undiscounted amount expected to be received or paid net of impairment, unless it is a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and financial liabilities are offset only when there is a current legally enforceable right to set off the recognised amounts and the intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax, so that it can only recover a nominal amount of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

The College's subsidiary company is subject to corporation tax and VAT in the same way as any commercial organisation.

Provisions and Contingent Liabilities

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

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

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

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

Agency Arrangements

The College acts as an agent in the collection and payment of discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Critical Accounting Judgements and Estimation Uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical areas of judgement

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

Critical accounting estimates and assumptions

■ *Tangible fixed assets*

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

■ *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 the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 26, will impact

the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2017. 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.

■ *Impairment of fixed assets*

The group considers whether tangible fixed assets are impaired. Where an indication of impairment is identified the estimation of the recoverable amount of the asset or the recoverable amount of the cash-generating unit is required. These will require an estimation of the future cash flow and selection of an appropriate discount rate in order to calculate the net present value of those cash flows.

Halesowen College
Notes to the Accounts (continued)

2 Funding body grants

	Year ended 31 July 2017		Year ended 31 July 2016	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
Education and Skills Funding Agency - adult	996	996	956	956
Education and Skills Funding Agency - 16-18	16,028	16,028	17,851	17,851
Education and Skills Funding Agency - apprenticeships	421	421	395	395
Higher Education Funding Council	131	131	106	106
Specific Grants				
Other	153	153	256	256
Releases of government capital grants	180	180	203	203
Total	17,909	17,909	19,767	19,767

3 Tuition fees and education contracts

	Year ended 31 July 2017		Year ended 31 July 2016	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	369	369	196	196
Apprenticeship fees and contracts	29	29	30	30
Fees for FE loan supported courses	488	488	574	574
Fees for HE loan supported courses	596	596	600	600
European (excluding UK) students	0	0	0	0
International students fees	0	0	0	0
Total tuition fees	1,482	1,482	1,400	1,400
Education contracts	730	730	710	710
Total	2,212	2,212	2,110	2,110

4 Other grants and contracts

	Year ended 31 July 2017		Year ended 31 July 2016	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Erasmus	0	0	0	0
UK-based charities	0	0	0	0
European Commission	0	0	0	0
Other grants and contracts	137	137	59	59
Total	137	137	59	59

Halesowen College
Notes to the Accounts (continued)

5 Other income

	Year ended 31 July 2017		Year ended 31 July 2016	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering and residences	51	51	68	68
Other income generating activities	1,553	864	1,722	974
Other grant income	0	0	0	0
Release of non government capital grants	236	236	144	144
Miscellaneous income	0	0	0	0
Total	1,840	1,151	1,934	1,186

6 Investment income

	Year ended 31 July 2017		Year ended 31 July 2016	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Income from bank deposits	55	55	79	78
Other interest receivable	0	0	0	0
	55	55	79	78
Pension finance income (note 26)	0	0	0	0
	55	55	79	78

7 Donations - College only

	Year ended 31 July	
	2017	2016
	£'000	£'000
Unrestricted donations	0	0
Total	0	0

Halesowen College

Notes to the Accounts (continued)

8 Staff costs - Group and College

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

	2017 No.	2016 No.
Teaching staff	220.78	240.46
Non teaching staff	157.78	173.11
	<u>378.56</u>	<u>413.57</u>

Staff costs for the above persons

	2017 £'000	2016 £'000
Wages and salaries	10,722	11,396
Social security costs	955	832
Other pension costs	2,041	1,667
Payroll sub total	13,718	13,895
Contracted out staffing services	0	0
	<u>13,718</u>	<u>13,895</u>
Fundamental restructuring costs - contractual	0	0
non contractual	0	0
	<u>13,718</u>	<u>13,895</u>

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Executive which comprises the Principal, Director of Finance and Corporate Services and Director of Learning and Teaching. Staff costs include compensation paid to personnel for loss of office.

Halesowen College
Notes to the Accounts (continued)

8 Staff costs - Group and College

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

	2017 No.	2016 No.
The number of key management personnel including the Officer was:	4	3

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

	Key management personnel		Other staff	
	2016/17 No.	2015/16 No.	2016/17 No.	2015/16 No.
£ 10,001 to £20,000	1	0	0	0
£ 20,001 to £30,000	1	0	0	0
£ 30,001 to £40,000	0	0	0	0
£ 40,001 to £50,000	0	0	0	0
£ 50,001 to £60,000	0	0	0	0
£ 60,001 to £70,000	0	0	0	0
£ 70,001 to £80,000	0	0	0	0
£ 80,001 to £90,000	1	2	0	0
£ 90,001 to £ 100,000	0	0	0	0
£100,001 to £ 110,000	0	0	0	0
£110,001 to £ 120,000	1	0	0	0
£120,001 to £ 130,000	0	1	0	0
	<u>4</u>	<u>3</u>	<u>0</u>	<u>0</u>

Halesowen College
Notes to the Accounts (continued)

8 Staff costs - Group and College

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

	2017 £'000	2016 £'000
Salaries	231	293
National insurance	29	35
Benefits in kind	0	0
	<u>260</u>	<u>328</u>
Pension contributions	30	37
	<u>30</u>	<u>37</u>
Total emoluments	<u>290</u>	<u>365</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 Officers:
 Previous Accounting Officer's emoluments - period 1 August - 30 September 2016.
 Interim Accounting Officer's emoluments - period 1 October - 30 June 2017.
 Current Accounting Officer's emoluments - period 1 July - 31 July 2017.

	Current	Interim	2017 £'000 Previous	2016 £'000
Salaries	11	94	25	129
National insurance	1	12	3	16
Benefits in kind	0	0	0	0
	<u>12</u>	<u>106</u>	<u>28</u>	<u>145</u>
Pension contributions	2	15	0	14
	<u>2</u>	<u>15</u>	<u>0</u>	<u>14</u>
Total emoluments	<u>14</u>	<u>121</u>	<u>28</u>	<u>159</u>

The above emoluments include amounts payable to the highest paid key management personnel.

	2017 £'000	2016 £'000
Salaries	114	129
National insurance	15	16
Benefits in kind	0	0
	<u>129</u>	<u>145</u>
Pension contributions	19	14
	<u>19</u>	<u>14</u>
Total emoluments	<u>148</u>	<u>159</u>

Compensation for loss of office paid to former key

	2017 £	2016 £
Compensation paid to the former post-holder - contractual	0	0
Estimated value of other benefits, including provisions for pension benefits	0	0
	<u>0</u>	<u>0</u>

Halesowen College
Notes to the Accounts (continued)

9 Other operating expenses

	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	3,576	3,576	3,941	3,941
Non teaching costs	2,099	1,473	1,662	1,019
Premises costs	835	835	1,214	1,214
Total	6,510	5,884	6,817	6,174

Surplus before taxation is stated after charging:	2017	2016
	£'000	£'000
Auditors' remuneration:		
Financial statements audit (College £23,000 2017, £18,000 2016)	24	20
Internal audit (College £6,720 2017, £7,000 2016)	7	7
Other services provided by the financial statements auditors	0	0
Other services provided by the internal auditors	1	1
Losses on disposal of tangible fixed assets	0	0
Hire of assest under operating leases	0	0

Halesowen College
Notes to the Accounts (continued)

10 Interest payable - Group and College

	2017 £'000	2016 £'000
On bank loans, overdrafts and other loans	153	169
	<u>153</u>	<u>169</u>
On finance leases	0	0
Pension finance costs (note 26)	216	183
	<u>216</u>	<u>183</u>
Total	<u>369</u>	<u>352</u>

11 Taxation - Group and College

	2017 £'000	2016 £'000
United Kingdom corporation tax	0	0
Provision for deferred corporation tax in the accounts of the subsidiary company	0	0
	<u>0</u>	<u>0</u>
Total	<u>0</u>	<u>0</u>

Halesowen College
Notes to the Accounts (continued)

12 Tangible fixed assets (Group)

	Land and buildings		Equipment	Assets in the Course of Construction	Total
	Freehold	Long leasehold			
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2016	32,792	0	8,413	2,290	43,495
Transfer to Land and buildings	2,560	0	0	(2,560)	0
Additions	798	0	967	881	2,646
Disposals	0	0	0	0	0
At 31 July 2017	36,150	0	9,380	611	46,141
Depreciation					
At 1 August 2016	9,794	0	7,420	0	17,214
Charge for the year	900	0	584	0	1,484
Elimination in respect of disposals	0	0	0	0	0
At 31 July 2017	10,694	0	8,004	0	18,698
Net book value at 31 July 2017	25,456	0	1,376	611	27,443
Net book value at 31 July 2016	22,998	0	993	2,290	26,281

Halesowen College
Notes to the Accounts (continued)

12 Tangible fixed assets (College only)

	Land and buildings		Equipment	Assets in the Course of Construction	Total
	Freehold	Long leasehold			
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2016	32,792	0	8,403	2,290	43,485
Transfer to Land and buildings	2,560	0	0	(2,560)	0
Additions	798	0	967	881	2,646
Disposals	0	0	0	0	0
At 31 July 2017	36,150	0	9,370	611	46,131
Depreciation					
At 1 August 2016	9,794	0	7,410	0	17,204
Charge for the year	900	0	584	0	1,484
Elimination in respect of disposals	0	0	0	0	0
At 31 July 2017	10,694	0	7,994	0	18,688
Net book value at 31 July 2017	25,456	0	1,376	611	27,443
Net book value at 31 July 2016	22,998	0	993	2,290	26,281

Halesowen College
Notes to the Accounts (continued)

12 Tangible fixed assets (College only) (continued)

The net book value of tangible fixed assets includes an amount of £0 (2015-16 £0) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £0 (2015-16 £0). If fixed assets had not been revalued before being deemed as cost on transition they would have been included at the following historical cost amounts.

	£'000
Cost	Nil
Aggregate depreciation based on cost	Nil
Net book value based on cost	Nil

13 Non current Investments

	College 2017 £	College 2016 £
Investments in subsidiary companies	2	2
Investments in shared services company (jointly controlled)	1	1
Total	3	3

The College owns 100% of the issued ordinary £1 shares of Halesowen College Enterprises Limited, a company incorporated in England and Wales. The principal business activity of Halesowen College Enterprises Limited is running the College shops and other profit generating activities, for example room hire.

The College owns 50% of the issued ordinary £1 shares in South Black Country Education Limited, a company incorporated in England and Wales. The principal business activity of South Black Country Education Limited is a shared services company.

14 Debtors

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Amounts falling due within one year:				
Trade debtors	632	624	882	877
Amounts owed by group undertakings:				
Subsidiary undertakings	0	179	0	155
Prepayments and accrued income	298	298	183	183
Amounts owed by the ESFA	22	22	30	30
Other	0	0	0	0
Total	952	1,123	1,095	1,245

Halesowen College
Notes to the Accounts (continued)

15 Current asset investments

	Group	College	Group	College
	2017	2017	2016	2016
	£'000	£'000	£'000	£'000
Short term deposits and bank bond	9,892	9,892	12,189	12,189
Total	9,892	9,892	12,189	12,189

Deposits are held with banks operating in the London market and licensed by the Financial Conduct Authority with more than three months maturity at the balance sheet date. These investments are liquid and can be withdrawn at any time albeit penalties may be incurred. The interest rates for these deposits are fixed for the duration of the deposit at time of placement.

16 Creditors: amounts falling due within one year

	Group	College	Group	College
	2017	2017	2016	2016
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	373	373	362	362
Obligations under finance leases	0	0	0	0
Trade creditors	599	594	1,053	1,047
Amounts owed to group undertakings:				
Subsidiary undertakings	0	0	0	0
Associate undertakings	0	0	0	0
Corporation tax	0	0	0	0
Other taxation and social security	450	438	444	432
Accruals and deferred income	555	497	586	480
Deferred income - government capital grants	416	416	347	347
Deferred income - government revenue grants	0	0	0	0
Amounts owed to the ESFA	224	224	51	51
Total	2,617	2,542	2,843	2,719

17 Creditors: amounts falling due after one year

	Group	College	Group	College
	2017	2017	2016	2016
	£'000	£'000	£'000	£'000
Bank loans	3,823	3,823	4,198	4,198
Obligations under finance leases	0	0	0	0
Deferred income - government capital grants	5,944	5,944	5,708	5,708
Total	9,767	9,767	9,906	9,906

Halesowen College
Notes to the Accounts (continued)

18 Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
In one year or less	373	373	362	362
Between one and two years	385	385	373	373
Between two and five years	1,030	1,030	1,122	1,122
In five years or more	2,408	2,408	2,703	2,703
Total	<u>4,196</u>	<u>4,196</u>	<u>4,560</u>	<u>4,560</u>

Bank loans are secured against the Whittingham Road site.

At 31 July 2017 the College had the following loans:

£3,050,000 taken over a 20 year term with NatWest bank at May 2006 as follows:

£1,525,000 variable rate 0.45% above base;

£1,525,000 fixed rate of 6.08%

£1,250,000 taken over a 20 year term with NatWest bank at March 2009 fixed rate 5.55%

£1,250,000 taken over a 20 year term with NatWest bank at November 2010 variable rate 1.50% above LIBOR

£1,320,000 taken over a 20 year term with NatWest bank at August 2011 variable rate 1.50% above LIBOR

Halesowen College
Notes to the Accounts (continued)

19 Provisions

	Defined benefit Obligations £'000	Restructuring £'000	Group and College Enhanced pensions £'000	Other £'000	Total £'000
At 1 August 2016	8,734	0	155	0	8,889
Amounts utilised	0	0	(13)	0	(13)
Additions in the period charged to income and expenditure account	257	0	4	0	261
At 31 July 2017	8,991	0	146	0	9,137

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 26.

The enhanced pension provision relates to the cost of staff who have already left the College's employ and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:

	2017	2016
Price inflation	1.70%	1.30%
Discount rate	3.50%	2.30%

20 Financial instruments

The group have the following financial instruments:

	Group 2017 £'000	2016 £'000
Financial assets:		
Debt instruments measured at amortised cost	654	912
Financial liabilities:		
Financial liabilities measured at amortised cost	5,574	6,250

21 Cash and cash equivalents

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Cash and cash equivalents	2,363	2,126	1,306	1,045
Overdrafts	0	0	0	0
Total	2,363	2,126	1,306	1,045

22 Capital commitments

	Group and College 2017 £'000	2016 £'000
Commitments contracted for at 31 July	1,713	1,216

Halesowen College

Notes to the Accounts (continued)

23 Lease Obligations

At 31 July the Group and College had total future lease payments under non-cancellable operating leases as follows:

	Group and College	
	2017	2016
	£'000	£'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	0	0
Later than one year and not later than five years	0	0
later than five years	0	0
	<u>0</u>	<u>0</u>
Other		
Not later than one year	0	0
Later than one year and not later than five years	0	0
later than five years	0	0
	<u>0</u>	<u>0</u>

24 Contingencies

The College has been in receipt of significant income from the European Social Fund (ESF) in recent years and continues to take all reasonable steps to ensure compliance with terms of these grants.

The College recognises that this is a complex area and there is a risk that some funding could become repayable as a result of a possible inspection by the funding provider or ESF Verification and Audit Section.

The College, together with the subsidiary Halesowen College Enterprises Limited, form a VAT group. The College under this arrangement is liable for any unpaid liabilities of its subsidiary in relation to this group scheme. The group VAT liability at 31 July 2017 was £18,232 (2016: £14,181).

The College has received capital grants of £1.059m and £0.700m from the Local Enterprise Partnership to create an Advanced Science and Technology Centre at the Coombs Wood campus and Access Centre for Higher Education centre. These projects are secured with a charge over cash held in a bond with Lloyds Bank payable should the College fail to deliver the outputs defined in the grant agreement.

25 Events after the reporting period

Halesowen College Enterprises Limited is committed to providing an interest bearing loan of up to £40,000 to South Black Country Education; a shared services company, in order to provide a start up working capital. This has not yet been paid over.

26 Retirement benefits

The College's employees belong to two principal post-employment benefit plans: 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 Wolverhampton MB. Both are multi-employer defined-benefit plans.

Total pension cost for the year	2017 £'000	2016 £'000
Teachers Pension Scheme: contributions paid	1,115	1,121
Local Government Pension Scheme:		
Contributions paid	791	595
FRS 102 (28) charge	135	234
Charge to the Statement of Comprehensive Income	926	829
Enhanced pension charge to Statement of Comprehensive Income	0	0
Total Pension Cost for Year	2,041	1,950

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2016.

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

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2014. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis - these contributions, along with those made by employers, are credited to the Exchequer.

Not less than every 4 years the Government Actuary ("GA"), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors.

The latest actuarial valuation was carried out as at 31 March 2012 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published in June 2014. The key results of the valuation and subsequent consultation are:

- . Total scheme liabilities for service (pensions currently payable and the estimated cost of future benefits) of £191.5 billion
- . Value of notional assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) of £176.6 billion
- . Notional past service deficit of £14.9 billion
- . Assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings
- . Rate of real earnings growth is assumed to be 2.75%
- . Assumed nominal rate of return is 5.06%

The TPS valuation for 2012 determined an employer rate of 16.48% (including a 0.08% administration fee) which was payable from September 2015. The next valuation of the TPS is underway based on March 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The pension costs paid to TPS in the year amounted to £1,115,000 (2016: £1,121,000).

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

Halesowen College

Notes to the Accounts (continued)

26 Defined benefit obligations (continued)

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Wolverhampton Local Authority. The total contribution made for the year ended 31 July 2017 was £1,094,000, of which employer's contributions totalled £915,000 and employees' contributions totalled £179,000. The agreed contribution rates for future years are 13.20% 2017/2018, 15.0% 2018/2019 and 16.8% 2019/2020 for employers and range from 5.5% to 12.5% cent for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2017 by a qualified independent actuary.

	At 31 July 2017	At 31 July 2016
Rate of increase in salaries	4.20%	3.75%
Future pensions increases	2.70%	2.00%
Discount rate for scheme liabilities	2.70%	2.60%
Inflation assumption (CPI)	2.70%	2.00%
Commutation of pensions to lump sums	50.00%	50.00%

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

	At 31 July 2017 years	At 31 July 2016 years
<i>Retiring today</i>		
Males	21.80	23.00
Females	24.30	25.70
<i>Retiring in 20 years</i>		
Males	23.90	25.30
Females	26.60	28.10

Halesowen College
Notes to the Accounts (continued)

26 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

The College's share of the assets in the plan and the expected rates of return were:

	Fair Value at 31 July 2017	Fair Value at 31 July 2016
	£'000	£'000
Equities	10,260	7,345
Bonds	1,812	1,918
Property	1,186	985
Cash	807	794
Other	2,154	1,335
Total fair value of plan assets	16,219	12,377
Actual return on plan assets	2,288	1,246

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

	2017 £'000	2016 £'000
Fair value of plan assets	16,219	12,377
Present value of plan liabilities	(25,210)	(21,111)
Net pensions (liability) (Note 19)	(8,991)	(8,734)

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

	2017 £'000	2016 £'000
Current service cost	828	640
Net interest on the net defined benefit pension liability	216	183
Administration expenses	6	6
Total	1,050	829

Halesowen College
Notes to the Accounts (continued)

26 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

Movement in net defined benefit (liability) during the year

	2017	2016
	£'000	£'000
(Deficit) in scheme at 1 August	(8,734)	(5,123)
Movement in year:		
Current service cost	(828)	(640)
Employer contributions	915	595
Administration expenses	(6)	(6)
Net interest on the defined (liability)/asset	(216)	(183)
Actuarial gain or (loss)	(122)	(3,377)
Net defined benefit (liability) at 31 July	<u>(8,991)</u>	<u>(8,734)</u>

Asset and Liability Reconciliation

	2017	2016
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	21,111	15,714
Current Service cost	828	640
Interest cost	548	596
Contributions by Scheme participants	179	182
Experience (gains) and losses on defined benefit obligations	546	0
Changes in financial assumptions	2,805	4,210
Estimated benefits paid	(268)	(231)
Past service cost	0	0
Curtailments and settlements	0	0
Changes in demographic assumptions	(539)	0
Defined benefit obligations at end of period	<u>25,210</u>	<u>21,111</u>

Reconciliation of Assets

	2017	2016
	£'000	£'000
Fair value of plan assets at start of period	12,377	10,591
Interest on plan assets	332	413
Return on plan assets	1,956	833
Other actuarial gains	734	0
Administration fee	(6)	(6)
Employer contributions	915	595
Contributions by Scheme participants	179	182
Estimated benefits paid	(268)	(231)
Fair value of plan assets at end of period	<u>16,219</u>	<u>12,377</u>

Halesowen College
Notes to the Accounts (continued)

27 Related party transactions

The Accounting Officer and the staff member only receive remuneration in respect of services they provide undertaking their roles of Principal and staff member under contracts of employment and not in respect of their roles as governors. The other members of the Corporation did not receive any payments from the College in respect of their roles as governors.
 During the year total expenses of £558.02 (2016: £291.20) were paid to or on behalf of governors in respect of travel and subsistence and other out of pocket expenses incurred in the course of their duties.

In this financial year the College has not made a grant payment to the Students Union (2016:£1,000).

Trading has taken place with the shared services company South Black Country Education Limited. The College has invoiced South Black Country Education £32,500 in respect of the provision of finance, human relations services and company secretary duties.
 The College has received £410,285 retail and cleaning services from the Company.
 At 31 July 2017 there is a debtor of £207,156 for payroll costs and a creditor of £75,829 for monthly services.

28 Amounts disbursed as agent

	2017 £'000	2016 £'000
Apprenticeship grants for employers		
Funding body grants: AGE	69	55
Disbursed to employers	(69)	(55)
Balance at 31 July	<u>0</u>	<u>0</u>

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