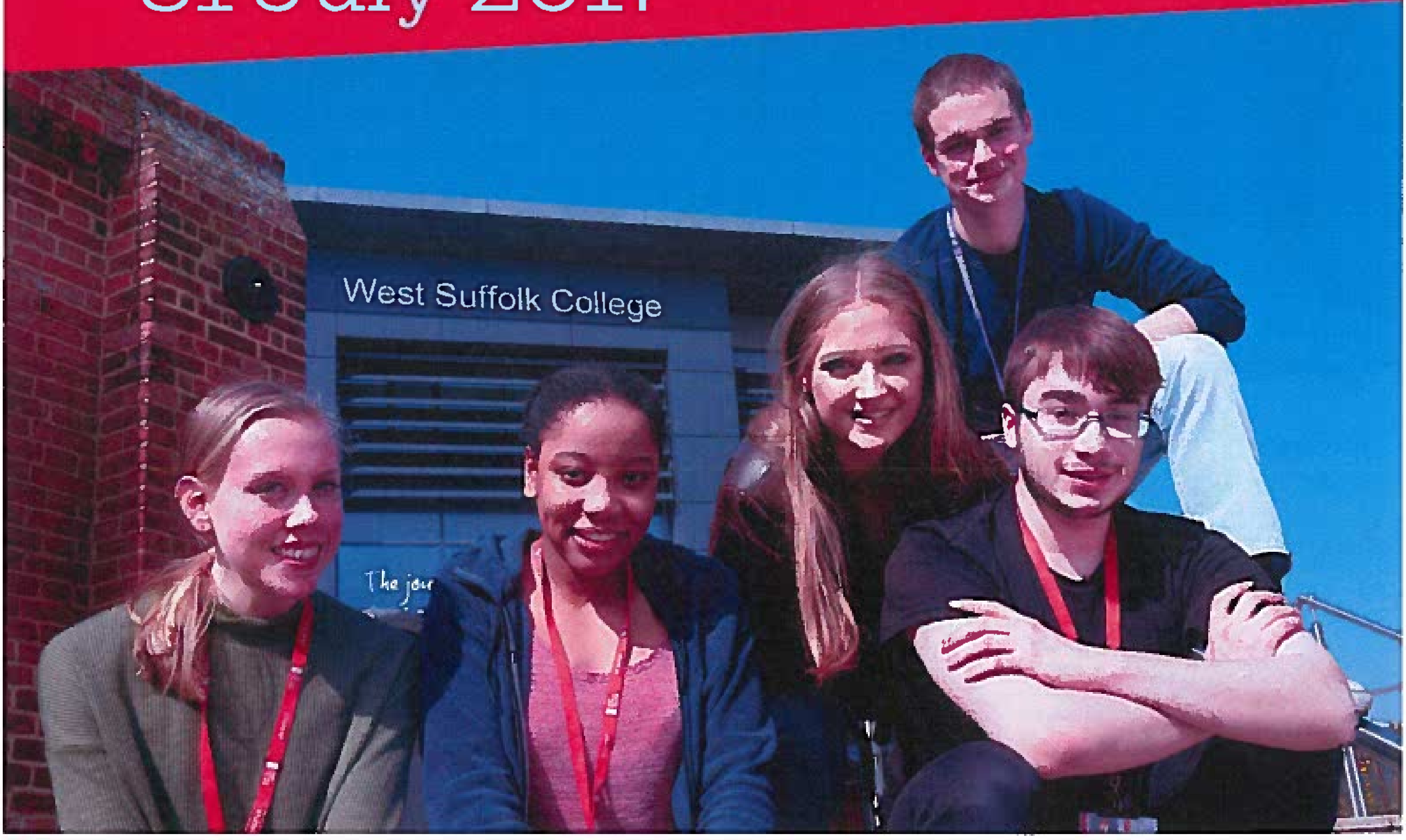
WEST SUFFOLK COLLEGE

Report and financial statements

for the year ended 31 July 2017



KEY MANAGEMENT PERSONNEL, BOARD OF GOVERNORS AND PROFESSIONAL ADVISORS

Key Management Personnel

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

Dr Nikos Savvas, Principal and CEO; Accounting Officer

Jules Bridges, Clerk to the Corporation and College Secretary

Lindsey Johnson, Vice Principal Curriculum & Quality

Stephen Jones, Vice Principal Finance & Resources

Laraine Moody, Vice Principal Employer Engagement

Board of Governors

A full list of Governors is given on page 15 of these financial statements.

Professional Advisors

Financial statements auditors and reporting accountants:	RSM UK Audit LLP Abbotsgate House Hollow Road Bury St Edmunds Suffolk IP32 7FA
Internal auditors:	Scrutton Bland Fitzroy House Crown Street Ipswich Suffolk IP1 3LG
Bankers:	Lloyds TSB Bank plc Endeavour House Chivers Way Histon Cambridge CB24 9ZR
Solicitors:	Hewitsons Shakespeare House 42 Newmarket Road Cambridge CB5 8EP

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WEST SUFFOLK COLLEGE
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 2017.

Legal Status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting West Suffolk College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

Mission

The College vision is to be the centre of a hub of outstanding education and training in East Anglia by working in a wide collaborative network, creating coherent provision across the region.

Public Benefit

West Suffolk College is an exempt charity under the Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on page 15.

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 employment record for students
- Strong student support systems
- Links with employers, industry and commerce.
- Links with Local Enterprise Partnerships (LEPs)

Implementation of the Strategic Plan

In March 2016, the Corporation approved a new Strategic Vision and plan, which set the following goals:

- Putting students and their success at the heart of everything we do

- Create a responsive curriculum to meet the needs of businesses and to power the local economy
- Ensure we are a learning organisation, that is committed to developing a highly trained and responsive workforce
- Be recognised for achieving excellence in each of our curriculum areas and in our support functions
- Provide an estate that meets the needs of a fully resourced curriculum
- Develop a diversified income to ensure economic resilience

The College is on target for achieving these objectives.

The Corporation monitors the performance of the College against this plan. The plan is reviewed and updated each year.

The College's specific objectives for 2016/17 were set out in the Financial Forecast 2016/17 which was approved by the Corporation in July 2016. It is monitored directly by the Principal on a termly basis and reported to the Corporation as an exception report.

Financial Objectives for Year to 31 July 2017

At its meeting on 7 July 2016, the Corporation set a series of financial objectives for the year. Those objectives are set out below and accompanied by the outturn position in respect of each objective:

1. The College generates a minimum break-even in the three year period;

   For the three year period ended July 2017, the College generated a pre-pension FRS102 surplus of £3.681m. This figure includes a number of other FRS102 adjustments such as the credit of £1.85m in respect of the grant value relating to the land at the Vintens site during 2015/16. If all FRS102 adjustments (including pension figures) are excluded then the three year surplus excluding pension adjustments is £1.831m.

2. The budgets plan for positive cash generation which will enable the College to contribute to capital investment in its estate;

   The financial performance in 2016/17 generated cash from operations of £3.7m which enabled investment in assets of £0.2m.

3. The College will maintain the current asset ratio in excess of 1 excluding the effect of any impact of FRS102 changes; and

   The current asset ratio for the year was achieved with a post FRS102 figure of 1.6 compared to 1.2 in 2015/16

4. Cash will be maintained to ensure sufficient cash balances to meet the expenditure needs of the business.

Cash days in hand were always maintained above 40 days during the year and stood at 61 days at the year end.

5. All loan covenant requirements will be satisfied;

   All bank covenants were met during the year.

6. Staff costs as a percentage of income to remain within budget with a longer term objective to bring the percentage down to 65% or lower.

   Staff costs as a percentage of income finished the year at 66.4% which was 1.4% lower than budget but still 1.3% above the long term objective. This figure does exclude income related to sub-contractors which would flatter the percentage if included.

Student Achievement

Ofsted undertook a further education and skills inspection in May 2016 and confirmed the College's self-assessment rating as "Good". There are robust and effective systems in place to monitor the College's Key Performance Indicators. The majority of Level 3 16-18 year olds (1,534) are enrolled on Diplomas and the Achievement is 11% above National Rate (NR) at 96%, continuing improvement. DfE confirmed that the Value Added per qualification for year 13 leavers was equivalent to a Distinction grade, as in the previous year. Study Programmes for 16-19 year olds met condition of funding by more than 97%. All maths and English pass rates remain at or above NR.

Subject	Age Group	Leavers	Pass %	Pass % NR
GCSE English 9-4	16-18	100	32	22
	19+	508	74	48
GCSE Maths A*-C	16-18	553	20	20
	19+	142	66	48
Functional Skills English	16-18	351	77	66
	19+	253	92	80
Functional Skills Maths	16-18	586	82	66
	19+	414	90	80

Some apprenticeship achievement declined this year as a result of work based learners leaving their employment.

Subject	Age Group	Leavers	Ach %	Ach % NR
Apprentice	16-18	218	71	69
	19-23	124	81	69
	24+	69	65	70
Advanced Apprentice	16-18	131	76	72
	19-23	114	75	72
	24+	131	60	65

FINANCIAL POSITION

Financial Results

This is the second year of the College's accounts compliance with FRS102 which can make the underlying financial performance of the College more difficult to see. This was particularly the case during 2015/16 when a significant capital grant was credited to revenue because it was not regarded as government funding. During 2016/17 there have been no such significant variations and therefore apart from the pension adjustments, the figures remain relatively unchanged from the operational performance. Excluding FRS102 adjustments, the College generated a retained surplus for the year of £1,282,000 (2015/16 £377,000). With FRS102 pension adjustments added, the surplus reduces to £340,000 (2015/16 loss of £340,000).

The financial statements for 2016/17 allow for under-utilisation of Apprenticeship allocation of £299,663. This was due mainly to the award of £525,000 supplementary allocation in January (month 6 of the year) not being fully consumed. The extra allocation was very welcome and contributed to the funding of extra apprenticeship training for the locality, benefitting both the apprentices and their employers.

Financial Health

The College's financial health is outstanding according to ESFA generated scoring as a result of the financial planning process covering the 2016/17 outturn and years 2017-2019. Although the requirements of attaining outstanding credentials may not be as high as that required to be outstanding in the commercial world, the achievement of this status is a significant achievement in a sector where the funding rates for 16-18 students have not risen for some years. The College has done this by increasing efficiency, targeting spend and optimising the ability to grow income through a mixture of volume increase and seeking opportunities to work in new markets. The College's cash reserves are growing steadily and borrowing is reducing.

Treasury Policies and Objectives

The College has a treasury management policy, which outlines how the College will manage its cash flows, its banking and money market and capital transactions, together with the effective control of risks associated with those activities. The College invests its surplus cash balances in the money market through Lloyds. The Corporation has considered alternative investment areas but consider that the risks and the practical difficulties of moving money around will undermine any marginal benefit. The Resources Committee receives a key performance indicator report which includes details of levels of investment with regard to treasury management. During the year the College earned £26,000 of interest from invested surplus cash.

Cash Flows

The cash flow from operating activities during the year was £3,672,000 (2015/16 £1,258,000) although as with 2015/16, this cash inflow was offset by other items, giving a net decrease in cash for the year of £286,000 (net reduction of cash of £1,240,000 in 2015/16). £3,000,000 of this related to long term deposits and therefore the underlying cash movement from 2016/17 was a net increase in cash for the year of £2,714,000.

Liquidity

The College's liquid assets have increased during the year which has strengthened the College's reserves. Given the investment in the acquisition of the freehold of Suffolk One in 2015, this increase will aid future capital investment by the College both in its existing assets and longer term at the Vinten's site.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student Numbers

In 2016/17 the College has delivered courses that have earned £18,558,000 in the funding bodies' main allocations (2015/16 £17,617,000). The College enrolled 2,864 16-18 year olds and 1,835 19+ Classroom Based Learners and had over 1,600 apprentices in learning for the majority of the year. The College also enrolled over 650 Higher Education students generating an income of £3,684,000 in its partnership with the University of Suffolk (2015/16 £3,536,000).

Curriculum Developments

A number of courses moved to the new RQF technical specifications, as a result of the expiry of the previous QCF version. These courses included examinations, and overall there was low attainment on the first attempt. Some awarding bodies acknowledged that their assessment strategy required adjustment, and resits were successful as a result of improved exam technique, and awarding organisation changes, such as lengthening the time allowed.

The College also adopted the new 9-1 GCSE for English, as the iGCSE used previously was no longer funded. The Pass rate declined significantly. Similarly, the pass rate for the legacy GCSE maths also declined, with a large increase in the number of 18 year olds attempting the qualification for the 4^{th} or 5^{th} time.

Level 1 vocational provision was changed to a progression diploma with a range of vocational options. In this way, tutors could work with learners on project based work to develop attitudes and behaviours in a vocational context. This new pedagogical approach represents and reflects the College's shift towards the development of its 'With Strength of Character' initiative.

The College commissioned an internal audit to review the risks posed by failing to meet the ESFA's rules condition of funding for maths and English on Study Programmes. The audit found that there was Reasonable assurance in place to reflect the efficiency of the delivery of maths and English.

Destinations

The College continues to track the progress of its leavers from the previous academic year. 4% of those completing funded qualifications in 2015/16 that were tracked (2,635) were not in paid employment, education or training six months after leaving College, up 1% on the previous year. Of those making a positive progression, 21% progressed into work (22%), 4% into apprenticeships (4%), 16% into Higher Education (16%) and 53% into Further Education (55%). DfE track the destinations of the Key Stage 5 cohort, which showed 89% of leavers from 2015/16 had moved into a positive and sustained destination by January 2017 (86% National Rate).

Satisfaction

The Ofsted Surveys showed that 93% of learners and 82% of employers were satisfied with West Suffolk College's provision. The College also surveys parents and carers and found that 99% of them were satisfied with the College's provision.

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 College terms are that payment will be made by the end of the month following the month in which the invoice is received. The College received no interest charges in respect of late payment for this period.

Future Developments

The College has and will continue to invest in the delivery of high quality provision, maintaining a reputation for excellence both locally and nationally against the backdrop of some challenging financial circumstances.

A longstanding strategy of the College has been the successful engagement with employers through a strong focus on their training provision, including apprenticeships and full cost work. This has been an area with potential to increase income and this was demonstrated by the strong financial performance during the 2016/17 year. With the recent changes to the apprenticeship funding environment, the College is working with organisations that will have significant apprenticeship levy obligations and this is expected to be successful during 2017/18. The College will also continue to work very closely with various LEPs (Local Enterprise Partnerships) and other stakeholders to increase employer engagement and to provide the necessary skills to support our stakeholders.

The College has continued to pursue its aspiration to work with schools and the Suffolk Academies Trust (SAT) is now in its third year having had two successful years both from a financial and quality perspective. Construction of Abbeygate Sixth Form College will commence in 2018 and will join SAT when it opens in September 2019 in Bury St Edmunds.

Plans continue to be developed to convert the Vintens site in Western Way into a national centre for STEM (Science, Technology, Engineering, Maths) when the tenant vacates the premises in the spring of 2018. Refurbishment will be phased with completion planned for September 2019. This is an exciting project predominantly funded by the New Anglia LEP that will modernise and increase capacity in the College's provision of STEM.

The College has had a successful year working with the newly created University of Suffolk and is looking to expand its HE provision for future years. It is very much hoped that collaboration with West Suffolk Council will enable the provision of permanent halls of residence in Bury St Edmunds to support College learners, some of which will be HE students. Whilst this is a longer term aspiration, it demonstrates the College's commitment to high quality and attractive HE programmes which will be supported by the new HE strategy for University Studies at West Suffolk College.

RESOURCES

The sector has endured a number of years with no increase to the base rate of funding for study programmes and other income streams and the College has had to combine efficient use of resources with the ability to grow income volumes to remain financially successful, which the College is. This has enabled the College to continue to invest in its people, its quality and its buildings.

Despite the limitations of funding allocations when it comes to investment in the estate, the College continues to optimise its estate and assets within its finances both in terms of condition and suitability for student use. The College is not complacent about its ability to maintain good quality accommodation though and continually seeks to ensure it is efficiently run in order to maintain healthy financial reserves that can keep the accommodation on offer to students at a high standard. If funding rates remain as static as they have done in recent years then this is going to prove to be an increasing challenge for the College. The College has been very successful at maintaining high quality learning and attracted healthy student numbers across the board and in the face of static funding rates, this increase in learner volume has helped to mitigate the funding limitations.

The College has employed an average of 465 FTE staff during the year which is a decrease of 7 from 472 in the previous year. Of the staffing, some 518 are permanent staff and there are 114 hourly paid teaching staff and casual staff employed by the College. Many of these staff have worked at the College for a long period of time, and the level of staff qualification is very high. The College has also been able to invest in key new posts to target specific business priorities such as student loans, work with levy paying employers and STEM subjects.

The reputation of the College is very strong, both locally and nationally. This is driven by many things but some examples of why the College's reputation is so strong are set out below:

- In the autumn of 2017 a successful College joinery student (Conor Willmott) represented the United Kingdom at the World Skills finals in Abu Dhabi.

- In June 2017 the College was the overall winner of Educational Setting of the Year at the Raising the Bar Awards which celebrate and recognise excellence across Suffolk's education. A College student Emma Walker won the Young Achiever of the Year award.
- Lecturer Colette Burgess was awarded the accolade of Outstanding BTEC Teacher of the Year at the national BTEC awards.
- The College was praised in the House of Commons during Prime Minister's question time in recognition of winning the prestigious TES FE Award for Best Teaching and Learning Initiative for its MARS project which was an innovative project that blended maths, art, religion and science. The Prime Minister said "I congratulate all the staff and this is a sign, I think, this award, of the dedication of the staff and the students at West Suffolk College. All colleges across the country should be aspiring to reach these standards."

The College is rightly proud of its achievements and consequent outstanding reputation.

PRINCIPAL RISKS AND UNCERTAINTIES:

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

Risks are aligned to each of the six strategic aims of the College's Strategic Plan and regular comprehensive analysis and review of the risks to which the College may be exposed is undertaken by the Senior Management Team, Audit and Risk Management Committee and the Corporation. Specific control measures that will mitigate against any potential impact on the College are identified and any actions required to further reduce the likelihood of risk exposure. In addition to review and scrutiny in the year, consideration is also given to any risk that may emerge as a result of a new area of work undertaken by the College or change in external factors or environment.

The Corporate Risk Register is maintained at Senior Management level and is reviewed at least termly and more frequently when necessary. The Corporate Risk Register identifies the key risks, their potential impact on the College, the likelihood of those risks occurring and the control measures and actions required to mitigate the risks. Risks are prioritised using a consistent scoring system.

The strategic risks that may affect the College are maintained in the Corporate Risk Register. In summary, the risks graded as high were:

1. Government Funding

The College has considerable reliance on continued Government funding through the Further Education sector funding bodies and through HEFCE. In 2016/17, 83% of the College's revenue was ultimately publicly 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 that may impact on future funding and these are identified in the Corporate Risk Register.

The risk is mitigated in a number of ways:

- Funding is derived through a number of direct and indirect contractual arrangements and from several sources independent of each other;
- By ensuring that the College is rigorous in delivering high quality education and training whilst maintaining efficiency;
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies; and
- Ensuring the College is focused on those priority sectors and funding streams which will continue to benefit from public funding.

2. Area Reviews

The Area Based Review in the year presented the prospect of significant change and upheaval in the FE Sector nationwide. The likely outcome of the reviews was fewer, larger Colleges and at a time of financial uncertainty, this scale of change could have led to a number of challenges and opportunities for the College.

The College mitigated this risk by keeping an active dialogue with key stakeholders (Suffolk and Norfolk County Councils, LEPs, politicians and other Colleges) and responded positively and proactively to the process with the aim to secure its plans for expanding its collaborative and partnership strategies.

The outcome of the review was a recommendation to continue collaborative and partnership work with the neighbouring colleges and there was no recommendation for any mergers involving West Suffolk College. This is now considered to be low risk.

3. Apprenticeship Levy Payments

The College has some reliance on continued Government funding for apprenticeships through the Education and Skills Funding Agency. The Apprenticeship Levy is a levy on UK employers to fund new apprentices and control of apprenticeship funding has been put in the hands of employers through the Digital Apprenticeship Service (DAS). The levy is charged at a rate of 0.5% of an employer's pay bill and each employer receives an allowance of £15,000 to offset against their levy payment. The total funding for the College through the levy arrangements has been uncertain and could reduce rather than continue at the same levels or on the same terms. The College has been aware of the issues that may impact this income stream and these are identified on the Corporate Risk Register.

The risk is mitigated in a number of ways:

- Due to the uncertain arrangements for the new apprenticeship funding, levy income was budgeted based on conservative achievable estimates.
- Employer engagement was enhanced to allay any apprehension on the part of companies to engage in the new funding methodology.
- Due to the reduction in value for many frameworks in May 2017 that have no standard to migrate to, anticipated income assumptions acknowledge that this could impact on the potential income receivable.
- Due diligence processes are stringent at the College and we do not contract work with any provider who is not on the RoATP (Register of Approved Training Providers).

4. HE Review

The Quality Review Visit forms part of the new Gateway process, the single point of entry to publicly funded higher education. Reviews commenced in February 2017 and outcomes are used by the funding bodies to test providers' readiness to enter and remain in the higher education sector.

The College's HE provision as a partner provider under the Learning Network of the University of Suffolk was subject to Institutional Review in the year. A negative outcome would significantly impact the future security of this income stream for the College.

The Review however validated the College to continue to deliver HE for the full review period of five years and revalidation was awarded with no conditions.

The risk to this income line was mitigated in a number of ways:

- KPI monitoring of the progress of the HE Reviews
- Internal monitoring of progress preparation of the HE Review
- Quality systems reviewed and developed to ensure evidence of quality assurance was clear

STAKEHOLDER RELATIONSHIPS

Employer Stakeholders

The College works closely with a multitude of key stakeholders and has forged very successful relationships with both the New Anglia LEP (NALEP) and the Greater Cambridge and Greater Peterborough LEP (GCGP LEP). Following the successful approval in 2015 for an £8m engineering and STEM project partly funded by NALEP, the College acquired the Willian Vinten building and site in Bury St Edmunds and plans are now very much underway to transform the building into an exciting and innovative centre of learning which will initially open in 2018 and then be refurbished during the year prior to a full opening in September 2019.

The College has links with many local employers and their representative groups, for example the Chamber of Commerce, Institute of Directors, etc. and College staff regularly attend meetings and are represented on the committees of the Bury St Edmunds Chamber of Commerce and patrons of the Suffolk Chamber of Commerce. During the year the College has continued to host the Bury St Edmunds Chamber of Commerce offices at the main College campus in Bury St Edmunds, further strengthening the links between the College and its students with that of employers.

The College has a dedicated team of staff whose function is to engage with employers, help employers realise their growth aspirations and deliver effective and innovative programmes of learning for their staff. Employers engaged with the College range from large businesses, such as Hutchison Ports (UK) Limited, Warren Services and Servest in the private sector, as well as large public sector employers, for example West Suffolk NHS Foundation Trust, Suffolk County Council and Norfolk and Norwich University Hospitals NHS Foundation Trust; to hundreds of small and medium sized enterprises across the Region.

The College holds a range of employer events with local businesses to elicit feedback from employers on the relevance of the College's provision as well as ensuring that employers' current and future skills needs can be included in the College's offer. This has been of paramount importance this year as the government has rolled out the Apprenticeship reforms. Employers have valued our information, advice and guidance and this is being reflected in the numbers of apprentices being enrolled.

Local Authority Stakeholders

The College works on joint projects with both tiers of local government economic development teams. For example, contributing to the Business Festival organised by St Edmundsbury Borough Council by holding employer information events and a range of business seminars.

Local Community Stakeholders

The College offers a wide range of provision throughout the local area both at its own centres and in premises hired specifically, particularly for adults in the local community. The College reviews its offer on an ongoing basis to ensure it is both viable and responds to market demands but also so that such provision is easily accessible throughout local communities.

Festival of Learning

This year saw the inaugural Festival of Learning launched at the University of Suffolk. The Festival was a concept of local head teachers and the Principal of West Suffolk College and focused on what is great about education in Suffolk. Planning for the next festival has started and is going to focus on educational excellence from around the world. The Festival has been renamed accordingly as the International Festival of Learning Suffolk and will be held at West Suffolk College on 16 April 2018. It has widespread support from the Primary, Secondary, Tertiary and Higher Education sectors. Key partners include the Association of School and College Leaders (ASCL) and the British Council.

Suffolk Academies Trust

On 1 September 2015, the College became the sponsor of Suffolk One Sixth Form College in Ipswich through the creation of the Suffolk Academies Trust. Formerly under the Local Authority, Suffolk One Sixth Form Foundation School converted to become an Academy on 1 September 2015. The close link to this provider of education has strengthened the educational opportunities and progression for the people of Suffolk and the wider region. During the year, the College has supported the Trust in a successful application to fund the construction of a new Sixth Form College to be located in Bury St Edmunds. The bid was in partnership with a number of other school partners, including King Edward VI School and the Samuel Ward Academy Trust.

Equal Opportunities and Employment of Disabled Persons

West Suffolk College is committed to ensuring equality of opportunity for all who learn and work here. We positively respect and value differences in race, gender, sexual orientation, disability, religion or belief and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy is resourced, implemented and monitored on a planned basis.

The College's Equal Opportunities Policy is published on the College's website.

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

Disability Statement

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

(a) The College has a Learning Support function, which provides information, advice and arranges support where necessary for students with disabilities.

(b) There is a list of specialist equipment which the College can make available for use by students and staff and a range of assistive technology is available.

(c) The admissions policy for all students is described in the College Procedures. Appeals against a decision not to offer a place are dealt with under the complaints policy.

(d) The College continues to invest in the appointment of staff 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 that a high level of appropriate support for students who have learning difficulties and/or disabilities is provided.

(e) Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published.

(f) Counselling and welfare services, disability statement, disciplinary and complaints procedures, and other useful information are described in the College Course Handbook, which is issued to students at induction.

Disclosure of Information to Auditor

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 auditor is unaware; and each member has taken all steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditors are aware of that information.

Approved by order of the members of the Corporation on 14 December 2017 and signed on its behalf by:

K Golding
Chair

Statement of Corporate Governance and Internal Control

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

The College endeavours to conduct its business:

i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership); and
ii. in full accordance with the guidance to colleges from the Association of Colleges in the Code of Good Governance for English Colleges ("the Code").
iii. having due regard to the UK Corporate Governance Code 2016 insofar as it is applicable to the further education sector.

The College is committed to exhibiting the best practice in all aspects of corporate governance and in particular the Corporation has adopted and complied with the Code. We have not adopted and therefore do not apply the UK Corporate Governance Code. 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 Corporation, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2017. The Corporation 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. In carrying out its responsibilities, it takes full account of the Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted at its meeting held on 17 July 2015.

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

The Corporation

The Members who served on the Corporation during the year and up to the date of signature of this report are as listed in the table on the next page.

Member	Date of appointment	Term of office	Date of resignation	Status of appointment as at 14.12.17	Attendance 2016/17 %	Committees served
Mrs J Bloomfield	01.01.00 Re-appointed 04, 08, 12, 16,17 (co-opted)	1 year	31.07.16 Co-opted with effect 01.08.16	Co-opted member	100	Appointments & Governance and Remuneration
Mr R Carter	01.08.01 Re-appointed 05, 09, 13	4 years	Co-opted with effect 01.01.17 Resigned 31.07.17	Independent member	100	Resources, Appointments & Governance and Remuneration
Mr S Clarke	14.12.12 Re-appointed 16	3 years		Independent member	100	Resources
Mrs S Daley	20.03.15	3 years		Independent member	100	Standards & Excellence
Professor J Gazzard	15.12.16	3 years		Independent member	80	Audit & Risk Management and Standards & Excellence
Mr K Golding	01.02.06 Re-appointed 09, 13 Appointed Chair 15.12.16	2 years		Independent member	75	Chair: Corporation, Audit & Risk Management to 15.12.16. Appointments & Governance and Remuneration
Mr W O'Reilly	01.08.16	1 year	10.05.17	Student member	0	Standards & Excellence
Mrs S Healey Pearce	01.08.16	3 years		Independent member	80	Resources
Mrs K Heathcote	01.08.15	3 years		Staff member	100	Audit & Risk Management
Professor C Higgins	01.08.15	3 years		Independent member	60	Resources
Mrs S Howard	01.08.16	3 years		Independent member	67	Appointments & Governance and Remuneration
Mr R Inman	01.08.15	3 years	24.03.17	Independent member	100	
Mr A Maltpress	14.12.12 Re-appointed 16	3 years		Independent member	100	Audit & Risk Management and Standards & Excellence
Mrs K Points	01.08.16	3 years		Independent member	83	Standards & Excellence
Mr N Roberts	14.12.12 Re-appointed 13, 14, 15, 16, 17	1 year		Co-opted member	100	Audit & Risk Management
Mr T Hunt	01.08.17	3 years		Independent member	0	Resources
Mr H Nydam	15.12.16, 17	1 year		Co-opted member	100	Audit & Risk Management
Dr N Savvas	05.08.13	Whilst in post		Principal	100	Resources, Standards & Excellence and Appointments & Governance
Mrs D Wildridge	15.12.11 Re-appointed 15	3 years		Independent member	80	Resources, Appointments & Governance and Remuneration
Mr J Winter	01.08.16	3 years	31.08.17	Staff member	67	Standards & Excellence

Mrs J Bridges acts as Clerk to the Corporation

Statement of Corporate Governance and Internal Control

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

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

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Resources, Standards and Excellence, Appointments and Governance, Remuneration and Audit and Risk Management.

Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website (www.westsuffolk.ac.uk) or from the Clerk to the Corporation at:

West Suffolk College
Out Risbygate
Bury St Edmunds
Suffolk
IP33 3RL

The Clerk to the Corporation maintains a register of financial and personal interests of the Governors. The register is available for inspection at the above address.

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

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

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

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

Statement of Corporate Governance and Internal Control

Appointments to the Corporation

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

Members of the Corporation are appointed for a term of office not exceeding three years.

Corporation performance

The Corporation carried out a self-assessment of its own performance for the year ended 31 July 2017 and graded itself as outstanding on the Ofsted scale.

Appointments and Governance and the Remuneration Committees

Throughout the year ending 31 July 2017, the College's Appointments and Governance and Remuneration Committees comprised five members. The Committee's responsibilities are to make recommendations to the Corporation on the appointments of Governors, governance arrangements and the remuneration of and benefits of the Accounting Officer and other designed senior post holders.

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

Audit and Risk Management Committee

The Audit and Risk Management Committee comprises five members which exclude the Accounting Officer and the Chair but includes two co-opted members. The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit and Risk Management Committee meets four times a year and provides a forum for reporting by the College's internal and financial statements auditors, who have access to the Committee if necessary, for independent discussion, without the presence of College management. The College management team attend by invitation. 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 annual and report their findings to management and the Audit and Risk Management Committee.

Statement of Corporate Governance and Internal Control

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

The Audit and Risk Management Committee oversees the internal audit, external audit and risk management processes and reports to the Corporation on the effectiveness of the internal control system, including the College's system for the management of risk. The Committee also advises the Corporation on the appointment of internal and financial statements auditors and their remuneration for audit and non-audit work as well as reporting annually to the Corporation.

Internal control

Scope of responsibility

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

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in West Suffolk College for the year ended 31 July 2017 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial, reputational and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2017 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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

- Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Corporation
- Regular reviews by the Corporation 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
- Regularly reviewing Corporation membership.

The College has an internal audit service, which operates in accordance with the requirements of the ESFA Post-16 *Audit Code of Practice 2016 to 2017*. 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 Corporation on the recommendation of the Audit and Risk Management Committee. At minimum, annually, the Internal Auditor provides the Corporation with a report on internal audit activity in the College. The report includes the internal auditor'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 auditors and the regularity reporting accountants in their management letters and other reports.

Statement of Corporate Governance and Internal Control

The College Policy is for the Accounting Officer to be advised on the implications of the result of the review of the effectiveness of the system of internal control by the Audit and Risk Management 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 and Risk Management Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit and Risk Management Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Senior Management Team and the Audit and Risk Management Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2017 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2017 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2017.

Based on the advice of the Audit and Risk Management Committee and the Accounting Officer, and in the opinion of the internal auditors, the Corporation is of the opinion that the College has an adequate and effective risk management, governance, control and efficiency, effectiveness and economy processes in place to manage its achievement of the College's objectives.

Going concern

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future, and certainly until 12 month post approval of the financial statements. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 14 December 2017 and signed on its behalf by:

Signed	**Signed**
K Golding	**Dr N Savvas**
Chair	**Accounting Officer**

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. As part of our consideration we have had due regard to the requirements of the financial memorandum.

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

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

Dr N. Savvas	**K. Golding**
Accounting Officer	**Chair**
14 December 2017	**14 December 2017**

Statement of Responsibilities of the Members of the Corporation

The members of the Corporation who act as trustees for the charitable activities of the College are required to present audited financial statements for each financial year.

The law applicable to charities in England and the terms and conditions of the Financial Memorandum between the Education and Skills Funding Agency and the Corporation of the College, requires the corporation of the college to prepare financial statements and the Report of the Governing Body for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions the annual Accounts Direction issued by the Education and Skills Funding Agency, and in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and which give a true and fair view of the state of affairs of the College and of the College's surplus/deficit of income over expenditure for that period.

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

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

The Corporation is responsible for adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy, at any time, the financial position of the College, and enable it to ensure that the financial statements are prepared in accordance with the Charities Act 2011 and other relevant accounting standards. It is responsible for taking steps in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

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

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

Approved by order of the members of the Corporation on 14 December 2017 and signed on its behalf by:

K Golding
Chair

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF WEST SUFFOLK COLLEGE

Opinion

We have audited the financial statements of West Suffolk College (the "College") for the year ended 31 July 2017 which comprise the college statement of comprehensive income, the college balance sheet, the college statement of changes in reserves, the college statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" as set out in our engagement letter dated 5 July 2017.

In our opinion the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the 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 Report of the Governing Body, Statement of Corporate Governance and Internal Control and Governing Body's Statement on the College's regularity, propriety and compliance with Funding Body terms and conditions of funding. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations required for our audit.

Responsibilities of the Corporation of West Suffolk College

As explained more fully in the Statement of the Corporation's Responsibilities set out on pages 22 to 23, the Corporation is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

This report is made solely to the Corporation, as a body, in accordance with the Financial Memorandum published by the Skills Funding Agency and our engagement letter dated 5 July 2017. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are required under our engagement letter dated 5 July 2017 to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

RSM UK AUDIT LLP
Chartered Accountants
Abbotsgate House
Hollow Road
Bury St Edmunds
Suffolk IP32 7FA

19 December 2017

WEST SUFFOLK COLLEGE

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 JULY 2017

	Notes	2017 Total £000	2016 Total £000
Income			
Funding body grants	3	22,636	23,587
Tuition fees and education contracts	4	2,288	2,149
Other grants and contracts	5	898	979
Other income	6	1,421	1,216
Investment income	7	26	21
Total income		**27,269**	**27,952**
Expenditure			
Staff costs	8	18,108	17,784
Other operating expenses	9	6,586	6,392
Depreciation	11	1,659	1,844
Interest and other finance costs	10	569	635
Total expenditure		**26,922**	**26,655**
Surplus before other gains or losses		**347**	**1,297**
Loss on disposal of tangible fixed assets		(7)	(4)
Surplus for the year		**340**	**1,293**
Actuarial gain /(loss) in respect of defined benefit pension schemes	23	6,642	(2,830)
Total comprehensive income for the year		**6,982**	**(1,537)**

WEST SUFFOLK COLLEGE

BALANCE SHEET AS AT 31 JULY 2017

	Notes	2017 £000	2016 £000
Fixed assets			
Tangible assets	11	31,891	33,330
Intangible assets		16	-
Investments	12	-	-
		31,907	33,330
Current assets			
Stocks		24	29
Debtors	13	905	862
Investments	14	3,000	-
Cash at bank and in hand		3,358	3,644
		7,287	4,535
Current liabilities			
Creditors: amounts falling due within one year	15	(4,670)	(3,861)
Net current assets		**2,617**	**674**
Total assets less current liabilities		**34,524**	**34,004**
Creditors: amounts falling due after one year	16	(10,748)	(11,523)
Provisions			
Defined benefit obligations	23	(8,206)	(13,906)
Other provisions	18	(130)	(117)
TOTAL NET ASSETS		**15,440**	**8,458**
Reserves			
Income and expenditure account including pension reserve		11,704	4,612
Revaluation reserve		3,736	3,846
TOTAL RESERVES		**15,440**	**8,458**

The financial statements on pages 26 to 54 were approved and authorised for issue by the Corporation on 14 December 2017 and were signed on its behalf on that date by:

K Golding
Chair

Dr N Savvas
Accounting Officer

WEST SUFFOLK COLLEGE

STATEMENT OF CHANGES IN RESERVES

FOR THE YEAR ENDED 31 JULY 2017

	Income and expenditure reserve including Pension reserve £000	Revaluation reserve £000	Total £000
Balance at 1 August 2015	6,039	3,956	9,995
(Deficit) for the year	(1,537)	-	(1,537)
Transfers between revaluation and income and expenditure reserves	110	(110)	-
Total comprehensive income for the year	(1,427)	(110)	(1,537)
Balance at 31 July 2016	**4,612**	**3,846**	**8,458**
Surplus for the year	340	-	340
Other comprehensive income	6,642	-	6,642
Transfers between revaluation and income and expenditure reserves	110	(110)	-
Total comprehensive income for the year	7,092	(110)	6,982
Balance at 31 July 2017	**11,704**	**3,736**	**15,440**

WEST SUFFOLK COLLEGE

STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 31 JULY 2017

	Notes	Year ended 31 July 2017 £000	Year ended 31 July 2016 £000
Operating activities			
Cash generated from operations	20	3,672	1,258
Investing activities			
Interest received	7	26	21
Withdrawal of deposits	14	3,800	1,000
New deposits	14	(6,800)	(1,000)
Purchase of tangible fixed assets		(227)	(1,759)
Purchase of intangible fixed assets		(16)	-
		(3,217)	(1,738)
Financing activities			
Interest paid		(228)	(256)
Repayments of borrowings		(513)	(504)
		(741)	(760)
Decrease in cash and cash equivalents in the year		**(286)**	**(1,240)**
Cash and cash equivalents at beginning of the year		3,644	4,884
Cash and cash equivalents at the end of the year		**3,358**	**3,644**

WEST SUFFOLK COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2017

1. ACCOUNTING POLICIES

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

General information

West Suffolk College is a corporation established under the Further and Higher Education Act 1992 as an English general college of further education. The address of the College's principal place of business is given on page 16. The nature of the College's operations are set out in the Members' Report.

Basis of accounting

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

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

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

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

Basis of consolidation

The financial statements include the College only.

The College has two dormant subsidiary companies, Magna Carta Consultants Limited and Suffolk Apprenticeships Limited. The figures for both Magna Carta Consultants Limited and Suffolk Apprenticeships Limited are not considered material and have therefore not been included as consolidated financial statements.

1. ACCOUNTING POLICIES Continued

On 24 July 2015, the College created the Suffolk Academies Trust which is a discrete legal entity created to facilitate a multi academy trust. The trust has five members of which three are representatives of West Suffolk College and these members have the authority to appoint and remove trustees. Through this authority the Trust Board comprises of 10 appointed Trustees of whom three are either employees or governors of West Suffolk College. On that basis, the College does not consider that it controls Suffolk Academies Trust and on that basis the financial statements have not been and will not be consolidated whilst this remains the case.

In accordance with Financial Reporting Standard (Section 9) 102, the activities of the student council have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2017.

Going concern

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

The College currently has £6.9m of loans outstanding with bankers on various terms (see note 17). The College's forecasts and financial projections indicate that it will be able to operate within these existing facilities 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 annual Financial Statements.

Recognition of income

Grants – government and non-government

Revenue grant funding

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

Funding body recurrent grants are measured in line with best estimates for the year of what is receivable and depend on the particular income stream involved. Any under achievement of the Adult Education Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end.

1. ACCOUNTING POLICIES Continued

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

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

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

Capital grant funding – government grants

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

Other income

Income from the supply of services is recognised at fair value of the consideration received or receivable and represents the value of services to the extent there is a right to consideration.

Income from tuition fees is recognised over the period for which it is received.

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

Retirement benefits

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

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

1. ACCOUNTING POLICIES Continued

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

Short term employment benefits

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

Tangible fixed assets

The College's policy is to carry all assets at historical cost, except for inherited assets which are included in the balance sheet at a valuation carried out in May 1996. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account reserve on an annual basis.

(a) Land and buildings

Land and buildings are stated at depreciated replacement cost established by independent valuation in May 1996. Land and buildings acquired since May 1996 are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of 50 years. All other buildings are depreciated over their useful economic lives as follows:

Buildings	50 years on a straight line basis
Freehold improvements	8 years on a straight line basis
Freehold improvements with an extended useful life	15 years on a straight line basis
Leasehold improvements	8 years on a straight line basis

Leasehold improvements are depreciated over eight years on a straight line basis unless the lease is due to expire before the depreciation has been fully charged to the income and expenditure account. In such circumstances, the

1. ACCOUNTING POLICIES Continued

depreciation is charged over the duration of the lease at a higher rate in order to coincide with the life of the lease.

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

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

(b) Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account 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:

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

(c) Equipment

Equipment costing less than £1,000 is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost. Equipment inherited from the Local Education Authority is included in the balance sheet at valuation but is now fully depreciated.

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

Plant and machinery	8 years on a straight line basis
Plant and machinery with an extended useful life	20 years on a straight line basis
Office equipment	4 years on a straight line basis
Computer equipment	4 years on a straight line basis
Motor vehicles	4 years on a straight line basis

Intangible fixed assets

Intangible assets are capitalised at cost and are depreciated over their useful economic life. Purchased computer software is depreciated over 4 years.

Borrowing costs

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

1. ACCOUNTING POLICIES Continued

Leased assets

Costs in respect of operating leases have been charged to comprehensive income on a straight line basis over the lease term.

Investments

The College has a fixed asset investment in the ownership of Magna Carta Consultants Limited and Suffolk Apprenticeships Limited which are both currently dormant.

Fixed asset investments are held at the lower of cost or cost less impairment.

Stock

Stock is valued at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

Financial instruments

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

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

All financial assets and liabilities are initially measured at transaction price (including transaction costs). A financial asset or financial liability that is payable or receivable in one year is measured at the undiscounted amount expected to be received or paid net of impairment.

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

Derecognition of financial assets and liabilities
A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

1. ACCOUNTING POLICIES Continued

Taxation

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

Provisions and contingent liabilities

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

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

Agency arrangements

The College acts mostly as an agent in distributing Bursary support funds from the funding bodies. Payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure account of the College where the College does not have control of the economic benefit related to the transaction and are shown separately in note 25, except for 5% of the grant received which is available to the College to cover administration costs relating to the grant, and also lunch and stationery vouchers provided to students for use within the College.

2 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

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

Critical accounting estimates and assumptions

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

- *Local Government Pension Scheme* – The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 23, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

- *Barrack Wall* – The College has made provision for works to be carried out to the Barrack wall to keep it in a safe and good state of repair. This is currently estimated at £25k per year but is kept under review as a phased programme of planned maintenance is implemented.

3. FUNDING BODY GRANTS

	Total 2017 £000	Total 2016 £000
Recurrent grants		
Education and Skills Funding Agency - adult	1,782	1,853
Education and Skills Funding Agency – 16-18	13,384	12,693
Education and Skills Funding Agency - apprenticeships	3,392	3,071
Higher Education Funding Council	3,684	3,536
Specific grants		
Education and Skills Funding Agency	118	355
Releases of government deferred capital grants	276	229
Release of government capital grant for land	-	1,850
	22,636	**23,587**

The figures above include £70k of funding relating to the 2015/16 financial year, which was not confirmed by the SFA (£18k) / UoS (£52k) until after 31 July 2016. Therefore this income is included in the 2016/17 financial year.

West Suffolk College acts as a lead partner for certain training funding, some of which is passed on to third parties. The figure above for recurrent grants shows net income earned by the College in its capacity both as a provider and as the lead partner. All other income claimed from the ESFA and payable to third party partners has been excluded from these accounts. Total income claimed in the year under this type of arrangement and the related payments to partners was as follows:

	Total 2017 £000	Total 2016 £000
Income from Funding Bodies	918	1,188
Payments to non-College partners	(873)	(1,012)
Net income	**45**	**176**

4. TUITION FEES

	2017 £000	2016 £000
Tuition fees	1,649	1,510
Advance learner loan income	639	639
	2,288	**2,149**

West Suffolk College acts as a lead partner for tuition fee/loan income, some of which is passed onto third parties. The figure above shows net income earned by the College in its capacity both as a provider and as the lead partner. Total income claimed in the year under this type of arrangement and the related payments to partners was as follows:

	2017 £000	2016 £000
Income from tuition fees/ Advance learner loan income	99	182
Payments to non-College partners	(101)	(154)
Net costs	**(2)**	**28**

Costs in 2017 have exceeded the income due to one partner being in liquidation and unable to repay costs owed to the College.

5. OTHER GRANT INCOME

	2017 £000	2016 £000
European Funds	-	21
Other grants and contracts	507	564
SCC Additional Learning Needs	391	394
	898	**979**

West Suffolk College acts as a lead partner for additional learning needs funding, some of which is passed on to third parties. The figure above for SCC Additional Learning Needs shows net income earned by the College in its capacity as both a provider and the lead partner. Total income claimed in the year under this type of arrangement and the related payments to partners was as follows:

	2017 £000	2016 £000
Income from SCC	42	207
Payments to non-College partners	(40)	(187)
	2	**20**

6. OTHER INCOME

	2017 £000	2016 £000
Catering	699	729
Miscellaneous	405	188
Resale Materials	59	64
Car Park	43	41
Lettings	215	194
	1,421	**1,216**

7. INVESTMENT INCOME

	2017 £000	2016 £000
Interest receivable	26	21
	26	**21**

8. STAFF COSTS

	2017 Number	2016 Number
The average number of persons (including key management personnel) employed by the College during the year, expressed as full time equivalents, was:		
Teaching	179	183
Teaching and other support	125	121
Administration and central services	161	168
	465	**472**

8. STAFF COSTS (Contd.)

Staff costs for the above persons:	2017 £000	2016 £000
Teaching	8,162	8,127
Teaching and other support	3,621	3,488
Administration and central services	5,694	5,781
Actuarial adjustment	601	338
Restructuring costs – Non contractual	7	44
Miscellaneous	4	6
Apprentice Levy costs	19	-
	18,108	**17,784**

	2017 £000	2016 £000
Wages and salaries	13,793	13,939
Social Security costs	1,193	1,046
Pension costs	3,096	2,755
Restructuring costs	7	44
Apprentice Levy costs	19	-
	18,108	**17,784**

Key management personnel

Key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Senior Post Holders which comprises the Principal, three Vice Principals and the Clerk to the Corporation and College Secretary.

Emoluments of key management personnel and Accounting Officer

The number of key management personnel including the Accounting Officer was:

	2017 Number	2016 Number
	5	6

8. STAFF COSTS (Contd.)

The number of senior post holders and other staff who received annual emoluments excluding pension contributions but including benefits in kind in the following ranges was:

	2017 Number of key management personnel	2017 Number of other staff	2016 Number of key management personnel	2016 Number of other staff
£50,001 to £60,000 p.a.	1	-	1	-
£60,001 to £70,000 p.a.	-	1	1	-
£80,001 to £90,000 p.a.	3	-	3	-
£120,001 to £130,000 p.a.	-	-	1	-
£130,001 to £140,000 p.a.	1	-	-	-
	5	**1**	**6**	**-**

There is a salary sacrifice scheme in place to provide childcare vouchers which is used by one of the key management personnel.

Key management personnel emoluments are made up as follows:	2017 £000	2016 £000
Salaries	430	487
Benefits in kind	1	3
National Insurance contributions	53	57
Pension contributions	77	81
Total emoluments	**561**	**628**

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

	2017 £000	2016 £000
Salaries	130	130
National Insurance contributions	17	16
Pension contributions	21	21
	168	**167**

Governors' remuneration

The Accounting Officer and the staff member only receive remuneration in respect of services they provide undertaking their roles of Principal and staff members under contracts of employment and not in respect of their roles as governors. The other members of the Corporation did not receive any payments from the College other than reimbursement of travel and subsistence expenses incurred in the course of their duties.

During the year 6 (2016 6) governors total expenses of £3,164 (2016 £3,636) were paid to or on behalf of governors in respect of travel and subsistence and other out of pocket expenses incurred in the course of their duties.

9. OTHER OPERATING EXPENSES

	2017 £000	2016 £000
Teaching costs	2,553	2,446
Non-teaching costs	2,530	2,480
Premises costs	1,503	1,466
	6,586	**6,392**
Surplus is stated after charging/(crediting):		
Auditor's remuneration		
Financial statements audit – College	24	25
Internal audit	23	18
Other services provided by financial statements auditors	1	6
Hire of other assets – land and buildings	154	139
Hire of other assets – other	339	382
Operating lease rentals	(367)	(173)
Loss on disposal of tangible fixed assets	7	4
Cost of stock recognised as an expense	432	479

10. INTEREST AND OTHER FINANCE COSTS

	2017 £000	2016 £000
Interest on bank loans, overdrafts	228	256
Net interest on defined pension liability (Note 23)	341	379
Total	**569**	**635**

11. TANGIBLE FIXED ASSETS

	Land and buildings freehold £000	Equipment £000	Total £000
Cost or valuation			
At 1 August 2016	**42,926**	**4,739**	**47,665**
Additions	-	227	227
Disposals	(20)	(263)	(283)
At 31 July 2017	**42,906**	**4,703**	**47,609**
Depreciation			
At 1 August 2016	**11,823**	**2,512**	**14,335**
Charge for the year	1,300	359	1,659
Elimination in respect of disposals	(20)	(256)	(276)
At 31 July 2017	**13,103**	**2,615**	**15,718**
Net book value at 31 July 2017	**29,803**	**2,088**	**31,891**
Net book value at 31 July 2016	**31,103**	**2,227**	**33,330**

Included within land and buildings is freehold land of £4,912,715 (2016 £4,912,715) which is not depreciated.

In 2016/17 a new category of freehold improvements with an extended useful life of 15 years has been created. Assets with a net book value of £1,203,847 at 31 July 2016 have been reclassified and will be depreciated over an additional 7 years. The depreciation for 2016/17 for these assets based on 8 year depreciation would have been £316k, the revised amount based on 15 year depreciation is £205k.
This reclassification is considered to be more in line with the useful life of the asset.

11. TANGIBLE FIXED ASSETS (Contd.)

All assets are carried at depreciated historical cost with the exception of inherited assets which are carried at depreciated replacement cost. The inherited assets were re-valued by an independent firm of Chartered Surveyors in May 1996 and their current net book value is £4.1m (2015/16 £4.2m).

Suffolk County Council (who are the legally accountable body for the New Anglia LEP) hold a legal charge over the ownership of the Vinten's site and buildings which are owned by West Suffolk College. This charge would become payable if the College was found to be in breach of any terms of the grant agreement. The Corporation considers that these circumstances are unlikely to arise.

12. NON CURRENT INVESTMENTS

	2017 £000	2016 £000
Investments at cost	-	-

The Corporations owns 100% of the issued ordinary share capital of Magna Carta Consultants Limited which is registered in England and Wales, at a cost of £2. The principal activity of Magna Carta Consultants Limited is the provision of education and training although it is not currently actively trading.

The Corporation owns 100% of the issued ordinary share capital of Suffolk Apprenticeships Limited which is registered in England and Wales, at a cost of £2. The principal activity of Suffolk Apprenticeships Limited is the provision of temporary and fixed term staff to third parties. Suffolk Apprenticeships Limited is also not currently actively trading.

13. DEBTORS

	2017 £000	2016 £000
Amounts falling due within one year		
Trade debtors	186	136
Other debtors	5	4
Prepayments and accrued income	467	449
Amounts owed by Education and Skills Funding Agency	247	273
	905	**862**

14. CURRENT ASSET INVESTMENTS

	2017 £000	2016 £000
Amounts falling due within one year		
Short term deposits	3,000	-
	3,000	**-**

Deposits are held with banks operating in the London market and licensed by the Financial Conduct Authority with more than three months maturity at the balance sheet date. The interest rates for these deposits are fixed for the duration of the deposit at time of placement.

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £000	2016 £000
Bank loans (note 17a)	489	479
Energy loan (note 17b)	17	34
Trade payables	958	474
Sundry creditors	37	24
Other taxation and social security	372	317
Accruals and deferred income	1,778	1,666
Amounts owed to – Education Skills Funding Agency	708	582
Payments received in advanced – University of Suffolk	58	24
Deferred income – government capital grants	253	261
	4,670	**3,861**

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

	2017 £000	2016 £000
Bank loans (note 17a)	6,374	6,863
Energy loan (note 17b)	-	17
Deferred income – government capital grants	4,374	4,643
	10,748	**11,523**

17. MATURITY OF DEBT

(a) Bank Loans

	2017 £000	2016 £000
Bank loans repayable within 1 year	489	479
Bank loans repayable between 1 and 2 years	497	489
Bank loans repayable between 2 and 5 years	1,553	1,522
Bank loans repayable in more than 5 years	4,324	4,852
	6,863	7,342

The College has three loans outstanding:
A loan of £3.5m of which £2.293m remains outstanding; this loan attracts interest at a fixed rate of 2.345% until 2022 and is repayable no later than 30 December 2030.
A loan of £2.5m of which £1.882m remains outstanding; this loan attracts interest at a fixed rate of 6.195% and is repayable in equal instalments to end in 2030.
A loan of £3.5m of which £2.688m remains outstanding; this loan attracts interest of Libor plus 1.5% and is repayable in equal instalments to end in 2028.

(b) Energy Loan

	2017 £000	2016 £000
Energy loan repayable within 1 year	17	34
Energy loan repayable between 1 and 2 years	-	17
	17	51

The interest free energy loan from Salix Finance Ltd was used to purchase an energy efficient lighting renewal scheme.

18. PROVISIONS FOR LIABILITIES AND CHARGES

	Barrack Wall £000	Total £000
At 1 August 2016	117	117
Transfer from income and expenditure account	25	25
Expended in the period	(12)	(12)
Provisions for Liabilities and Charges at 31 July 2017	**130**	**130**

Provision was made for works to the grade 2 listed barrack wall that surrounds the copse at the main site. As a listed structure, the College has an obligation to keep it in a safe and good state of repair. Extensive works have been carried out in autumn 2017 and there will be further work planned in 2018.

19. FINANCIAL INSTRUMENTS

	2017 £000	2016 £000
Financial Assets		
Financial assets measured at amortised cost		
Trade debtors	186	136
Accrued income	304	406
Other debtors	5	4
	495	**546**
Financial Liabilities		
Financial liabilities measured at amortised cost		
Trade creditors	958	474
Bank loans and overdrafts	6,863	7,342
Other loans	17	51
Sundry creditors	37	24
Accruals	1,537	1,299
Amounts owed to funders	708	582
	10,120	**9,772**

20. NOTES TO CASH FLOW STATEMENT

	2017 £000	2016 £000
Surplus for the year	340	1,293
Adjustment for:		
Depreciation	1,659	1,844
Investment income	(26)	(21)
Interest payable	569	635
Loss on sale of fixed assets	7	38
Increase in provisions	13	14
Pensions costs less contributions payable	601	338
Operating cash flow before movements in working capital	3,163	4,141
Decrease in stocks	5	7
(Increase) in debtors	(43)	(75)
Increase/ (decrease) in creditors	547	(2,815)
Cash generated from operations	**3,672**	**1,258**

21. CAPITAL AND OTHER COMMITMENTS

	2017 £000	2016 £000
Commitments contracted for at 31 July	157	13

22. COMMITMENTS UNDER OPERATING LEASES

The total future minimum lease payments under non-cancellable operating leases as follows:

Payments due:	**2017 £000**	**2016 £000**
Land and Buildings		
Less than one year	102	114
Between one and five years	102	87
	204	**201**
Other		
Less than one year	259	339
Between one and five years	213	279
	472	**618**

At 31 July the College had contracted with tenants under non-cancellable operating leases, for the following future minimum lease payments:

Receipts due:	**2017 £000**	**2016 £000**
Land and Buildings		
Less than one year	267	368
Between one and five years	320	507
After five years	1,440	1,520
	2,027	**2,395**

23. RETIREMENT BENEFITS

The College's employees belong to two principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Suffolk County Council. Both are multi-employer defined benefit plans.

23. RETIREMENT BENEFITS (Contd.)

Total pension cost for the year	2017 £000	2016 £000
LGPS: Contributions paid	1,575	1,512
LGPS: FRS102 (28) charge	601	338
Charge to the Statement of Comprehensive Income	2,176	1,850
Teachers' Pension Scheme: contributions paid	920	905
Total Pension Cost for Year within staff costs	**3,096**	**2,755**

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

There were no outstanding or prepaid contributions at the beginning of the financial year. An amount of £3,056 was payable for TPS contributions at 31 July and has been included within creditors.

Teachers' Pension Scheme

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

Valuation of the Teachers' Pension Scheme

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

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

- Total scheme liabilities for service (pensions currently payable and the estimated cost of future benefits) of £191.5 billion.
- Value of notional assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) of £176.6 billion.
- Notional past service deficit of £14.9 billion.

23. RETIREMENT BENEFITS (Contd.)

- Assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings.
- Rate of real earnings growth is assumed to be 2.75%.
- Assumed notional rate of return is 5.06%.

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

The pension costs paid to TPS in the year amounted to £920,000 (2015: £905,000).

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

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Suffolk County Council. The total contributions made for the year ended 31 July 2017 were £1,988,731 of which employer's contributions totalled £1,575,120 and employees' contributions totalled £413,611. The agreed employer contribution rates for future years are 24.5% for employers currently, and range from 5.5% and 12.5% for employees depending on their salary.

Principal Actuarial Assumptions

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

	At 31 July 2017	At 31 July 2016
Rate of increase in salaries	2.8%	3.9%
Future pensions increases	2.5%	1.9%
Discount rate	2.7%	2.4%
Inflation assumption (CPI)	2.5%	1.9%
Commutation of pensions to lump sums (pre April 2008 service)	25%	25%
Commutation of pensions to lump sums (post April 2008 service)	63%	63%

23. RETIREMENT BENEFITS (Contd.)

The average life expectancy for a pensioner retiring at 65 on the reporting date is:

	At 31 July 2017	At 31 July 2016
Retiring today		
Males	21.9	22.4
Females	24.4	24.4
Retiring in 20 years		
Males	23.9	24.3
Females	26.4	26.9

The College's share of the assets in the plan at the balance sheet were:

	Return expected as at 31 July 2017	Fair value at 31 July 2017 £000	Return expected as at 31 July 2016	Fair value at 31 July 2016 £000
Equities	2.7%	24,438	2.4%	20,630
Bonds	2.7%	7,547	2.4%	5,980
Property	2.7%	3,594	2.4%	2,990
Cash	2.7%	359	2.4%	299
Total fair value of plan assets		**35,938**		**29,899**
Present value of scheme liabilities – Funded		(44,144)		(43,805)
Deficit in the scheme		**(8,206)**		**(13,906)**
Actual return on plan assets		**4,768**		**2,840**

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

	2017 £000	2016 £000
Amounts included in staff costs		
Current service costs less employer contributions	601	338
	601	**338**
Amounts included in interest costs		
Net interest costs	341	379
	341	**379**
Amount recognised in Other Comprehensive Income		
Return on pension plan assets	4,036	1,888
Experience losses arising on defined benefit obligations	2,388	333
Changes in assumptions underlying the present value of the plan	218	(5,051)
	6,642	**(2,830)**

23. DEFINED BENEFIT OBLIGATIONS (Contd.)

Movement in net defined benefit liability during year	**2017 £000**	**2016 £000**
Net defined benefit liability in scheme 1 August	(13,906)	(10,359)
Movement in year:		
Current service cost	(2,161)	(1,847)
Employer contributions	1,560	1,509
Net interest on the defined liability	(341)	(379)
Actuarial gain/ (loss)	6,642	(2,830)
Net defined benefit liability at 31 July	**(8,206)**	**(13,906)**

Asset and Liability Reconciliation

Changes in the present value of defined benefit obligations	**2017 £000**	**2016 £000**
Defined benefit obligations at start of period	43,805	36,206
Current service cost	2,161	1,847
Interest cost	1,073	1,331
Employee contributions	409	404
Actuarial (gain)/ loss	(2,606)	4,718
Benefits paid	(698)	(701)
Liabilities at 31 July	**44,144**	**43,805**

Changes in the fair value of plan assets		
Fair value of plan assets at start of period	29,899	25,847
Interest on plan assets	732	952
Return on plan assets	4,036	1,888
Employer contributions	1,560	1,509
Employee contributions	409	404
Benefits paid	(698)	(701)
Assets at 31 July	**35,938**	**29,899**

24. 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 possible that transactions will take place with organisations in which a member of the Board of Governors may have an interest. All transactions involving such organisations are in accordance with the College's financial regulations and normal procurement procedures. During the year ended 31 July 2017 no material related party transactions requiring disclosure occurred.

24. RELATED PARTY TRANSACTIONS (Contd.)

At 31 July 2017, Magna Carta Consultants Limited owed £122,958 (2016 £122,958) to West Suffolk College. This balance has been fully provided against in both 2017 and 2016. Magna Carta Consultants Limited is a wholly owned dormant subsidiary of West Suffolk College.

25. AMOUNTS DISBURSED AS AGENT

Adult Discretionary Support	**Year ended 31 July 2017 £000**	**Year ended 31 July 2016 £000**
Funding body grants – bursary support	293	300
Funding body grants – vulnerable	44	41
Funding body grants – free school meals	33	58
Funding body grants – discretionary learner support	199	199
Funding body grants – advanced learner loan	93	71
Funding body grants – recycled funds from previous year	152	113
	814	782
Disbursed to students	(446)	(464)
Disbursed to third parties	(1)	(1)
Amount consolidated in financial statements	(99)	(58)
Administration costs	(30)	(28)
Balance unspent at 31 July, including in creditors	**238**	**231**

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

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

Conclusion

We have carried out an engagement, in accordance with the terms of our engagement letter dated 9 December 2015 and supplementary letter dated 10 November 2016 and further to the requirements of the financial memorandum with the Skills Funding Agency, to obtain limited assurance about whether the expenditure disbursed and income received by West Suffolk College during the period 1 August 2016 to 31 July 2017 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

Basis for conclusion

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

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

Responsibilities of Corporation of West Suffolk College for regularity

The Corporation of West Suffolk College is responsible, under the financial memorandum with the Skills Funding Agency and the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. The corporation of West Suffolk College is also responsible for preparing the Governing body's Statement of Regularity, Propriety and Compliance.

Reporting accountant's responsibilities for reporting on regularity

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

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity. A limited assurance engagement is more limited in scope than a reasonable assurance engagement and the procedures performed vary in nature and timing from, and are less in extent than for a reasonable assurance engagement; consequently a limited assurance engagement does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

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

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

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

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

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