
Aquinas College

Report and Financial Statements

∩ Year ended 31 July 2018 ∩

AQUINAS COLLEGE
Report and Financial Statements – Year ended 31 July 2018

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KEY MANAGEMENT PERSONNEL & GOVERNING BODY

KEY MANAGEMENT PERSONNEL

Key management personnel are defined as senior post holders/members of the College Leadership Team and were represented by the following in 2017/18:

Daniel Pearson: Principal and Accounting Officer
Carina Vitti: Vice Principal
Debbie Blackburn: Assistant Principal Finance
Andrew Bailey: Assistant Principal Pastoral

GOVERNING BODY

A full list of Governors is given on pages 12 and 13 of these financial statements.

Mr T Conlon acted as Clerk to the Governing Body throughout the period.

PROFESSIONAL ADVISORS

Financial Statement Auditors:

Mazars LLP
Chartered Accountants
& Statutory Auditor
14th Floor,
The Plaza,
100 Old Hall Street,
Liverpool,
L3 9QJ

Tel: 0151 237 2200

Internal Auditors:

RSM
Festival Way,
Festival Park,
Stoke on Trent,
ST1 5BB

Tel: 01782 216000

Bankers:

Lloyds Bank PLC
60-62 Merseyway,
Stockport,
SK1 1PL

Tel: 0113 394 2192

Solicitors:

Gorvins
Tiviot House,
Stockport,
Cheshire,
SK1 1TA

Tel: 0845 539 5151

REPORT OF THE GOVERNING BODY:

NATURE, OBJECTIVES AND STRATEGIES:

The members present their report and the audited financial statements for the year ended 31 July 2018.

Legal status

The College, founded in September 1980, was moved from the Schools to the FE sector under Section 28 of the Further and Higher Education Act (1992) as a College designated to receive FEFC funds. This was deemed necessary by Parliament in that as a voluntary aided College it did not own either its land or buildings. Although the governing body did not achieve Governing Body status under Further and Higher Education (1992), this has now been achieved under the Education Act 2000. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

Mission

“At the very heart of our philosophy is the Gospel spirit of freedom, justice and love. We aim to affirm and value each member of the community, recognising the dignity and unique nature of each individual, whether student, support staff or teacher.”

This extract from the College mission statement underpins the philosophy of the College.

Public Benefit

Aquinas College is an exempt charity under 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 are disclosed on pages 12 and 13. 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.

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

- High-quality teaching
- Widening participation and tackling social exclusion
- Excellent progress to HE and employment for students
- Strong student support systems
- Links with employers, industry and commerce
- Links with Local Enterprise Partnerships (LEPs)

The delivery of public benefit is referred to throughout the Report of the Governing Body.

Implementation of strategic plan

The College’s objectives are set out in the strategic plan updated in July 2017 for the year ended July 2018. This plan includes the strategic direction of the College and financial forecasts. The Governing Body monitors the performance of the College against these plans. The plans are reviewed and updated each year. The College’s continuing strategic objectives are:

- To control the College’s recruitment processes and to balance student numbers after the large growth of 119 students in September 16 by reducing numbers marginally. The revised number to be around 2,206 (FTE) in the year to July 2018.
- To review and maintain the high achievement rates for students within College. The achievement rate will be affected by the move to linear courses but the target remains at around 90%.
- To review the provision for adult education in the light of funding cuts.

OPERATING AND FINANCIAL REVIEW /Continued...

Implementation of strategic plan /Continued...

- To encourage students to take responsibility for their own learning and promote and develop relevant learning strategies.
- Despite financial pressures, to make the necessary level of investment to maintain the high standards in learning resources in both the Learning Resource Centre and the IT Centre.

The College is on target for achieving these objectives.

The College's specific objectives for 2017/18 and achievement of those objectives is addressed below:

- To achieve full time 16-19 students of 2,206 based on funding levels. Actual full time 16-19 student numbers were 2,217 learners. We had given fewer offers for places in order to have a small drop in student numbers in September 2017. The fluctuation in numbers reflects the difficulty in managing the student numbers in the face of the large oversubscription and the risk of significantly under recruiting and the subsequent effect of funding in the following year. The College will continue to manage this area closely.
- Achievement (formerly success) rates of 82% for all long courses have been achieved in 2017/18. We experienced a small drop in both retention and pass rates. This is due to the increased difficulty of linear courses with terminal exams at the end of two years. We continue to support students and staff with this new assessment method. As these courses become embedded we expect this rate to increase.
- To further improve attendance in core studies by further enhancements to the attendance policy. Further development of MyAquinas will allow targeted action and provides online monitoring of students' performance.
- To review the tutorial program in the light of further funding cuts to ensure it is effective and relevant and delivered concisely.
- To develop the IT strategy group to oversee all IT strategy to enable the College to keep at the forefront of IT development and ensure that IT remains a support for curriculum delivery and is appropriate for the future.

Financial Objectives

The College's financial objectives are:

- To achieve an annual operating surplus; and
- To further improve the College's shorter term liquidity.

A series of performance indicators have been agreed to monitor the successful implementation of the policies.

Performance indicators

Key Performance indicators	Target	Actual for 2017/18
EBITDA as % of income	6.0%	9.2%
Staff costs as % of income	73.1%	69.3%
Operating cash flow	863	1344
Cash days in hand/liquidity (adjusted current ratio)	176/5.3	197/4.7
Borrowing as % of income	29.9%	29.4%
Reliance on ESFA income	87.9%	86.0%
Financial Health Score	Good	Outstanding

OPERATING AND FINANCIAL REVIEW /Continued...**Performance indicators/Continued...**

The College uses a number of measures to assess and report on progress in both academic, pastoral and financial areas. These include but are not exclusively:

- Achievement rates and Value Added.
- Learner destinations.
- Satisfaction survey (formerly “learner views”).
- Accounting measures such as cash days in hand, current ratios and indebtedness measures.
- Financial health assessments and minimum standards ratios.

The College is committed to observing the importance of sector measures and indicators and uses the FE Choices data available on the GOV.UK website which looks at measures such as achievement 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 Good is considered a good outcome given the financial pressure on the sector. This measure is presently deflated by the level of debt the college holds. However £1.4m of this debt is repayable at base +0.35%, repayable without penalty, and is reinvested to provide some income. Should the college repay this debt the financial health would improve to “outstanding”.

FINANCIAL POSITION:**Financial Results**

The College generated a surplus before other gains and losses in the year of £319k (2017: £47k), with total comprehensive income of £1,221k (2017: £375k). These are the second set of results to include an FRS102(28) note as the GMPF pension net liabilities have been depooled. The adjustments have deflated the results for the year with additional accounting adjustments to salaries and interest charges. The trading surplus for 2017/18 is £1,221k (2017: £375k). Additional information is included in note 22.

The College has accumulated general reserves of £3.254m (2017: £2.033m) and cash balances of £6,210k (2017: £5,409k) of which £233k (2017: £190k) are amounts held as deposits on behalf of students (see also Note 13). Reserves have again been affected by the FRS102(28) adjustments. A deficit of £1.616m (2017: £2.113m) has been included to reduce the reserves balance.

Tangible fixed asset additions during the year amounted to £273k. Additions mainly relate to IT purchases although there have been small amounts spent on furniture and fixtures.

The College has significant reliance on the ESFA for its principal funding source, largely from recurrent grants. In 2017/18 the ESFA provided 86% (2017: 87.6%) of the College’s total income.

Treasury policies and objectives

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

The College has a separate treasury management policy in place.

OPERATING AND FINANCIAL REVIEW /Continued...**Treasury policies and objectives/Continued...**

Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer (Principal). All other borrowing requires the authorisation of the Governing Body and shall comply with the requirements of the Financial Memorandum.

The College also has a gifts and hospitality policy which covers the procedure for the receipt of gifts / hospitality by staff.

Cash flows

The total net cash inflow of £801k (2017: £191k) has arisen due to the generation of a high trading surplus for the year. The College loans crystallised in March 2011 and the full facility of £4.45m was drawn down. The outstanding balance is £3.25m, £1.8m remains on a fixed term with the balance of £1.45m on variable repayments. The latter is placed on deposit to generate funds to cover the loan interest paid.

Liquidity

The College has a loan with Lloyds Bank PLC. The size of the College's total borrowing and its approach to interest rate management have 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.

Reserves Policy

The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation, and ensures that there are adequate reserves to support the College's core activities. The College reserves include £1.616m held as restricted reserves. As at the balance sheet date the Income and Expenditure reserve stands at £3.254m (2017: £2.033m). It is the Corporation's intention to increase reserves over the life of the strategic plan through the generation of annual operating surpluses.

Current and Future development and Performance**Financial health**

Aquinas College had outstanding financial health until the change in the basis of calculation. Under the new methodology the financial health has returned to outstanding. This is due to the growth of 119 student in September 2016, which led to improved income for 2017/18. We continue to achieve the maximum score of 100 for the adjusted current ratio as our cash balances are healthy and we deliver cash surpluses each year. Our loan balances are £3.3m which generates a score of 70. However, we can pay off £1.4m of this without penalty and whilst this does not affect our current ratio measure it improves the loan ratio by 10 points. We maintain the loan balances as we can place them on deposit and cover any financing costs. During the last few years, the cuts have affected the surpluses delivered by college. There was a small fall in student numbers in September 2017 as we deliberately gave out fewer offers as we needed to manage the increase in students from the previous year. The expected surplus for 2018/19 is lower and we will move back to "good". We still deliver annual trading and cash surpluses and consider that costs are well controlled. We have a well-established business model and outturns are always close to the original budget set. We have always delivered fairly modest surpluses but feel that most of our resources should be used to support students and their progress.

Student Numbers

In 2017/18 the College has delivered activity that has produced £9,517k in funding body main allocation funding (2016/17: £8,874k). The College had approximately 2,187 students on role. The College was inspected in January 2017. A short inspection was undertaken and the "good" grade was reconfirmed.

OPERATING AND FINANCIAL REVIEW /Continued...**Curriculum Developments****Student Achievements**

Students continue to achieve well at the College. Achievement rates have been affected by the change to measuring a two year course rather than 2 one year courses in the previous model of AS and then A2. Retention has dropped due to this change but there will be a similar pattern throughout the country. In 2017/18 achievement is 82% (2017: 88.2%) We continue to strive for good outcomes for students.

Students achieved an estimated 95% of their qualification aims (2017: 94%). This shows that students who complete their courses achieve well.

At Aquinas we closely monitor curriculum development in our feeder schools and attempt to adapt our curriculum provision to match the needs and aspirations of our students. In recent years this has led to an expansion of vocational subjects to complement a largely academic provision. Provision at levels I and II is modest and new courses at level III tend to be introduced at a rate of one or two a year with the least popular courses disappearing at the same rate.

We have a particular focus on trying to get students on the most appropriate courses based on their prior attainment, whether this is the academic route or the vocational route. A great deal of time is spent with each student to assess their needs during several one to one interviews with a member of staff. Several BTEC qualifications have been added to our curriculum and we have seen the percentage of students applying to University remaining fairly constant. Advice and guidance is also given to students looking for employment or apprenticeships and we have seen a growth in the number of students progressing to a Higher Level Apprenticeship. Our tutorial program evolves to support students in all aspects of their two year journey and their progression after college.

We continue to encourage students to select broad programmes of study to provide challenge and diversity and offer a high level of support, advice and guidance to assist them in making good decisions. We actively engage with the Local Authority in ensuring the full range of provision is available to the local population and are represented on the Strategic Management Partnership and 14-19 Strategy Group. A particular strength is in making students ready for the next stage in their lives.

The Adult and Continuing Education programme has a curriculum which is informed by local needs analysis in relation to regeneration and economic development. The programme features a curriculum which supports the ESFA-adult/Local Authorities national target to increase the number of adults with basic skills and offers a thriving curriculum for those wishing to return to work, upskill or get involved in leisure courses.

In 2017/18 we continued to deliver a franchised PGCE on behalf of the University of Bolton and all 8 students were successful on that course in the year.

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 2017 to 31 July 2018, the College paid 97% of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

Events after the end of the reporting period

There are no post balance sheet events to note.

Future Prospects

We have now occupied the new building for eight years. The size of the building was determined by the number of students on roll at the time. Whilst numbers have grown the building is flexible enough to accommodate this.

OPERATING AND FINANCIAL REVIEW /Continued...**Future Prospects / Continued.....**

The plan was for creeping growth of 20 students per year. Because of the difficulties of managing the oversubscription and predicting conversion rates we do experience some fluctuation (growth or small reduction) year-on-year as managing static student numbers remains an issue. We grew by 119 students in September 2016 as a greater percentage of students accepted their places than in previous years. We made fewer offers for starts in September 2017. We are getting close to the maximum number of students we feel is optimal for the College and this will be a challenge in coming years as growth can help to mitigate cuts to the funding.

Despite the financial cuts already suffered, the College has managed the reduction in funding with a combination of natural wastage and staff leaving and not being replaced in full. As Linear A levels become embedded with the funding per student rather than by course, further work will be undertaken to manage staffing, tutorial, ethics and enrichment to deliver small surpluses and remain solvent. In July 2018, the second tranche of linear A levels were completed and results have broadly held steady from July 2017, which were amongst our best ever results. Pass rates have improved and high grades of A* – B are also very similar to last year, despite the major change in the assessment process with outcomes dependant solely on terminal assessments. This is very encouraging and places the college on a solid grounding to maintain its excellent reputation

Following the OfSTED inspection in January 2017 we received confirmation of the previous assessment of “Good”. There were many positive comments about our care for students and student outcomes. We will continue with our quality and pastoral program to ensure that the College continues to provide the best opportunities for our students and staff and address the small number of areas which were highlighted as needing some attention.

Greater Manchester was in the first wave of Area Review. The outcome was that all Catholic Sixth Forms would remain as stand-alone institutions. Catholic colleges are still not able to academise due to their legal status but the Catholic Education Service are in negotiation with the DfE and we will consider this option when it becomes available to us.

The College has completed a two year plan and based on the new method of calculation of financial health, the College is assessed as Outstanding for 2017/18 and “Good” for the remainder of the plan. The financial health measure is negatively affected by our level of borrowings. However around £1.4m of the total loan of £3.25m is repayable without penalty and should college decide to reduce this balance our financial health would obviously improve further. Presently we place this balance on deposit and earn sufficient interest to cover any financing costs.

The College continues to reorganise quality and pastoral teams and senior staff positions. Most student’s program of study have now fallen from four to three subjects which has generated some further efficiencies which have been managed by natural wastage and staff asking for part time contracts. We anticipate that surpluses will be maintained in the coming years and our cash balances remain healthy so it is appropriate that we use the going concern method of accounting in the preparation of these accounts.

Staff and Student Involvement

The College is a vibrant community and surveys carried out as students leave constantly refer to the positive atmosphere and sense of respect which pervades the College. The College continues to grow and be successful. The College encourages staff and student involvement through membership of formal committees.

RESOURCES:

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

Tangible resources include the main College site.

Financial

The College has £4.092million of net assets. There has been further adjustment to our reserves as we have an FRS102(28) note included in the accounts as the GMPF pension pool was split up and assets and liabilities split between the colleges within the pool (see Note 22) and long term debt of £3.25million.

OPERATING AND FINANCIAL REVIEW /Continued...

RESOURCES/Continued....

People

The College employs 188 (2017: 180) people (expressed as full time equivalents), of whom 115 (2017: 110) are teaching staff.

Reputation

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

PRINCIPLE RISKS AND UNCERTAINTIES:

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

Based on the strategic plan, the Assistant Principal Finance along with Senior Management Team (SMT) undertakes a comprehensive review of the risks to which the College is exposed. Systems and procedures are identified, 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, SMT will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

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

Outlined below is a description of the principle 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.

1. Government funding

The College has considerable reliance on continued government funding through the further education sector funding bodies. In 2017/18, 86% of the College's revenue was ultimately public funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain 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:

- The lagged student number formula means that managing our student numbers is important. There is some uncertainty in this regard as we try to manage our oversubscription.
- The continued pressure on public finances with pre-school and post 16 being the only parts of the education budget that are not ring fenced. This means any future savings are likely to come from these areas.
- The continued political pressure to create more academies and free schools.
- The move of A level subjects to linear which could affect funding such as retention and achievement.
- 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.
- The funding of adult courses which is relying on the student to fund more of the course costs.

OPERATING AND FINANCIAL REVIEW /Continued...

PRINCIPLE RISKS AND UNCERTAINTIES/Continued...

The risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training.
- By managing the programs of study. The number of courses that students study has fallen to three as funding falls and linear A levels have been introduced. With the tutorial program and Ethics course, students will still be full time as measured by the funding methodology.
- By placing considerable focus and investment on maintaining and managing key relationships with various funding bodies.
- By ensuring the College is focused on those priority sectors which will continue to benefit from public funding.
- By having regular dialogue with the local ESFA/Local Authorities.

2. Tuition fee policy

Ministers have confirmed that the fee assumption remains at 50%. In line with the majority of other Colleges, Aquinas College has increased tuition fees in accordance with the rising fee assumptions. In addition the Local Authority Subsidy ended in 15/16 so leisure course prices have had to increase each year since then. The price elasticity of adult learning is not yet fully understood. The risk for the College is that demand falls off as fees increase. This will impact on the growth strategy of the College. From 2016/17 all students aged 19 and above, who have already undertaken a course at Level 3, were expected to fund 100% of their course costs either by their own resources or by taking out a Government loan. This funding will cease for any student if they leave the course at any stage in the academic year. This introduces more uncertainty into the delivery of courses for adults.

This risk is mitigated in a number of ways by:

- Ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students
- Further emphasis on attendance and progression for all students
- Closely monitoring the demand for courses as prices change

3. Maintain adequate funding of pension liabilities

The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS 102. The employer's contribution rate has been increased by the GMPF to cover this cash deficit and no capital sums are required.

4. 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 the growth of 119 students in September 2016 and the continued close control of costs and adjustments made to staffing to reflect curriculum need. 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;

STAKEHOLDER RELATIONSHIPS

In line with other Colleges and with universities, Aquinas College has many stakeholders. These include:

- Students;
- Staff;

OPERATING AND FINANCIAL REVIEW /Continued...

PRINCIPAL RISKS AND UNCERTAINTIES/Continued.....

STAKEHOLDER RELATIONSHIPS/Continued:

- Sixth Form /FE Commissioner;
- Local employers;
- Funding Councils;
- Local authorities;
- Government Offices/LEPs;
- The local community;
- Other FE institutions;
- Trade unions;
- Professional bodies; and
- Diocese of Shrewsbury.

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

Taxation

The College is an exempt body as far as the Charity Act is concerned. The College is not liable for Governing Body tax.

Employment Policy

The employment policy of the College has been agreed by the Governing Body and reflects the mission statement. The College is aware of, and its practice is consistent with, the terms of the Disability Discrimination Act (2000) updated by the Special Education Needs and Disability Acts 2001 and 2005. The College has a Human Resources manager and where appropriate, checks its procedures with a Human Resources Service to ensure consistency in HR matters. The College accesses support from our insurance HR helpline and a local firm of solicitors should any legal advice be necessary. The College has increased both the teaching and support staff as student numbers have risen. Vacancies for teaching staff are advertised in The Times Educational Supplement and FE jobs. Support staff vacancies are advertised regionally or in professional journals.

Teachers and support staff are paid using Sixth Form College Employers Scales. All staff are paid on a monthly basis.

Equal Opportunities and Employment of Disabled Persons

The College is concerned to encourage staff to improve qualifications and support staff have been offered day release and their fees have been paid by the College. Teaching staff have five in service training days in each year. Staff are provided with briefings twice weekly. These are meetings at which matters of immediacy are discussed. Contributions come from anyone – they are not restricted to management announcements. Notes are written up and published. More formal meetings are staff meetings and curriculum leaders meetings. In addition, there are small groups dealing with quality and curriculum. The senior leadership team meets weekly.

Aquinas College is committed to ensuring equality of opportunity for all those who learn and work here. We respect and value positively, differences in race, gender, sexual orientation, ability, class and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy will be resourced, implemented and monitored by managers and governors.

The College's Equality Policy and relevant data is published on the College's Internet site.

The College considers all applications for employment from disabled persons, bearing in mind the aptitudes of the individual concerned and any reasonable adaptations required at interview or employment are considered and implemented where possible. Where an existing employee becomes disabled every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion which are, as far as possible, identical to those for other

OPERATING AND FINANCIAL REVIEW /Continued...
Equal Opportunities and Employment of Disabled Persons/ Continued....

employees.

Disability Statement

The College seeks to achieve the objectives set down in the Equality Act 2010 and in particular makes the following commitments:

- The new College buildings are fully DDA compliant;
- There is a list of specialist equipment, which the College can make available for use by students;
- The admissions policy for all students is described in the College prospectus. Appeals against a decision not to offer a place are dealt with under the complaints policy;
- The College had made a significant investment in the appointment of specialist teachers to support students with learning difficulties and/or disabilities. There are a number of learning 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 programme information guides, and achievements and destination are recorded and published in the standard College format; and
- Counselling and welfare services are described on the student intranet.

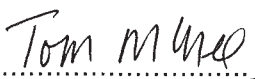
Planned Maintenance Programme

The College has now completed the building of the new College campus. We have secured a series of maintenance contracts which will be undertaken by external firms as many components of the building are complex. The spend on maintenance for the year to 31 July 2018 is £68,105 (2017: £55,508).

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 him or herself aware of any relevant audit information and to establish that the College's auditors are aware of that information.

The report of the members of the Governing Body was approved by the members on^{20.11.18} and signed on its behalf by:


.....
T P McGee

Chairperson

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.

The College endeavours to conduct its business:

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

The College is committed to exhibiting best practice in all aspects of corporate governance. We do not comply with the UK Corporate Governance Code as Catholic institutions were advised that some aspects of the Code conflicted with the Diocesan Trust Deed. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice. In the opinion of the Governors, the College complies with/exceeds all the provisions of the Foundation Code, and it has complied throughout the year ended 31 July 2018. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times.

The Governing Body

The members who served the Governing Body during the year and up to the date of signature of this report were as listed in Table 1.

Name	Date of Appointment/ Re-appointment	Term of Office	Status of Appointment	Committees Served	Attendance
T P McGee	01/09/16	4 years	Foundation	Chair Governing Body, & Teaching and Learning	4 / 4
L J Byrne	01/09/16	4 years	Foundation	Remuneration	2 / 4
M Braithwaite	01/09/16	4 years	Foundation	Chair Resources, Vice Chair Remuneration	4 / 4
D Pearson	01/06/11		Principal	Teaching and Learning, Resources	3 / 4
C H Dove	01/09/16	4 years	Foundation	Chair Remuneration, Resources	4 / 4
B Hickey	01/09/15	4 years	Foundation	General Purposes & Employment, Teaching and Learning	2 / 4
J Horan	01/09/15	4 years	Foundation	General Purposes & Employment	2 / 4
A Martin	01/01/16	4 years	Foundation	Chair Audit Teaching and Learning	2 / 4

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL /Continued...

Continued....Table 1: Governors serving on the College Board during 2017/18

Name	Date of Appointment/ Re-appointment	Term of Office	Status of Appointment	Committees Served	Attendance
C Calverley	01/09/16	4 years	Co-opted Governor	Vice Chair General Purposes & Employment, Resources	0 / 4
Dr A Smith	28/06/18	4 years	Foundation Governors	Teaching and Learning, General Purposes & Employment	3 / 4
P Carter	22/02/18	4 years	Foundation	Vice Chair Resources	4 / 4
J Miller	24/04/15	4 Years	Foundation	Vice Chair Governing Body, Vice Chair Audit	4 / 4
P Horton	11/11/16	4 years	Foundation	Resources, Remuneration	4 / 4
R Phillipson	01/09/15	3 years	Parent Governor	General Purposes & Employment	3 / 4
R Harris	01/09/17	4 years	Staff Governor	Teaching and Learning	3 / 4
A Taylor	01/09/17	4 years	Staff Governor	Resources	3 / 4
Dr P C Beatty	01/09/16	4 years	Co-opted Governor	Chair Teaching and Learning, General Purposes, Employment	4 / 4
M Jarvis	01/01/18 – 31/12/18	1 year	Student Member	General Purposes, Resources	1 / 3
A Wood	01/01/18 – 31/12/18	1 year	Student Member	General Purposes, Teaching and Learning	3 / 3
C Broda	01/01/17 – 31/12/17	1 year	Student Member	General Purposes, Teaching and Learning	1 / 1
D Hodson	01/01/17 – 31/12/17	1 year	Student Member	Resources, Teaching and Learning	1 / 1
I Anwar	01/01/17	Not member of governing body/independent – Audit			
M Garratt	01/03/17	Not member of governing body/independent - Audit			

T Conlon acts as an independent clerk to the Governing Body.

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

The Governing Body is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues. The Governing Body meets on a termly basis.

The Governing Body conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Governing Body. These committees are teaching and learning, resources, general purposes and employment, remuneration and audit. Full minutes of all meetings are available on the College's website [at www.aquinas.ac.uk] or from the clerk to the Governing Body at:-

Aquinas College
Nangreave Road
Stockport, SK2 6TH

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL /Continued...

The clerk to the Governing Body maintains a register of financial and personal interests of the governors. The register is available for inspection at the above address.

All governors are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the clerk to the Governing Body, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment and removal of the clerk are matters for the Governing Body as a whole.

Formal agendas, papers and reports are supplied to governors in a timely manner, prior to Board meetings. Briefings are also provided on an ad-hoc basis.

The Governing Body has a strong and independent non-executive element and no individual or group dominates its decision making process. The Governing Body considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

There is a clear division of responsibility in that the roles of the Chairman and Principal are separate.

Appointments to the Governing Body

The Foundation Governors are appointed by the Bishop of Shrewsbury. The two staff governors, the parent governor and two student governors are elected by their respective groups. There remains only two co-opted governors for which a search committee would be required and this would be instigated on an as necessary basis when new co-opted governors were needed. The Governing Body is responsible for ensuring that appropriate training is provided as required.

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

Corporation performance

The Governing Body has undertaken a self assessment review and evaluation of performance for the year ended 31st July 2018. They have undertaken a review on Effective Governance and self-assessed their performance for the year. Outcomes were extremely positive with an action plan being compiled for any areas identified for improvement. Outcomes were documented in the meeting of 21st November 2018.

Each committee also self-assessed their performance in the year with respect to their effectiveness and provision of information received from College and external parties.

Remuneration Committee

Throughout the year ended 31 July 2018, the College's remuneration committee comprised a Chairman and three other members of the Governing Body. The committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal and other key management personnel.

Details of remuneration for the year ended 31 July 2018 are set out in Notes 6 and 7 to the financial statements.

Audit Committee

The audit committee comprises a Chairman and two other members of the Governing Body (excluding the Principal and Chair). In addition, there are two independent co-opted members, who are not on the Governing Body. The committee operates in accordance with written terms of reference approved by the Governing Body.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL /Continued...**Audit Committee/Continued....**

The Audit 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 Committee. Management are responsible for the implementation of agreed recommendations and internal audit undertake periodic follow up reviews to ensure such recommendations have been implemented.

The Audit Committee also advises the Governing Body on the appointment of internal and financial statement auditors and their remuneration for both audit and non-audit work as well as reporting annually to the Governing Body.

Internal Control**Scope of responsibility**

The Governing Body is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

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

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Aquinas College for the year ended 31 July 2018 and up to the date of approval of the annual report and accounts.

Capacity to Handle Risk

The Governing Body has reviewed the key risks to which the College is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Governing Body is of the view that there is a formal on-going process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2018 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Governing Body.

The Risk and Control Framework

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

- Comprehensive, budgeting systems with an annual budget, which is reviewed and agreed by the governing body

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL /Continued...

The Risk and Control Framework /Continued...

- Regular reviews by the governing body of periodic and annual financial reports which indicate financial performance against forecasts
- Setting targets to measure financial and other performance
- Clearly defined capital investment control guidelines
- The adoption of formal project management disciplines, where appropriate.

The College 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 informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Governing Body on the recommendation of the audit committee. At minimum annually, the Head of Internal Audit (HIA) provides the governing body with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management controls and governance processes.

Review of Effectiveness

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

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

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

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the audit committee also receive regular reports from internal audit and other sources of assurance which include recommendations for improvement. The audit committee's role in this area is confined to a high-level review of the arrangements for internal control. The Governing Body's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the audit committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its 20th November 2018 meeting, the Governing Body carried out the annual assessment for the year ended 31 July 2018 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2018.

The Audit Committee's Terms of reference were reviewed at the Spring term meetings. It is the view of the Audit Committee that it has fulfilled its terms of reference and operated in an effective and efficient manner.

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

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL /Continued...

Going Concern

The College has undertaken a thorough review in producing the 2 year plan. The College continues to enjoy a strong reputation for supporting students and achieving excellent results. This in turn means that the College is heavily oversubscribed for places so whilst not complacent we feel that student numbers are robust. The plan is predicated on a small growth of 20 students each year. For the last number of years the college has delivered good surpluses and a healthy positive cash flow. We now hold a good cash balance and have flexibility to reduce our debts should we choose to do so.

We continue to review staffing and structures so that we can make management teams more efficient and reactive. We will continue to review Programs of study and allow most students to only study three courses which is consistent with the new linear A levels. This in turn will allow further efficiencies.

The outcome of the Area Review allowed the College to continue as a stand alone institution recognising the strength of the brand and the finances of the College. We continue with our Catholic partners to investigate efficiencies within our cost base.

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

Signed on behalf of the Governing Body:

..... *Tom McGee*
Chair: T P McGee

Date: *20.11.18*

..... *Dan Pearson*
Principal: D Pearson (Accounting Officer)

Date: *20.11.18*

GOVERNING BODY'S STATEMENT ON THE COLLEGE'S REGULARITY, PROPRIETY AND COMPLIANCE WITH FUNDING BODY TERMS AND CONDITIONS OF FUNDING

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

We confirm, on behalf of the Governing Body, that to the best of its knowledge, the Governing Body believes it is able to identify any material irregular or improper use of funds by the College, or material non-compliance with the ESFA's terms and conditions of funding under the College's Financial Memorandum.

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

Signed on behalf of the Governing Body:

Tom McGee
.....
Chair: T P McGee

Date: *20.11.18*
.....

Daniel Pearson
.....
Principal: D Pearson (Accounting Officer)

Date: *20.11.18*
.....

STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE GOVERNING BODY

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

Within the terms and conditions of the College's Financial Memorandum and Funding Agreement with the ESFA covering 16-18 and adult students, the Corporation, through its Accounting Officer, is required 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 2017 to 2018 issued by the ESFA, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

The Governing Body is also required to prepare a Member's report which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

The Governing Body is responsible for keeping proper accounting records, which disclose with reasonable accuracy, at any time, the financial position of the College and to enable it to ensure that the financial statements are prepared in accordance with the relevant legislation including the Further and Higher Education Act 1992 and Charities Act 2011, and relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard its assets and to prevent and detect fraud and other irregularities.

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

Members of the Governing Body are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the ESFA are used only in accordance with the Financial Memorandum or Funding Agreement with the ESFA and any other conditions that may from time to time be prescribed. Members of the Governing Body must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure they are used properly. In addition, members of the Governing Body are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the ESFA are not put at risk.

Approved by order of the Governing Body on.....^{20.11.18} and signed on its behalf by:

Tom McGee

.....
Chair: T P McGee

Date: ^{20.11.18}.....

Independent auditor's report to the Governing Body of Aquinas College**Opinion**

We have audited the financial statements of Aquinas College ("the College") for the year ended 31 July 2018 which comprise the Statement of Comprehensive Income and Expenditure, the Statement of Changes in Reserves, the Balance Sheet, the 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 applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2018 and of the College's surplus of income over expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

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 College 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 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 annual report 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 issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- the information given in the report of the Governing Body, including the operating and financial review and statement of corporate governance, is inconsistent with the financial statements; or
- we have not received all the information and explanations we require for our audit.

Independent auditor's report to the Governing Body of Aquinas College/ Continued...

Responsibilities of Governing Body

As explained more fully in the Statement of Responsibilities of the Members of the Governing Body set out on page 19, the Governors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and for such internal control as the Governors 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 Governors are 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 Governors intend 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 www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of the audit report

This report is made solely to the Governing Body as a body in accordance with Article 24 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Governing Body those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the Governors as a body for our audit work, for this report, or for the opinions we have formed.

Mazars LLP

Mazars LLP
Chartered Accountants and Statutory Auditor
14th Floor,
The Plaza,
100 Old Hall Street,
Liverpool,
L3 9QJ

Date

11th December 2018

To: The Governing Body of Aquinas College and Secretary of State for Education acting through the Department for Education (“the Department”)

In accordance with the terms of our engagement letter dated 28th August 2018 and further to the requirements of the funding agreement with the Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Aquinas College during the period 1 August 2017 to 31 July 2018 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

Respective responsibilities of Aquinas College and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession’s ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. 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 2017 to 31 July 2018 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Code issued by the Department. We performed a limited assurance engagement as defined in that framework.

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

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

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

The work undertaken to draw to our conclusion includes:

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

To: The Governing Body of Aquinas College and Secretary of State for Education acting through the Department for Education (“the Department”)

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

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2017 to 31 July 2018 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Mazars LLP

Mazars LLP
Chartered Accountants and Statutory Auditor
14th Floor,
The Plaza,
100 Old Hall Street,
Liverpool,
L3 9QJ

Date:

11th December 2018

STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE
for the year ended 31 July 2018

	Note	2018 £'000	2017 £'000
Income			
Funding body grants	2	10,198	9,562
Tuition fees and education contracts	3	198	220
Other income	4	1,052	1,083
Investment income	5	35	51
Total income		11,483	10,916
Expenditure			
Staff costs	6	8,024	7,781
Other operating expenses	8	2,129	2,102
Depreciation	11	833	815
Interest and other finance costs	9	178	171
Total expenditure		11,164	10,869
Surplus before other gains and losses		319	47
Loss on disposal of assets		-	-
Taxation	10	-	-
Surplus for the year		319	47
Actuarial gain in respect of pensions		902	328
Total Comprehensive Income and Expenditure for the year		1,221	375

The statement of comprehensive income and expenditure is in respect of continuing activities.

COLLEGE STATEMENT OF CHANGES IN RESERVES
for the year ended 31 July 2018

	Note	Income and Expenditure account	Revaluation reserve	Total
		£'000	£'000	£'000
Balance at 31st July 2016		1,658	838	2,496
Surplus from statement of comprehensive income and expenditure		375	-	375
Total comprehensive income for the year		375	-	375
Balance at 31st July 2017		2,033	838	2,871
Surplus from statement of comprehensive income and expenditure		1,221	-	1,221
Total comprehensive income for the year		1,221	-	1,221
Balance at 31st July 2018		3,254	838	4,092

AQUINAS COLLEGE
Report and Financial Statements – Year ended 31 July 2018

BALANCE SHEET
as at 31 July 2018

	Note	2018 £'000	2017 £'000
Non-current assets			
Tangible fixed assets	11	36,152	36,712
Current assets			
Trade and other receivables	12	83	98
Cash and cash equivalents	20	6,210	5,409
		6,293	5,507
Creditors: amounts falling due within one year	13	(2,412)	(2,114)
Net current assets		3,881	3,393
Total assets less current liabilities		40,032	40,105
Creditors: amounts falling due after more than one year	14	(34,325)	(35,121)
Provisions: Defined benefit obligations	16	(1,616)	(2,113)
TOTAL NET ASSETS		4,092	2,871
Reserves			
Revaluation reserve	17	838	838
Income and expenditure account	17	3,254	2,033
TOTAL RESERVES		4,092	2,871

The financial statements on pages 24 to 49 were approved by the governing body on 23-11-18 and were signed on its behalf by:-

T P McGee
 Chairperson

D Pearson
 Principal (Accounting Officer)

Tom McGee

D Pearson

STATEMENT OF CASH FLOWS

	Notes	2018	2017
		£'000	£'000
Cash flow from operating activities			
Surplus/(deficit) for the year		1,221	375
Adjustment for non-cash items			
Depreciation		833	815
Decrease/(Increase) in debtors		15	(2)
Increase/(Decrease) in creditors due within one year		306	(69)
(Decrease) in deferred government capital grant		(627)	(633)
Pensions costs less contributions payable		(497)	(13)
Adjustment for investing or financing activities			
Investment income		(35)	(51)
Interest payable		178	117
Loss on sale of fixed assets			-
Net cash flow from operating activities		<u>1,394</u>	<u>539</u>
Cash flows from investing activities			
Investment income		35	51
Payments made to acquire fixed assets		(273)	(109)
		<u>(238)</u>	<u>(58)</u>
Cash flows from financing activities			
Interest paid		(178)	(117)
Repayments of amounts borrowed		(177)	(173)
		<u>(355)</u>	<u>(290)</u>
Increase in cash and cash equivalents in the year		<u>801</u>	<u>191</u>
Cash and cash equivalents at beginning of the year	20	5,409	5,218
Cash and cash equivalents at end of the year	20	6,210	5,409

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Statement of Accounting Policies

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

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (the 2015 FE HE SORP), the College Accounts Direction for 2017 to 2018 and in accordance with Financial Reporting Standard 102 – “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the College's accounting policies.

Basis of accounting

These financial statements are prepared in accordance with the historical cost convention as modified by the use of previous valuations as deemed cost at transition for certain non-current assets.

Going Concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in Member's Report. The financial position of the College, its cash flow, liquidity and borrowings are described in the Financial Statements and accompanying Notes.

The College currently has £3.25m of loans outstanding with bankers on terms negotiated in 2008. The terms of the existing agreement are for up to another 18 years. Around £1.44m of these loans may be repaid without penalty before the end of the term. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

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

Recognition of income

The recurrent grant from the ESFA is that receivable as informed by the results of the funding audit undertaken.

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the performance model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Education Budget is adjusted for and reflected in the level of recurrent grant recognised in the statement of comprehensive income and expenditure. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

NOTES TO THE FINANCIAL STATEMENTS / Continued ...

1. ACCOUNTING POLICIES / Continued ...

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

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

The recurrent grants from the ESFA represent the funding allocations attributable to the current financial year and are credited direct to the statement of comprehensive income and expenditure. Recurrent grants are recognised in line with planned activity.

Non-recurrent grants from the funding bodies received in respect of the acquisition of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

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

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

Accounting for Post-retirement benefits

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes.

Teacher's Pension scheme

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 qualified actuaries on the basis of valuations using a prospective benefit method. The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

Greater Manchester Pension Fund (GMPF)

GMPF is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. 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 as incurred.

NOTES TO THE FINANCIAL STATEMENTS / Continued ...

1. ACCOUNTING POLICIES / Continued ...

Greater Manchester Pension Fund (GMPF) continued.....

Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in interest and other finance costs.

Actuarial gains and losses are recognised immediately in actuarial gains and losses.

Short term Employment benefits

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

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.

a. Land and buildings

The College's buildings are specialised buildings and therefore it is not appropriate to value them on the basis of open market value. Land and buildings are included in the balance sheet at cost. Leasehold land is not depreciated due to terms of the lease. Freehold buildings are depreciated over their expected useful economic life of between 20 and 60 years.

All land and other College buildings belong to the Shrewsbury Diocesan Trustees and they remain the property of the Shrewsbury Diocese. This agreement operates under a Trust Deed between the College and the Diocese. No rent is paid by the College for the use of the facilities. On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, as deemed cost but not to adopt a policy of revaluation of these land and buildings in the future.

If the land and buildings belonging to the Diocese had not been valued they would have been included within the College's accounts at £Nil cost. Expenditure on these buildings of a capital nature is capitalised by the College and included in the accounts at cost subject to depreciation being charged in accordance with the College's accounting policy.

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 capital grant account and are released to the statement of comprehensive income and expenditure over the expected useful economic life of the related asset and on a basis consistent with the depreciation policy.

Finance costs which are directly attributable to the construction of land and buildings are not capitalised as part of the cost of those assets.

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

NOTES TO THE FINANCIAL STATEMENTS /Continued ...

1. ACCOUNTING POLICIES /Continued ...

Subsequent expenditure on existing fixed assets

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

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

b. Equipment

Equipment costing less than £1,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost. All assets are depreciated over their useful economic life as follows:

Fixtures and fittings	5 – 10% straight line
Motor vehicles and general equipment	15 – 20% straight line
Computer equipment	25% straight line

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

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Comprehensive Income and Expenditure.

Leased assets

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

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright and are capitalised at their fair value at the inception of the lease and depreciated over the shorter of the lease term or the useful economic lives of equivalently owned assets. The capital element outstanding is shown as obligations under finance leases.

The finance charges are allocated over the period of the lease in proportion to the capital element outstanding. Where finance lease payments are funded in full from funding council capital equipment grants, the associated assets are designated as grant-funded assets.

Maintenance of premises

The cost of long term and routine corrective maintenance is charged to the statement of comprehensive income and expenditure in the period it is incurred.

NOTES TO THE FINANCIAL STATEMENTS /Continued ...

1. ACCOUNTING POLICIES /Continued ...

Provisions

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

Agency arrangements

The College acts as an agent in the collection and payment of discretionary support funds, the Bursary and free College meals. Related payments received from the ESFA/Local Authorities and subsequent disbursements to students are excluded from the Statement of comprehensive income and expenditure where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction and are shown separately in Note 23, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant.

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 Governing Body tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Governing Body 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 minor element of 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 companies, if such existed, would be subject to Governing Body tax and VAT in the same way as any commercial organisation.

Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts.

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

Financial liabilities and equity

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

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

NOTES TO THE FINANCIAL STATEMENTS /Continued ...

1. ACCOUNTING POLICIES /Continued ...

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 22, 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 assets and liability at 31 July 2018. 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.

- *Capitalisation of land and buildings*

The College operated from a site comprising two buildings, the main college building and the sports hall. Each of these buildings are owed by the Diocese of Shrewsbury for the benefit of the college. They were paid for by a combination of funding council grant support, bank loans and college resources. The main building received 93% government funding support. As the buildings were completed the costs were capitalised and the grant received was included in the balance sheet. As these buildings age, they are depreciated and the appropriate portion of the grant released. If the Diocese were to change the use of the building, the grant amount would be repayable and the site handed back to the funding bodies to realise any proceeds. As a consequence of this it is felt that the most appropriate treatment is to include the buildings as fixed assets and depreciate them over their useful life.

NOTES TO THE FINANCIAL STATEMENTS /Continued...

2. FUNDING BODY GRANTS

	2018	2017
	£'000	£'000
Education and Skills Funding Agency – 16 -18	9,442	8,786
Education and Skills Funding Agency – adult	75	88
Releases of government capital grants (Note 15)	627	633
Devolved capital grant	54	55
	<u>10,198</u>	<u>9,562</u>
	<u><u>10,198</u></u>	<u><u>9,562</u></u>

3. TUITION FEES AND EDUCATION CONTRACTS

	2018	2017
	£'000	£'000
Tuition fees	161	181
Franchised PGCE with University of Bolton	37	39
	<u>198</u>	<u>220</u>
	<u><u>198</u></u>	<u><u>220</u></u>

Tuition fees funded by bursaries

Included within the above amounts are tuition fees funded by bursaries of £nil (2016/17: £nil).

4. OTHER INCOME

	2018	2017
	£'000	£'000
Element 3 High needs income from Local Authorities	239	199
Catering and residence operations	392	384
Other income generating activities	421	500
	<u>1,052</u>	<u>1,083</u>
	<u><u>1,052</u></u>	<u><u>1,083</u></u>

5. INVESTMENT INCOME

	2018	2017
	£'000	£'000
Other interest receivable	35	51
	<u>35</u>	<u>51</u>
	<u><u>35</u></u>	<u><u>51</u></u>

NOTES TO THE FINANCIAL STATEMENTS /Continued...

6. STAFF COSTS

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

	2018	2017
	Number	Number
Teaching staff	112	110
Non-teaching staff	72	70
	<u> </u>	<u> </u>
	184	180
	<u> </u>	<u> </u>

Staff costs for the above persons:

	2018	2017
	£'000	£'000
Wages and salaries	6,104	6,009
Social security costs	573	568
Other pension costs (incl. FRS102(28) adjustments of £343k/£261k)	1,332	1,184
Severance costs (non-contractual)	15	20
	<u> </u>	<u> </u>
	8,024	7,781
	<u> </u>	<u> </u>

The severance payments relates to 1 member of staff and due to its size and timing was approved by the Chair of Governors.

Total staff costs, split by type of contract, were:

Employment costs for staff on permanent contracts	7,958	7,139
Employment costs for staff on temporary contracts	66	642
	<u> </u>	<u> </u>
	8,024	7,781
	<u> </u>	<u> </u>

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

	Year ended 31 July 2018		Year ended 31 July 2017	
	Number key management personnel	Number other staff	Number key management personnel	Number other staff
£50,001 - £60,000	1	-	-	-
£60,001 - £70,000	1	-	1	-
£70,001 - £80,000	1	-	1	-
£80,001 - £90,000	-	-	-	-
£90,001- £100,000	-	-	-	-
£100,001- £110,000	1	-	1	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	4	-	3	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS /Continued...

6. STAFF COSTS/Continued...

There was a 2.0% pay award for teaching pay scales 1-6 and a 1% award for all other staff in 2017/18. The Principal and Vice Principal received a pay award of 1.0% in 2017/18. This was supported by the Governing Body.

7. 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 Senior Leadership Team which comprises the Principal, Vice Principal and Assistant Principal–Finance. Staff costs include compensation paid to key management personnel for loss of office of £nil.

	2018	2017
	Number	Number
Number of key management personnel including the principal was:	4	3
	<u> </u>	<u> </u>
Key Management personnel emoluments are made up as follows:	£	£
Salaries	299,402	237,715
Employer's National Insurance contributions	36,764	29,440
Pension contributions	50,274	39,698
	<u> </u>	<u> </u>
Total emoluments	386,440	306,853
	<u> </u>	<u> </u>

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

	2018	2017
	£	£
Salary	108,296	105,962
Employer's National Insurance contributions	13,807	13,501
Pension contributions	17,847	17,462
	<u> </u>	<u> </u>
Total emoluments	139,950	136,925
	<u> </u>	<u> </u>

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

The pension contributions of the Principal and key management personnel are in respect of employer's contributions to the Teacher's and GMPF Pension Schemes and are paid at the same rate as for other employees.

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

NOTES TO THE FINANCIAL STATEMENTS /Continued...

7. KEY MANAGEMENT PERSONNEL /Continued...

Senior post-holders, the Principal and Vice Principal, have always been paid in line with decisions taken by the Remuneration Committee. The remuneration committee agreed that there would be a 1% pay increase in the Principal and Vice Principal's remuneration for the year ended July 2018.

8. OTHER OPERATING EXPENSES

	2018	2017
	£'000	£'000
Teaching costs	1,008	976
Non-teaching costs	503	524
Premises costs	618	602
	<hr/>	<hr/>
	2,129	2,102
	<hr/> <hr/>	<hr/> <hr/>

Other operating expenses include:

	2018	2017
	£'000	£'000
Operating lease rentals		
Plant and machinery	33	31
Auditors' remuneration		
Financial statement audit	13	12
Internal audit	11	10
	<hr/>	<hr/>

9. INTEREST AND OTHER FINANCE COSTS

	2018	2017
	£'000	£'000
Bank interest payable	116	117
Net interest on defined pension liability (note 22)	62	54
	<hr/>	<hr/>
	178	171
	<hr/> <hr/>	<hr/> <hr/>

10. TAXATION

The College is not liable for any tax arising out of its activities during this period.

NOTES TO THE FINANCIAL STATEMENTS /Continued...

11. TANGIBLE FIXED ASSETS

	Freehold Buildings £'000	Long Leasehold Land £'000	Fixtures and Fittings £'000	Equipment £'000	Total £'000
Cost					
At 1 August 2017	40,178	1,078	106	2,231	43,593
Additions	-	-	2	271	273
Disposals	-	-	-	(376)	(376)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2018	40,178	1,078	108	2,126	43,490
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
At 1 August 2017	4,876	-	44	1,961	6,881
Charge for year	671	-	15	147	833
Disposals	-	-	-	(376)	(376)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2018	5,547	-	59	1,732	7,338
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 31 July 2017	35,302	1,078	62	270	36,712
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 31 July 2018	34,631	1,078	49	394	36,152
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Analysed as follows:					
Financed by:					
Capital grant	32,128	240	-	-	32,368
Other	2,503	838	49	394	3,784
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	34,631	1,078	49	394	36,152
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Fixed assets include land and buildings with a net book value of £35,709k which are partially funded by the LSC and its successor organisations.

NOTES TO THE FINANCIAL STATEMENTS /Continued ...

11. TANGIBLE FIXED ASSETS /Continued...

The historical cost of the refurbishments and improvements to land and buildings included within the accounts are as follows:

	2018 £'000	2017 £'000
Cost	40,418	40,418
Aggregate depreciation based on cost	(5,547)	(4,876)
	<u>34,871</u>	<u>35,532</u>

12. TRADE AND OTHER RECEIVABLES

	2018 £'000	2017 £'000
Amounts falling due within one year:		
Trade receivables	22	6
Prepayments and accrued income	61	92
	<u>83</u>	<u>98</u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £'000	2017 £'000
Debt due within one year		
Bank loan	182	177
Trade payables	144	98
Other taxation and social security	239	234
Other creditors	242	191
Accruals and deferred income	991	787
Deferred income-government capital grants	614	627
	<u>2,412</u>	<u>2,114</u>

Other creditors includes amounts due to students in the form of deposits paid for books and the balance on bursary and access funds. It includes £9k of clawback income to be returned to the ESFA. The corresponding asset is included in cash and bank.

NOTES TO THE FINANCIAL STATEMENTS /Continued...

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2018	2017
	£'000	£'000
Bank loan	3,069	3,251
Deferred income- government capital grants (Note 15)	31,256	31,870
	<u> </u>	<u> </u>
	34,325	35,121
	<u> </u>	<u> </u>
The bank loan is repayable as follows:-		
In one year or less	182	177
Between one and two years	186	182
Between two and five years	588	572
In five years or more	2,295	2,497
	<u> </u>	<u> </u>
	3,251	3,428
	<u> </u>	<u> </u>

The bank loan crystallised in March 2011 and the full facility was drawn down. There is a fixed interest element of £1.81m which is repayable at 5.285% for 22 years. The balance of £1.44m is repayable at base plus 0.35%. The full loan was drawn down as otherwise the facility would have lapsed. The £1.44m is placed on short term deposit to generate interest to cover the costs of borrowings.

15. DEFERRED CAPITAL GRANTS

	ESFA Grant
	£'000
At 1 August 2017	
- Land and buildings	32,484
- Equipment	13
Cash received	
- Land and buildings	-
- Equipment	-
Released to statement of comprehensive income and expenditure	
- Land and buildings	614
- Equipment	13
	<u> </u>
At 31 July 2018	
- Land and buildings	31,870
- Equipment	-
	<u> </u>
	31,870
	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS /Continued ...

15. DEFERRED CAPITAL GRANTS /Continued

The deferred capital grants have been split as follows:-

	2018 £'000	2017 £'000
Released in one year or less	614	627
Released after one year	31,256	31,870
	<hr/>	<hr/>
	31,870	32,497
	<hr/> <hr/>	<hr/> <hr/>

16. PROVISIONS: Defined Benefit Provisions

	2018 £'000	2017 £'000
As at 1 st August	(2,113)	(2,126)
Expenditure in the period	497	13
	<hr/>	<hr/>
Balance as at 31 st July	(1,616)	(2,113)
	<hr/> <hr/>	<hr/> <hr/>

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme (Greater Manchester Pension fund). Further details are given in Note 22.

17. RESERVES

	Revaluation reserve £'000	Income & Expenditure Account £'000
Restated balance brought forward at 1 August 2017	838	2,033
Surplus on continuing operations	-	1,221
	<hr/>	<hr/>
At 31 July 2018	838	3,254
	<hr/> <hr/>	<hr/> <hr/>

18. CAPITAL COMMITMENTS

There are no capital commitments at July 2018 which have been contracted for but not expensed at the year-end.

NOTES TO THE FINANCIAL STATEMENTS /Continued ...

19. FINANCIAL COMMITMENTS

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

	Equipment 2018 £'000	Equipment 2017 £'000
Future minimum lease payments due:		
Within one year	29	27
Between one and two years	12	27
Later than two years and not later than five years	8	16
	49	70
	49	70

20. CASH AND CASH EQUIVALENTS

	At 1 August 2017 £'000	Cashflow £'000	At 31 July 2018 £'000
Cash and cash equivalents	5,409	801	6,210
	5,409	801	6,210

21. RELATED PARTY TRANSACTIONS

Owing to the nature of the College's operations and the composition of the Board of Governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a number of the Board of Governors may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures, unless noted separately below.

The land and buildings of the College belong to the Trustees of the College, the Roman Catholic Diocese of Shrewsbury. The trustees also have representation on the Board of Governors. The College does not pay any rent or charge for the use of the land or buildings.

The total expenses paid to or on behalf of the Governors during the year was £nil (2017: £nil). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the College during the year (2017: None).

NOTES TO THE FINANCIAL STATEMENTS /Continued ...

22. PENSIONS AND SIMILAR OBLIGATIONS

The College's employees belong to two principal post-employment pension schemes, the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff and the Greater Manchester Pension Fund for non-teaching staff. The total pension cost paid for the period was £1,300k (2017: £1,183k).

Total pension cost for the year	2017/18	2016/17
	£'000	£'000
Teacher Pension Scheme: contributions paid	693	676
Local Government Pension Scheme:		
Contributions paid	264	246
FRS102(28) charge	343	261
	<hr/>	<hr/>
Charge to statement of Comprehensive income and expenses	607	507
	<hr/>	<hr/>
Total Pension Cost Paid for the Year	1,300	1,183
	<hr/>	<hr/>

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.

Employees and Employers Contributions amounting to £91k (2017: £88k) were payable to the scheme and are included in creditors.

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension Budgeting and Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. 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 under arrangements governed by the above Act. Retirement and other pension benefits are paid by public funds provided by Parliament.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

NOTES TO THE FINANCIAL STATEMENTS /Continued ...

22. PENSIONS AND SIMILAR OBLIGATIONS /Continued...

Valuation of the Teachers' Pension Scheme

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

- New employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million;
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations
- the assumed real rate of return is 3% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

The new employer contribution rate for the TPS will be implemented in September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:

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

Scheme Changes

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

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

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2016 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection.

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

The pension costs paid to TPS in the year amounted to £693k (2017: £676k).

NOTES TO THE FINANCIAL STATEMENTS /Continued ...

22. PENSIONS AND SIMILAR OBLIGATIONS /Continued...

FRS 102 (28)

Under the definitions set out in FRS 102 (28) Retirement Benefits, the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme.

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

Greater Manchester Pension Fund

The scheme available to non-teaching staff is the Greater Manchester Pension Fund (GMPF). This year is the second that it has been accounted as a defined benefit scheme. The total pension contribution made by the College to the Scheme for the year ended 31 July 2018 was £361k of which employer's contributions totalled £264k and employee's contributions totalled £97k. The agreed employee contribution rates for future years (effective from April 2014) are a tiered system of rates related to levels of pensionable pay – these currently range from 5.5% to 16.5%. The agreed employer contribution rates are April 2017 to March 2020 – 18.0%.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund as at 31st March 2017 updated to 31st July 2018 by a qualified independent actuary

	2018	2017
Rate of increase of salaries	3.2%	3.3%
Future pensions increases	2.4%	2.5%
Discount rate for scheme liabilities	2.8%	2.7%
Inflation assumption (CPI)	2.4%	2.4%

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

	31 st July 2018	31 st July 2017
Current Pensioners		
Males	21.5 years	21.5 years
Females	24.1 years	24.1 years
Future pensioners		
Male	23.7 years	23.7 years
Female	26.2 years	26.2 years

NOTES TO THE FINANCIAL STATEMENTS /Continued ...

22. PENSIONS AND SIMILAR OBLIGATIONS /Continued...

Greater Manchester Pension Fund /continued...

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

	Long-term rate of return expected at 31 July 2018	Fair Value at 31 July 2018	Long-term rate of return expected at 31 July 2017	Fair Value at 31 July 2017
		£'000		£'000
Equities	2.8%	5710	2.7%	5,431
Bonds	2.8%	1344	2.7%	1,207
Property	2.8%	588	2.7%	453
Cash	2.8%	<u>755</u>	2.7%	<u>453</u>
Total market value of assets		<u>8397</u>		<u>7,543</u>
Weighted average expected long term rate of return	2.8%		2.7%	
Actual return on plan assets		<u>453</u>		<u>733</u>

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

	2018 £'000	2017 £'000
Fair value of plan assets	8,397	7,543
Present value of plan liabilities	(10,013)	(9,656)
Net pensions liability (Note 16)	<u>(1,616)</u>	<u>(2,113)</u>

NOTES TO THE FINANCIAL STATEMENTS /Continued ...

22. PENSIONS AND SIMILAR OBLIGATIONS /Continued...

Greater Manchester Pension Fund /continued...

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

	2018	2017
	£'000	£'000
Amounts included in staff costs		
Current service cost	609	505
Past service cost		
Total	<u><u>609</u></u>	<u><u>505</u></u>
Amounts included in investment income		
Net interest income	62	54
	<u><u>62</u></u>	<u><u>54</u></u>
Amounts recognised in Other Comprehensive Income		
Return on pension plan assets	453	733
Changes in assumptions underlying the present value of plan liabilities	449	(405)
	<u><u>902</u></u>	<u><u>328</u></u>
Amount recognised in Other Comprehensive Income		
Movement in net defined benefit (liability) during the year		
	2018	2017
	£'000	£'000
Deficit in scheme at 1 August	(2,113)	(2,126)
Movement in year:		
Current service cost	(609)	(505)
Employer contributions	266	244
Past service cost		-
Net interest on the defined (liability)/asset	(62)	(54)
Actuarial gain or loss	902	328
Net defined benefit (liability) at 31 July	<u><u>(1,616)</u></u>	<u><u>(2,113)</u></u>

NOTES TO THE FINANCIAL STATEMENTS /Continued ...

22. PENSIONS AND SIMILAR OBLIGATIONS /Continued...

Greater Manchester Pension Fund /continued...

Asset and Liability Reconciliation

	2018	2017
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	9,656	8,609
Current Service cost	609	502
Interest cost	268	212
Contributions by Scheme participants	98	96
Administrative expenses		3
Experience gains and losses on defined benefit obligations		-
Changes in financial assumptions	(449)	405
Estimated benefits paid	(169)	(171)
	<hr/>	<hr/>
Defined benefit obligations at end of period	<u>10,013</u>	<u>9,656</u>

Reconciliation of Assets

Fair value of plan assets at start of period	7,543	6,483
Interest on plan assets	206	158
Changes in financial assumptions	-	-
Administrative expenses	-	-
Return on plan assets	453	733
Employer contributions	266	244
Contributions by Scheme participants	98	96
Estimated benefits paid	(169)	(171)
	<hr/>	<hr/>
Assets at end of period	<u>8,397</u>	<u>7,543</u>

NOTES TO THE FINANCIAL STATEMENTS /Continued ...

22. PENSIONS AND SIMILAR OBLIGATIONS /Continued...

Greater Manchester Pension Fund /continued...

On 26 October, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The judgement concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits, ('GMP'). The Government will need to consider this outcome in conjunction with the Government's recent consultation on GMP indexation in public sector schemes before concluding on any changes required to LGPS schemes.

23. AMOUNTS DISBURSED AS AGENT

Learner support funds	2018	2017
	£'000	£'000
Balance brought forward at 1 August 2017	101	86
Funding Council Grants	238	222
Clawback by ESFA/Local Authorities	(3)	(8)
	<hr/>	<hr/>
	336	300
Disbursed to students	(215)	(199)
Equipment purchased	-	
	<hr/>	<hr/>
Balance unspent at 31 July 2018	121	101
	<hr/> <hr/>	<hr/> <hr/>

Funding Council grants are available solely for students; the College acts only as a paying agent. The grants and related disbursements are therefore excluded from the Statement of Comprehensive Income and Expenditure.