CITY COLLEGE PLYMOUTH

Audit completion report

for the year ended 31 July 2015

FRANCISCLARK

CHARTERED ACCOUNTANTS

Contents

The contents of this report are subject to the terms and conditions of our appointment as set out in our engagement letter of 28 April 2015.

This report is made solely to the Members of City College Plymouth as a board in accordance with our engagement letter. Our work has been undertaken so that we might state to the Members of City College Plymouth those matters we are required to state to them in accordance with International Standards on Auditing (UK and Ireland) in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Board of City College Plymouth for this report or for the opinions we have formed. Other than to the EFA/SFA, it should not be provided to any third-party without our prior written consent.

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Our ref:
8730PL-CDE/KZS/RD

Your ref

2 December 2015

Private and Confidential
The Members of the Corporation
City College Plymouth
Kings Road Centre
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PLYMOUTH
Devon
PL1 5QG

Dear Members

Audit Completion Report

We are pleased to attach our audit completion report. This report summarises the key matters that arose during the audit and the conclusions reached.

This report is intended solely for the information and use of the Members of the Corporation and management. It is not intended to be and should not be used by anyone other than these specified parties.

We would like to take this opportunity of expressing our thanks to your staff for their assistance during the course of the audit.

Yours faithfully

FRANCIS CLARK LLP
E-mail: mail@francisclark.co.uk

1. Status report

1.1 Scope of the audit

The scope of our work, as set out in our engagement letter is to provide a 'true and fair 'audit opinion to the Corporation and a Regularity opinion to the Corporation and the EFA/SFA.

1.2 Status of audit fieldwork and expected auditors' report

Our audit fieldwork is substantially completed, and subject to the outstanding matters detailed below, we expect to issue an unqualified audit opinion.

1.3 Adjustments posted to the draft financial statements

No significant adjustments arose or were reflected in the draft financial statements during the audit which have impacted the surplus for the year. The only adjustments reflected were balance sheet reclassifications that had no impact on the net asset position.

1.4 Unadjusted audit differences

The impact of unadjusted audit differences identified during the course of our audit, as summarised in Section 2, would reduce the surplus by £23k.

1.5 Internal control findings

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. We obtained this understanding through the work we performed in reviewing the work of your internal auditors and we are required to communicate to you in writing significant deficiencies in the design or operation of accounting and internal control systems which were identified during the course of our audit.

We did not become aware of significant deficiencies in internal controls during the audit which we would consider to be material weaknesses.

1.6 Significant outstanding matters

- Post balance sheet review

  We are required to review events up to the date of signing our audit opinion. We will require confirmation that no significant events have occurred which would require restatement of, or disclosure within the financial statements.

- Letter of representation

  A letter of representation signed on behalf of the board of governors and dated as the date of approval of the financial statements is required. In all aspects the letter is routine.

2. Unadjusted audit differences

In the normal course of any audit, we identify differences between amounts we believe should be recorded in the financial statements and amounts actually recorded. These may be specific errors (a single error on a financial statement balance), extrapolated (a statistical projection of known errors in a sample), or judgemental differences relating to accounting estimates (e.g. provisions) and facts or circumstances that are uncertain or open to interpretation.

We have included all known amounts greater than £9k in our summary of audit differences table below.

City College Plymouth
Unadjusted errors

		Profit & Loss Account Dr / (Cr) £	Balance Sheet Dr / (Cr) £	Profit effect Cr / (Dr) £
Surplus per draft accounts				**8**
Specific errors				
1	Deferred Capital Grants		(25)	
	Release in the year	25		(25)
	Being the journal to correct the release of the SFA KR Renewal Grant			
2	Depreciation charge (I&E)	(2)		2
	Depreciation charge for the year (BS)		2	
	Accumulated depreciation B/fwd		34	
	Income and expenditure reserve B/fwd		(34)	
	Being the journal to reverse depreciation charged to date on Embankment Land			
Total		23	(23)	(23)
Total unadjusted errors		**23**	**(23)**	**(23)**
Deficit post adjustments				**(15)**

FRANCISCLARK

3. Significant auditing and accounting issues

The following significant auditing issues and risks, and qualitative aspects of the entity's accounting practices and financial reporting, were noted during the course of our audit.

3.1 Recognition of income

Description of issue/audit risk

The policy is to recognise income from grants, contracts and other services to the extent of the completion of the grant, contract or service concerned. The main risk in this area is that income is recognised in advance of the cost being incurred. There is also a risk that the income may be disclosed inappropriately in the accounts.

We have performed a detailed review of all significant income sources and tested to ensure that income is included in the correct period and either deferred or accrued where necessary. We have also traced and reconciled all income streams through to the accounts to check for appropriate disclosure.

We have checked that any clawback provisions have been calculated correctly and have reviewed the outcome of any amounts included in last year's accounts. We have additionally checked that any ad hoc income sources are treated and disclosed appropriately.

Conclusion

With the exception of the insignificant error noticed with the SFA capital grant, (see section 3), which was the result of an administrative oversight, income was found to be recognised accurately and appropriately in the year. A provision for £156k is recorded in the accounts for clawbacks owing to the SFA. Although these clawbacks can only be confirmed with the SFA in December when statements are released, we have checked independent sources to confirm that underperformance will lead to clawback and further reviewed the calculations for the provisions. No issues were noted.

3.2 Fixed Asset Valuation

Description of issue/audit risk

There are a number of potential issues regarding the valuation of land and buildings in the accounts, as recognised at the planning stage and subsequently:

1. **Estover Technology Centre**. This asset is being held for sale at its original carrying value of £533k. We have confirmed that this property is being held for sale at an asking price of £575k and are therefore satisfied with the treatment in the accounts. We will continue to monitor the sales status of this asset to the date of signing the accounts and, as necessary, review for any potential impairment.

2. **STEM 2**. The College is in the process of raising finance for a new STEM centre to be built on the Kings Road site. We have reviewed the treatment of costs incurred to date on this project together with associated grant income and have noted no issues.

3. **Goschen site**. As part of the finance raising plan for STEM 2 and the wider financial health of the College, sale of the Goschen site is being considered. The College would anticipate receiving £1.6m upon the sale of Goschen which is substantially less than the carrying value in the year end accounts of £3.0m. As no decision has yet been made to sell Goschen (and no sales price has been determined), we have alternatively considered the asset's "value in use" when assessing for impairment. In this respect, we have audited cashflows provided for

the Goschen site and concur with management's view that the carrying value of the asset can be supported by its "value in use." This issue will be revisited once a decision to sell Goschen is made and it is likely that an impairment write down will be required in the future if the asset is to be sold.

4. **Land**. Per the College accounting policies and in line with accounting standards, the cost of land should not be depreciated in the financial statements. As part of the audit work on the fixed asset balances we reviewed the College's fixed asset register and found that no separate assets for land have been recorded and further that the whole fixed asset balance is being depreciated. It is possible that either 1) land has not been recorded in fixed assets or 2) the land value has been amalgamated within building values and hence is being depreciated. As the 1998 valuation report could not be found, we are unable to determine which error has occurred. Either way, it appears that the value of land is understated in the accounts.

   Furthermore, from analysis of the revaluation reserve, we have determined that an uplift in land value of £75k must be recorded within fixed assets (though it is not separately identifiable) and hence is being erroneously depreciated. The impact of this error is shown in section 3.

Conclusion

To help clarify the latter issues we recommend that a valuation of land and buildings is conducted as soon as possible. This valuation could then potentially be included in the 2016 accounts as part of the FRS102 transition without requiring the College to continue to revalue assets on a regular basis.

3.3 Achievement Training

Description of issue/audit risk

The investment in Achievement Training Limited (ATL) is carried in the unconsolidated balance sheet of the College at some £1.6m. The Gift Aided profits due from ATL to the college at July 2015 are £530k, which represents the profit made by ATL in the year to 31 July 2015. In the consolidated accounts, the carrying value of the goodwill on consolidation stands at £922k. The College need to be comfortable that these values (£1.6m and £922k) are not impaired.

The goodwill is being amortised over 20 years with 14 years left to unwind. We understand that the College considers that the useful life of the goodwill reflects a reasonable assessment of the nature of the business acquired and the stability of the key elements of the industry in which it operates, being vocational education and training in partnership with local schools and apprenticeship training.

We understand that the College has considered these values. Given that ATL has generated strong profits and is expected to continue to do so in 2015/16, albeit at a reduced level due to falling revenue in certain areas, the College considers these carrying values to be unimpaired at 31 July 2015.

Conclusion

We concur with this view. The useful economic life of goodwill will be reconsidered again next year upon transition to FRS 102.

3.4 Student debt

Description of issue/audit risk

Due to the recent change where HE funding income is now less grant driven and more funded directly by students, (often through student loans), there is less surety in the collection of the related debts and greater risk that the bad debt provision may be misstated.

We have analysed the adequacy of the bad debt provision by reviewing cash received since the year end date from student debtors with particular focused on old debts.

Conclusion

We are satisfied that all bad debts have been adequately provided for and that debtors are not materially misstated.

3.5 Going Concern

Description of issue/audit risk

There have been deficits recognised in the last few years with a small surplus showing for 2014/15. The SFA has assessed the financial health of the College as satisfactory in 13/14 and, based on the forecasts provided, as satisfactory in 14/15. There is also a bank loan of £2.6m with Barclays for the Engineering Block which is subject to bank covenants. For both of these reasons, management and the Board need to pay particular attention to their assessment of the going concern basis before approving the accounts. It is our responsibility as auditors to review this assessment.

College management are confident that the entity remains a going concern supported by the 6 year financial plan provided to the SFA/ EFA. We have examined the assumptions used to calculate the financial forecast and performed sensitivity analysis. Following our audit testing we have concluded that the financial plan appears reasonable. The College retains cash reserves in excess of £500k as at the year end and we are satisfied with management's assertion that they will be able to pay their liabilities as they fall due. We have recalculated the financial covenants included within the Barclays loan documentation and have confirmed that the College is in full compliance.

Conclusion

We have found no evidence to suggest that material doubt exists over the ability of the College to continue as a going concern. As a result we concur with management's decision to prepare the accounts on the going concern basis.

3.6 Regularity

Description of issue/audit risk

There is a risk that the College is not complying with the regularity requirements of the funding bodies. To address this risk we examined the College's regularity self-assessment form and concluded that the conclusions drawn are valid. We also conducted detailed testing over redundancy payments, travel expense claims, credit card payments, tendering processes and restricted grant funding.

Conclusion

No significant issues of non-compliance with regularity were identified.

3.7 Fraud

Description of issue/audit risk

There are inherent fraud risks in all organisations. At the College, the most likely areas of fraud are deemed to be in the areas of expenditure, payroll and accounting judgements.

Our auditing procedures are designed to detect material fraud. In addition, we place some reliance on the work performed by the internal auditors and our reviews of their findings.

Conclusion

We have found no evidence of material fraud either through our own substantive testing or from a review of the internal auditor reports

3.8 Quality aspects of accounting

We have no comments to make concerning the qualitative aspects of the entity's accounting practices and financial reporting.

4. Overview of audit process

<table>
<tr><th>Approach overview</th><th>Outcome of work</th></tr>
<tr><td>Regularity

For the regularity audit (spending in accordance with funding requirements) we provide an annual opinion, attached to the financial statements. Our work is based on a work programme provided by the funding agencies, linked to the College’s self-assessment of its controls in this area.</td><td>There were no issues arising from the work performed.</td></tr>
<tr><td>Financial statements

We are required to give a ‘true and fair’ opinion on the annual financial statements. Our audit approach in outline is as follows:</td><td></td></tr>
<tr><td>Real understanding of the figures

Develop a detailed knowledge of the composition of the College’s accounts and an understanding of the reasons for significant fluctuations year on year and against budget. Key areas are:
• Income streams
• Pay costs and non-pay costs
• Fixed assets
• Student debt
• Accrued and deferred grant income, income clawback
• Deferred capital grants
• Pension fund disclosures</td><td>See financial analysis below</td></tr>
<tr><td>Identify audit risks

Review minutes of Corporation, Finance and Audit Committee meetings during the year to identify risks and ensure there is adequate focus on internal controls, corporate governance and key financial issues.</td><td>Any risks identified have been discussed in Section 3. There is clear evidence within the minutes of a focus on governance and internal control.</td></tr>
</table>

Approach overview	Outcome of work
Design and implementation of controls Seek to place reliance on the work of Internal Audit to provide comfort on the reliability of the College's core financial systems. Review the following reports issued in the year: • Off-site provision • IT general controls • Payroll • Review of assurances – Health & Safety • Follow up to 13/14 Review internal audit annual report and planning report to ensure there is adequate work performed on the College's core financial systems.	All internal audit reports have been reviewed. We note the weaknesses identified in the reports reviewed to date but are satisfied that, overall, controls at the College are robust and operating as intended.
Fieldwork testing **Balance sheet -** perform tests of detail on areas of risk within the balance sheet. **Income & expenditure** - agree all significant sources of income to supporting documentation. For any areas of income and expenditure where insufficient comfort can be gained from the work of internal audit, or where fluctuations from budget or prior years are inadequately explained, perform tests of detail on the components of costs and revenues where risks remain.	Positive results from substantive testing on key risk areas on the balance sheet. No further recommendations to make. All significant sources of income have been agreed to supporting documentation. Where the income or expenditure has fluctuated from either budget or last year adequate explanations have been obtained. No recommendations to make.
Materiality We have initially set audit materiality at £280,000 for the year ended 31 July 2015 which is approximately 1% of the College's gross assets and 1% of income but this will be updated, as necessary, for final figures.	After receiving the full year's final figures the audit materiality was maintained at £280,000 again set on approximately 0.9% of the consolidated Group's income and 0.9% of gross assets.

5. Project progress report

Project progress	Deadline achieved
Stage 1 - in week commencing 25 May 2015 (and subsequent) to cover: • Review of Internal Audit (‘IA’) reports to provide systems comfort. • Review of minutes of committee meetings to identify any key issues and to ensure there is adequate focus on internal controls and corporate governance. • Initial review of College’s management accounts and discussions with Finance staff to obtain an understanding, to ensure that our final audit visit focuses on areas of risk.	**Yes**
Stage 2 - in week commencing 5 October 2015 (and subsequent) to cover: • Final review of College’s management accounts for the full year, agreeing with statutory financial statements. Discussions with Finance staff to obtain a fuller understanding, to ensure that our final audit visit focuses on all areas of significant risk. • Full review and understanding of annual accounts, with focus on accurate disclosures. • Balance sheet audit testing. • Any additional work considered necessary arising from our planning work or our review of final accounts. • Carry out final regularity audit work for the period. • Consolidation review and audit testing.	**Yes**
Outputs • FS Auditors’ Report to Governors (‘Management Letter’) to be delivered in draft to College management **by early November 2015.** • Management letter responses received from College and agreed draft ready for distribution to Governors in time for audit committee meeting on **17 November 2015 – now rescheduled to 2 December 2015.** • Annual accounts approved by Francis Clark ready for distribution to Governors for meeting on **15 December 2015.** Final sign off as soon as possible but with deadline of **31 December 2015.**	**Yes**

Appendix A – Independence report

APB Ethical Standard 1 "Integrity, Objectivity and Independence" and ISA (UK and Ireland) 260 "Communication of audit matters to those charged with governance", requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our independence and objectivity.

a) **Potential issues**

During the year we have provided non audit services as follows:

- Audit of the Teachers' Pension Agency End of Year Certificate (EOYC)

b) **Informed management**

In the context of APB Ethical Standard 1, we consider Nicola Cove to be deemed 'informed management' and it is their role to assess the non-audit services provided.

c) **Safeguards**

We do not consider that our external audit independence is impaired, partly because of the small amounts involved and partly as the services provided were not in connection with any judgemental amounts of significance included in the annual financial statements.

In addition we also have quality control procedures in place to undertake file reviews on a sample basis to ensure appropriate standards are maintained.

Conclusions

We are not aware of any relationships between Francis Clark LLP and the group that, in our professional judgment, may reasonably be thought to bear on our independence or the objectivity of the audit engagement team.

We confirm that we have complied with the APB Ethical Standards, and in our professional judgment, the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised.

Appendix B – Financial highlights

Financial Performance

- In addition to our standard analysis of financial performance we have agreed with management that we will benchmark the College's performance against the average for general Further Education colleges.

Benchmarking

- The underlying data has been taken from the Finance Return for 2013/14 submitted to the SFA and includes the 185 General Further Education colleges in the UK.

Measure	2014/15 College result	2013/14 College result	2013/14 General FEC average
Historical cost surplus as a % of income	1.1%	-3.3%	-0.5%
Staff costs as % of income (incl. contract tuition / excl. restructuring)	63.4%	64.9%	61.8%
Current ratio	0.67	0.54	1.23
Debt charges as a % of income	1.3%	0.6%	3.0%
Cash generated from operations	5.8%	2.0%	5%
Dependency on EFA income	38.0%	37.1%	43.0%
Dependency on SFA income	30.4%	30.6%	31.3%
Dependency on all other income	31.6%	32.3%	25.7%

- The group has made a historical cost surplus of £329k in 2015 (2014: £1,092 deficit). This is primarily a result of the reduced FRS 17 adjustment (£279k), the reduced redundancy cost (£418k) and other general measures implemented by the college to save costs, e.g. reduced use of franchise trainers and subcontracted trainers. As a result the historical cost surplus as a % of income has increased by 4.4% on 2013/14.
- Staff costs as a % of income have decreased by 1.5% compared to last year. Staff costs have fallen 5.5% during 2015 as a result of reductions in staff numbers and although this has been outpaced by the decline in income of 6.3%, the College has improved the overall efficiency of delivery through effective management of class sizes and staff remissions.
- The current ratio has improved by 0.13 as a result of the £654k increase in accrued income as at the 2015 year end. This balance includes additional income recognised for the new LEP capital grant and Work Based Learning funding. The other side of the entry for the capital grant (£216k) will be to deferred capital grants which are not (currently) included in current liabilities.
- As expected debt charges as a % of income have risen as the College made the first full year of repayments against the Barclays loan, £362k compared to £138k in 2014.
- The overall reliance on EFA and SFA income has remained relatively static in 2015. The grant funding income streams have decreased by 5.5% which is in line with the overall decrease in income seen. The College continues to generate 6% more of its income than the average General Further Education College from non EFA and SFA sources.

Appendix B – Financial Highlights (continued)

Overview of financial performance

Income and expenditure £'000	Jul-15	Jul-14	Movement	
Funding body grants	22,171	23,364	(1,193)	-5%
Tuition fees & educational contracts	6,968	7,567	(599)	-8%
Research grants and contracts	638	766	(128)	-17%
Other income	1,427	1,606	(179)	-11%
	31,204	33,303	(2,099)	-6%
Expenditure				
Staff costs	20,432	21,623	(1,191)	-6%
Other operating expenditure	8,839	9,691	(852)	-9%
Depreciation	1,630	1,712	(82)	-5%
Interest and other finance costs	205	638	(433)	-68%
	31,106	33,664	(2,558)	-8%
Exceptional restructuring costs	-	(885)	885	-100%
Loss on disposal of fixed assets	(90)	(167)	77	-46%
Surplus/(Deficit)	8	(1,413)	1,421	-101%

- Income for the year has decreased £2,099k on 2014 which is broadly in line with declining student numbers as a result of reductions in Government funding. See following page for more detailed analysis.
- Other operating expenditure has decreased by £852k primarily due to the reduction in subcontractor delivery costs (£412k), and reductions in activity based costs such as books, materials and equipment, exams and bussing in line with the falling student numbers. There was also a substantial decrease in repairs and maintenance costs (£60k) as the Group sought to cut costs.
- Staff costs have decreased by £1,191k due to a fall in employees from 679 to 626 FTE as a result of the reorganisation programmes in 2014 and 2015. There was no pay rise for staff at City College Plymouth and a 1% pay rise for staff at Achievement Training.
- Interest costs are artificially lower than in 2014 this year but once FRS 17 adjustments are removed are actually in line with the prior year at £70k, (2014: £69k).
- There were restructuring costs of £467k this year, which have not been disclosed as "exceptional." Last year, the restructuring costs were £418k higher at £885k and were disclosed as "exceptional".
- The overall surplus for the year is £8k (2014: £1,413k deficit). The improved result seen this year is the result of reduced FRS 17 adjustments (£279k), reduced redundancy costs (£418k) and other general measures implemented by the college to save costs, e.g. reduced use of franchise trainers and subcontracted trainers.

Appendix B – Financial Highlights (continued)

Income

Income £'000	Jul-15	Jul-14	Movement	
Funding body grants				
Main funding body recurrent grant	16,092	17,907	(1,815)	-10%
Work Based Learning	4,765	4,289	476	11%
Main funding body non-recurrent grants	899	879	20	2%
Release of deferred capital grants	266	215	51	24%
HEFCE recurrent grant	149	74	75	101%
	22,171	23,364	(1,193)	-5%
Tuition fees and education contracts				
UK Higher Education Students	2,540	2,871	(331)	-12%
EU (excluding UK) Students	82	51	31	61%
Non EU Students	908	1,231	(323)	-26%
UK Further Education Students	2,374	2,336	38	2%
Education contracts	1,064	1,078	(14)	-1%
	6,968	7,567	(599)	-8%
Research grants and contracts				
Releases of deferred capital grants	157	197	(40)	-20%
European Funds	72	96	(24)	-25%
Other UK grants and contracts	409	473	(64)	-14%
	638	766	(128)	-17%
Other income and investment income				
Nursery Fees	450	493	(43)	-9%
Training Income	179	210	(31)	-15%
Lettings/Hire	154	173	(19)	-11%
Exam Fees	39	47	(8)	-17%
Bus Passes	231	242	(11)	-5%
Consultancy and Other Services Income	162	97	65	67%
Other	210	340	(130)	-38%
Interest receivable	2	4	(2)	-50%
	1,427	1,606	(179)	-11%

Funding council grants

- EFA/SFA recurrent grant income has decreased by £1,815k – this is due to funding cuts and consequential reductions in student numbers.
- This is partially offset by a £476k increase in Work Based Learning income (both age groups) which is due to rising apprentice numbers with over 1500 apprentices in learning during the year.

Tuition fees and education contracts

- Tuition fee income from UK HE students has fallen £331k; this is due to a 10% decrease in student numbers.
- Student numbers from outside the EU have fallen 22%, which is a £323k decrease in income. The average fee per student also decreased as fewer students from China were recruited and it is the Chinese students who attend the College for longer study terms. The recruitment decline was due to increased competition from the University of Bedfordshire.

Appendix B – Financial Highlights (continued)

Research grants and contracts

- Release of deferred capital grants has decreased £40k as grants were written off in the prior year. A number of new capital grants were received during the year, such as the STEM Centre LEP grant, but as the associated asset is still under construction there has been no release in the year. Other UK grants and income have fallen £64k as an indirect NEET funding grant ended during the 2014 financial year.

Other income

- Nursery fees have fallen £43k due to fluctuations in the age of children attending the nursery.
- Training income has fallen £31k due to restricted opening hours of the training restaurant and beauty salons as a result of decreased students available to operate the facilities.

Appendix B – Financial Highlights (continued)

Expenditure

Expenditure £'000	Jul-15	Jul-14	Movement	
Staff costs				
Wages and salaries	16,064	17,465	(1,401)	-8%
Social security costs	1,091	1,200	(109)	-9%
Other pension costs	2,349	2,382	(33)	-1%
Contracted out staff services	461	576	(115)	-20%
Restructuring costs	467	-	467	100%
	20,432	21,623	(1,191)	-6%
Operating expenses				
Teaching costs	3,214	3,426	(212)	-6%
Non teaching costs	3,416	3,692	(276)	-7%
Premises costs	2,204	2,319	(115)	-5%
Franchised provision	5	254	(249)	-98%
	8,839	9,691	(852)	-9%
Interest and other finance costs				
Loan interest	70	69	1	1%
Pension finance cost	135	569	(434)	-76%
	205	638	(433)	-68%
Depreciation	1,630	1,712	(82)	-5%
Exceptional restructuring costs	-	885	(885)	-100%

Removing the FRS17 pension scheme adjustment wages, social security and pension costs have all decreased between 8 and 9% on the prior year. This is directly in line with the 8% decrease in staff numbers. Contracted out staff services have fallen £115k due to the reduction in the number of course groups delivered and due to cost cutting measures. The group made 41 FTE staff redundant during the financial year compared to 67 in 2014 which has reduced the restructuring costs incurred.

Teaching costs have reduced by £212k compared to the prior year. This is principally due to a reduction of £160k in the costs associated with music courses at Deep Blue Sound as a result of decreased student numbers. Non-teaching costs have also decreased £276k of which the largest reductions were in bussing costs (£41k), exam costs (£70k) and professional consultancy (£87k)

Interest costs are consistent with the prior year but the pension finance cost has fallen £434k due to the 0.5% reduction in the discount rate actuarial assumption from 4.3% to 3.8%.

Depreciation has fallen £82k due to the number of assets being disposed of or fully written down during the year.

Appendix B – Financial Highlights (continued)

Balance Sheet

Group Balance sheet £'000	Jul-15	Jul-14	Movement	
Fixed assets				
Intangible	943	1,011	(68)	-1487%
Tangible	25,261	25,460	(199)	-12794%
	26,204	26,471	(267)	-9914%
Current assets				
Fixed Assets Held for Resale	533	533	-	0%
Stocks	55	63	(8)	-788%
Debtors	2,036	1,541	495	311%
Current Asset Investments	-	1	(1)	-100%
Cash at bank and in hand	935	792	143	554%
	3,559	2,930	629	466%
Creditors less than one year				
Bank loans and overdrafts	(396)	(433)	37	-1170%
Payments received in advance	(2,229)	(2,271)	42	-5407%
Trade creditors	(755)	(952)	197	-483%
Other tax and social security	(588)	(611)	23	-2657%
Accruals	(989)	(934)	(55)	1698%
Fixed asset creditors	(204)	(176)	(28)	629%
Amounts Owed to Skills Funding Agency	(156)	-	(156)	0%
	(5,317)	(5,377)	60	-8962%
Net current assets	(1,758)	(2,447)	689	-355%
Creditors after one year	(2,303)	(2,585)	282	-917%
Provisions for liabilities	(991)	(1,167)	176	-663%
Net pension liability	(17,978)	(14,272)	(3,706)	385%
Net assets	3,174	6,000	(2,826)	-212%
Funds and reserves				
Deferred capital grants	6,146	5,795	351	1651%
Income and expenditure reserve	9,180	8,330	850	980%
Pension reserve	(17,978)	(14,272)	(3,706)	385%
Revaluation reserve	5,782	6,103	(321)	-1901%
Capital reserve	44	44	-	0%
Total funds	3,174	6,000	(2,826)	-212%

Fixed assets

- Fixed assets have decreased £199k on prior year. This is due to depreciation and disposals outweighing additions. Additions comprise mainly construction and outfitting of the STEM Centre, refurbishment of the professional kitchen and new ventilation in the hospitality building. Costs such as design and project management of the new STEM 2 building have been capitalised but construction has not yet started.

Debtors

- Trade debtors have fallen by £159k – this is due to improved credit control procedures in chasing students who have failed to provide Student Loan Company paperwork on enrolment.

Appendix B – Financial Highlights (continued)

- Prepayments and accrued income have increased £654k. Increased accrued income is seen in relation to the new LEP capital grant (£216k) and £401k in relation to Work Based Learning for over delivery of courses during the year.

Liabilities and funding

- Trade creditors are down £197k on last year. This is due to a number of payments being made on account to significant suppliers during the year in order to even out the cash flow.
- £156k is owed to the SFA at year end for clawbacks in under performance of Adult Skills and 24+ loan funding.
- Provisions have fallen £176k from last year due to a decrease in the restructuring provision with less redundancies having been planned at the current year end.
- The loan creditor (seen in creditors due within and after one year) has decreased as capital payments have been made in the year with no new finance having been taken out.
- The net pension liability has increased by £3,706k in line with the actuarial report provided by Barnett Waddingham. We have reviewed the assumptions used to arrive at this deficit, and the key assumption change increasing the provision is the discount rate assumption which has fallen from 4.3% to 3.8%. This is based on the return available on high quality corporate bonds and the movement reflects the underlying economic conditions in the UK.