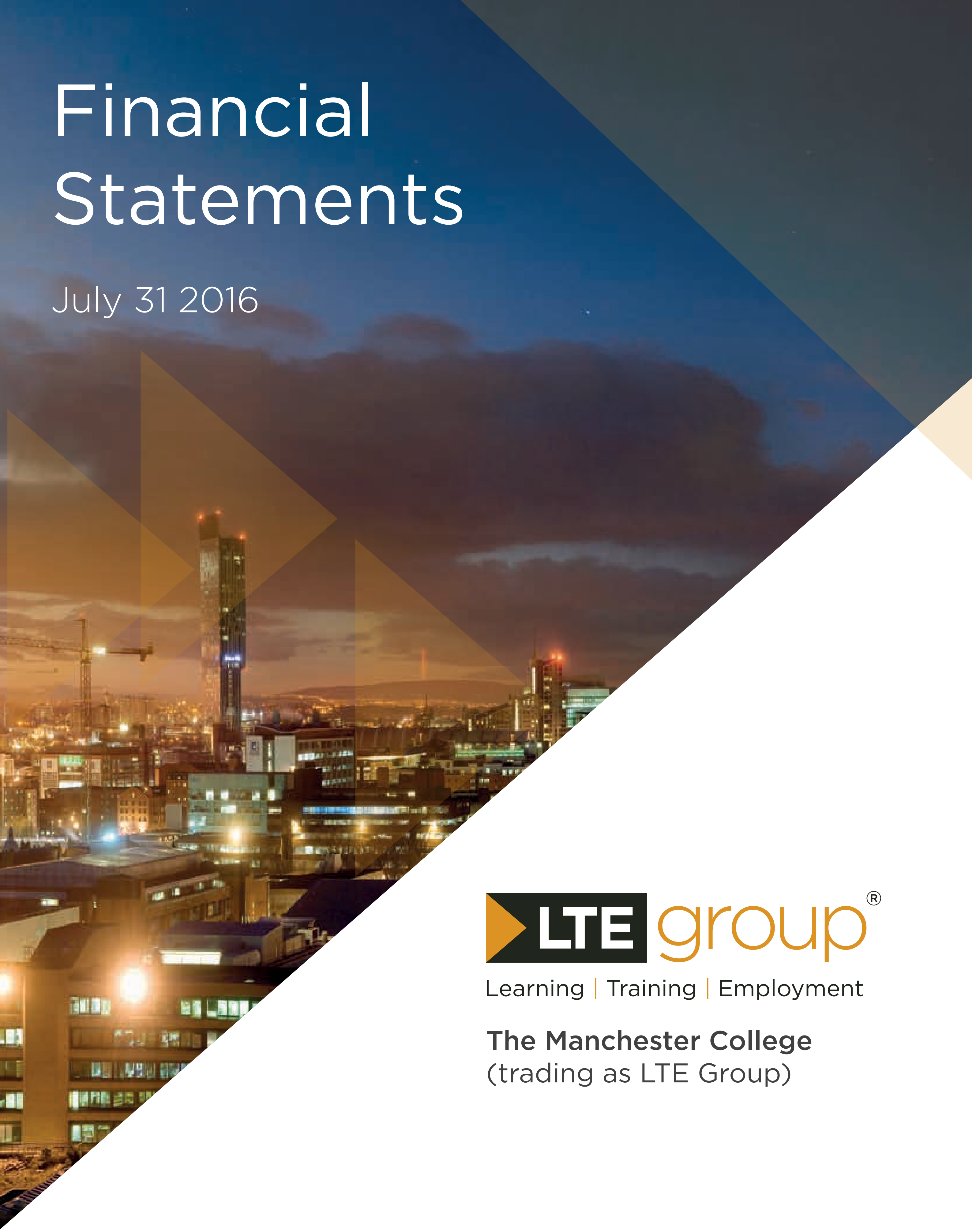
Financial Statements

July 31 2016



LTE group®

Learning | Training | Employment

The Manchester College
(trading as LTE Group)

The Manchester College be amazing

MOL LEARN DEVELOP EXCEL

NOVUS FOUNDATIONS FOR CHANGE

THE MANCHESTER COLLEGE PRESENTS APPRENTICESHIPS CREATING CAREERS - DRIVING INDUSTRY

Total People

Financial statements

July 31

2016

FINANCIAL STATEMENTS YEAR ENDED 31 JULY 2016

Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

Key management personnel are defined as members of the Leadership Team and were represented by the following in 2015/16:

John Thornhill, CEO; Accounting officer
Lisa O'Loughlin, Principal
Paul Taylor, Chief Operating Officer
Peter Cox, Director
Rob Cressey, Group Finance Director
Carolyn Murphy, Director of Marketing (resigned August 2016)
Ian Holborn, Managing Director, Work Based Learning / CFO (resigned June 2016)

Board of Governors

A full list of Governors is given on pages 14 of these financial statements.

Mrs Jennifer Foote acted as Company Secretary to the Board of Governors throughout the period.

Registered office:
Openshaw Campus & Administration Centre
Ashton Old Road
Manchester
M11 2WH

Professional Advisers:

Financial statement and reporting accountants:
Grant Thornton UK LLP
4 Hardman Square
Spinningfields
Manchester
M3 3EB

Internal auditors:
RSM Risk Assurance Services LLP
9th Floor
3 Hardman Street
Manchester
M3 3HF

Bankers:
National Westminster Bank
Manchester City Centre Branch
11 Spring Gardens
Manchester
M2 1FB

Solicitors:
Mills & Reeve LLP
1 New York Street
Manchester
M1 4AD

DWF LLP
1 Scott Place
2 Hardman Street
Manchester
M3 3HH

FINANCIAL STATEMENTS YEAR ENDED 31 JULY 2016

CONTENTS

STRATEGIC REPORT

NATURE, OBJECTIVES AND STRATEGIES:

The members present their report and the audited financial statements for the year ended 31 July 2016.

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting The Manchester College. The Corporation was incorporated as The Manchester College and is also known as "TMC" or "the College". The College is an exempt charity for the purposes of the Charities Act 2011. The College was established under the terms of statutory instrument 2008 No 1418 and with effect from 1 August 2008.

The Manchester College legal entity commenced trading as LTE Group on 1st February 2016. This Group also includes the Total People Holdings Ltd entity, a private Apprenticeship provider, which was acquired on 31 July 2015.

The operating divisions of the Group are Novus (delivering learning and skills in the Prison estate), College (the FE and HE delivery business), Work Based Learning (Total People and the Manchester based Apprenticeship unit), Manchester Open learning (blended distance learning), and Group services.

Where we refer to Group in this document we are talking about The Manchester College (t/a LTE Group), while the FE & HE business will be referred to as the College.

Mission

The Strategic Vision for the Group:

"To improve lives and economic success through learning and skills"

The values as agreed by the Corporation are:

- Integrity – honest, open and trustworthy
- One team – we collaborate, respect each other and contribute to team goals
- 'Can do' – positive, inclusive, flexible and proactive
- Always Improving –forward thinking, innovating and taking ownership
- Sustainable – we take a long term view, environmentally, financially and socially.

Public Benefit

The Manchester College (t/a LTE Group) is an exempt charity under the Part 3 of the Charities Act 2011. From 1st September 2013 the statutory corporation was regulated by the Secretary of State for Business, Innovation and Skills, however in July 2016 oversight of the FE sector was transferred to the Department for Education, with the Secretary of State for Education as Principal Regulator for all FE Corporations in England. The members of the Board of Governors, who are trustees of the charity, are disclosed on pages 15 and 16.

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

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

- High-quality teaching
- Widening participation and tackling social exclusion
- Excellent employment record for students
- Strong student support systems
- Links with employers, industry and commerce
- Implementation of the Manchester Skills Strategy

Implementation of strategic plan

The Group has reviewed its Strategic plans and is focused on the objectives of the Group, as a combination of educational organisations / business units, intent on making service changes to its many and varied stakeholders. There is a move towards more autonomy for individual business units (including the introduction of divisional boards) whilst maintaining the overall strength of the organisation to drive quality growth across the breadth of the stakeholder offer.

The Group will continue to manage any funding decline in core delivery areas in the future, to grow its priority delivery areas and to maintain its key focus of supporting the needs and requirements of the Greater Manchester conurbation (and nationally for Offender Learning (Novus)) providing high quality and reliable provision in all the areas of its offer. Business units within the Group plan have been structured around the views and needs of the communities and stakeholders it serves.

The Group's continuing strategic objectives are to:

- To achieve "good" or better in Ofsted Inspections from 2013/14.
- To increase our Apprenticeship business in Greater Manchester and nationally, in disciplines that make a significant contribution to the economy.
- To grow our Manchester Open Learning (MOL) business nationally by diversifying beyond our existing areas of strength in HR and Management.
- To grow our Offender Learning business in the U.K. by 25% by 2017/18 through new geographical contracts expanded services, increased innovation and research.
- To invest in Higher Education, through part time and flexible study, with our own university centre.
- To increase our market share of 14-19 learners in Greater Manchester, and gaining number 1 position in 16-19 provision.
- To maintain our number one position in Greater Manchester, whilst refocusing our adult Further Education offer, to ensure we meet the changing labour market and learner needs in all regions where we operate.
- To achieve a "good" financial health grading in 2015/16 and future years.

The Group is on target for achieving these objectives.

While there has been no further inspection since 2013/14 our internal self-assessment reports indicate a continuing improvement in teaching in the curriculum, while Novus continues to deliver best in class inspection results. The acquisition of Total People has furthered enhanced our presence in Greater Manchester (and Cheshire) where we hold a market leading position. MOL has seen significant price competition in its markets but is exploring both new markets and more corporate sales. Novus has indeed grown by 25% by the addition of another Olass region and by diversifying into other areas of custody provision. Our Higher Education business has grown for the past two years and will have a distinct identity within the estate design for the future. Although 16-18 numbers have declined slightly in line with the regional demographic, income from this area has been maintained. A good financial health grade has been maintained for the past three years.

The Area Based Review process for Greater Manchester commenced during the year with recommendations being agreed at the end of May for implementation over the coming months. The recommendation relevant to the Group is that Trafford College join the future group structure. No due diligence has yet started on this recommendation. The Area Based Review process focus included identifying future financial benchmarks that could be used to assess colleges. These are referred to later in the document.

Financial objectives

The Group's financial objectives are:

- Maintaining a sound financial base (solvency and liquidity)
- Improving financial management
- Maintaining the confidence of funding bodies, suppliers and professional advisors
- Raising awareness of financial issues
- Improving the College estate
- Growing the reach and influence of the Group and executing the Group Strategic Plans

The Group set financial performance targets for 2015/16. These were:

- Maintenance of a strong financial performance with a surplus set at £88k (achieved £120k). This is equivalent to an EBITDA of £8,196k (achieved £8,698k), representing 4.37% (achieved 4.69%) of turnover. This is to provide an opportunity to re-invest and/ or protect provision due to cuts in public sector expenditure.
- Manage cash flow carefully to deliver a year-end balance of over £18m (achieved £18.3m) while maintaining a current ratio of at least 1.4 (achieved 1.37) to minimise loan drawdown. Ensuring borrowing as a % of reserves and debt does not exceed 15% (achieved 14.1%).

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

Key Performance Indicators

The Group is committed to observing the importance of sector measures and indicators and uses the FE Choices data available on the GOV.UK website which looks at measures such as success rates. The Group is required to complete the annual Finance Record for the Skills Funding Agency. The Group is assessed by the Skills Funding Agency as having a "Good" financial health grading. The current rating of Good is considered a positive outcome in the current sector conditions.

Indicators include: Financial health measures/benchmarks; Contract performance; Learner success rates.

Financial health score:

RATIO	**2014/15**	**2015/16**	**2016/17 budget**
Adjusted current ratio	1.40	1.38	1.30
Performance ratio / sector specific EBITDA as % to income	3.8%	4.3%	4.95%
Gearing ratio / Borrowing as % to income	16.8%	14.1%	12.8%
Score	**Good**	**Good**	**Good**

Area review benchmarks

A set of benchmark indicators has been established to support the Area Review programme. The Manchester College is coming to the end of the Greater Manchester Area Review phase and the table below reflects the actual outturn for 2015/16 versus the benchmark indicators;

Indicator	Target Range	15/16 submitted for Area Review April 2016	15/16 Actual Outturn
Operating Surplus / (Deficit) as a % of income	3%-5%	3.42%	3.66%
Borrowing as a % of Income	<40%	13.92%	14.06%
Adjusted Current Ratio	>1	1.47	1.38
Staff Costs as a % of Income	<65%	68.37%	68.38%

The income used in the above ratios excludes the release of capital grants as per SFA calculations.

Contract performance

Funding stream	2015/16	
	Actual	Allocation
EFA programme funding (16-18 and 19-24 students with an LDA or EHCP)	25,415,523	26,864,719*
16-18 Apprenticeships	2,058,607	2,273,854
19+ Classroom based learning (Incl. ALS)	14,747,984	14,089,078
Adult Apprenticeship	3,026,242	3,558,122
OLASS – London (participation)	16,033,702	15,544,224
OLASS – Kent & Sussex	8,794,580	9,022,960
OLASS – North East	10,185,292	10,169,419
OLASS – North West	22,874,222	21,115,786
OLASS – Yorkshire & Humber	20,736,445	18,872,391

* the full contract for EFA recurrent grants is £31m (note 3) the contract performance excludes 'transitional funding' which is an unmeasured entitlement.

Narrative

16-18 Classroom Learning – There was an 89% achievement of the EFA learner number target and a 95% achievement of the programme funding target. The variance demonstrated the continued rebalance of the lagged learner number methodology to fewer students following larger programmes, in line with the Raising the Participation Age (RPA) Policy.

Adult Classroom Learning – Currently a 96% achievement of the non-Apprenticeship element of the Adult Skills Budget allocation.

Apprenticeships- Both 16-18 and Adult Apprentices at 85% and 83% respectively, are lower than the allocation due to lower recruitment volume and achievement earnings than required, compounded by a higher proportion of those Apprentices recruited being of a lower funding value.

OLASS – The regions of Yorkshire & the Humber and the North West were at the all-year allocation value at R12. The regions of North East and London are both at 98% of allocation; however, with achievements due to be recorded in the ILR the final position at R14 should show the full achievement of the allocation. The Kent and Sussex region will be below the increased SFA allocation, although a compensation case to the SFA will be submitted to address the issue of restricted regimes which limited the earnings capability against the contract.

Success Rates Table

Age	Level	Education and Training - Overall Achievement (Success) Rate		
		2013/14*	**2014/15***	**2015/16 ^**
16-18	All Levels	78.0%	75.9%	79.8%
19+	All Levels	88.7%	83.1%	87.0%
All Age	All Levels	85.9%	80.6%	84.2%

* National Achievement Rate Table Data

^ Unconfirmed – Derived from ProAchieve

The above table includes all classroom based provision.

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FINANCIAL POSITION

Financial results

The Group generated a surplus in the year of £120k (2014/15 – Deficit of £1,410k after FRS 102 transition adjustments; surplus of £163k before FRS 102 transition adjustments). The FRS 102 transition adjustments are explained in note 27.

The Group has accumulated reserves of £42.5m (2014/15: £61.5m) including the pension deficit liability of £29.6m (2014/15: £8.7m) and cash balances of £18.3m (2014/15: £21.8m). The Group maintains reserves to ensure financial viability and to meet future liabilities such as the repayment of loans, and pension fund deficits.

The Group has a reducing reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2015/16 the FE funding bodies provided 36% (excluding funding for offender learning provision) of the Group's total income.

The Manchester College is involved in a joint venture with Manchester City Council. The joint venture company, Manchester Education and Training Limited, is a property company located in East Manchester.

The Manchester College has four subsidiary companies, a group headed by Total People Holdings Limited. The principal activity of the Total People group of companies is to provide training in work based learning. Any profit generated can be gift aided to The Manchester College (t/a The LTE Group) provided the company has sufficient distributable reserves. In the current year, the profit after tax generated was £43k. Further details of the subsidiary companies are stated in note 13.

The Local Government Pension Scheme (LGPS) valuation for 2015/16 resulted in an actuarial loss of £19.2m (2014/15: gain £11.2m). This is mainly as a result of the reduction in the discount rate from 3.8% in the prior year to 2.5% to reflect the changing market conditions from the prior year.

Treasury policies and objectives

Treasury management is the management of the Group'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 Group has a treasury management policy in place.

Short term borrowing for temporary revenue purposes is authorised by the Chief Executive Officer. Such arrangements are restricted by limits in the Group's Financial Memorandum agreed with the Skills Funding Agency. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

Borrowings in respect of the £22m Royal Bank of Scotland (RBS) revolving credit facility stands at £18.75m as at the 31st July 2016. However, the Group has fixed the rate of interest for all the original £22m. Borrowings from Allied Irish Bank stands at £7.3m as at 31st July 2016.

Short term cash requirements are monitored weekly such that the Group minimises its borrowings and thereby interest charges and also limits free funds for placing on the money markets where investment returns are poor.

Cash flows and liquidity

The college generated operating cash inflows of £7.1m in 2015/16 (2014/15: inflows £2.5m).

Reserves Policy

The Group recognises that its major sources of income are government funded and as such not explicitly guaranteed for a set period of years. To this end the Group has been diversifying its income streams so that there will be multiple funding sources – Education Funding Agency, Skills Funding Agency, Ministry of Justice, Apprenticeship Levy, Youth Justice Board, European Structural and Investment Funds, Welsh Assembly, and commercial income.

In the past two years over £10m of operating expenditure has been invested in the re shaping of the business in response to previous government funding cuts. This has been achieved without reducing reserves

The Group has £42.5m (2014/15: £42.7m) of unrestricted reserves as at 31/7/16, which the Group feels is adequate to implement any further reshaping required due to reductions in any of the funding sources above.

The current forward forecasts ensure clearance of bank covenants and have been tested with sensitivities that take account of reductions in funding as described above.

The level of reserves will be monitored and reported on within the monthly management accounts and reviewed by the Board of Governors.

The Board of Governors will review this policy annually or whenever there are significant changes in income or operating costs.

The LTE Group has set a reserves policy which requires:

- Reserves be maintained at a level which ensures that LTE Group's core activities could continue during a period of unforeseen difficulty.
- A proportion of unrestricted reserves be maintained in a readily realisable form.
- It has sufficient resources to meet its liabilities as they fall due.

The calculation of the required level of reserves is an integral part of the organisation's planning, budget and forecast cycle. Our strategic plans involve delivering a breakeven or better year-end position each year with an operating cash contribution each year. This allied to our capital expenditure plans is intended to deliver an increasing year on year reserves position.

It takes into account:

- Risks associated with each stream of income and expenditure being different from that budgeted.
- Planned level of activity.
- Organisation's future commitments.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Novus (offender learning)

The Group via its brand Novus still continues to be the largest provider of offender learning and skills in England and Wales. In the five OLASS regions and the Youth Justice Board (YJB) estate we currently work with over 60,000 learners.

Over the last few years Novus has established a specialism in delivering programmes to offenders within secure environments and community settings. The delivery approach is through an integrated and partnership method, working with all appropriate organisations in order to provide best value with a focus on local needs and employment or further training on release. As a consequence, Novus has developed significant capacity, unrivalled experience, expertise and technical knowledge supported by a dedicated local and national infrastructure which facilitates an ability to provide a responsive and innovative approach based on individuals needs aligned to the specification of the service.

Novus has over the past 18 months started to diversify its provision outside of the Olass contract winning tenders and mobilising in the Youth Justice estates, in Training and Rehabilitation and most recently in a new geographic region, Wales.

The Olass 4 contract has been extended to the end of July 2017, with a possibility of further extension while the tender process for Olass 5 is drafted.

Student numbers

In 2015/16 the College has delivered activity that has generated £40.954m (EFA and SFA Participation Funding Contracts, excluding transitional funding) in funding body main allocation funding (2014/15 – £45.655m). The College delivered approximately 33,000 funded qualifications and approximately 7,500 non-funded qualifications.

Student achievements

Students continue to prosper at the College. Success rates rose again in 2015/16 from 80.6 per cent in 2014/15 to 84.2 per cent and, while it is too early to make predictions about success rates for 2016/17 there is no reason to expect the upwards trend of the last couple of years to be reversed.

Curriculum developments

The College offers a broad range of further and higher education curriculum, which both supports the local communities and compliments the Greater Manchester skills priorities; from Entry Level courses through to Higher Education degrees. The curriculum offer includes both funded and full cost recovery provision, to meet all student requirements and needs, preparing students for careers rather than just courses and ensuring future employability.

During 2015/16 an in-depth analysis of the curriculum offer has been undertaken culminating in a new further education strategy, as a result of which 129 courses have ceased and 149 new courses have been added for 2016/17, ensuring alignment with the needs of Greater Manchester businesses.

Employer engagement and involvement in curriculum development continues to grow. For example, in September 2016 our first sponsored programme of study with 'Amaze' has been launched. In addition, at the same time investment has been made in a new employability hub which will ensure that students achieve opportunities to develop their employability. Other activities that broaden the life experiences of students occur routinely, including a student conference and outstanding enrichment opportunities, which includes volunteering and charity work. The breadth of courses also supports student opportunities for university, including;

- Access courses for adults
- Close liaison with a range of universities, including Manchester Metropolitan University, Sheffield Hallam University and Huddersfield University.
- Development of Level 4 courses including HNCs and degrees where they clearly fit the needs of our students and growth in the range of HE courses available.
- Ensuring that the student learning facilities meet the latest industry standards.

Apprenticeships

The acquisition of Total People has both widened our apprenticeship offering and also brought process expertise and employer engagement experience into the group. Within the Manchester based apprenticeship delivery there have been increased levels of workplace classroom delivery with larger employers in preparation for the introduction of the apprenticeship levy.

Future prospects

Rebranding: The group is in the process of re branding its operating divisions that will enable a more focussed approach to our chosen markets and also maximise opportunities across the group.

Novus bids: Our Justice division, Novus, is actively involved in bidding for new work in new geographic areas as well as expanding the breadth of our delivery.

College curriculum development: a continuing evolution to reflect the Greater Manchester skills priority areas.

HE fees & adult learner loans: is an area of anticipated growth.

Total People provides a platform from which to be best placed to meet the challenges of the upcoming Apprenticeship Levy and thereby to continue to grow the apprenticeships in Greater Manchester and Cheshire.

Estates strategy

We are developing a strategy to consolidate our provision on fewer campus through the development of a centre of excellence model. This approach will deliver better learning and facilities for our students at a more economic cost for our stakeholders. The rationalisation of the Estate will improve the overall condition of the Estate and reduce property running costs in the coming years.

Area Review

We continue to contribute to the Greater Manchester area review process and have held discussions aimed at bringing a Greater Manchester college into our group structure. We have also been approached by several out of area colleges, one of which we are following up due to regional and sectoral synergies.

Events after end of reporting period

Following a competition process, the tender for the provision of learning and skills at HMP Berwyn (a new build prison in Wrexham) has been awarded to Novus Cambria, a joint venture between Novus (an operating division of The Manchester College) and Coleg Cambria (a college based in north Wales).

In October 2016 The Manchester College re-launched as a new brand, presenting a new fresh face externally and providing the launch point for the College's 2020 strategic plan. This is to ensure that our students are provided with an amazing experience, supporting them on their journey and helping them achieve the career they aspire to. Engagement with colleagues on the College 2020 plan and supporting estates strategy will ensure that a plan is in place which is collectively owned and we are committed to delivering.

RESOURCES:

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

Financial

The Group has £42.5m of net assets (including £29.6m pension deficit liability) and long term debt of £24m (2015: £26m).

People

The Group employs 3,450 people (expressed as full time equivalents), of whom 2,011 are teaching staff.

Reputation

The College has a strong reputation locally and nationally. Maintaining a quality brand is essential for the College's success at attracting learners and external relationships. To promote quality in teaching and learning the College holds the largest Teaching and Learning Conferences in the sector for all teaching staff. The Matrix Standard has been achieved by the College to support its students, which is the unique quality framework for the effective delivery of information, advice and guidance.

Learner satisfaction survey (QDP) results show that 90% are satisfied with their study programme and 91% are satisfied that they have made good progress, further, the majority of learners would recommend the College to a friend.

The College received an Ofsted rating of Good at its last inspection in May 2014, which is a successful outcome. For Higher Education, in the latest review of The Manchester College in 2012 the QAA awarded the College 'confidence' judgement in the core themes of academic standards and quality of learning opportunities. This is the highest grading awarded by the body.

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 per cent. The Group incurred no interest charges in respect of late payment for this period.

PRINCIPAL RISKS AND UNCERTAINTIES:

The Group 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 Group's assets and reputation.

Based on the strategic plan, the Risk Management Group undertakes a comprehensive review of the risks to which the Group is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the Group. 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 Group.

A risk register is maintained at the Group 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 Group 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 Group.

Outlined below is a description of the principal risk factors that may affect the Group. Not all the factors are within the Group's control. Other factors besides those listed below may also adversely affect the Group.

Strategic risks

These are high level strategic risks:

- Achievement of the Group Structure plans: the creation of a group structure with subsidiaries will both support continued growth and diversification of income as well as enabling risk to be better managed.
- Area review outcomes are wholly consistent with the College's development plans: our curriculum plans and estates strategy are currently being delayed while we await the implementation of the area based review recommendations.
- Accommodation Strategy plans provide the appropriate learning environments and improved overhead cost base to deliver the training and skills needs for our 2020 vision.
- Maintain/improve the group's profile within the offender learning sector: We are diversifying via tender bids as well as preparing for the OLASS five re-tender and the change in focus that government policy may bring.
- Further cuts in government funding: especially in EFA/SFA funding at short notice makes it very difficult to manage the implementation of medium term strategies.
- Impact of Apprenticeship levy: still awaiting complete guidance to enable us to properly plan for the introduction of this significant change in the way apprenticeships are contracted and funded.

Operational risks

Government funding

The Group has considerable reliance on continued government funding through the further education sector funding bodies and through HEFCE. In 2015/16, 78% of the Group's revenue was ultimately publicly funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The Group is aware of several issues which may impact on future funding;

- Uncertainty due to Apprenticeship Reform, particularly the introduction of the new Apprenticeships Levy from April 2017.
- In terms of OLASS contract funding, the current contract has been extended to July 2017 and the future procurement for this sector has transferred to the Ministry of Justice. Full details of the new procurement process are yet to be confirmed, however, preparations are underway to ensure that we are positioned to respond to any changes.
- For HEFCE, reduction or changes to the HEFCE Student Access and Success Funding and method in which Additional Learner Support is funded may impact on income.
- The expansion of Adult Learner Loans to age 19-23 learners may impact on adult learner numbers, either positively or negatively.
- The Group currently has net debt of £26.1m which has reduced in year by £2.0m. Our budget for 2016/17 sees a further reduction of £2.0m. Our loan covenants are being cleared with sufficient headroom for a doubling of current debt levels.

The risk of reduced government funding is mitigated in a number of ways:

- Diversification in non-government funded income streams; direct and indirect contractual arrangements, growth in full cost recovery, Advanced Learner Loans, increased Higher Education learner numbers and specific bids and tenders.
- By ensuring the College is rigorous in delivering high quality education and training.
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies.
- Ensuring the Group is focused on those priority sectors which will continue to benefit from public funding.
- Regular dialogue with funding bodies.
- Comprehensive review each year of the Higher Education pricing strategy and bursary offer.
- Diversification into new geographical regions, namely Wales and Scotland. An example of which is a new joint venture with Coleg Cambria, named Novus Cambria, to support justice sector bidding in Wales.

Other operational risks

Tuition fee policy

Ministers have confirmed that the co-funded fee assumption for adult further education provision remains at 50%. In line with the majority of other colleges, The Manchester College will seek to increase tuition fees in accordance with the fee assumptions. However, in future year's fewer learners will be assessed as co-funded as more learners fall into the Advanced Learner Loan category.

Higher Education tuition fees are competitive locally and reviewed annually. For 2016/17 a small number of Higher Education courses that are resource intensive are subject to small fee increases, however all fees remain below the current £9,000 limit. The new Teaching Excellence Framework gives opportunities for universities to increase fees above £9,000, subject to achieving the framework targets, which may affect the College's pricing strategy in future years.

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students
- Close monitoring of the demand for courses as prices change and careful management of any fee increases.
- Robust Credit control procedures

Maintain adequate funding of pension liabilities

The financial statements report the share of the Local Government Pension Scheme deficit on the Group's balance sheet in line with the requirements of FRS 102.

Going concern

The Group believes it will be able to continue in operation and meet its liabilities taking account of the current position and principal risks. We have prepared a 24-month cash flow forecast which is regularly updated and reviewed by both the executive team and governors. Our planning process is detailed and thorough and is again reviewed by executive team and governors with assumptions and sensitivities being tested.

Key risks such as reductions in funding, the introduction of the apprenticeship levy, the upcoming OLASS five re tender, the economic situation and our estates strategy have all been factored into our planning assumptions and mean that the going concern position has been well tested.

Brexit

On 23rd June 2016 the UK voted to leave the European Union. The implications for organisations are in most cases not yet clear but following the referendum result The Manchester College will continue to review what the key implications and impacts are likely to be. Factors likely to be specifically relevant to The Manchester College include the following:

- Ability to apply for European Social Funds in the future. Bids for European Social Funds submitted prior to Brexit have been processed and now approved and The Manchester College has been awarded one such tender.

STAKEHOLDER RELATIONSHIPS

In line with other colleges and with universities, The Group has many stakeholders. These include:

- Students;
- Education sector funding bodies;
- Staff;
- Local employers (with specific links);
- Local authorities;
- Local Enterprise Partnerships (LEPs);
- The local community;
- Other FE institutions;
- Trade unions;
- Banks
- Ministry of Justice (MOJ)
- National employers
- Governors
- Professional bodies

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

Equal opportunities

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

The Manchester College publishes an Annual Equality Report and Equality Objectives to ensure compliance with all relevant equality legislation including the Equality Act 2010. The Manchester College undertakes equality impact assessments on all new policies and procedures and publishes the results. Equality impact assessments are also undertaken for existing policies and procedures on a prioritised basis.

The Manchester College is a 'Positive about Disabled' employer and has committed to the principles and objectives of the Positive about Disabled standard. The Manchester College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to ensure that employment with The Manchester College continues. The Manchester College's policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non-disabled employees.

The Manchester College has committed to the 'Mindful Employer' initiative to assist the mental health wellbeing of staff. The Manchester College has achieved accreditation to the Committed to Equality (C2E) standard at the gold (highest) level. The Manchester College has also implemented an updated Equality & Diversity training programme which all staff have attended. Refresher training and training for new starters is carried out on an on-going basis.

Disability statement

The Manchester College seeks to achieve the objectives set down in the Disability Discrimination Act 1995 as amended by the Special Education Needs and Disability Acts 2001 and 2005 and the objectives set down in the Equality Act 2010.

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

b) There is a list of specialist equipment, such as radio aids, which The Manchester College can make available for use by students as well as a range of assistive technology available in learning environments.

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

d) The Manchester College has made a significant investment in the availability of specialist staff to support students with learning difficulties and/or disabilities. There are a number of student support assistants who 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.

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

f) Information Advice and Welfare Services are described in The Manchester College Handbook, which is issued to students together with the Complaints and Disciplinary Procedures leaflet.

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.

This Strategic Report was approved by order of the members of the Corporation on 6th December 2016 and signed on its behalf by:

……………………….. Signature
Councillor Sue Murphy

Chair of the Board
The Manchester College

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The following statement is provided to enable readers of the annual report and accounts of The Manchester College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2015 to 31 July 2016 and up to the date of approval of the annual report and financial statements.

The Manchester 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 Code of Good Governance for English Colleges ("the Governance Code"); and
iii. having due regard to the UK Corporate Governance Code 2014 ("the Code") insofar as it is applicable to the further education sector

The Manchester College is committed to exhibiting best practice in all aspects of Corporate Governance and in particular The Manchester College Board has resolved to adhere to and comply with the Code of Good Governance for English Colleges. 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 Board of Governors, The Manchester College has complied with all the provisions of the Governance Code, and it has complied throughout the year ended 31 July 2016. The Board of Governors 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 which was published by the Association of Colleges in March 2015 and which was formally recognised by the Board of Governors in May 2015.

The Manchester 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 BOARD OF GOVERNORS

The composition of the Board of Governors is set out on page 15 and 16. It is the Board of Governors' responsibility to bring independent judgment to bear on issues of strategy, performance, resources and standards of conduct.

The Board of Governors is provided with regular and timely information on the overall financial performance of The Manchester College together with other information to enable it to discharge its strategic and statutory responsibilities under s.18 of the Further and Higher Education Act 1992. This includes information on performance against funding targets, proposed capital expenditure, estates strategy, quality matters and related matters such as risk, health and safety and environmental issues. The Board of Governors meets quarterly.

The Board of Governors conducts its business through a structure of Divisional Boards and cross group committees. Each Board and Committee has terms of reference, which have been approved by the Board of Governors. For 2015/16 the Divisional Boards were: FE, HE, MOL, WBL and Novus. The cross group committees were: Audit, Appointments, Remuneration and Estates Advisory Group (which refocused during the year to become the Investment and Estates Strategy Group). The work of the Board is further augmented by Single Task Groups (STG), established under generic terms of reference as and when required. During 2015/16 the following STGs convened: Governance.

In order to undertake effective and appropriate governance of the Group, the Board of Governors augmented the membership of Divisional Boards and cross group committees with a number of co-optees with appropriate professional expertise.

Full minutes of all meetings, except those deemed to be confidential by the Board of Governors, are available on The Manchester College's website www.tmc.ac.uk or from the Company Secretariat at:

The Manchester College Whitworth House Ashton Old Road Openshaw Manchester M11 2WH
The Company Secretary 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 Manchester College's expense and have access to the Company Secretary, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Company Secretary are matters for the Board of Governors as a whole.

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

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

There is a clear division of responsibility in that the roles of the Chair of the Board of Governors and Chief Executive Officer of The Manchester College are separate.

MEMBERS
Those serving on The Manchester College Board during 2015/16 and up to the date of signature of this report are set out below:

Name	Date of appointment	Term of office	End of membership	Reason	Status of appointment	Committees served	Corporation meeting attendance
Ms J Burden	09.12.14	4 years			External member	FE Board, Governance STG	5/7
Mr D Cain	09.12.14	4 years	26.10.16	Removal from office	External member	Remuneration, Audit, HE Board, Appointments, Estates Advisory Group	6/7
Ms C Carroll	18.01.13	4 years			Staff member		5/7
Mr K Clark	03.06.14	2 years			Staff member		7/7
Mr N F Collins	10.09.12	4 years	19.07.16	End of term of office	External member	Audit, Work Based Learning Board	7/7
Mr J Hacking	13.09.16	3 years			External member	FE Board, HE Board, Investment & Estates Strategy Group	6/7
Mr P Johnson	08.12.15	3 years			External member	Investment & Estates Strategy Group	2/4
Mr P Lanigan	03.06.14	4 years			External member	Work Based Learning Board, Investment and Estates Strategy Group	6/7
Mr B J Lynch	09.12.14	4 years			External member	MOL Board, Novus Board, Governance STG	6/7
Ms K	03.06.15	3 years			External	Novus Board,	6/7

Macdonald					member	Audit	
Mr A Mills	13.09.16	3 years			External member	FE Board, Governance STG	6/7
Cllr S Murphy CBE	22.03.16	3 years			External member	Novus Board, MOL Board, Appointments, Remuneration	7/7
Mrs L O'Loughlin	N/A		31.07.16	Amendment to Instrument and Articles of Government	Principal	FE Board, HE Board, Appointments, Estates Advisory Group	7/7
Ms K Moyana	08.12.15	2years			Student member	HE Board	4/6
Mr P Raphael	10.02.15	2 years	19.07.16	End of term of office	External member	FE Board	5/7
Mr A Simpkin	12.12.13	4 years			External member	Remuneration	6/7
Mr J Thornhill	N/A				C.E.O	Appointments	7/7
Mrs P Waterhouse OBE	12.12.13	4 years			External member	FE Board	6/7
	Jennifer Foote serves as Company Secretary & General Counsel which encompasses the role of Clerk to the Board of Governors						

APPOINTMENT TO THE BOARD OF GOVERNORS

Any new appointments to the Board of Governors are a matter for the consideration of the Board of Governors as a whole. The Board of Governors has an Appointments Committee which is responsible for the selection and nomination of any new member for the Board of Governors consideration. The Board of Governors is responsible for ensuring that appropriate training is provided as required.

Members of the Board of Governors are appointed for three terms of office not exceeding three years.

APPOINTMENTS COMMITTEE

Throughout the year ended 31 July 2016 the membership of the Committee was made up of Mr D Cain, Cllr S Murphy, Mrs L O'Loughlin and Mr J Thornhill and in attendance was the Company Secretary.

The Committee met on 5 occasions in 2015/2016 and before the expiry of the term of office of existing Governors or upon a vacancy arising on the Board, considered the recommendation to the Board a person or choice of persons to fill the vacancy. The Committee also undertook the same for the appointment of co-optees to the Divisional Boards and cross group committees.

GOVERNANCE SINGLE TASK GROUP

Throughout the year ended 31 July 2016 the membership of the STG was made up of Mr A Mills, Mr B Lynch and Ms J Burden and in attendance was the Company Secretary.

The STG met on 4 occasions during 2015/16 and considered the development of governance in the group; the transition from the interim structure to a full legal group structure and the skills needs of governors and co-optees required to effect the change and give proper oversight thereto.

REMUNERATION COMMITTEE

Throughout the year ended 31 July 2016, The Manchester College's Remuneration Committee comprised Mr D Cain, Cllr S Murphy and Mr A Simpkin, and in attendance was the Company Secretary. The Committee's responsibilities are to make recommendations to the Board of Governors on the remuneration and benefits of the CEO and other senior post holders.

Details of remuneration for the year ended 31 July 2016 are set out in notes 7 to the financial statements.

The Committee met on 2 occasions during 2015/16.

AUDIT COMMITTEE

The Audit Committee comprises of Mr N F Collins, Mr D Cain, and Ms K Macdonald. In attendance were the Company Secretary; representatives of The Manchester College's financial statements and reporting accountants Grant Thornton UK LLP; The Manchester College's internal auditors RSM and College Officers, including the Group Finance Director and Chief Operating Officer.

The Committee operates in accordance with written terms of reference approved by the Board of Governors. Its purpose is to advise the Board of Governors on the adequacy and effectiveness of The Manchester College's system of internal control and its arrangements for risk management, control and governance processes.

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

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 advises the Board of Governors on the appointment of both the internal and the regularity and financial statements auditors and on their remuneration for audit and non-audit work. The Audit Committee reports annually to the Board of Governors.

Other duties included: -

i. the scrutiny of the Financial Statements/Report of Members

ii. to review The Manchester College's Financial Statements

iii. to review arrangements for securing value for money, solvency and safeguarding assets

iv. to monitor on behalf of the Board of Governors the implementation of the Freedom of Information Act

The Committee met on 3 occasions in 2015/16.

ESTATES ADVISORY GROUP

Throughout the year ended 31 July 2016, the Estates Advisory Group comprised Mr D Cain, Mr P Lanigan, Mr R Milburn, Mr C Roberts, Mr I Holborn, Mrs L O'Loughlin and in attendance was the Company Secretary. The Committee's responsibilities are to make recommendations to the Board of Governors on significant estates projects.

The Committee met on 2 occasions during 2015/16.

INVESTMENT AND ESTATES ADVISORY GROUP

In May 2015 the Estates Advisory Group was replaced by the Investment and Estates Strategy Group with an expanded role to include an investment remit. The Investment and Estates Strategy Group comprised Mr Andrew Simpkin, Mr Philip Johnson, Cllr John Hacking, Mr Phil Lanigan, Mr John Thornhill, Mrs Lisa O'Loughlin and Mr Rob Cressey.

The Committee met on 1 occasion during 2015/16.

Interim Governance Structure

As part of its strategic plan the Manchester College approved the move to an interim governance structure which was implemented in 2015/16. Five Divisional Boards were established to assure detailed governance and oversight of the Group's five business units. The Estates Advisory Group committee (later replaced by the Investment and Estates Advisory Group) was also established in 2015/16 to oversee significant investments and estates planning for the Group. None of the Divisional Boards have any powers of determination, other than those which may be granted explicitly by the Board for a specific purpose but are instead required to recommend a course/courses of action for determination by the Board of Governors.

Co-optees

As part of its strategic plan the Board of Governors appointed a cohort of Co-optees in the Summer of 2016.

Name	Date of Appointment	Term of Office
Mr Paul Chisnell	22.03.2016	3 years
Ms Paula Cole	22.03.2016	3 years
Mrs Monica Brij	8.07.2016	3 years
Mr Paul Candelent	8.07.2016	3 years
Miss Louise Durose	8.07.2016	3 years
Prof Eileen Fairhurst	8.07.2016	3 years
Mrs Barbara Rollin	8.07.2016	3 years
Jackie Whalley	8.07.2016	3 years
Mr Peter Winter	8.07.2016	3 years
Mr Malcolm Sugden	8.07.2016	3 years

All Divisional Boards are required to undertake the following duties as they relate to the relevant business area:

1. To monitor the performance of the relevant provision of the college against targets set by the Corporation

2. To develop relevant strategy

3. In respect of the relevant provision in the college, to have oversight of:

   i. the quality of teaching and learning
   ii. the learner voice
   iii. the financial performance against budget
   iv. health & safety, safeguarding and equality & diversity
   v. risk management
   vi. HR/IT

4. To escalate any issues arising from the above to the attention of the Board of Governors

5. To approve any policies specific to the delivery of relevant provision, as delegated by the Board

6. In respect of the relevant provision, to consider any business case or investment plan prior to its recommendation to the Board

7. In undertaking the above the Divisional Board shall undertake appropriate engagement with relevant staff and student bodies.

FE Divisional Board

Throughout the year ended 31 July 2016 the membership of the FE Divisional Board was made up of Ms Jenifer Burden, Mr J Hacking, Mr Adrian Mills, Mrs L O’Loughlin and Mrs P Waterhouse and in attendance was the Company Secretary.

The Board met on 3 occasions in 2015/16.

HE Divisional Board

Throughout the year ended 31 July 2016 the membership of the HE Divisional Board was made up of Mr J Hacking, Mrs L O'Loughlin and Mr David Cain and in attendance was the Company Secretary.

The Committee met on 3 occasions in 2015/16.

MOL Divisional Board

Throughout the year ended 31 July 2016 the membership of the MOL Divisional Board was made up of Mr Barry Lynch, Cllr Sue Murphy, Mr Ian Holborn and in attendance was the Company Secretary.

The Board met on 4 occasions in 2015/16.

Work Based Learning Divisional Board

Throughout the year ended 31 July 2016 the membership of the Work Based Learning Divisional Board was made up of Mr Nick Collins, Mr Phil Lanigan, Mr Ian Holborn and in attendance was the Company Secretary.

The Board met on 5 occasions in 2015/16.

Novus Divisional Board

Throughout the year ended 31 July 2016 the membership of the Novus Divisional Board was made up of Mr Barry Lynch, Ms Kate Macdonald, Cllr Sue Murphy, Mr Peter Cox and in attendance was the Company Secretary.

The Board met on 4 occasions in 2015/16.

INTERNAL CONTROL

Scope of Responsibility

The Board of Governors is ultimately responsible for The Manchester 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 Board of Governors has delegated the day-to-day responsibility to the Chief Executive Officer, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of The Manchester College's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum between The Manchester College and the funding bodies. He is also responsible for reporting to the Board of Governors 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 Group 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 The Manchester College for the year ended 31 July 2016 and up to the date of approval of the annual report and accounts.

Capacity to Handle Risk

The Board of Governors has reviewed the key risks to which The Manchester College is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board of Governors is of the view that there is a formal ongoing process for identifying, evaluating and managing The Manchester College's significant risks that has been in place for the year ended 31 July 2016 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Audit Committee and the Board of Governors.

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 Board of Governors;

• regular reviews by the Board of Governors 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; and

• the adoption of formal project management disciplines, where appropriate.

A senior manager, acting as the Risk Manager, compiles The Manchester College's Risk Register, and oversees the development and delivery of an Action Plan to manage identified risks. The Risk Register and Action Plan are reviewed by the Risk Management Group which meets regularly and consists of the senior managers responsible for the identified areas of risk. The work of this group is reviewed by the Chief Operating Officer and reported regularly to The Manchester College's Audit Committee and Governing Body.

The Manchester College has an internal audit service, which operates in accordance with the requirements of the EFA and SFA's Joint Audit Code of Practice. The work of the internal audit service is informed by the analysis of the risks to which The Manchester 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 Board of Governors on the recommendation of the Audit Committee. At a minimum annually, the Head of Internal Audit (HIA) provides the Board of Governors with a report on internal audit activity in The Manchester College.

The report includes the HIA's independent opinion on the adequacy and effectiveness of The Manchester College's system of risk management, controls and governance processes.

Review of Effectiveness

As Accounting Officer, the CEO has responsibility for reviewing the effectiveness of the system of internal control. The CEO 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 Manchester College who have responsibility for the development and maintenance of the internal control framework; and
• comments made by The Manchester College's financial statements auditors and reporting accountants for regularity assurance in their management letters and other reports.

The CEO has been advised on the implications of the result of his review of the effectiveness of the system of internal control by the Audit Committee which oversees the work of the internal auditor and other sources of assurance and risk committee, 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 department and reinforced by risk awareness training.

The Executive 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 Board of Governors 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 CEO, the Corporation is of the opinion that The Manchester 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

The Manchester College's activities, its current financial position and factors likely to affect its future development are set out within the Strategic report. The Manchester College has in place a two-year financial plan and has prepared detailed cash flow forecasts which have been sensitised to take account of a number of reasonably possible scenarios and show The Manchester College has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to be appropriate to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 6th December 2016 and signed on its behalf by:

Chair – Cllr S Murphy

Chief Executive Officer – John Thornhill

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

The Corporation has considered its responsibility to notify the Skills Funding Agency of material irregularity, impropriety and non-compliance with Skills Funding Agency terms and conditions of funding, under the financial memorandum in place between The Manchester College and the 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 Manchester College, or material non-compliance with the Skills Funding Agency's terms and conditions of funding under The Manchester 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 Skills Funding Agency.

Chief Executive Officer and Accounting Officer – John Thornhill
Date: 6 December 2016

Chair - Cllr Sue Murphy
Date: 6 December 2016

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 Financial Memorandum between the Skills Funding Agency and the Corporation of The Manchester College, the Corporation, through its Chief Executive 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 2015/16 issued jointly by the Skills Funding Agency and the Education Funding Agency, and which give a true and fair view of the state of affairs of The Manchester College and the Group and the result for that year.

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

• select suitable accounting policies and apply them consistently

• make judgements and estimates that are reasonable and prudent

• state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements

• prepare financial statements on the going concern basis, unless it is inappropriate to assume that The Manchester College will continue in operation.

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 the legal and administrative status of The Manchester College.

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of The Manchester College and the Group, 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 taking steps that are reasonably open to it in order to safeguard the assets of The Manchester College and the Group and to prevent and detect fraud and other irregularities.

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

Members of the Corporation are responsible for ensuring that 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 Skills Funding Agency are used only in accordance with the Financial Memorandum with the Skills Funding Agency 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 Manchester College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the Skills Funding Agency are not put at risk.

Approved by order of the members of the Corporation on 6th December 2016 and signed on its behalf by:

Cllr S Murphy CBE

Chair

FINANCIAL STATEMENTS YEAR ENDED 31 JULY 2016

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF THE MANCHESTER COLLEGE

We have audited the financial statements of The Manchester College for the year ended 31 July 2016 which comprise the consolidated and college statements of comprehensive income, the consolidated and college statement of changes in reserves, the consolidated and college balance sheets, the consolidated statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the College's Corporation, as a body, in accordance with Article 22 of The Manchester College's Articles of Government. Our audit work has been undertaken so that we might state to the College's Corporation those matters we are required to state to it 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 College's Corporation as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Corporation and auditor

As explained more fully in the Statement Responsibilities of the members of the Corporation set out on page 23, the College's Corporation is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the College's affairs as at 31 July 2016 and of the Group and College's surplus of income over expenditure for the year then ended in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education issued in March 2014.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Joint Audit Code of Practice issued by the Skills Funding Agency and Education Funding Agency requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the College; or
- the 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.

Grant Thornton UK LLP.

GRANT THORNTON UK LLP

STATUTORY AUDITOR, CHARTERED ACCOUNTANTS

Manchester

Date: 20 December 2016

REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO THE CORPORATION OF THE MANCHESTER COLLEGE AND SECRETARY OF STATE FOR EDUCATION ACTING THROUGH SKILLS FUNDING AGENCY

In accordance with the terms of our engagement letter dated 28th November 2016 and further to the requirements of the financial memorandum with Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that, in all material respects, the expenditure disbursed and income received by The Manchester College during the period from 1 August 2015 to 31 July 2016 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 Joint Audit Code of Practice issued jointly by Skills Funding Agency and Education Funding Agency in June 2016. In accordance 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 Skills Funding Agency has other assurance arrangements in place.

This report is made solely to the corporation of The Manchester College, as a body, and the Skills Funding Agency, as a body, in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of The Manchester College and Skills Funding Agency those matters we are required to state in a limited assurance 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 The Manchester College as a body, and Skills Funding Agency as a body, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of The Manchester College and the reporting accountant

The corporation of The Manchester College is responsible, under the requirements of the Further and 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 as imposed by the law, professional standards and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Joint 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 from 1 August 2015 to 31 July 2016 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 Joint Audit Code of Practice issued jointly by Skills Funding Agency and Education Funding Agency. 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 includes:

- an assessment of the risk of material irregularity and impropriety across the college's activities;
- evaluation of the processes and controls established and maintained in respect of regularity and propriety for the use of public funds through observation of the arrangements in place and enquiries of management;
- consideration and corroboration of the evidence supporting the Accounting Officer's statement on regularity, propriety and compliance and that included in the self-assessment questionnaire (SAQ); and

- limited testing, on a sample basis, of income and expenditure for the areas identified as high risk and included on the SAQ.

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 from 1 August 2015 to 31 July 2016 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Grant Thornton UK LLP.

GRANT THORNTON UK LLP

CHARTERED ACCOUNTANTS

Manchester

Date: 20 December 2016

FINANCIAL STATEMENTS YEAR ENDED 31 JULY 2016

Consolidated and College Statements of Comprehensive Income

	Notes	Year ended 31 July 2016		Year ended 31 July 2015	
		Consolidated	College	Consolidated	College
		£'000	£'000	£'000	£'000
INCOME					
Funding body grants	3	145,790	131,614	133,682	133,682
Tuition fees and education contracts	4	20,352	19,606	20,225	20,225
Other income	5	21,092	20,909	13,828	13,828
Investment income	6	108	107	136	136
Total income		**187,342**	**172,236**	**167,871**	**167,871**
EXPENDITURE					
Staff costs	7	126,741	120,990	118,030	118,030
Fundamental restructuring costs – severance costs	7	5,110	5,110	3,713	3,713
Other operating expenses	8	46,682	37,534	40,521	40,521
Depreciation	11, 12	6,990	6,491	4,995	4,995
Interest and other finance costs	9	1,660	1,660	2,165	2,165
Total expenditure		**187,183**	**171,785**	**169,424**	**169,424**
Surplus/(Deficit) before other gains and losses		**159**	**451**	**(1,553)**	**(1,553)**
Taxation	10	(39)	-	143	-
Surplus/(Deficit) for the year		**120**	**451**	**(1,410)**	**(1,553)**
Surplus for year after tax under previous reporting standards	27			**163**	**20**
FRS 102 transitional adjustments	27			(1,573)	(1,573
Other Comprehensive Income					
Actuarial (loss) / gain in respect of pension scheme	24	(19,151)	(19,151)	11,193	11,193
Total Comprehensive Income for the year		**(19,031)**	**(18,700)**	**9,783**	**9,640**
Represented by:					
Restricted comprehensive income		**-**	**-**	**-**	**-**
Unrestricted comprehensive income		**(19,031)**	**(18,700)**	**9,783**	**9,640**
		(19,031)	**(18,700)**	**9,783**	**9,640**

The surplus/(deficit) for the year and total comprehensive income for the year is attributable to The Manchester College. There are no non-controlling interests.

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS YEAR ENDED 31 JULY 2016

Consolidated and College Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Consolidated			
Balance at 1st August 2014	45,871	5,910	51,781
Deficit from the income and expenditure account	(1,410)	-	(1,410)
Other comprehensive income	11,193	-	11,193
Transfers between revaluation and income and expenditure reserves	239	(239)	-
	10,022	(239)	9,783
Balance at 31st July 2015	**55,893**	**5,671**	**61,564**
Surplus from the income and expenditure account	120	-	120
Other comprehensive income	(19,151)	-	(19,151)
Transfers between revaluation and income and expenditure reserves	229	(229)	-
Total comprehensive income for the year	**(18,802)**	**(229)**	**(19,031)**
Balance at 31 July 2016	**37,091**	**5,442**	**42,533**
College			
Balance at 1st August 2014	45,871	5,910	51,781
Deficit from the income and expenditure account	(1,553)	-	(1,553)
Other comprehensive income	11,193	-	11,193
Transfers between revaluation and income and expenditure reserves	239	(239)	-
	9,879	(239)	**9,640**
Balance at 31st July 2015	**55,750**	**5,671**	**61,421**
Surplus from the income and expenditure account	451	-	451
Other comprehensive income	(19,151)	-	(19,151)
Transfers between revaluation and income and expenditure reserves	229	(229)	-
Total comprehensive income for the year	**(18,471)**	**(229)**	**(18,700)**
Balance at 31 July 2016	**37,279**	**5,442**	**42,721**

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Balance Sheet as at 31 July

	Notes	Consolidated	College	Consolidated	College
		2016	2016	2015	2015
		£'000	£'000	£'000	£'000
Non-current assets					
Intangible assets	11	1,735	282	1,228	-
Tangible Fixed assets	12	115,403	115,025	118,509	118,193
Investments	13	-	2,715	-	2,115
		117,138	**118,022**	**119,737**	**120,308**
Current assets					
Assets held for sale	14	2,000	2,000	-	-
Stocks		44	44	34	34
Trade and other receivables	15	9,023	7,228	11,173	8,791
Cash and cash equivalents	20	18,261	17,636	21,828	21,040
		29,328	**26,908**	**33,035**	**29,865**
Less: Creditors – amounts falling due within one year	16	(24,441)	(22,759)	(28,930)	(26,478)
Net current assets		**4,887**	**4,149**	**4,105**	**3,387**
Total assets less current liabilities		**122,025**	**122,171**	**123,842**	**123,695**
Creditors – amounts falling due after more than one year	17	(47,870)	(47,870)	(51,445)	(51,445)
Provisions					
Defined benefit obligations	24	(29,583)	(29,583)	(8,698)	(8,698)
Other provisions	19	(2,039)	(1,997)	(2,135)	(2,131)
Total net assets		**42,533**	**42,721**	**61,564**	**61,421**
Unrestricted Reserves					
Income and expenditure account		37,091	37,279	55,893	55,750
Revaluation reserve		5,442	5,442	5,671	5,671
Total unrestricted reserves		**42,533**	**42,721**	**61,564**	**61,421**

The financial statements on pages 27 to 56 were approved and authorised for issue by the Corporation on 6th December 2016 and were signed on its behalf on that date by:

Cllr Sue Murphy
Chair

Mr John Thornhill
Chief Executive Officer

Consolidated Statement of Cash Flows

	Notes	2016 £'000	2015 £'000
Cash flow from operating activities			
Surplus/(Deficit) for the year		120	(1,410)
Adjustment for non-cash items			
Depreciation and amortisation		6,990	4,995
Increase in stocks		(10)	(4)
Decrease/(increase) in debtors		2,208	(6,266)
(Decrease)/increase in creditors due within one year		(3,476)	4,101
Decrease in creditors due after one year		(1,560)	(1,937)
(Decrease)/increase in provisions		(134)	9
Pensions costs less contributions payable		1,735	1,966
Taxation		39	(143)
Adjustment for investing or financing activities			
Investment income		(108)	(136)
Interest payable		1,304	1,370
Taxation paid		-	-
Profit on sale of fixed assets		(3)	(5)
Net cash flow from operating activities		**7,105**	**2,540**
Cash flows from investing activities			
Proceeds from sale of fixed assets		71	9
Investment income		108	136
Payments made to acquire fixed assets		(7,084)	(3,461)
Capital grants received		152	1,862
Purchase of subsidiary undertaking		(600)	(2,115)
Net cash acquired with subsidiary		-	788
		(7,353)	**(2,781)**
Cash flows from financing activities			
Interest paid		(1,304)	(1,370)
Repayments of amounts borrowed		(2,015)	(2,015)
		(3,319)	**(3,385)**
Decrease in cash and cash equivalents in the year		**(3,567)**	**(3,626)**
Cash and cash equivalents at beginning of the year	20	21,828	25,454
Cash and cash equivalents at end of the year	20	18,261	21,828

NOTES TO THE ACCOUNTS

1. LEGAL STATUS AND REGISTERED OFFICE

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting The Manchester College. The Corporation was incorporated in England as The Manchester College and is also known as "TMC" or "the College". The College is an exempt charity for the purposes of the Charities Act 2011. The College was established under the terms of statutory instrument 2008 No 1418 and with effect from 1 August 2008.

Registered office:
Openshaw Campus & Administration Centre
Ashton Old Road
Manchester
M11 2WH

2. ACCOUNTING POLICIES

Statement of accounting policies

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

Basis of preparation

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

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

The financial statements are presented in £ sterling.

The Group has taken advantage of the exemptions provided in FRS 102 1.12 and the 2015 FE HE SORP 3.3, and has not included a separate statement of its own cash flows. These cash flows are included within the Consolidated Statement of Cash Flows, and the Group balance sheet discloses cash at both the current and preceding reporting dates.

Transition to the 2015 FE HE SORP

The Group is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the Group has amended certain accounting policies to comply with FRS 102 and the 2015 FE HE SORP. The Group has also taken advantage of certain exemptions from the requirements of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS'.

An explanation of how the transition to the 2015 FE HE SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the Group is provided in note 27.

The 2015 FE HE SORP requires colleges to prepare a single statement of comprehensive income, and not the alternative presentation of a separate income statement and a statement of other comprehensive income. This represents a change from the previous period where separate statements for the Income and Expenditure account and for the Statement of Total Recognised Gains and Losses were presented.

The application of first time adoption allows certain exemptions from the full requirements of the FRS 102 and the 2015 FE HE SORP in the transition period. The following exemptions have been taken in these financial statements:

- Revaluation as deemed cost – at 1st August 2014, the College has retained the carrying values of freehold properties acquired before 1 September 1997, the date of the last formal revaluation as being deemed cost.

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.

Going Concern

The Group's activities, its current financial position and factors likely to affect its future development are set out within the Strategic report. The Group has in place a two-year financial plan and has prepared detailed cash flow forecasts which have been sensitised to take account of a number of reasonably possible scenarios and show the Group has adequate resources to continue in operational existence for the foreseeable future. Due consideration has been taken of adult funding reductions, the need for quality provision, and pay related cost increases.

The Group has net debt of £8m at year end (£26m debt and £18m cash reserves). The debt equates to less than 15% of income, so based on the ABR benchmarks of up to 30% on income for debt funding the Group could double its current debt position. However, although this would mean a worsening in the financial health grade to satisfactory from good. The indications from discussions with our banks is that further funding would be available if required.

For this reason, it continues to be appropriate to adopt the going concern basis in preparing the financial statements.

Basis of consolidation

The consolidated financial statements include the Group and its subsidiary undertakings, controlled by the Group. 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 2016.

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 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 HEFCE represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

Grants from non-government sources are recognised in income when the Group 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 Group 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.

Other income is credited to the income and expenditure account in the period performance related conditions are met or when the income is receivable.

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 Group 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 Group 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 Group 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 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 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.

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 Group. Any unused benefits are accrued and measured as the additional amount the Group expects to pay as a result of the unused entitlement.

Enhanced Pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by the Group annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the Group's income in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the funding bodies.

Non-current Assets - Tangible fixed assets

Tangible fixed assets are stated at deemed cost less accumulated depreciation and accumulated impairment losses.

Land and buildings

Land and buildings inherited from the Local Education Authority along with land and buildings acquired before 1 September 1997 are held on the balance sheet at the last formal revaluation which took place on 1 September 1997. The valuation determined the useful economic life of these assets to be less than those for new build which is 50 years. This valuation was on the basis of depreciated replacement cost.

Land and buildings acquired since 1 September 1997 are included in the balance sheet at historical cost. These values are retained subject to the requirement to test assets for impairment if events or changes in circumstances indicate that the carrying value of the fixed asset may not be recoverable in accordance with FRS 102.

Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the Group of 50 years.

However, refurbishment/additions to existing buildings and leasehold improvements are depreciated over their remaining useful lives or lease lives whichever is the lesser.

Where land and buildings are acquired with the aid of specific government 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 Group followed the transitional provision to retain the book value of land and buildings, which were revalued in 1997, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

Assets under construction

Buildings 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 it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

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

Equipment

Equipment costing less than £5,000 per individual item is written off to the income and expenditure account in the year of acquisition. All other equipment is capitalised at cost. Equipment is depreciated over its useful economic life on a straight line basis at the following rates:

Fixtures and fittings	3 years - 10 years
Electronic equipment	4 years
Computer software	3 years
Other plant & equipment	6 years - 10 years
Motor vehicles	4 years

All above categories are classified as Tangible Fixed Assets Equipment.

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

Goodwill

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities acquired. Goodwill is capitalised and amortised to the income and expenditure account over its estimated economic life of 10 years.

Intangible assets

For all other intangible assets amortisation is provided on a straight-line basis over their estimated useful life. The amortisation period and the amortisation method for intangible assets are reviewed at each financial year-end.

- Customer related and contract-based intangibles

Customer relations are carried at cost less accumulated amortisation and any impairment losses. Cost is defined as the fair value as at the date of the business combination. The carrying amounts of these intangible assets are reviewed annually for indicators that these assets may be impaired. Amortisation is provided to write down the customer relations, on a straight-line method over the estimated useful life of between 3 and 10 years. Useful economic life is dependent upon the life of the existing customer relationships at the point of acquisition, the reputational standing incorporating key management personnel with intellectual/ institutional/sector knowledge of the acquired and its demonstrable ability to maintain those relationships.

- Market-related intangibles (including branding, reputation and market share)

These intangible assets are shown at cost less accumulated amortisation and impairment losses. Cost represents fair value as at the date of the business combination. Amortisation is calculated using the straight-line method to allocate costs over the estimated useful life of the preferred supplier contracts. Useful economic life expected to be 10 years unless the acquisition is acquired specifically for resale in the short term.

- Other intangible assets – Distress cases

Other intangible assets are carried at cost less accumulated amortisation and any impairment losses. The Total People Group has a good reputation within the sector in dealing with distress cases (other failing apprenticeship providers) passed on to it by the funding body. The account management structure is seen to have a reliable operational functionality of sufficient quality to be able to revitalise and transform liquidated or failing providers to fulfil the funding bodies' obligations. Amortisation is provided to write down other intangible assets on a straight-line method over the estimated useful life of 5 years.

- Website costs

For website costs included within intangible assets, are carried at cost less accumulated amortisation is provided on a straight-line basis over their estimated useful life. The amortisation period of 10 years and the amortisation method for intangible assets are reviewed at each financial year-end.

Borrowing costs

Finance costs which are directly attributable to the construction of land and buildings are capitalised as part of the costs, until such time when the asset comes into use. Finance costs beyond this date are charged directly to the income and expenditure account.

Investments

Fixed asset investments are carried at historical cost less any provision for impairment in their value. Results of joint ventures in which the Group has 50% or more are included in the Group's results and disclosed under related party transactions.

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 Group 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.

Stocks

Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

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 Group 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 Group is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 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 to exclusively charitable purposes.

The Group is exempt from levying VAT on most of the services it provides to learners. For this reason, the Group is generally unable to recover input VAT it suffers on goods and services purchased. Non – pay expenditure is therefore shown inclusive of VAT with any partial recovery netted off against these figures.

The Group'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 Group 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 Group 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 Group. 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 Group acts as an agent in the collection and payment of discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to learners are excluded from the income and expenditure account of the Group where the Group is exposed to minimal risk or enjoys minimal economic benefit related to the transaction and are shown separately in Note 26.

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 Group 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 intangible and tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *Intangible assets*

  Intangible assets, are carried at cost less accumulated amortisation and any impairment losses. Cost is defined as the fair value as at the date of the business combination. The carrying amounts of these intangible assets are reviewed annually for indicators that these assets may be impaired. Amortisation is provided to write down the value using the straight-line method over the estimated useful life. Useful economic life is dependent upon the life of the specific intangible.

- *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 for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 24, 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 2013 has been used by the actuary in valuing the pensions liability at 31 July 2016. 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.

3. FUNDING BODY GRANTS

	2016 Group £000	2016 College £000	2015 Group £000	2015 College £000
SFA recurrent grant	14,089	14,089	19,120	19,120
EFA recurrent grant	33,559	31,004	30,982	30,982
Recurrent grant – HEFCE	1,070	1,070	842	842
SFA non recurrent grant	77,889	77,889	70,079	70,079
EFA non recurrent grant	19	19	3,047	3,047
Release of government capital grants	2,111	2,111	949	949
ESF Co-financing	(214)	(191)	2,102	2,102
Other funds	427	413	348	348
Employer responsive	16,840	5,210	6,213	6,213
Total	**145,790**	**131,614**	**133,682**	**133,682**

4. TUITION FEES AND EDUCATION CONTRACTS

	2016 Group £000	2016 College £000	2015 Group £000	2015 College £000
Adult education fees	7,505	7,334	7,857	7,857
Apprenticeship fees and contracts	-	-	-	-
Fees for FE loan supported courses	2,020	1,445	2,000	2,000
Fees for HE loan supported courses	8,972	8,972	8,433	8,433
International students fees	243	243	211	211
Total tuition fees	18,740	17,994	18,501	18,501
Education contracts	1,612	1,612	1,724	1,724
Total	**20,352**	**19,606**	**20,225**	**20,225**

5. OTHER INCOME

	2016 Group £000	2016 College £000	2015 Group £000	2015 College £000
Residences, catering and conferences	1,485	1,485	1,694	1,694
Other income-generating activities	1,389	1,389	1,060	1,060
Other income*	18,218	18,035	11,074	11,074
Total	**21,092**	**20,909**	**13,828**	**13,828**

* This includes Youth Justice Board/Ministry of Justice income £8,966k (2014/15 £3,777k), miscellaneous income £5,556k (2014/15 £3,529k), Rental income £599k (2014/15 £646k), Exam fee income £460k (2014/15 £388k), Nursery income £1,047k (2014/15 £1,322k).

6. INVESTMENT INCOME

	2016 Group £000	2016 College £000	2015 Group £000	2015 College £000
Other investment income	83	83	83	83
Interest receivable	25	24	53	53
Total	**108**	**107**	**136**	**136**

7. STAFF COSTS

The average weekly number of persons (including senior post-holders) employed by the Group during the year, expressed as full-time equivalents was:

	2016 Number Group	2016 Number College	2015 Number Group	2015 Number College
Teaching staff	2,011	1,820	2,201	2,201
Non-teaching staff	1,439	1,393	1,537	1,537
Total	**3,450**	**3,213**	**3,738**	**3,738**

Staff costs for the above persons:	**2016 £000**	**2016 £000**	**2015 £000**	**2015 £000**
Wages and salaries	103,123	97,435	97,457	97,457
Social security costs	8,035	8,035	7,176	7,176
Other pension costs	14,181	14,181	12,299	12,299
Payroll sub total	**125,339**	**119,651**	**116,932**	**116,932**
Contracted out staffing services	1,402	1,339	1,098	1,098
Sub total	**126,741**	**120,990**	**118,030**	**118,030**
Fundamental restructuring costs				
– contractual	3,889	3,889	2,707	2,707
- non contractual	1,221	1,221	1,006	1,006
	5,110	5,110	3,713	3,713
Total Staff Costs	**131,851**	**126,100**	**121,743**	**121,743**

The severance payments included in restructuring costs were approved by the College's Corporation.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group and are represented by the Group Executive Team. Staff costs include compensation paid to key management personnel for loss of office.

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

	2016 No.	2015 No.
The number of key management personnel including the Accounting Officer was:	7	9

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

	Group Key management		Group Other staff	
	2016	2015	2016	2015
	No.	No.	No.	No.
£60,001 to £70,000 p.a.	-	3	4	9
£70,001 to £80,000 p.a.	1	-	3	4
£80,001 to £90,000 p.a.	1	-	3	2
£90,001 to £100,000 p.a.	-	-	2	2
£100,001 to £110,000 p.a.	-	1	-	1
£110,001 to £120,000 p.a.	1	1	-	1
£120,001 to £130,000 p.a.	1	1	-	-
£130,001 to £140,000 p.a.	1	2	-	-
£140,001 to £150,000 p.a.	1	-	-	-
£150,001 to £160,000 p.a.	-	-	-	-
£160,001 to £170,000 p.a.	-	-	-	-
£170,001 to £180,000 p.a.	-	-	-	-
£180,001 to £190,000 p.a.	-	1	-	-
£190,001 to £200,000 p.a.	-	-	-	-
£200,001 to £210,000 p.a.	1	-	-	-
	7	**9**	**12**	**19**

Key management personnel emoluments are made up as follows:

	2016	2015
	£'000	£'000
Salaries	881	994
Social security costs	117	116
Benefits in kind	2	4
	1,000	1,114
Pension contributions	141	145
Total emoluments	1,141	1,259

There were no amounts due to key management personnel that were waived in the year, nor any salary sacrifice arrangements in place.
The above emoluments include amounts payable to the Accounting Officer (who is also the highest paid officer) of:

	2016	2015
	£'000	£'000
Salaries	207	185
Benefits in kind	-	-
	207	185
Pension contributions	35	29

Compensation for loss of office paid to former key management personnel

	2016	2015
	£	£
Compensation paid to the former post-holder - contractual	-	13,920
Estimated value of other benefits, including provisions for pension benefits	-	-

The severance payment was approved by the Group's Remuneration Committee.

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.

8. OTHER OPERATING EXPENSES

	2016 Group £000	2016 College £000	2015 Group £000	2015 College £000
Teaching costs	22,695	15,054	19,301	19,301
Non-teaching costs	17,560	16,987	15,728	15,728
Premises	6,427	5,493	5,492	5,492
Total	**46,682**	**37,534**	**40,521**	**40,521**

Other operating expenses include:

	Group 2016 £000	Group 2015 £000
Auditors' remuneration		
- Financial statements audit	65	38
- Other services provided by External Auditors	8	2
Internal audit	37	36
Profit on disposal of non-current assets	3	5
Hire of plant and machinery– operating leases	1,398	1,411
Hire of other assets – operating leases	9,321	4,043

9. INTEREST AND OTHER FINANCE COSTS (Group and College)

	2016 £000	2015 £000
On bank loans	1,304	1,370
Pension finance costs (note 24)	356	795
Total	**1,660**	**2,165**

10. TAXATION (Group)

	2016 £000	2015 £000
United Kingdom corporation tax at 20 per cent	-	-
Provision for corporation tax repayment in the accounts of the subsidiary	-	(143)
Deferred tax in the accounts of the subsidiary company	39	-
Total	**39**	**(143)**

The corporation tax and deferred tax are all in the Group's subsidiary, Total People Limited.

11. INTANGIBLE FIXED ASSETS (Group)

	Goodwill £000	Other £000	Website £000	Total £000
Cost				
At 1 August 2015	178	1,050	-	1,228
Additions	600	-	292	892
At 31 July 2016	**778**	**1,050**	**292**	**2,120**
Amortisation				
At 1 August 2015	-	-	-	-
Charge for the year	206	169	10	385
At 31 July 2016	**206**	**169**	**10**	**385**
Net book value at 31 July 2016	**572**	**881**	**282**	**1,735**
Net book value at 31 July 2015	**178**	**1,050**	**-**	**1,228**

Goodwill arising on acquisition is amortised over 10 years. Goodwill has been increased by £89k re: FRS 102 restatement of Total People Ltd net assets as at year ended 31 July 2015.Other intangibles include the following arising from the acquisition of Total People Holdings Limited:

Intangibles - Other		
	Value	U.E.L (years)
Contractual customer relationships	525	3 – 10
Brand name, reputation, market share	275	10
Distress cases	250	5
Total	**1,050**	

Website costs are being amortised over 10 years.

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11. INTANGIBLE FIXED ASSETS (College)

	Website £000
Cost	
At 1 August 2015	-
Additions	292
At 31 July 2016	**292**
Amortisation	
At 1 August 2015	-
Charge for the year	10
At 31 July 2016	**10**
Net book value at 31 July 2016	**282**
Net book value at 31 July 2015	**-**

12. TANGIBLE FIXED ASSETS (Group)

Cost or Valuation	**Land & Buildings Freehold £000**	**Land & Buildings Long Leasehold £000**	**Assets under construction £000**	**Equipment £000**	**Total £000**
At 1 August 2015	146,622	992	2,115	19,297	169,026
Additions	851	-	411	4,305	5,567
Transfers	387	-	(2,114)	1,727	-
Transfers to assets held for sale	(2,964)	-	-	(85)	(3,049)
Disposals	(78)	-	-	(115)	(193)
At 31 July 2016	**144,818**	**992**	**412**	**25,129**	**171,351**
Depreciation					
At 1 August 2015	36,360	121	-	14,036	50,517
Charge for the year	3,509	20	-	3,076	6,605
Eliminated in respect of disposal	(10)	-	-	(115)	(125)
Transfers to assets held for sale	(965)	-	-	(84)	(1,049)
At 31 July 2016	**38,894**	**141**	-	**16,913**	**55,948**
Net book value at 31 July 2016	**105,924**	**851**	**412**	**8,216**	**115,403**
Net book value at 31 July 2015	**110,262**	**871**	**2,115**	**5,261**	**118,509**

12. TANGIBLE FIXED ASSETS (College)

Cost or Valuation	Land & Buildings Freehold £000	Land & Buildings Long Leasehold £000	Assets under construction £000	Equipment £000	Total £000
At 1 August 2015	146,622	992	2,115	18,097	167,826
Additions	851	-	411	4,120	5,382
Transfers	387	-	(2,114)	1,727	-
Transfers to asset held for sale	(2,964)	-	-	(85)	(3,049)
Disposals	(78)	-	-	(115)	(193)
At 31 July 2016	**144,818**	**992**	**412**	**23,744**	**169,966**
Depreciation					
At 1 August 2015	36,360	121	-	13,153	49,634
Charge for the year	3,509	20	-	2,952	6,481
Disposals	(10)	-	-	(115)	(125)
Transfers to asset held for sale	(965)	-	-	(84)	(1,049)
At 31 July 2016	**38,894**	**141**	**-**	**15,906**	**54,941**
Net book value at 31 July 2016	**105,924**	**851**	**412**	**7,838**	**115,025**
Net book value at 31 July 2015	**110,262**	**871**	**2,115**	**4,945**	**118,193**

The transitional rules set out in FRS102 Tangible Fixed Assets have been applied on implementing FRS102. Accordingly, the book values at implementation have been retained. Land and buildings were valued in 1997 at depreciated replacement cost by a firm of independent chartered surveyors. Other tangible fixed assets inherited from the LEA at incorporation have been valued by the Group on a depreciated replacement cost basis with the assistance of independent professional advice.

Land, buildings and equipment with a net book value of £22,226,545 have been partly financed by exchequer funds, through for example the receipt of capital grants. Should these assets be sold, the Group may be liable, under the terms of the Financial Memorandum with the funding body to surrender the proceeds.

The Group's bank loan is secured by a legal charge on a portion of the freehold land and buildings of the Group with a net book value of £68,239,391.

13. INVESTMENTS (College)

Total People Holdings Limited

	2016 £ 000
Investment at 31 Aug 2015	2,115
Additions	600
At 31 July 2016	**2,715**
Net book value at 31 July 2016	**2,715**
Net book value at 31 July 2015	**2,115**

On 31st July 2015 The Manchester College acquired 100% of the ordinary share capital of Total People Holdings Limited, a group of companies that are registered in England and Wales as follows:

Company name	Shareholding	Nature of business
Total People Holdings Limited	100%	Holding company - Dormant
Total People Limited*	100%	Training and apprenticeship provider
The Total Apprenticeship Training Company Limited*	100%	Apprenticeship training
Total People Employee Benefit Trustee Limited*	100%	Dormant

*The shares in these companies are held by Total People Holdings Limited

There is a deferred consideration of a maximum of £1,300,000 (2014/15 £1,800,000), if all relevant conditions are met, which could become payable depending on certain criteria in the 'sales and purchase agreement' in respect of the acquisition of the Total People Holdings Limited group of companies. £500k was paid during the year. As there is a degree of uncertainty about whether these criteria will be met, no provision has been made in the accounts.

Manchester Education and Training Limited

The Manchester College is in a joint venture arrangement with Manchester City Council, (Manchester Education and Training Limited), a company incorporated in England and Wales, the entity being a charitable company limited by guarantee.

The results of Manchester Education and Training Limited for the year ended 31st July 2016 are as follows:

	2016	2015
	£	£
Incoming resources	11,130	11,130
Operating costs	(21,972)	(21,972)
Net outgoing resources	**(10,842)**	**(10,842)**
Fixed assets	714,321	736,293
Current assets	246,240	235,110
Current liabilities	(12,930)	(12,930)
Net assets	**947,631**	**958,473**

The incoming resources are made up of the annual service charge to The Manchester College. The net outgoing resources are stated after charging depreciation amounting to £21,972.

One Central Park Limited

Manchester City Council bought One Central Park Limited on 18th June 2014. One Central Park Limited was placed into a member's voluntary liquidation. The dissolution is not yet complete and the Group awaits the return of its initial share capital of £200.

14. ASSETS HELD FOR SALE

The £2m fixed assets held for sale, which represents it's carrying value, relates to St Matthews campus and Malcolm / Fernside house.

15. DEBTORS

	Group 2016 £000	College 2016 £000	Group 2015 £000	College 2015 £000
Amounts falling due within one year:				
Trade debtors	3,167	2,124	3,909	2,309
Amounts owed by Joint venture	12	12	1	1
Amount owed by group undertakings: Subsidiary undertakings	-	15	-	69
Prepayments and accrued income	5,490	5,014	5,794	5,468
Corporation tax	143	-	143	-
Other debtors	211	63	1,326	944
Total	**9,023**	**7,228**	**11,173**	**8,791**

An impairment loss of £154k (2015: £150k) was recognised against debtors.

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2016 £000	College 2016 £000	Group 2015 £000	College 2015 £000
Bank loans	2,015	2,015	2,015	2,015
Payments received in advance	1,921	1,921	2,623	2,623
Trade payables	1,848	1,448	2,097	1,796
Amounts owed to joint venture undertaking	245	245	234	234
Other taxation and social security	4,132	4,012	4,293	4,006
Accruals and deferred income	11,263	10,135	14,479	12,651
Deferred income – gov't capital grants	1,666	1,666	2,111	2,111
Amounts owed to the SFA - LSF	363	363	-	-
Other creditors	988	954	1,078	1,042
Total	**24,441**	**22,759**	**28,930**	**26,478**

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

	Group 2016 £000	College 2016 £000	Group 2015 £000	College 2015 £000
Bank loans	24,035	24,035	26,050	26,050
Deferred income-gov't capital grants	23,541	23,541	24,945	24,945
Other	294	294	450	450
Total	**47,870**	**47,870**	**51,445**	**51,445**

18. MATURITY OF DEBT

Bank loans

Bank loans are repayable as follows:

	Group 2016 £000	College 2016 £000	Group 2015 £000	College 2015 £000
In one year or less	2,015	2,015	2,015	2,015
Between one and two years	3,927	3,927	4,009	4,009
Between two and five years	5,798	5,798	5,798	5,798
In five years or more	14,310	14,310	16,243	16,243
Total	**26,050**	**26,050**	**28,065**	**28,065**

Loans totalling £7.3m with Allied Irish Bank (AIB) are repayable between 2017/18 and 2024/25. Interest payments are variable and linked to the base rate. Loans totalling £18.75m with Royal Bank of Scotland (RBS) are repayable by instalments until 2035/36. Interest payments are due in three tranches for 12, 17 and 22 years at fixed rates averaging 6.31 per cent. Both loans are secured by a legal charge on a portion of the freehold land and buildings of the Group.

19. Provisions

Group

	Enhanced pensions £'000	Other £'000	Total £'000
At 1 August 2015	2,131	4	**2,135**
Expenditure in the year	(138)	-	**(138)**
Additions in year	4	39	**43**
At 31 July 2016	**1,997**	**42**	**2,039**

College

	Enhanced pensions £'000
At 1 August 2015	2,131
Expenditure in the year	(138)
Additions in year	4
At 31 July 2016	**1,997**

Other provisions relate to a deferred tax provision in The Total People Ltd accounts.

The enhanced pension provision relates to the cost of staff who have already left the Group's employment. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:

	2016	2015
Price inflation	1.3%	1.7%
Discount rate	2.3%	3.5%

20 Cash and cash equivalents - Group

	At 1 August 2015 £'000	Cash flows £'000	Other changes £'000	At 31 July 2016 £'000
Cash and cash equivalents	21,828	(3,567)	-	18,261
Overdrafts	-	-	-	-
Total	**21,828**	**(3,567)**	**-**	**18,261**

20. Cash and cash equivalents - College

	At 1 August 2015 £'000	Cash flows £'000	Other changes £'000	At 31 July 2016 £'000
Cash and cash equivalents	21,040	(3,404)	-	17,636
Overdrafts	-	-	-	-
Total	**21,040**	**(3,404)**	**-**	**17,636**

21. Capital and other commitments

	Group and College	
	2016	2015
	£'000	£'000
Commitments contracted for at 31 July	1,197	933

22. Lease obligations

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

	2016 £'000	2016 £'000	2015 £'000	2015 £'000
Future minimum lease payments due	Group	College	Group	College
Land and buildings				
Not later than one year	2,140	1,787	2,147	1,738
Later than one year and not later than five years	3,930	3,024	4,926	3,831
Later than five years	3,251	3,054	3,887	3,816
	9,321	7,865	10,960	9,385
Other				
Not later than one year	673	656	658	644
Later than one year and not later than five years	725	699	753	731
Later than five years	-	-	-	-
	1,398	1,355	1,411	1,375

23. CONTINGENT LIABILITIES

Deferred consideration of a maximum of £1,300,000, if all relevant conditions are met, could become payable depending on certain criteria in the 'sales and purchase agreement' in respect of the acquisition of the Total People Holdings Limited group of companies. There is a degree of uncertainty about whether these criteria will be met, hence no provision has been made in the accounts.

24. DEFINED BENEFIT OBLIGATIONS

The Group and College's employees belong to two principal pension schemes: The Teachers' Pension Scheme England and Wales (TPS) for academic and related staff and the Greater Manchester Pension Fund (GMPF) which is part of the Local Government Pension Fund (LGPS). Both are defined-benefit schemes.

		2016 £000		2015 £000
Total pension cost for the year				
Teachers' pension scheme: contributions paid		8,025		6,749
Local Government Pension Scheme:				
Contributions paid	4,639		4,293	
FRS 102 (28) charge	1,379		1,171	
Charge to the Statement of Comprehensive income		6,018		5,464
Enhanced pension charge to Statement of Comprehensive income		138		86
Total pension cost for year within staff costs		**14,181**		**12,299**

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2012 and of the LGPS was 31 March 2013.

Contributions amounting to £1,594,329 (2015 £1,599,924) were payable to the schemes at 31st July and are included within creditors (other taxation and social security).

Teachers' Pension Scheme

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

The Teachers' Pension Budgeting and Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go 'basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act.

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

Valuation of the Teachers' Pension Scheme

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

- New employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay.

The new employer contribution rate for the TPS was implemented in September 2015.
A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:
https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx

Scheme Changes

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

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

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three-and-a-half-year period, for people who would fall up to three and a half years outside of the 10-year protection.

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

The pension costs paid to TPS in the year amounted to £8,025,000 (2015: £6,749,000).

FRS 102 (28)

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

Accordingly, the Group 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 Group has set out above the information available on the plan and the implications for the Group in terms of the anticipated contribution rates.

Greater Manchester Pension Fund ('GMPF')

The GMPF is a funded defined benefit scheme, with the assets held in separate funds administered by Tameside Metropolitan Borough Council. The total contribution made for the year ended 31 July 2016 was £6,428,000 of which employers' contributions totalled £4,639,000 and employee's contributions totalled £1,789,000. The agreed contribution rates are 16.1% for employers. Employees range from 5.5% to 12.5% depending on salary.

Principal Actuarial Assumptions
The following information is based upon a full actuarial valuation of the fund at 31 March 2013
updated to 31 July 2016 by a qualified independent actuary

	At 31 July 2016	At 31 July 2015
Pension Increase Rate	1.7%	2.5%
Salary Increase Rate	1.5%	1.0%
Discount Rate	2.5%	3.8%

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 2016 years	At 31 July 2015 years
Retiring today		
Males	21.4	21.4
Females	24.0	24.0
Retiring in 20 years		
Males	24.0	24.0
Females	26.6	26.6

The assets in the scheme (of which the Group's share is estimated to be £150,423,000 at 31 July 2016 and £131,492,000 at 31 July 2015).

The major categories of plan assets as a percentage of the total plan assets are as follows:

	At 31 July 2016	At 31 July 2015
Equities	73%	71%
Bonds	17%	18%
Property	5%	7%
Cash	5%	4%
	100%	100%

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

	Year Ended 31 July 2016 £000	Year Ended 31 July 2015 £000
Fair value of plan assets	150,423	131,492
Present value of plan liabilities	(180,006)	(140,190)
Net pensions (liability)	(29,583)	(8,698)

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

	2016 £000	2015 £000
Amounts included in staff costs		
Current service cost	5,869	5,043
Past service cost (including curtailments)	149	343
Total	**6,018**	**5,386**

Amounts included in interest cost

	2016 £000	2015 £000
Net interest cost	356	795
	356	**795**

Amount recognised in Other Comprehensive Income (OCI)

	2016 £000	2015 £000
Return on pension plan assets	10,517	3,120
Changes in financial assumptions	(31,656)	7,133
Other experience	1,988	940
Total	**(19,151)**	**11,193**

Movement in net defined benefit liability during year

	2016 £000	2015 £000
Deficit in scheme at 1 August	(8,698)	(17,925)
Movement in year :		
Current service charge	(5,869)	(5,043)
Employer contributions	4,639	4,215
Past service cost including curtailments	(148)	(343)
Net interest	(356)	(795)
Actuarial (loss) / gain	(19,151)	11,193
Net defined benefit liability at 31 July	**(29,583)**	**(8,698)**

Asset and Liability Reconciliation

	2016 £000	2015 £000
Defined benefit obligations at start period	140,190	137,907
Current service cost	5,869	5,043
Interest cost	5,416	6,018
Employee contributions	1,789	1,795
Changes in financial assumptions	31,656	(7,133)
Other experience	(1,989)	(940)
Benefits paid	(3,074)	(2,843)
Past Service cost including curtailments	149	343
Defined benefit obligations at end of period	**180,006**	**140,190**

Changes in fair value of plan assets

	2016 £000	2015 £000
Fair value of plan assets at start of period	131,492	119,982
Interest on plan assets	5,060	5,223
Return on plan assets	10,517	3,120
Employer contributions	4,639	4,215
Employee contributions	1,789	1,795
Benefits paid	(3,074)	(2,843)
Fair value of plan assets at end of period	**150,423**	**131,492**

25. RELATED PARTY TRANSACTIONS

Due to the nature of The Manchester College's operations and the composition of the Governing Body 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 Governing Body may have an interest. All transactions involving organisations in which a member of the Governing Body may have an interest 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 £3,274; 9 governors (2015: £2,553; 7 governors). 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 (2015: None).

Manchester Education and Training Limited ("MET")

MET is an undertaking by which its participants (The Manchester College and Manchester City Council 'MCC') expect to receive some common purpose or benefit. It is controlled jointly by both the above parties.

The Manchester College was charged services of £11,130 (2015: £11,130), in respect of rent, depreciation of £10,500 (2015: £10,500) and a commercial mark-up £630 (2015: £630).

At the year end, The Manchester College had £12,930 (2015: £12,930) outstanding from MET and MET was owed £245,173 (2015: £234,043) by The Manchester College.

The group has taken advantage of the exemptions included in FRS102 section 33 in not disclosing the transactions with other group companies as they are wholly owned and included within these consolidated accounts.

26. AMOUNTS DISBURSED AS AGENT

	2016	**2015**
	£000	**£000**
Funding body grants – bursary support	2,123	-
Funding body grants – discretionary learner support	3,853	5,945
Other Funding body grants – free school meals	547	-
Interest earned	14	6
	6,537	**5,951**
Disbursed to students	(5,505)	(5,549)
Administration costs	(243)	(402)
Balance unspent as at 31 July, included in creditors	**789**	**-**

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

27. Transition to FRS 102 and the 2015 FE HE SORP

The year ended 31st July 2016 is the first year that the Group has presented its financial statements under FRS 102 and the 2015 FE HE SORP. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended 31st July 2015 and the date of transition to FRS 102 and the 2015 FE HE SORP was therefore 1st August 2014. As a consequence of adopting FRS 102 and the 2015 FE HE SORP, a number of accounting policies have changed to comply with those standards.

An explanation of how the transition to FRS 102 and the 2015 FE HE SORP has affected the Group's financial position, financial performance and cash flows, is set out below.

	Note	1st August 2014		31st July 2015	
		Group	College	Group	College
		£'000	£'000	£'000	£'000
Financial Position					
Net assets under previous SORP		80,533	80,533	91,848	91,705
Deferred capital grants re-classified	(d)	(26,126)	(26,126)	(27,056)	(27,056)
		54,407	54,407	64,792	64,649
Employee leave accrual	(a)	(2,715)	(2,626)	(3,317)	(3,228)
Increase in goodwill recognised on consolidation	(a)	89	-	89	-
Changes to measurement of net finance cost on defined benefit plans	(b)	-	-	-	-
Total effect of transition to FRS 102 and 2015 FE HE SORP		(2,626)	(2,626)	(3,228)	(3,228)
Net assets under 2015 FE HE SORP		**51,781**	**51,781**	**61,564**	**61,421**

		Year ended 31st July 2015	
		Group	College
		£'000	£'000
Financial performance			
Surplus for the year after tax under previous		163	20
Leave accrual adjustment	(a)	(602)	(602)
Pension provision – actuarial gain	(b)	11,193	11,193
Changes to measurement of net finance cost on defined benefit plans	(b)	(971)	(971)
Total effect of transition to FRS 102 and 2015 FE HE SORP		**9,620**	**9,620**
Total comprehensive income for the year under 2015 FE HE SORP		**9,783**	**9,640**

a) Recognition of short term employment benefits

No provision for short term employment benefits such as holiday pay was made under the previous UK GAAP. Under FRS 102 the costs of short-term employee benefits are recognised as a liability and an expense. The annual leave year runs to 31st August each year for both teaching and non-teaching staff meaning that, at the reporting date, there was an average of 12 days unused leave for teaching staff and 9 days unused leave for non-teaching staff. In addition, employees are not allowed to carry forward any unused holiday entitlement at the end of the leave year. The cost of any unused entitlement is recognised in the period in which the employee's services are received. An accrual of £2.7 million was recognised at 1 August 2014 for the group, and £3.3 million at 31 July 2015 for the group. Following a re-measurement exercise in 2015/16, the movement on this provision of £187,215 has been charged to Comprehensive Income in the year ended 31 July 2016.

An element of the leave accrual for the group amounting to £89k at 1 August 2014 and 31 July 2015 reflects a leave accrual recognised in the balance sheet of the subsidiary undertaking, Total People Limited. The Manchester College acquired the shares in Total People Limited on 31 July 2015 and therefore the inclusion of the leave accrual under FRS102 has increased the goodwill recognised on consolidation.

b) Change in recognition of defined benefit plan finance costs

The net pension finance cost recognised in the Income and Expenditure account for the year ended 31st July 2015 under the previous UK GAAP was the net of the expected return on pension plan assets and the interest on pension liabilities. FRS 102 requires the recognition in the Statement of Comprehensive Income, of a net interest cost, calculated by multiplying the net plan obligations by the market yield on high quality corporate bonds (the discount rate applied). The change has had no effect on net assets as the measurement of the net defined benefit plan obligation has not changed. Instead, the decrease in the surplus for the year as a result of a re measurement of the interest cost has been mirrored by a reduction in the actuarial gains presented within Other Comprehensive Income.

c) Presentation of actuarial gains and losses within Total Comprehensive Income

Actuarial gains and losses on the Group's defined benefit plans were previously presented in the Statement of Total Recognised Gains and Losses (STRGL), a separate statement to the Income and Expenditure account. All such gains and losses are now required under FRS 102 to be presented within the Statement of Comprehensive Income, as movements in Other Comprehensive Income.

d) Treatment of deferred capital grants

Under the previous UK GAAP the deferred capital grants were disclosed under the funds section. FRS 102 requires these grants to be disclosed within creditors falling due within one year and after more than one year.

e) Recognition of intangibles

Under the previous UK GAAP the recognition of separate intangible assets on business combinations required intangible assets to be capable of being disposed of separately without disposing of a business of the entity.

Under FRS 102, there is no equivalent 'separability' requirement, and recognition of intangibles such as brands and customer relationships is only dependent on being able to measure them reliably at fair value and are capable of being identifiable. This has led to more intangible assets being recognised as part of acquisitions and the corresponding need to determine their fair value and useful economic life.

28. POST BALANCE SHEET EVENTS

Following a competition process, the tender for the provision of learning and skills at HMP Berwyn (a new build prison in Wrexham) has been awarded to Novus Cambria, a joint venture between Novus (an operating division of Manchester College) and Coleg Cambria (a college based in north Wales).