
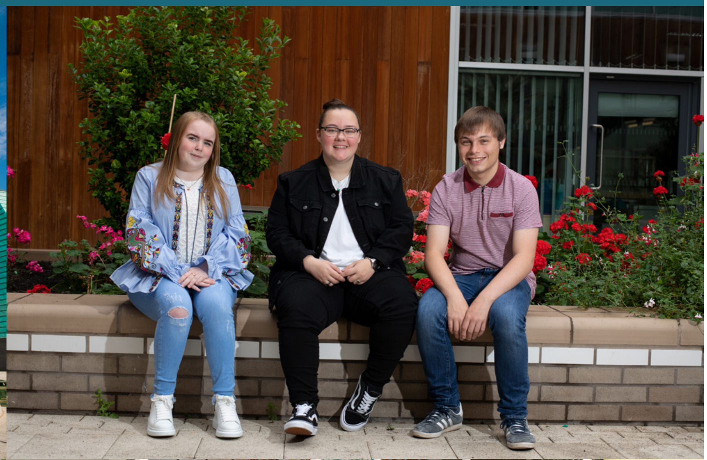

St Helens College

Report and Financial Statements

for the year ended
31 July 2019

CONTENTS

Key Management Personnel, Board of Governors and Professional Advisers

Key management personnel

Key management personnel are defined as members of the College Senior Leadership Team and were represented by the following in 2018/19:

Jette Burford, Principal and Chief Executive Officer; Accounting Officer (resigned 5th April 2019)

Monica Box, Principal and Chief Executive Officer; Accounting Officer (appointed 1st April 2019)

Rob Molloy, Chief Financial Officer

Anne Pryer, Principal, St Helens campus (resigned 30th September 2018)

Gill Banks, Principal, Knowsley campus (resigned 30th September 2018)

Mark Doyle, Deputy Principal (appointed 18th March 2019)

Board of Governors

A full list of Governors is provided on page 10 of these financial statements.

Mrs Lorna Lloyd-Williams, Director of Governance, acted as Clerk to the Corporation throughout the year.

Registered Office:
Water Street,
St Helens, WA10 1PP

Principal Professional advisers:

Financial statements auditors and reporting accountants:
KPMG LLP
1 St Peter's Square
Manchester, M2 3AE

Internal auditors:
ICCA Education Training and Skills
11th Floor, McLaren House,
46 Priory Queensway,
Birmingham, B4 7LR

Bankers:
Lloyds Bank
13/15 Hardshaw Street
St Helens, WA10 1QZ

Legal Advisors:
Eversheds Sutherland (International) LLP
Eversheds House, 70 Great Bridgewater Street
Manchester, M1 5ES

Strategic Report

Overview

The College has been through a challenging year, consolidating the merger with Knowsley Community College that was concluded in late 2017, whilst facing continued financial pressures in the form of funding challenges, strong local competition in higher education, and government reforms in apprenticeship delivery and funding.

Despite these challenges, the College has maintained its focus on the delivery of a high quality student experience and worked hard to manage its finances in a sustainable manner.

The College was issued with a Financial Notice to Improve (FNTI) by the Education and Skills Funding Agency during the year. As a result of this a recovery plan has been produced by the College and accepted by ESFA. The plan will be closely followed by the College and provides a roadmap to sustained financial recovery.

Legal status

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

The Corporation was incorporated as St Helens College of Arts and Technology. On 1 October 2001, the Secretary of State granted consent to the Corporation to change the College's name to St Helens College.

The College merged with Knowsley Community College on 12th December 2017. The legal status and name of St Helens College remained post-merger, with Knowsley Community College dissolving into St Helens College.

On 1st April 2019 St Helens College acquired Waterside Training Limited, a specialist industrial training provider.

Mission

The College Mission Statement is "Transforming lives through excellence in education and training" and is underpinned by the Statement of Aims:

1. to make a leading contribution to the welfare and economic development of our local communities, the Liverpool City Region by developing the curriculum and skills needed by employers and individuals;
2. to provide good value for taxpayers' money ensuring high quality education and training while ensuring strong financial health;
3. to be an inclusive College Group where each individual is respected, valued and safeguarded as part of an enjoyable, supportive and caring learning and working environment;
4. to ensure high levels of professionalism, integrity, strong work ethics, teamwork and innovation;

5. to ensure successful education, training and personal, social, moral, cultural and spiritual development and welfare for students ensuring that they are well prepared for life and work in Britain today;
6. to build students' confidence and employability skills, including English and maths, ensuring progression to further study or sustainable employment;
7. to achieve consistently high customer satisfaction from students, parents, employers and other stakeholders;
8. to provide leadership for local education and training partnerships.

Public Benefit

St Helens College is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education (previously the Secretary of State for Business, Innovation and Skills) as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on page 10.

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

Public Value Statement (PVS)

The College seeks to add value to the social, economic and physical well-being of the communities that we serve by:

1. providing education and training in accordance with the College's mission, statement of aims and values which maximise the life and job prospects of the individuals and meet the needs of the employers and the communities in general;
2. raising aspirations of individuals and the communities by promoting prospects and celebrating success;
3. ensuring a broad curriculum offer with good progression routes from entry level;
4. promoting healthy life styles and good citizenship skills to all students and colleagues;
5. being responsive to the changing needs and circumstances;
6. actively listening to and engaging with the stakeholders of the College aiming to provide the best possible service;
7. being a respectful and responsible employer;
8. always acting with corporate integrity.

FINANCIAL POSITION

Financial results

The Group incurred a deficit before other gains and losses in the year of £3.0m (2017/18 – surplus of £8.8m). The deficit has arisen as a result of lower than expected income following the merger not being matched by reduction on operating costs. This has now been addressed through a substantial restructuring programme. The surplus in 2018 was driven by the receipt of a large grant following the merger.

Total comprehensive income was a deficit of £17.6m (2017/18 – surplus of £4.2m). An actuarial loss of £14.5m on revaluation of the Government pension scheme is the principal cause of this deficit.

The Group has an accumulated reserve deficit of £17.1m and cash and short term investment balances of £1.5m. The Group accumulates reserves and cash balances in order to create a contingency fund.

Tangible fixed asset additions during the year amounted to £0.3m.

The Group has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2018/19 the FE funding bodies provided 71% of the Group's total income.

The College has two subsidiary companies, Skills Northwest Limited and Waterside Training Limited. Skills Northwest Limited is a dormant company, whilst Waterside Training Limited, a specialist industrial training provider was 100% acquired on 1 April 2019, having previously been 44% owned. The share of the loss to 31 March 2019 was £37k, whilst the surplus generated for the period from 1 April 2019 was £33k.

Treasury policies and objectives

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

The College has a separate treasury management policy in place.

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

Cash flows and liquidity

Net cash flow from operating activities was a decrease of £0.7m (2017/18 increase of £0.2m). The overall net decrease in cash of £2.0m (2017/18 increase of £3.3m) included repayment of loans, investment in the College's estate, and the management of other resources.

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

FUTURE DEVELOPMENTS AND PROSPECTS

The College is a major provider of education and training at all levels from basic English and maths to full honours degrees. With nearly 12,000 students, 525 employees and nearly 1,000 employer links, the College plays a major role in the local community within St Helens, Knowsley and the surrounding area, the wider Liverpool City Region and the FE sector.

The College educates a wide variety of students preparing them for employment or further study. It comprises a range of students from the age of 14 through to adults, with students studying in a wide variety of FE and HE disciplines, allowing them to both meet and raise their own aspirations as well as fulfilling the needs of employers.

Reserves

The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of the organisation, and ensures that there are adequate reserves to support the College's core activities. As at the balance sheet date the Income and Expenditure reserve deficit stands at £17.1m (2018: surplus £533k) which includes a deferred capital grant of £37.8m and pension liability of £32.9m. The Group has no restricted reserves at the 31 July 2019 (2018 £nil). It is the Group's intention to increase reserves over the life of the strategic plan through the generation of annual operating surpluses.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95%. College standard policy is to pay invoices by the end of the month following the receipt of the invoice. During the accounting period 1 August 2018 to 31 July 2019, the College paid 98% of its invoices in compliance with its policy. The College incurred no interest charges in respect of late payment for this period.

Events after the end of the reporting period

The Chief Financial Officer throughout 2018/19, Rob Molloy, resigned with effect from the end of October 2019.

RESOURCES:

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

Tangible resources include the St Helens town centre site, a £60 million building, and seven other college sites, which have had more than £14m invested in them over the last few years.

Financial

The College has £17.1m of net liabilities (including £32.9m pension liability and £37.8m of deferred capital grants) and long term debt of £9.0m. The triennial review of our local government superannuation scheme which has a reference date of 31 March 2019 and uses a different approach to that used for the financial statements concluded that our share of the Merseyside Scheme was 104% funded and this will result in the repayment of previous contributions for a three-year period starting in April 2020.

People

The College employs 525 people (expressed as full time equivalents), of whom 277 are teaching staff.

Reputation

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

PRINCIPAL RISKS AND UNCERTAINTIES:

The College has undertaken further work during the year to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation. This work included a review and redesign of the College's risk management policy, procedures and risk register to implement best practice.

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

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

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

Outlined below is a description of the principal risk factors that may affect the College. These are the ten risks identified by the risk management group as having the highest net risk score. The net risk score is calculated taking into college actions to mitigate risk. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

Four of these risks are financial:

- That we fail to achieve our income targets. In the current financial year for four of main income streams: government funding for 16-18 year old classroom provision, government funding (most of it channelled through the Liverpool City Region) for adult classroom provision; apprenticeship income and income from advanced learner loans student numbers and income expectations are above plan. This is not the case for higher education student income.
- That we fail to reduce our cost base. We went through a successful staff restructuring exercise last year incurring £805k of restructuring costs. Our staffing cost base has fallen. There are areas of our non-staff costs which give rise to concern this year.

- That we incur VAT on our occupation of our Stockbridge Campus. Colleges have few vatable outputs and operate a partial exemption regime with very low VAT recovery rates. Most of the VAT we pay is sticking VAT. Most of our Stockbridge Campus was constructed under a former government's 'Building Schools for the Future' programme and when we took over the campus from Knowsley Metropolitan Borough Council they anticipated that we would pay VAT on the arrangement. Knowsley Metropolitan Borough Council can reclaim all the VAT they pay as they are a local authority. But this arrangement does not suit the college. The situation is currently unresolved.
- That we fail to achieve our business plan cost savings.

One risk relates to the United Kingdom's expected withdrawal from the European Union. The impact this will have on the UK economy and hence potentially on future funding of the College is unknown. However, currently the College do not consider that the exit of the UK from the European Union represents a significant risk to the College's on-going operations and viability.

Another risk relates to micro-government policy. Should we face a situation where we could not pay our suppliers on time then the government might intervene by re-phasing our grant. Alternatively it could decline to do so which would mean that in those circumstances we would have to enter the new college insolvency regime.

Three of the risks relate to quality:

- That we fail to improve quality;
- That the published indicators of quality place us below national averages. Currently on the majority of indicators our academic performance exceeds national averages;
- That adverse grades are awarded by external inspection.

Finally there is a risk relating to data quality.

In addition to these risks the college's senior leadership team wish to identify operating from multiple campuses as a source of vulnerability.

STAKEHOLDER RELATIONSHIPS

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

- Students;
- Education sector funding bodies;
- FE Commissioner;
- Staff;
- Local employers (with specific links);
- Local authorities;
- Local Enterprise Partnerships (LEPs);
- The local community;
- Other FE institutions;
- Trade unions;
- Professional bodies.

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

Disability statement

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

a) As part of its accommodation strategy the College updated its access audit. Experts in this field conducted a full access audit during 2008/09, and the results of this formed the basis of funding capital projects aimed at improving access.

b) The College has appointed an Access Co-ordinator, who provides information, advice and arranges support where necessary for students with disabilities.

c) There is a list of specialist equipment, such as radio aids, which the College can make available for use by students and a range of assistive technology is available in the learning centre.

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

e) The College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.

f) Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.

g) Counselling and welfare services are described in the College Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

Disclosure of information to auditors

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

Approved by order of the members of the Corporation on 12th December 2019 and signed on its behalf by:

Susan Jee

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Susan Jee

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 1st August 2018 to 31st July 2019 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
ii. in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the Code"); and
iii. having due regard to the UK Corporate Governance Code 2014 insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the College has adopted and complied with the Code except that some governors may serve more than two terms in exceptional circumstances. 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 Governors, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2019. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. 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 was adopted by the merged college on the 17th May 2018.

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 were as listed in the table below.

	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance*
Elaine Brocklehurst	2014 - 2022	8 years	n/a	Joint Vice-Chair External Governor	Finance, Resources& Curriculum; Quality & outcomes (Chair); Strategic Curriculum Planning, Performance & remuneration; Search and Governance HE committee	8 out of 9 scheduled GB meetings
Susan Jee	2017 – 2021	4 years	n/a	Chair (from March 2017) External Governor	Finance, Resources& Curriculum (Chair); Performance and remuneration; Search and Governance Chair)	7 out of 9 scheduled GB meetings
Jim Pinsent	2015-2019 2019-2023 Reappointed for a second term 19th September 2019	4 years	n/a	Joint Vice-Chair External Governor	Finance, Resources& Curriculum ; Performance and Remuneration (Chair); Search and Governance	8 out of 9 scheduled GB meetings

	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance*
Keith Sanderson	2017 – 2021	4 years	n/a	External Governor	Finance, Resources & Commercial	6 out of 9 scheduled GB meetings
Nick Shore	2017 – 2021	4 years	n/a	External Governor	Performance & remuneration, Finance Resources & Commercial	5 out of 9 scheduled GB meetings
Julie Heap	2014 – 2020	6 years	n/a	Staff Governor	Quality & Outcomes	9 out of 9 scheduled GB meetings
Jette Burford	N/a	Ex-officio	Retired 5th April 2019	Principal	Finance, Resources & Commercial; Quality & Outcomes; Search and Governance; Strategic Curriculum planning	4 out of 9 scheduled GB meetings BUT 4 out of 5 possible GB scheduled meetings that could have attended.
Julia Tinsley	2015-2019	4 years	27/09/18	External Governor	Quality & Outcomes; Strategic Curriculum planning	2 out of 9 scheduled GB meetings BUT 2 out of 2 possible GB scheduled meetings that could have attended.

	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance*
Pam Jervis	5th term of office until 2020	4 years	29/09/18	External Governor and Joint Vice- Chair	Quality & Outcomes; Strategic Curriculum Planning (Chair)	2 out of 9 scheduled GB meetings BUT 2 out of 2 possible GB scheduled meetings that could have attended.
Aidan Sergent	2016-2020	4 years	31/10/18	External Governor	Finance, Resources & Commercial;	0 out of 9 scheduled GB meetings BUT 0 out of 1 possible GB scheduled meetings that could have attended.
Benjamin Bennett- Stanley	2016-2020	4 years	n/a	Staff Governor	Strategic Curriculum Planning	7 out of 9 scheduled GB meetings
Philip Han	2018-2022	4 years	n/a	External Governor	Audit (Chair)	9 out of 9 scheduled
Yvonne Rennison	2018-2022	4 years	December 2018	External Governor	Quality & Outcomes; Strategic Curriculum planning	0 out of 9 scheduled GB meetings BUT 0 out of 2 possible GB scheduled meetings that could have attended.
Alison Cannon	2018-2022	4 years	n/a	External Governor	Audit	5 out of 9 scheduled Gb meetings

	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance*
Martin Carr	November 2018 – Nov ember 2022	4 years	May 2019	External Governor	Audit, Quality & outcomes and Strategic curriculum Planning	3 out of 9 scheduled GB meetings BUT 3 out of 3 possible GB scheduled meetings that could have attended.
Clare Russell	November 2018 – Nov ember 2022	4 years	n/a	External Governor	Quality & outcomes and Strategic curriculum Planning HE committee	6 out of 9 scheduled GB meetings BUT 4 out of 7 possible GB scheduled meetings that could have attended.
Matt Trinder	01/12/18	4 years	5 December 2019	External Governor	Quality & outcomes and Strategic curriculum Planning	4 out of 9 scheduled GB meetings BUT 4 out of 7 possible GB scheduled meetings that could have attended.
John Heritage	March 2019	4 years	n/a	External Governor	HE committee Audit	3 out of 9 scheduled GB meetings BUT 3 out of 4 possible GB scheduled meetings that could have attended.

	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance*
Debbie Calderbank	May 2019	4 years	n/a	External Governor	Audit	3 out of 9scheduled GB meetings BUT 3 out of 3 possible GB scheduled meetings that could have attended.
Oliver Burke	January 2018-July 2019	n/a	n/a	Student Governor	none	4 out of 7 scheduled GB meeting. BUT 4 out of 6 possible GB scheduled meetings that could have attended
Kathrine Manchester	December 2018-July 2019	n/a	n/a	Student Governor	none	2 out of 7 scheduled GB meetings BUT 2 out of 5 possible GB scheduled meetings that could have attended

	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance*
Monica Box Interim Principal	April 2019	n/a	n/a	Ex-officio Interim Principal	Finance, Resources & Commercial; Quality & Outcomes; Search and Governance; Strategic Curriculum planning	4 out of 9scheduled GB meetings BUT 4 out of 4 possible GB scheduled meetings that could have attended

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 Finance Resources and Commercial, Quality & Outcomes, Strategic Curriculum Planning, Performance & Remuneration, Search & Governance and Audit. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website at www.sthelens.ac.uk or from the Director of Governance at:

St Helens College
Water Street
St Helens
WA10 1PP

The Director of Governance 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 Director of Governance, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Director of Governance 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 Chairman and Accounting Officer are separate.

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a search committee, consisting of three members of the Corporation and the Principal who is also a Governor, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

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

Corporation performance

The Corporation has produced a self-assessment report for 2017/18 and an action plan for 2018/19 covering the areas of oversight and leadership that it is responsible for. The Corporation has undertaken self-assessment for the academic year 18/19 and is in the process of finalising an action plan which will be submitted to the Corporation for approval and will include any outstanding actions form the action plan for 2018/19. The Corporation will monitor progress against these items during 2019/20.

Remuneration Committee

Throughout the year ending 31 July 2019 the College's Performance and Remuneration Committee comprised four members of the Corporation. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other key management personnel. The Corporation adopted The Colleges Senior Postholder Remuneration Code in May 2019 and will be complying with the minimum requirements of this.

Details of remuneration for the year ended 31 July 2019 are set out in note 8 to the financial statements.

Audit Committee

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

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

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

Management 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 Committee also advises the Corporation on the appointment of internal reporting accountants 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 she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between St Helens College and the funding bodies. She 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 St Helens College for the year ended 31 July 2019 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2019 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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

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

St Helens College has an internal audit service, which operates in accordance with the requirements of the EFA and SFA's Post-16 audit code of practice 2018 to 2019. 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 committee. At minimum, annually, the Head of Internal Audit (HIA) provides Audit committee with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. Her 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, the reporting accountant for regularity assurance, the appointed funding auditors (for colleges subject to funding audit) in their management letters and other reports.

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

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The 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 Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

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

Going concern

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements. See accounting policy section, page 33, for further detail.

Approved by order of the members of the Corporation on 12th December 2019 and signed on its behalf by:

Susan Jee

Susan Jee

Chair

Monica Box

Monica Box

Principal and 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 & Skills Funding Agency of material irregularity, impropriety and non-compliance with Education & Skills Funding Agency terms and conditions of funding, under the financial memorandum in place between the College and the Education & Skills Funding Agency. 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 Education & Skills Funding Agency's 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 Education & Skills Funding Agency.

Monica Box

Monica Box

Accounting Officer

Date: 12 December 2019

Susan Jee

Susan Jee

Chair of Governors

Date: 12 December 2019

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the College's Financial Memorandum with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the *2015 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *College Accounts Direction 2018 to 2019* issued by the ESFA, and which give a true and fair view of the state of affairs of the group and the parent College and the result for that year.

In preparing the group and parent College 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 Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- assess the group and parent College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent College or to cease operations, or have no realistic alternative but to do so.

The Corporation is also required to prepare a Strategic Report which describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the College.

The Corporation is responsible for keeping adequate accounting records which disclose with reasonable accuracy, at any time, the financial position of the parent College, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for taking steps that are reasonably open to it in order to safeguard the assets of the group 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.

Statement of Responsibilities of the Members of the Corporation (continued)

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

Approved by order of the members of the Corporation on 12th December 2019 and signed on its behalf by:

Susan Jee

Chair

KPMG

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF ST HELENS COLLEGE

Opinion

We have audited the financial statements of St Helens College ("the College") for the year ended 31 July 2019 which comprise the Consolidated and College Statements of Comprehensive Income, Consolidated and College Statement of Changes in Reserves, Group and College Balance Sheets and Consolidated Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the College's affairs as at 31 July 2019, and of the Group's and the College's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended; and

- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland,* and with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education.*

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements which indicates that the College has reported an operating loss of £17,610k for the year to 31 July 2019 (2018: an operating surplus of £4,207k); operating cash outflow of £659k (2018: a cash inflow of £237k) and at 31 July 2019 had net liabilities of £17,077k. Further, the governors consider that the timing of funding receipts from the government and planned asset sales presents significant challenges in terms of cash flow particularly during the period January to April 2020. These events and conditions, along with the other matters explained in note 1, constitute a material uncertainty that may cast significant doubt on the group's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates and related disclosures made by Directors, and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes consequences, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Other information

The Corporation is responsible for the other information, which comprises the Strategic Report and the Corporation's statement of corporate governance and internal control. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Matters on which we are required to report by exception

Under the Post-16 Audit Code of Practice 2018 to 2019 (February 2019) issued by the Education and Skills Funding Agency we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent College; or
- the parent College's financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Corporation's responsibilities

As explained more fully in their statement set out on page 21, the Corporation is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent 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 it either intends to liquidate the group or the parent College or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Corporation, in accordance with Article 21 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the Corporation for our audit work, for this report, or for the opinions we have formed.

Rashpal Khangura
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

28/01/20

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KPMG

Reporting Accountant's Report on Regularity to the Corporation of St Helens College and the Secretary of State for Education acting through the Education and Skills Funding Agency (ESFA)

In accordance with the terms of our engagement letter dated 24 July 2019 and further to the requirements and conditions of funding in ESFA grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by St Helens College during the period 1 August 2018 to 31 July 2019 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

This report is made solely to the corporation of St Helens College and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of St Helens College and the ESFA 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 St Helens College and the ESFA for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of St Helens College and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Post-16 Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2018 to 31 July 2019 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Post-16 Audit Code of Practice issued by the ESFA. We performed a limited assurance engagement as defined in that framework.

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

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

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

The work undertaken to draw our conclusion included:

- Documenting the framework of authorities which govern the activities of the College;

- Undertaking a risk assessment based on our understanding of the general control environment and any weaknesses in internal controls identified by our audit of the financial statements;
- Reviewing the self-assessment questionnaire which supports the representations included in the Chair of Governors and Accounting Officer's statement on regularity, propriety and compliance with the framework of authorities;
- Testing transactions with related parties;
- Confirming through enquiry and sample testing that the College has complied with its procurement policies and that these policies comply with delegated authorities; and
- Reviewing any evidence of impropriety resulting from our work and determining whether it was significant enough to be referred to in our regularity report.

This list is not exhaustive and we performed additional procedures designed to provide us with sufficient appropriate evidence to express a limited assurance conclusion on regularity consistent with the requirements of the Post-16 Audit Code of Practice.

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2018 to 31 July 2019 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

R. h. Kh

Rashpal Khangura
For and on behalf of KPMG LLP, Reporting Accountant
1 St Peter's Square
Manchester
M2 3AE
28/01/20

Consolidated and College Statements of Comprehensive Income

	Notes	Year ended 31 July 2019		Year ended 31 July 2018	
		Group	College	Group	College
		£'000	£'000	£'000	£'000
INCOME					
Funding body grants	2	23,152	23,152	20,831	20,831
Tuition fees and education contracts	3	5,608	5,608	5,478	5,478
Other grants and contracts	4	926	926	14,751	14,751
Other income	5	2,691	2,450	2,061	2,061
Investment income	6	7	7	-	-
Donations and Endowments	7	-	-	-	-
Total income		**32,384**	**32,143**	**43,121**	**43,121**
EXPENDITURE					
Staff costs	8	21,195	20,930	19,770	19,770
Fundamental restructure costs	8	805	805	1,520	1,520
Other operating expenses	9	9,885	9,942	9,363	9,363
Depreciation	12	2,595	2,595	2,579	2,579
Interest and other finance costs	10	935	935	1,090	1,090
Total expenditure		**35,415**	**35,207**	**34,322**	**34,322**
Surplus/(Deficit) before other gains and losses		**(3,031)**	**(3,064)**	**8,799**	**8,799**
Extraordinary loss		(87)	-	-	-
Share of operating surplus/(deficit) in associate		(37)	-	21	-
Surplus/(Deficit) before tax		**(3,155)**	**(3,064)**	**8,820**	**8,799**
Taxation	11	-	-	-	-
Surplus/(Deficit) for the year		**(3,155)**	**(3,064)**	**8,820**	**8,799**
Net gain/(loss) arising from transfer of assets and liabilities from acquisition	28	-	-	(13,460)	(13,460)
Actuarial gain/(loss) in respect of pensions schemes	25	(14,455)	(14,455)	8,847	8,847
Total Comprehensive Income for the year		**(17,610)**	**(17,519)**	**4,207**	**4,186**

Consolidated and College Statements of Changes in Reserves

	Income and expenditure account	Restricted reserves	Total
Group			
Balance at 1st August 2017	(3,674)	-	(3,674)
Surplus/(deficit) from the income and expenditure account	8,820	-	8,820
Other comprehensive income	(4,613)	-	(4,613)
Transfers between revaluation and income and expenditure reserves			
Total comprehensive income for the year	4,207	-	4,207
Balance at 31st July 2018	533	-	533
Surplus/(deficit) from the income and expenditure account	(3,155)	-	(3,155)
Other comprehensive income	(14,455)	-	(14,455)
Transfers between revaluation and income and expenditure reserves			
Total comprehensive income for the year	(17,610)	-	(17,610)
Balance at 31st July 2019	(17,077)	-	(17,077)
College			
Balance at 1st August 2017	(3,701)	-	(3,701)
Surplus/(deficit) from the income and expenditure account	8,799	-	8,799
Other comprehensive income	(4,613)	-	(4,613)
Transfers between revaluation and income and expenditure reserves			
Total comprehensive income for the year	4,186	-	4,186
Balance at 31st July 2018	485	-	485
Surplus/(deficit) from the income and expenditure account	(3,064)	-	(3,064)
Other comprehensive income	(14,455)	-	(14,455)
Transfers between revaluation and income and expenditure reserves			
Total comprehensive income for the year	(17,519)	-	(17,519)
Balance at 31st July 2019	(17,034)	-	(17,034)

Group and College Balance sheets as at 31st July

	Notes	Group	College	Group	College
		2019	2019	2018	2018
		£'000	£'000	£'000	£'000
Non current assets					
Tangible Fixed assets	12	65,216	65,216	67,544	67,544
Investments	13	-	141	48	41
		65,216	**65,356**	**67,592**	**67,585**
Current assets					
Stocks		50	50	40	40
Trade and other receivables	14	2,321	2,076	995	995
Cash and cash equivalents	20	1,467	1,399	3,480	3,480
		3,838	**3,525**	**4,515**	**4,515**
Less: Creditors – amounts falling due within one year	16	(7,589)	(7,373)	(6,869)	(6,909)
Net current assets / (liabilities)		**(3,751)**	**(3,848)**	**(2,354)**	**(2,394)**
Total assets less current liabilities		**61,465**	**61,508**	**65,238**	**65,191**
Creditors – amounts falling due after more than one year	17	(45,397)	(45,397)	(47,279)	(47,279)
Provisions					
Defined benefit obligations	19	(33,145)	(33,145)	(17,426)	(17,426)
Other provisions	19	-	-	-	-
Total net assets / (liabilities)		**(17,077)**	**(17,034)**	**533**	**486**
Restricted reserves					
Principal's Fund Reserve					
Unrestricted Reserves					
Income and expenditure account		(17,077)	(17,034)	533	486
Revaluation reserve					
Total reserves		**(17,077)**	**(17,034)**	**533**	**486**

The financial statements on pages 27 to 59 were approved and authorised for issue by the Corporation on 12th December 2019 and were signed on its behalf by:

Susan Jee

Chair

Monica Box

Principal / Accounting Officer

Consolidated Statement of Cash Flows

	Notes	2019 £'000	2018 £'000
Cash flow from operating activities			
Surplus/(Deficit) for the year		(3,155)	8,820
Adjustment for non-cash items			
Depreciation	12	2,595	2,579
Release of Government capital grants		(1,469)	(9,781)
(Increase)/decrease in stocks		(10)	(4)
(Increase)/decrease in debtors	14	(1,326)	145
Increase/(decrease) in creditors due within one year	16	916	1,696
Increase/(decrease in creditors due after one year	17	-	(130)
Increase/(decrease) in provisions	19	-	-
Pensions costs less contributions payable	25	1,264	1,020
Share of operating (surplus)/deficit in associate		48	(21)
Transfer due to merger		-	(4,607)
Taxation		-	-
Adjustment for investing or financing activities			
Investment income	6	(7)	-
Interest payable	10	465	520
Prior year fixed asset adjustment	12	20	-
Loss on sale of fixed assets	12	-	-
Net cash flow from operating activities		**(659)**	**237**
Cash flows from investing activities			
Disposal of non-current asset investments	13	-	-
Capital grants received		-	68
Investment income	6	7	-
Transfer due to merger		-	4,340
Payments made to acquire fixed assets	12	(287)	(113)
Purchase of subsidiary		-	-
		(280)	**4,295**
Cash flows from financing activities			
Interest paid	10	(465)	(520)
Interest element of finance lease rental payments		-	-
New unsecured loans		-	-
Repayments of amounts borrowed	17	(609)	(694)
Capital element of finance lease rental payments		-	-
		(1,074)	**(1,214)**
Increase / (decrease) in cash and cash equivalents in the year		**(2,013)**	**3,318**
Cash and cash equivalents at beginning of the year	20	3,480	162
Cash and cash equivalents at end of the year	20	1,467	3,480

College Statement of Cash Flows

	Notes	2019 £'000	2018 £'000
Cash flow from operating activities			
Surplus/(Deficit) for the year		(3,064)	8,820
Adjustment for non-cash items			
Depreciation	12	2,595	2,579
Release of Government capital grants		(1,469)	(9,781)
(Increase)/decrease in stocks		(10)	(4)
(Increase)/decrease in debtors	14	(1,081)	145
Increase/(decrease) in creditors due within one year	16	660	1,696
Increase/(decrease in creditors due after one year	17	-	(130)
Increase/(decrease) in provisions	19	-	-
Pensions costs less contributions payable	25	1,264	1,020
Share of operating (surplus)/deficit in associate		-	(21)
Transfer due to merger		-	(4,607)
Taxation		-	-
Adjustment for investing or financing activities			
Investment income	6	(7)	-
Interest payable	10	465	520
FY1718 Adjustment to fixed assets	12	20	-
Loss on sale of fixed assets	12	-	-
Net cash flow from operating activities		**(627)**	**237**
Cash flows from investing activities			
Disposal of non-current asset investments	13	-	-
Capital grants received		-	68
Investment income	6	7	-
Transfer due to merger		-	4,340
Payments made to acquire fixed assets	12	(287)	(113)
Purchase of subsidiary		(100)	-
		(380)	**4,295**
Cash flows from financing activities			
Interest paid	10	(465)	(520)
Interest element of finance lease rental payments		-	-
New unsecured loans		-	-
Repayments of amounts borrowed	17	(609)	(694)
Capital element of finance lease rental payments		-	-
		(1,074)	**(1,214)**
Increase / (decrease) in cash and cash equivalents in the year		**(2,081)**	**3,318**
Cash and cash equivalents at beginning of the year	20	3,480	162
Cash and cash equivalents at end of the year	20	1,399	3,480

Notes to the Accounts

1. Statement of accounting policies and estimation techniques

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

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2018 to 2019* and in accordance with Financial Reporting Standard 102 – *"The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland"* (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

There is a material uncertainty related to events or conditions that may cast significant doubt on the College's ability to continue as a going concern and it may therefore be unable to realise its assets and discharge its liabilities in the normal course of business.

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

Basis of accounting

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

Following the merger of St Helens College and Knowsley Community College in 2017-18, the accounts were prepared on an acquisition accounting basis, in line with guidance in the Education SORP.

Basis of consolidation

The consolidated financial statements include the College and its subsidiaries, Skills Northwest Limited and Waterside Training Limited, controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. All financial statements are made up to 31 July. Waterside Training Limited was an associate company until 31 March 2019. Up until this date it's results are consolidated on a share of the profit or loss for the period. As the Waterside financial year is to 31st March, management accounts are used to calculate the results of Waterside to the College's year end.

1. Statement of accounting policies and estimation techniques continued

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 financial statements are prepared on a going concern basis notwithstanding that the College has reported an operating loss of £17,610k for the year to 31 July 2019 (2018: an operating surplus of £4,207k); operating cash outflow of £659k (2018: a cash inflow of £237k) and at 31 July 2019 had net liabilities of £17,077k. The net liabilities figure of £17,077k includes an estimated liability of £33,145k arising from the College's membership of the Merseyside Local Government Superannuation Scheme. Further, the governors consider that the timing of funding receipts from the government and planned asset sales presents significant challenges in terms of cash flow particularly during the period January to April 2020. Whilst the governors have instituted measures to preserve cash and secure additional finance, there is uncertainty over future trading results and cash flows.

The governors are seeking to manage potential cash shortfalls in the period January to April 2020 through managing their working capital arrangements. The College has commenced discussions with its bankers about an additional facility that may prove to be necessary should the College be unable to manage the position through delaying payments to creditors. It is likely that these discussions will not be completed for some time. The governors would seek an adjustment of its funding profile from the government in the case that an additional facility is not forthcoming but have not yet secured a commitment.

The College currently has £9.5m of loans outstanding with bankers on terms negotiated at a number of points in the last few years. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future. The College is seeking to reduce its borrowings by applying the funds from the sale of two properties. The College is in negotiations with potential purchasers but there can be no certainty that sales will proceed at suitable prices and timings.

Based on the above, the governors believe it remains appropriate to prepare the financial statements on a going concern basis. However, these circumstances represent a material uncertainty that may cast significant doubt upon the College's ability to continue as a going concern and, therefore to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Recognition of income

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the

1. Statement of accounting policies and estimation techniques continued

particular income stream involved. Any under or over achievement for the Adult Skills 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, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

The recurrent grant from OFS represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

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

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

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

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

Accounting for post-employment benefits

Post-employment benefits to employees of the College are principally provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit plans, which are externally funded and contracted out of the State Second Pension.

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method. The TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore

1. Statement of accounting policies and estimation techniques continued

treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

The FRS 102 valuation of the LGPS pension scheme gives rise to a deficit recognised in the Balance sheet of £33.1m. The Actual surplus of the LGPS scheme (based on its actual combination of assets and liabilities) at 31st March 2019 is £2.9m with the scheme being 104% funded.

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

Short term Employment benefits

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

Non-current Assets - Tangible fixed assets

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

Land and buildings

Freehold buildings are depreciated on a straight line basis over their expected useful lives as follows:

1. Statement of accounting policies and estimation techniques continued

- Buildings – 50 years
- Major Refurbishments – 20 years
- Minor Refurbishments – 10 years

Freehold land is not depreciated.

Freehold buildings are depreciated over their expected useful economic life to the College of 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of 20 years, and minor adaptions over 10 years.

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

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

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in the past, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

Assets under construction

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

Subsequent expenditure on existing fixed assets

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

1. Statement of accounting policies and estimation techniques continued

Equipment

Equipment costing less than £1,000 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost.

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

- technical equipment 4 years
- motor vehicles 4 years
- computer equipment 4 years
- furniture, fixtures and fittings 4 years

Borrowing costs

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

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives relating to leases signed after 1st August 2014 are spread over the minimum lease term. The College has taken advantage of the transitional exemptions in FRS 102 and has retained the policy of spreading lease premiums and incentives to the date of the first market rent review for leases signed before 1st August 2014.

Investments

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

Investments in associates

Investments in associates are accounted for at cost less impairment in the individual financial statements.

Other investments

Listed investments held as non-current assets and current asset investments, which may include listed investments, are stated at fair value, with movements recognised in Comprehensive Income. Investments comprising unquoted equity instruments are measured at fair value, estimated using a valuation technique.

1. Statement of accounting policies and estimation techniques continued

Inventories

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

Cash and cash equivalents

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

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

Financial liabilities and equity

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

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

Taxation

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

The College is partially exempt in respect of Value Added Tax, so that it can only recover around 2% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

1. Statement of accounting policies and estimation techniques continued

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

Provisions and contingent liabilities

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

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

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

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

Agency arrangements

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the group's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the

1. Statement of accounting policies and estimation techniques continued

economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 25, 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 2019 has been used by the actuary in valuing the pensions liability at 31 July 2019. 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.

2 Funding body grants

	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
Education & Skills Funding Agency – Adults	4,721	4,721	4,574	4,574
Education & Skills Funding Agency – 16-18	13,972	13,972	12,261	12,261
Education & Skills Funding Agency - Apprenticeships	2,703	2,703	2,078	2,078
Higher Education Funding Council	634	634	729	729
Specific grants				
Free School Meals	103	103	141	141
Releases of government capital grants	1,019	1,019	1,048	1,048
Total	**23,152**	**23,152**	**20,831**	**20,831**

3 Tuition fees and education contracts

	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	975	975	1,070	1,070
Apprenticeship fees and contracts	282	282	292	292
Fees for FE loan supported courses	1,173	1,173	1,098	1,098
Fees for HE loan supported courses	3,178	3,178	3,018	3,018
International students fees	-	-	-	-
Total tuition fees	5,608	5,608	5,478	5,478
Education contracts	-	-	-	-
Total	**5,608**	**5,608**	**5,478**	**5,478**

4 Other grants and contracts

	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other grants and contracts	926	926	14,751	14,751
Total	**926**	**926**	**14,751**	**14,751**

5 Other income

	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering and residences	627	627	355	355
Other income generating activities	914	673	841	841
Other grant income	-	-	-	-
Non-government capital grants	488	488	309	309
Miscellaneous income	662	662	556	556
Total	**2,691**	**2,450**	**2,061**	**2,061**

6 Investment income

	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other interest receivable	7	7	-	-
Total	**7**	**7**	-	-

7 Donations – College only

	2019	2018
	£'000	£'000
Donations	-	-
Total	-	-

8 Staff costs – Group and College

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

	Group 2019 No.	College 2019 No.	Group 2018 No.	College 2018 No.
Teaching staff	281	277	276	276
Non-teaching staff	274	248	250	250
	555	**525**	**526**	**526**

Staff costs for the above persons	**2019 £'000**	**2018 £'000**	**2019 £'000**	**2018 £'000**
Wages and salaries	15,629	15,463	14,965	14,965
Social security costs	1,396	1,382	1,367	1,367
Other pension costs	3,819	3,812	3,284	3,284
Other employee costs	212	190	-	-
Payroll sub total	**21,056**	**20,847**	**19,616**	**19,616**
Contracted out staffing services	139	83	154	154
	21,195	**20,930**	**19,770**	**19,770**
Fundamental restructuring costs – Contractual	805	805	1,520	1,520
– Non contractual	-	-	-	-
Total Staff costs	**22,000**	**21,735**	**21,290**	**21,290**

The number of staff to whom the restructuring costs relate in 2018/19 was 41 (2017/18: 62)

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the senior post holders of the College, which following a restructure in summer 2018, comprises the Chief Executive Officer, Chief Financial Officer, and the new position of Deputy Principal. Before the restructure there was a Principal for the St Helens campus and a Principal for the Knowsley campus. These posts have now been replaced by that of a Deputy Principal for the whole college. Staff costs include compensation paid to key management personnel for loss of office.

8. Staff costs – Group and College continued

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

	2019 No.	2018 No.
The number of key management personnel including the Accounting Officer was:	6	4

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

	Key management personnel		Other staff	
	2019 No.	2018 No.	2019 No.	2018 No.
£60,001 to £65,000	-	-	1	2
£65,001 to £70,000	-	-	1	-
£75,001 to £80,000	-	-	-	1
£85,001 to £90,000	1	1	-	-
£90,001 to £95,000	-	1	-	-
£95,001 to £100,000	3	1	-	-
£130,001 to £135,000	1	1	-	-
£140,001 to £145,000	1	-	-	-
	6	4	2	3

As noted on page 1 of the financial statements the Chief Executive Officer at the start of year resigned on 5th April 2019, whilst a new Chief Executive Officer commenced on 1st April 2019. The Principals of the St Helens campus and of the Knowsley campus both left on 30th September 2018. A Deputy Principal for the whole college commenced on 18th March 2019.

8. Staff costs – Group and College continued

Key management personnel emoluments are made up as follows:

	2019	2018
	£'000	£'000
Salaries	289	339
Employer's National Insurance	50	43
Holiday pay	2	-
Benefits in kind	3	3
	344	385
Pension contributions - regular	35	54
Pension contributions – compensation for loss of office	21	280
Total emoluments	**400**	**719**

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

The above emoluments include amounts payable to the two Accounting Officers who served during the year of:

Jette Burford - 1 August 2018 to 5 April 2019 (2017/18 full year)	**2019**	**2018**
	£'000	**£'000**
Salaries	89	131
Benefits in kind	2	2
	91	**133**
Pension contributions	9	22

Monica Box - 1 April 2019 to 31 July 2019	**2019**	**2018**
	£'000	**£'000**
Salaries	38	0
Benefits in kind	0	0
	38	**0**
Pension contributions	0	0

Monica Box is employed on an 80% basis. Her full time equivalent annual salary as at 31 July 2019 was £130,000. The highest paid officer in 2018/19 was the Chief Financial Officer, whose salary was £96,000, benefits in kind £1,000 and pension contributions £15,000. The Accounting officer was the highest paid officer in 2017/18.

The remuneration package of the Principal and Chief Executive is subject to annual review by the Remuneration Committee of the governing body who use benchmarking information to provide objective guidance. The Principal and Chief Executive reports to the Chair of Governing Council, who undertakes an annual review of her performance against the college's overall objectives using both qualitative and quantitative measures of performance.

8. Staff costs – Group and College continued

Compensation for loss of office paid to former key management personnel

	2019 £'000	2018 £'000
Compensation paid to the former post-holder - contractual	15	30
Estimated value of other benefits, including provisions for pensions.	21	280

Payments were made to 2 former members of the key management personnel for loss of office, who left on 30 September 2018. Provision had been made for their compensation for loss of office in the accounts for the year ended 31 July 2018, but wasn't disclosed separately in the note above in the 2018 financial statements. The members of the Corporation other than the Accounting Officer and the staff member did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

Pay Multiples

Relationship of Principal/Chief Executive pay and remuneration expressed as a multiple

Principal and CEO's basic salary (full time equivalent) as a multiple of the median of all staff

	2019	2018
- Jette Burford	4.68	4.79
- Monica Box	4.65	0

Principal and CEO's total remuneration (full time equivalent) as a multiple of the median of all staff

	2019	2018
- Jette Burford	4.78	4.85
- Monica Box	4.43	0

The Pay multiple calculations have been determined by dividing the annual full time equivalent salary of the Principal by the median annual full time equivalent salaries of the College's employees as at 31 July in each of the respective years. Hourly paid staff are excluded from the calculation as they only work during term time and only on a part time basis.

9 Other operating expenses

	2019 Group £'000	2019 College £'000	2018 Group £'000	2018 College £'000
Teaching costs	3,602	3,680	2,068	2,068
Non-teaching costs	3,548	3,536	4,994	4,994
Premises costs	2,735	2,726	2,301	2,301
Total	**9,885**	**9,942**	**9,363**	**9,363**

Other operating expenses include:	2019 £'000	2018 £'000
Auditors' remuneration:		
Financial statements audit	35	35
Internal audit	15	15
Other services provided by the financial statements auditor	3	3
Other services provided by the internal auditors	-	-
Hire of assets under operating leases	157	140
Payments to subcontractors	1,535	1,277

10 Interest and other finance costs – Group and College

	2019 £'000	2018 £'000
On bank loans, overdrafts and other loans:	465	520
Pension finance costs (note 25)	470	570
Total	**935**	**1,090**

11 Taxation – Group only

	2019 £'000	2018 £'000
United Kingdom corporation tax at 20 per cent	-	-
Total	-	-

12 Tangible fixed assets (Group & College)

	Land and buildings		Equipment	Total
	Freehold	Long leasehold		
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2018	92,063	1,261	2,952	96,276
Additions	124	-	163	287
Disposals	(4)	-	(1,562)	(1,566)
At 31 July 2019	**92,183**	**1,261**	**1,553**	**94,997**
Depreciation				
At 1 August 2018	26,164	562	2,006	28,732
Charge for the year	2,111	50	434	2,595
Elimination in respect of disposals	(4)	-	(1,562)	(1,566)
Prior year Adjustment	-	-	20	20
At 31 July 2019	**28,271**	**612**	**898**	**29,781**
Net book value at 31 July 2019	**63,912**	**649**	**655**	**65,216**
Net book value at 31 July 2018	65,899	699	946	67,544

13 Non-current investments

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Investments in subsidiary companies	-	141	-	41
Investments in associate companies	-	-	48	-
Total	**-**	**141**	**48**	**41**

At 1st August 2018, the College owned 100 per cent of the issued ordinary £1 shares of Skills Northwest Limited, a company incorporated in England and Wales, and 44 per cent of the issued ordinary £1 shares of Waterside Training Limited, a company incorporated in England and Wales. On 1st April 2019, the College acquired the remaining shares of Waterside Training Limited. Skills Northwest Limited is a dormant company. The principal activity of Waterside Training Limited is the delivery of training for individuals and companies in the engineering industry.

14 Debtors

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Amounts falling due within one year:				
Trade receivables	553	553	383	383
Amounts owed by group undertakings:				
Subsidiary undertakings	-	116	-	-
Associate undertakings	-	-	78	78
Prepayments and accrued income	1,762	1,401	528	528
Other debtors	6	6	6	6
Total	2,321	2,076	995	995

15 Current investments

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Short term deposits	-	-	-	-
Total	-	-	-	-

16 Creditors: amounts falling due within one year

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Bank loans and overdrafts	524	524	608	608
Trade payables	2,725	2,725	847	847
Amounts owed to group undertakings:				
Subsidiary undertakings	-	80	-	-
Associate undertakings	-	-	8	8
Other taxation and social security	685	685	860	860
Accruals and deferred income	1,813	1,813	2,372	2,372
Deferred income - government capital grants	1,380	1,380	1,492	1,492
Amounts owed to the SFA/EFA	(210)	(210)	529	529
Other creditors	672	376	153	193
Total	7,589	7,373	6,869	6,909

17 Creditors: amounts falling due after one year

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Bank loans	8,972	8,972	9,497	9,497
Deferred income - government capital grants	36,425	36,425	37,782	37,782
Other creditors	-	-	-	-
Total	**45,397**	**45,397**	**47,279**	**47,279**

18 Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
In one year or less	524	524	608	608
Between one and two years	1,118	1,118	1,072	1,072
Between two and five years	1,887	1,887	1,798	1,798
In five years or more	5,967	5,967	6,627	6,627
Total	**9,496**	**9,496**	**10,105**	**10,105**

19 Provisions

	Group and College		
	Defined benefit obligations	Other	Total
	£'000	£'000	£'000
At 1 August 2018	17,426	-	17,426
Expenditure in the period	-	-	-
Additions in period	15,719	-	15,719
At 31 July 2019	**33,145**	**-**	**33,145**

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Note 25.

20 Cash and cash equivalents

	At 1 August 2018	Cash flows	Other changes	At 31 July 2019
	£'000	£'000	£'000	£'000
Group				
Cash and cash equivalents	3,480	(2,013)	-	1,467
Total	**3,480**	**(2,013)**	-	**1,467**
College				
Cash and cash equivalents	3,480	(2,081)	-	1,399
Total	**3,480**	**(2,081)**	-	**1,399**

21 Capital and other commitments

	Group and College	
	2019	2018
	£'000	£'000
Commitments contracted for at 31 July	-	-

22 Lease obligations

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

	Group and College	
	2019	2018
	£'000	£'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	649	659
Later than one year and not later than five years	2,966	2,948
Later than five years	9,705	12,790
	13,320	16,397
Other		
Not later than one year	-	64
Later than one year and not later than five years	-	-
Later than five years	-	-
	-	64

23 Contingent liabilities

There are no contingent liabilities at year end.

24 Events after the reporting period

There are no significant events after the reporting period.

25 Defined benefit obligations

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 Merseyside Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Wirral MBC. Both are multi-employer defined-benefit plans.

Total pension cost for the year		**2019 £000**		**2018 £000**
Teachers' Pension Scheme: contributions paid		1,431		1,366
Local Government Pension Scheme:				
Contributions paid	1,587		1,564	
Administration charge	29		28	
Charge to the Statement of Comprehensive Income		1,616		1,592
Enhanced pension charge to Statement of Comprehensive Income		-		-
Total Pension Cost for Year within staff costs		**3,047**		**2,958**

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2019 and of the LGPS 31 March 2019.

Contributions amounting to £336,000 (2018: £366,000) were payable to the schemes at 31st July and are included within creditors.

25. Defined benefit obligations continued

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools, colleges and other educational establishments. Membership is automatic for teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS.

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act. Retirement and other pension benefits are paid by public funds provided by Parliament.

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

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

The valuation of the TPS is carried out in line with regulations made under the Public Service Pension Act 2013. Valuations credit the teachers' pension account with a real rate of return assuming funds are invested in notional investments that produce that real rate of return.

The latest actuarial review of the TPS was carried out as at 31 March 2019. The valuation report was published by the Department for Education in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/9). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019-20 academic year.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website.

The pension costs paid to TPS in the year amounted to £1,431,000 (2018: £1,366,000).

25. Defined benefit obligations continued

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Wirral MBC Local Authority. The total contributions made for the year ended 31 July 2019 were £2,739,000, of which employer's contributions totalled £2,378,000 and employees' contributions totalled £361,000. The agreed contribution rates for future years are 15.5% for employers and range from 5.5% to 12.5% for employees, depending on salary.

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits, "GMP".

However, in response to this judgement HM Treasury stated that "public sector schemes already have a method to equalise guaranteed minimum pension benefits, which is why we will not have to change our method as a result of this judgment", clearly implying that the Government (who have the overall power to determine benefits provision) believe the judgement itself will not affect the benefits. Therefore, the natural conclusion for the main public service pension schemes including the Local Government Pension Scheme is that it is not appropriate for any provision to be included for the effect of the Lloyds Bank judgment, at least at the present time, and so we have not made any allowance for any additional liabilities at this stage. This is consistent with previous accounting disclosures.

There is a separate wider potential issue in relation to GMP equality in general. At present, the public service schemes are required to provide full CPI pension increases on GMP benefits for members who reach State Pension Age between 6 April 2016 and 5 April 2021. The UK Government may well extend this at some point in the future to include members reaching State Pension Age from 6 April 2021 onwards. A provision of £242,000 has been provided at 31 July 2019 for the cost of extending GMP equalisation to members who reach State Pension Age after 2021.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 updated to 31 July 2019 by a qualified independent actuary.

	At 31 July 2019	At 31 July 2018
Rate of increase in salaries	3.7%	3.6%
Future pensions increases	2.3%	2.2%
Discount rate for scheme liabilities	2.2%	2.9%
Inflation assumption (CPI)	2.2%	2.1%
Commutation of pensions to lump sums	-	-

25. Defined benefit obligations continued

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

	At 31 July 2019 Years	At 31 July 2018 Years
Retiring today		
Males	22.2	22.0
Females	25.0	24.8
Retiring in 20 years		
Males	25.2	25.0
Females	27.9	27.8

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

	Fair Value at 31 July 2019	Fair Value at 31 July 2018
	£'000	£'000
Equity instruments	34,720	34,671
Government bonds	6,007	5,444
Other bonds	20,143	18,927
Property	6,714	6,030
Cash	4,771	4,941
Other	15,990	13,735
Total fair value of plan assets	**88,345**	**83,748**
Weighted average expected long term rate of return	**5.70%**	**6.72%**
Actual return on plan assets	**5,035**	**4,312**

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

	2019	2018
	£'000	£'000
Fair value of plan assets	88,345	83,748
Present value of plan liabilities	(121,490)	(101,174)
Net pensions (liability)/asset (Note 19)	**(33,145)**	**(17,426)**

25. Defined benefit obligations continued

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

	2019 £'000	2018 £'000
Amounts included in staff costs		
Current service cost less employer contributions	687	(286)
Administration expenses	(29)	(28)
Past service cost	(761)	(4)
GMP equalisation provision	(242)	-
Effect of curtailments	(449)	(132)
Total	**(794)**	**(450)**
Amounts included in finance costs		
Net interest cost (note 10)	(470)	(570)
	(470)	**(570)**

Amount recognised in Other Comprehensive Income

Return on pension plan assets	-	-
Experience losses arising on defined benefit obligations	-	-
Changes in assumptions underlying the present value of plan	(14,455)	8,847
Amount recognised in Other Comprehensive Income	**(14,455)**	**8,847**

Movement in net defined benefit (liability)/asset during year

	2019 £'000	2018 £'000
Net defined benefit (liability)/asset in scheme at 1 August	(17,426)	(16,747)
Movement in year:		
Current service cost	(1,691)	(1,775)
Employer contributions	2,378	1,489
Administration expenses	(29)	(28)
Effect of curtailments	(449)	(132)
Past service cost	(761)	(4)
GMP Equalisation Provision	(242)	-
Net interest on the defined (liability)/asset	(470)	(570)
Business combinations	-	(8,506)
Actuarial gain or loss	(14,455)	8,847
Net defined benefit (liability)/asset at 31 July	**(33,145)**	**(17,426)**

25. Defined benefit obligations continued

Asset and Liability Reconciliation

	2019 £'000	2018 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	101,174	71,509
Current service cost	1,691	1,775
Interest cost	2,893	2,437
Contributions by Scheme participants	361	352
Experience gains and losses on defined benefit obligations	-	-
Changes in financial assumptions	17,067	(6,402)
Estimated benefits paid	(3,148)	(1,579)
Business combinations	-	32,946
Past Service cost	761	4
GMP Equalisation Provision	242	-
Curtailments and settlements	449	132
Defined benefit obligations at end of period	**121,490**	**101,174**

Fair value of plan assets at start of period	83,748	54,762
Interest on plan assets	2,423	1,867
Return on plan assets	2,612	2,445
Employer contributions	2,378	1,489
Contributions by Scheme participants	361	352
Administration expenses	(29)	(28)
Business combinations	-	24,440
Estimated benefits paid	(3,148)	(1,579)
Fair value of plan assets at end of period	**88,345**	**83,748**

26 Related party transactions

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

The total expenses paid to or on behalf of the Governors during the year was £nil (2018: £nil). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2018: none).

The Sutton Academy – a secondary school St Helens College act as sponsor for. Sales of services £99k (2018: £89k), Purchase of services £nil (2018: £nil). As at 31 July 2019 the balance owed by Sutton was £22k (2018: owed by Sutton was £nil).

Waterside Training limited – a 100% owned subsidiary (44% owned associate until 31 March 2019). Sales of services £251k (2018 £244k), Purchase of services £335k (2018: £162k). As at 31 July 2019 the balance owed by Waterside was £36k (2018: owed by Waterside £70k).

27 Amounts disbursed as agent

	2019	2018
	£'000	£'000
Funding body grants – bursary support	1,493	983
	1,493	983
Disbursed to students	(1,142)	(757)
Administration costs	(64)	(44)
Balance unspent as at 31 July, included in creditors	287	182

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

28 Acquisition of Knowsley Community College

On 11th December 2017 the College acquired the net assets of Knowsley Community College. The assets and liabilities acquired were as follows:

	As stated in Knowsley accounts	Fair value adjustment	As per St Helens accounts
	£000	£000	£000
Fixed assets	18,621	(14,147)	4,474
Stock	11		11
Debtors	1,157		1,157
Cash	4,340		4,340
Creditors	(21,693)	6,757	(14,936)
Defined benefit obligations	(8,506)		(8,506)
Net gain/(loss)	**(6,070)**	**(7,390)**	**(13,460)**

Fair value adjustments relate to the value of land and buildings, and the associated deferred capital grants.