carmel college

# MEMBERS' REPORT AND

# FINANCIAL STATEMENTS

# 2013-2014

## Contents

## *Operating and Financial Review*

### Nature, Objectives and Strategy

The members present their report and the audited financial statements for the year ended 31 July 2014.

### *Legal Status*

The Governing Body was established under The Further and Higher Education Act 1992 for the purpose of conducting Carmel College. The College is an exempt charity for the purposes of the Charities Act 2011.

The College adheres to the Instrument and Articles as prescribed by the Archdiocese of Liverpool; a revised version of which was adopted in October 2008.

From April 2010 Carmel College has been formally designated as a Sixth Form College as it was initially designated under the Initial Sixth Form College Corporation Designation (England) Order 2010, and as such Carmel College is subject to financial supervision by the Education Funding Agency.

### *Mission*

Carmel College is committed to developing and sustaining all courses and services in a caring and Christian environment. Its Mission is:

**"to be a centre of educational excellence, opportunity, challenge and support within a caring, Christian environment"**

**"A Catholic College for the Community"**

The mission was reviewed in March 2014.

### *Public Benefit*

Carmel College is an exempt charity under the Part 3 of the Charities Act 2011 and from 1st September 2013, is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 14-16.

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

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

- High-quality teaching
- Widening participation and tackling social exclusion
- Excellent destination record for students
- Strong student support systems
- Links with employers, industry and commerce

### *Implementation of Strategic Plan*

In February 2011 the College adopted a strategic plan for the period 2011-2014. This plan is updated each year by the development of an annual operating plan. The strategic plan includes a commentary of the environment in which the College operates, property strategy summary, financial forecast and specific operating targets which are revised on an annual basis. The College management team and Governing Body monitor the performance of the College against these plans. The plans are reviewed and updated each year. The College's continuing strategic objectives are to:

- Achieve a student body of 1,866 full time equivalents (fte) by 31 July 2015
- To have 100% of teaching staff qualified or enrolled on a level 4 teaching qualification.
- Maintain the financial viability of the College with a current ratio of 1.5:1 and general reserves of 20% of income.
- To implement the approved college property strategy

The College is on target to achieve the strategic objectives summarised in the plan.

The College's specific targets for 2013/14 and achievement of those objectives is addressed below:

- The College achieved 1,866 fte learners against a target of 1,744 fte learners
- The College success rate for 2014 is 87.3%
- All unqualified staff are working towards a recognised qualification
- The financial ratio objectives of the College have been achieved
- An additional phase of property development and refurbishment including a BCIF bid was completed in August 2014

### *Financial objectives*

The College's financial objectives are:

- To maintain financial stability
- To maintain a sound financial base
- To improve financial management
- To maintain the confidence of funding bodies, suppliers and professional advisors
- To maintain awareness of financial issues
- To improve the stock of College accommodation and equipment

A series of performance indicators are in place to monitor the successful implementation of the policies. The College will achieve the target financial health grade of outstanding for 2014, and plans to achieve outstanding in 2015.

The College is committed to observing the importance of sector measures and indicators and uses National Sixth Form College benchmarks and the ALPS system to measure success.

The College is required to complete the annual Finance Record for the Education Funding Agency ("EFA"). The Finance Record produces a financial health grading.
The current rating of Outstanding is the best outcome achievable.

### *Financial Position*

### *Financial results*

The College achieved a surplus for the year of £93k (2012/2013 –surplus of £86k).

The College has accumulated reserves of £5,653k and cash balances of £1,876k. The College plans to invest any accumulated reserves and cash balances in the implementation of current and future capital developments. The funds will be invested to ensure that the quality of the facilities offered to learners continues to be of the highest standard.

The College has significant reliance on the government funding agencies (Education Funding Agency) for its principle funding source, largely from recurrent grant. In 2014/2015 the main government funding body provided 89% of the College's total income.

### *Treasury policies and objectives*

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

The College has a separate treasury management policy in place.

All borrowing requires the authorisation of the Governing Body. Such arrangements are restricted by limits in the College's Funding Agreement (Sixth Form Colleges) between the Secretary of State for Education and the College.

### *Cash flows*

At £310k (2012/2013 £1,154k), operating cash in-flow was reasonable. This allowed the college to continue to invest in capital schemes and repay part of the loan.

### *Liquidity*

The College is servicing a long term borrowing agreement currently at a value of £3.6m that was introduced to finance the capital build programme.

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

### *Payment Performance*

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95%. During the accounting period 1 August 2013 to 31 July 2014, the College paid 98% of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

### *Charitable and Taxation Status*

The College is an exempt charity for the purposes of the Charities Act 1993 and is not liable to corporation tax. The College is not registered for VAT.

### *Student Numbers*

In 2013/14 the College has delivered activity that has produced £8,106k in funding body main allocation funding (2012/13 – £8,360k). The College funded enrolments was 1,744 students (2012/13 1,715).

### *Student Achievements*

Examination results were maintained at outstanding levels again this year. The pass rate at Advanced level was 99% (2012/13 99%) excluding General Studies. The percentage of high grades (A/B) was 57% (2012/13 58%).

The Advanced Subsidiary results remained at a high level with a pass rate of 93% (2012/13 93%).

The value added score for the College (as measured by ALPs) was also exceptional, with a Grade 3 (Excellent) for Advanced level and Grade 2 (Outstanding) for Advanced Subsidiary.

### *Curriculum developments*

Following the successful Ofsted inspection of 2006/07 and a follow up desk monitoring exercise which was carried out in February 2009 the College has not been inspected.

Carmel remains amongst the very best schools and colleges in the country for the quality and range of provision at level 3. The curriculum is continuously assessed and modified to ensure that it meets the needs of learners. There is an increased range of BTec courses on offer to provide students with an alternative to applied A levels, and a full-time art level 3 programme for art specialists.

Methods of teaching and learning are under continuous review and development with an annual series of training focussed on particular elements; this year an assessment for learning team was established, supported by a carousel of internally delivered mini training sessions covering a variety of best practice observed during the year.

Development of Information Technology across the College continues in order to ensure all students have access to relevant up-to-date facilities. IT facilities at the College for students are excellent and have been developed by an extensive installation of infra-structure and equipment as part of an on-going programme of improvement.

Carmel Connect (the college intranet and VLE) is an integral part of college life. Subject to continuous review and development it is a vital part of the college wide communication system. Enhancements this year include the successful introduction of a student attendance tracker system.

The Year 0 programme continues to be a success. It offers a Foundation year which provides guaranteed access to a wide range of University of Liverpool degree courses in science and engineering. The course is highly respected by the University and is targeted towards students from widening participation backgrounds. Students completing the course generally go on to enjoy success at degree level and beyond. The access to medicine and dentistry course, access to veterinary science course, and allied health professions provision continue to be successful.

The College delivers part of a collaborative offer with Salford University; the first year of an Art degree in Graphic Design.

The Foundation Learning department of the College provides an individually tailored approach for students that will benefit from a greater level of support; the programme is developing the range of employability related experience that is on offer to students.

The enrichment programme for students continues to be an important part of the student experience with an extensive range of opportunities catering for a wide range of student interests.

***Capital Developments***

The Governing Body and management team of the College continue to steer the vision for the future College buildings.

In the climate of reduced access to capital funding the College is focussing limited funds on a refurbishment programme to ensure that all areas of the College remain of the highest standard and is an attractive and appropriate environment for students to study and staff to work.

In order to address future capital plans of the College a new Property Strategy is being be developed in the coming academic year. As access to capital funding from central funding bodies is limited in the short term; it is assumed that the cost of development must therefore be met from College reserves. The affordability of any capital programme is considered as part of the College financial planning process each year.

***Resources***:

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

***Tangible resources***

The College site has undergone significant redevelopment. Further appropriate development will be planned as part of the new property strategy in order to ensure all parts of the estate remain fit for purpose.

***Financial***

The College has £20.6m of net assets (after the £2.2m pension liability)

***People***

The College employs 173 people (expressed as full time equivalents), of whom 107 are teaching staff.

### *Reputation*

The College has an outstanding reputation locally and nationally. Maintaining a quality brand is essential for the College's success at attracting students and external relationships. Relationships with other partners remain strong: in particular 11-16 High Schools. The Principal is a member of the St. Helens 14-19 Partnership and Children and Young People's Board, a strategic body which brings together all the agencies working with young people.

### *Principal Risks and Uncertainties*

The College maintains a system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation.

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

A risk register is maintained at the College level which is reviewed termly by the management team, at each meeting of the Audit Committee and at each meeting of the Full Governing Body. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

This is supported by an internal staff training programme that is used to raise awareness of risk throughout the College.

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

### *Government funding policy*

The College has considerable reliance on continued government funding through the education sector funding bodies and external University partners. In 2013/14, the majority of the College's revenue was ultimately public funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The College is aware of the following issues which may impact on future funding.

- The funding methodology changed in 2013; the changes have reduced the level of college funding per student that the college generates. Currently the college benefits from transitional income protection

- The Comprehensive Spending Review has introduced real terms reductions to the education budget which is in turn leading to less generous funding allocations for students in sixth form education.

These risks are mitigated:

- By ensuring the College is rigorous in delivering high quality education.
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies.
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding.

***Government education policy***

The Government has introduced a number of changes to the delivery of post 16 education.

- Introduction of Programmes of Study, requiring students to be enrolled on a programme in excess of 540 guided learning hours and comprising educational (academic) elements and support and enrichment elements with a focus on employability. At Carmel this type of programme has always been encouraged for all students, the effect of compulsion will be closely monitored.
- Withdrawal of modular entry for examination. The College had traditionally embraced the modular format of examination therefore this is a significant change to the academic year.
- Introduction of linear examination over two years, reducing the value of As examinations to students

These risks are mitigated by:

- Clear advice and guidance to students on admission to college
- Detailed monitoring of student enrolments
- Staff development and training on new examination methodology

***Competition***

All providers of post-sixteen education are faced with similar threats to funding. A consequence of this is a range of providers are competing more fiercely in a diminishing pool of students. The college has successfully recruited for the year ahead.

The risk of competition is mitigated by:

- Maintenance of excellent college results
- High quality and focussed marketing
- Comprehensive liaison programme

### *Property Strategy*

The reduction of central financial support to implement capital programmes will limit the future capital development of the college.

Plans to mitigate the risk include:

- Development of a revised Property Strategy
- Clear break points in strategy to allow phased implementation of capital projects
- Continue to search for alternative sources of funding

### *Maintain adequate funding of pension liabilities*

The financial statements report the share of the Local Government pension scheme deficit on the College's balance sheet in line with the requirements of FRS 17.

### *Stakeholder Relationships*

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

- Students;
- Education sector funding bodies;
- Staff;
- Local employers (with specific links);
- Local Authorities;
- Government Offices;
- The local community;
- Other FE institutions;
- Trade unions;
- Professional bodies.

The College recognises the importance of these relationships and engages in regular communication with them via a variety of methods including the College internet and intranet and regular meetings.

### *Staff and Student Involvement*

The College believes good communication with staff and students to be very important. There is an effective communication strategy, which includes all staff briefings, and regular team meetings and a termly update/training programme. College consults with staff in a variety of ways. Staff are invited to undertake an annual climate survey. Formal representation of staff is through the recognised trade unions. In addition, staff are able to elect two staff Governors. There is also a daily student bulletin, student representatives on the Governing Body, and a Student Council. Each year students are invited to give feedback to the College through enrolment, induction, student voice and learner satisfaction surveys. The College holds accreditation as an "Investor in People".

### *Equality and Diversity*

The 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 College's Equality and Diversity Policy is published on the College's Intranet site.

The College operates an Equality and Diversity Committee to ensure compliance with all relevant equality legislation including the Equality Act 2010. The 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.

### *Disability Statement*

The 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 Children and Families Bill and Special Educational Needs Code of Practice (2014)

- As part of its property strategy the College updated its access audit.
- The College has a Learning Support Manager who provides information, advice and arranges individual support where necessary for students with disabilities.
- There is a list of specialist equipment, such as radio aids, which the College can make available for use by students and a range of assistive technology is available across the College.
- The admissions policy for all students is described in the prospectus. Appeals against a decision not to offer a place are dealt with under the complaints policy.
- The College has invested in the appointment of specialist staff to support students with learning difficulties and/or disabilities. There are a number of study support tutors who can provide a variety of support for learning.
- There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
- Specialist programmes are described in the prospectus, and achievements and destinations are recorded and published in the standard college format.

- Counselling and welfare services are described in the College student guide and are promoted to students at induction.

**Disclosure of information to auditors**

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

**Approved by the members of the Governing body on and signed on its behalf by:**

**Date: 9th December 2014**

**Chair:........................................... Mr. Donal McCormack, Chair**

***Professional Advisers***

**Financial statement and regularity auditors**
Murray Smith LLP
Darland House
44 Winnington Hill
Northwich
Cheshire
CW8 1AU

**Internal Auditors**
Baker Tilly
Cedar House
Breckland
Linford Wood
Milton Keynes
MK14 6EX

**Bankers**
Barclays Bank PLC
1st Floor
3 Hardman Street
Spinningfields
Manchester
M3 3HF

**Solicitors**
SAS Daniels LLP
30 Greek Street
Stockport
Cheshire
SK3 8AD

## *Statement of Corporate Governance and Internal Control*

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure.

The College endeavours to conduct its business:

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

The College is committed to exhibiting best practice in all aspects of corporate governance.

We have not adopted and therefore do not apply the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.

In the opinion of the Governors, the College complies with all the provisions of the Foundation Code, and it has complied throughout the year ended 31 July 2014. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times.

The 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 Governing Body*

The members who served on the Governing Body during the year and up to the date of signature of this report are listed in the table below.

| Name | Date of Appointment | Term of Office | Status | Committee Membership | Attendance % (2013-14) |
|---|---|---|---|---|---|
| **Mr D McCormack** | 1st Apr 2003<br>Reappointed<br>1st Apr 2007<br>1st Apr 2011 | 4 years | Foundation | **Chair of Governors**<br>Finance, Estates & Marketing<br>Remuneration<br>Chair of Search | 100 |
| **Mr R Peacock** | 22nd August 2002 | Ex officio | **Principal** | Finance, Estates & Marketing P&QA<br>Search | 100 |
| Mr P Alcock | 4th Jul 1995<br>Reappointed<br>1st Apr 1997<br>1st Apr 2001<br>1st Apr 2005<br>1st Apr 2009<br>1st Apr 2013 | 4 years | Foundation | Vice Chair of Governors<br>Vice Chair of Personnel & Quality Assurance<br>Chair of Remuneration<br>Search | 100 |
| Miss L Bond | 1st Jul 2013 | 1 year | Student | Personnel & Quality Assurance | 44 |
| Miss K Boullen | 22nd Sept 1998<br>Reappointed<br>22nd Sept 2002<br>22nd Sept 2006<br>22nd Sept 2010 | 4 years | Co-opted | Vice Chair of Audit | 89 |
| Mrs M Buckley | 1st Apr 2008<br>1st Apr 2012 | 4 years | Foundation | Chair of Personnel & Quality Assurance | 89 |
| Mr J Doyle | 1st Jul 2014 | 1 year | Student | Personnel & Quality Assurance | N/a |
| Mr J Fogarty | 1st Jan 2003<br>Reappointed<br>1st Jan 2007<br>1st Jan 2011 | 4 years | Foundation | Chair of Finance, Estates & Marketing | 89 |
| Mrs K Gornall | 1st Jul 2012 as Parent Governor<br>1st Jul 2014 as Foundation Governor | 4 years | Foundation | Chair of Audit<br>Remuneration<br>Search | 93 |

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|---|---|---|---|---|---|
| Mr G Hill | 1st Apr 2003 Reappointed 1st Apr 2007 1st Apr 2011 Deceased 20th March 2014 | 4 years | Foundation | Vice Chair: Finance, Estates & Marketing | 71 |
| Dr J Humphreys | 1st Apr 2003 Reappointed 1st Apr 2007 1st Apr 2011 | 4 years | Foundation | Personnel & Quality Assurance | 89 |
| Fr C McCoy | 1st Nov 2012 | 4 years | Foundation | Audit | 67 |
| Ms C Nencini | 1st Jul 2014 | 4 years | Foundation | Finance, Estates & Marketing | N/a |
| Mr M Nencini | 1st Jul 2005 1st Jul 2009 1st Jul 2013 Retired 30th June 2014 | 4 years | Foundation | Audit, Personnel & Quality Assurance, Search | 94 |
| Miss C Pearson | 1st Jul 2014 | 1 year | Student | Personnel & Quality Assurance | N/a |
| Mr D Shellshear | 1st Jul 2013 | 1 year | Student | Finance, Estates & Marketing | 44 |
| Fr F Stephens OSB | 1st Jul 2005 1st Jul 2009 1st Jul 2013 Retired 30th June 2014 | 4 years | Foundation | Finance, Estates & Marketing | 100 |
| Mrs H Stevenson | 1st Apr 2001 1st Apr 2005 1st Apr 2009 1st Apr 2013 | 4 years | Foundation | | 60 |
| Ms S Sutton | 16th Oct 2013 | 4 Years | Staff | Personnel & Quality Assurance | 57 |
| Dr M Stevenson | 1st Jul 2012 | 4 Years | Foundation | Personnel & Quality Assurance | 78 |
| Dr C Tyler | 2nd Mar 2004 (previously 1999-2003) Reappointed 3rd. March 2008 Co-opted Governor Appointed Foundation Governor from 1st Sept 2010 1st Sept 2014 | 4 years | Foundation | Vice Chair of Finance, Estates & Marketing<br><br>Remuneration<br>Vice Chair of Search | 100 |
| Ms C Williams | 16th Oct 2013 | 4 Years | Staff | Audit | 86 |

| | | | | | |
|---|---|---|---|---|---|
| Mrs B Worthington | 28th Jun 2011 as Parent Governor<br>1st Jul 2012 as Co-opted Governor | 4 Years | Co-opted | Personnel & Quality Assurance | 67 |
| Mrs C Pennington acted as Clerk to the Corporation until 31st August 2014. The college is actively recruiting a Clerk to the Corporation; in the interim a temporary Clerk is in place and may be accessed via the Personal Assistant to the Principal. | | | | | |

Both sets of Student Governors have been listed above: Miss L Bond and Mr D Shellshear for the period 1st July 2013 – 30th June 2014, Mr J Doyle and Miss C Pearson for the period 1st July 2014 – 30th June 2015

Overall attendance figure for the Governing Body and all of its permanent Committees is 85.3% for 2013/14.

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

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

The Governing Body conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Governing Body. These committees are finance, estates and marketing, personnel and quality, remuneration, search and audit. Full minutes of all meetings, except those deemed to be confidential by the Governing Body, are available from the clerk to the Governing Body at:

**Carmel College**
**Prescot Road**
**St. Helens**
**Merseyside**
**WA10 3AG**

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

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

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

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

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

### *Appointments to the Governing Body*

Any new appointments to the Governing Body are a matter for the consideration of the Governing Body as a whole. The Governing Body has a search committee comprising of six members, which is responsible for the selection and nomination of any new member for the Governing Body's consideration. The Governing Body is responsible for ensuring that appropriate training is provided as required.

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

### *Remuneration Committee*

Throughout the year ending 31 July 2014, the College's remuneration committee comprised of four members. The committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other senior post-holders.

Details of remuneration for the year ended 31 July 2014 are set out in note 7 of the financial statements.

### *Audit Committee*

The audit committee comprises of five members of the Governing Body (excluding the Accounting Officer and Chair). The committee operates in accordance with written terms of reference approved by the Governing Body. Its purpose is to advise the Governing Body on the adequacy and effectiveness of the College's systems 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 College's internal, regularity and financial statements auditors, who have access to the committee for independent discussion, without the presence of College management. The committee also receives and considers reports from the main funding bodies, as they affect the College's business.

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

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

The audit committee also advises the Governing Body on the appointment of internal, regularity and financial statements auditors and their remuneration for both audit and non-audit work.

***Personnel and Quality Committee***

The personnel and quality committee comprises of ten members of the Governing Body. The committee operates in accordance with written terms of reference approved by the Governing Body. Its purpose is to advise the Governing Body on the adequacy and effectiveness of the College systems to effectively manage staffing and the quality of education.

The personnel and quality committee meets on a termly basis and provides a forum for reporting by the College's human resource team, and quality managers.

***Internal Control***

*Scope of responsibility*

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

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

*The purpose of the system of internal control*

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of college policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Carmel College throughout the year ended 31 July 2014 and up to the date of approval of the annual report and accounts.

*Capacity to handle risk*

The Governing Body has reviewed the key risks to which the College is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Governing Body is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2014 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Governing Body.

*The risk and control framework*

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

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

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

*Review of effectiveness*

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

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

The Accounting Officer 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 a plan to address weaknesses and ensure continuous improvement of the system is in place.

The corporate management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The corporate management team and the audit committee also receive regular reports from internal audit, which include recommendations for improvement. The audit committee's role in this area is confined to a high-level review of the arrangements for internal control. The Governing Body's agenda includes a regular item for consideration of risk and control and receives reports thereon from the corporate management team and the audit committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its October 2014 meeting, the Governing Body carried out the annual assessment for the year ended 31 July 2014 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2014.

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

***Governing Body's statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding***

The Governing Body has considered its responsibility to notify the Education Funding Agency of material irregularity, impropriety and non-compliance with Education Funding Agency terms and conditions of funding, under the funding agreement in place between the College and the Education Funding Agency. As part of its consideration the Governing Body has had due regard to the requirements of the funding agreement.

We confirm, on behalf of the Governing Body, that ***to the best of its knowledge***, the Governing Body believes it is able to identify any material irregular or improper use of funds by the College, or material non-compliance with the Education Funding Agency's terms and conditions of funding under the College's funding agreement. We further confirm that any instances of material irregularity, impropriety or funding non-compliance discovered to date have been notified to the Education Funding Agency.

***Going Concern***

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

**Approved by the Governing Body on 9th December 2014 and signed on its behalf by:**

**Signed** ................................ **Donal McCormack, Chair**

**Signed** ................................ **Rob Peacock, Accounting Officer**

***Statement of the Responsibilities of the Members of the Governing Body***

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

Within the terms and conditions of the Funding Agreement between the Education Funding Agency and the Governing Body of the College, the Governing Body, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the 2007 *Statement of Recommended Practice – Accounting for Further and Higher Education Institutions* and with Accounts Direction for 2013-14 financial statements 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 College and the result for that year.

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

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

The Governing Body is also required to prepare an Operating and Financial Review which describes what it is trying to do and how it is going about it including the legal and administrative status of the College.

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

The maintenance and integrity of the College website is the responsibility of the Governing Body of the College; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since 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 Governing Body are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the Education Funding Agency and Skills Funding Agency are used only in accordance with the Conditions of Funding Agreement or Financial Memorandum with the Education Funding Agency or Skills Funding Agency and any other conditions that may be prescribed from time to time. Members of the Governing Body must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure that they are used properly. In addition, members of the Governing Body are responsible for securing the economical, efficient and effective management of the college's resources and expenditure, so that the benefits that should be derived from the application of public funds from the Education Funding Agency and Skills Funding Agency are not put at risk.

Approved by order of the members of the Governing Body on 9th December 2014 and signed on its behalf by:

**Date:** **9th December 2014**

**Signed:** ........................................ **Mr Donal McCormack, Chair**

## *Independent Auditors' Report to the Governing Body of Carmel College*

We have audited the financial statements of Carmel College for the year ended 31 July 2014 set out on pages 25-49. The financial reporting framework that has been applied in their preparation is applicable law and UK accounting standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Governing Body, as a body, in accordance with Article 23 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Governing Body, as a body, those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Governing Body, as a body, for our audit work, for this report, or for the opinions we have formed.

### *Respective Responsibilities of the Members of the Governing Body and Auditors*

As explained more fully in the Statement of the Governing Body's responsibilities set out on pages 21-22, the Governing Body 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 (APB's) Ethical Standards for Auditors.

### *Scope of the audit of the financial statements*

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Governing Body; and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the Financial and Operating Review to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

### *Opinion*

In our opinion the financial statements;

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the College as at 31 July 2014 and of the College's surplus of income over expenditure for the year then ended;
- have been properly prepared in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions

In our opinion:

- proper accounting records have been kept, and
- the financial statements are in agreement with the accounting records.

Murray Smith LLP ........................................ Date.....9 December 2014.......

**Murray Smith LLP**
**Chartered Accountants**
**Statutory Auditors**

**Darland House**
**44 Winnington Hill**
**Northwich**
**Cheshire**
**CW8 1AU**

*The maintenance and integrity of Carmel College website is the responsibility of the governing body of the college; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since 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.*

## *Income and Expenditure Account*
*for the period 1 August 2013 to 31 July 2014*

| | Note | 2014 £'000 | 2013 £'000 |
|---|---|---|---|
| **Income** | | | |
| Funding body grants | 2 | 8,597 | 8,853 |
| Education contracts | 3 | 1,304 | 859 |
| Grants and contracts | 4 | 7 | 5 |
| Other income | 5 | 133 | 178 |
| Investment income | 6 | 12 | 15 |
| **Total income** | | 10,053 | 9,910 |
| **Expenditure** | | | |
| Staff costs | 7 | 7,112 | 6,723 |
| Other operating expenses | 9 | 1,770 | 1,960 |
| Interest payable | 10 | 233 | 270 |
| Depreciation | 12 | 842 | 826 |
| **Total expenditure** | | 9,957 | 9,779 |
| Surplus on continuing operations after depreciation of tangible fixed assets at valuation and before exceptional items and tax | | 96 | 131 |
| Loss on disposal of assets | | (3) | (45) |
| Taxation | 11 | - | - |
| **Surplus on continuing operations after depreciation of assets at valuation and tax** | | 93 | 86 |

***Note:*** The income and expenditure account is in respect of continuing activities.

## *Statement of Historical Cost Surpluses*
*for the period 1 August 2013 to 31 July 2014*

| | Note | 2014 £'000 | 2013 £'000 |
|---|---|---|---|
| Surplus on continuing operations before taxation | | **93** | **86** |
| Difference between historical cost depreciation and the actual charge for the period calculated on the re-valued amount | 19 | **59** | **59** |
| **Historical cost surplus for the period before taxation** | | **152** | **145** |
| **Historical cost surplus for the period after taxation** | | **152** | **145** |

## *Statement of Total Recognised Gains*
*for the period 1 August 2013 to 31 July 2014*

| | Note | 2014 £'000 | 2013 £'000 |
|---|---|---|---|
| Surplus on continuing operations after depreciation of assets at valuation and disposal of assets and taxation | | 93 | 86 |
| Actuarial gain/(loss) in respect of pension scheme | 20 | 35 | 308 |
| **Total recognised gains relating to the period** | | **128** | **394** |
| Total recognised gains since last report | | **128** | **394** |
| **Reconciliation** | | | |
| Opening reserves and endowments | | 5,525 | 5,131 |
| Total recognised gains for the year | | 128 | 394 |
| **Closing reserves and endowments** | | **5,653** | **5,525** |

## Balance Sheet
*as at 31July 2014*

| | Note | 2014 £'000 | 2013 £'000 |
|---|---|---|---|
| **Fixed Assets** | | | |
| Tangible assets | 12 | 24,661 | 24,902 |
| **Current Assets** | | | |
| Debtors | 13 | 140 | 46 |
| Cash at bank and in hand | | 1,876 | 2,461 |
| | | 2,016 | 2,507 |
| **Creditors: amounts falling due within one year** | 14 | 474 | 813 |
| **Net current assets** | | 1,542 | 1,694 |
| **Total assets less current liabilities** | | 26,203 | 26,596 |
| **Less: Creditors-amounts falling due after more than one year** | 15 | (3,485) | (3,649) |
| **Net assets excluding pension** | | 22,718 | 22,947 |
| **Net pension (liability)** | 20 | (2,156) | (2,116) |
| | | 20,562 | 20,831 |
| **Deferred capital grants** | 17 | 14,909 | 15,306 |
| **Reserves** | | | |
| Revaluation reserve | 18 | 1,786 | 1,845 |
| Income and expenditure account excluding pension reserve | | 6,023 | 5,796 |
| Pension reserve | 20 | (2,156) | (2,116) |
| Income and expenditure account including pension reserve | 19 | 3,867 | 3,680 |
| Total reserves | | 5,653 | 5,525 |
| **Total** | | 20,562 | 20,831 |

The financial statements on pages 25 to 49 were approved by the Governing Body on 9th December 2014 and were signed on its behalf by:

**Mr Donal McCormack**
***CHAIR OF GOVERNORS***

D McCormack
.........................................

**Rob Peacock**
***ACCOUNTING OFFICER***

R A Peacock
.........................................

## Cash Flow Statement

*for the period 1 August 2013 to 31 July 2014*

| | Note | 2014<br>£'000 | 2013<br>£'000 |
|---|---|---|---|
| **Net cash inflow from operating activities** | 21 | 310 | 1,154 |
| **Returns on investments and servicing of finance:** | | | |
| Interest received | | 12 | 15 |
| Interest paid | | (197) | (211) |
| | | (185) | (196) |
| **Capital expenditure:** | | | |
| Purchase of tangible fixed assets | | (603) | (689) |
| Deferred capital grants received | | 57 | 114 |
| | | (546) | (575) |
| **Financing:** | | | |
| Loan repayments | | (164) | (164) |
| | | (164) | (164) |
| **Increase in cash in period** | | (585) | 219 |
| **Reconciliation of net cash flow to movement in net funds/(debt):** | | | |
| Increase in cash in period | 22 | (585) | 219 |
| Change in net debt resulting from cash flows | | 164 | 164 |
| Movement in net funds in period | | (421) | 383 |
| Net (debt) at 1 August 2013 | | (1,352) | (1,735) |
| Net (debt) at 31 July 2014 | 22 | (1,773) | (1,352) |

In this statement, figures in brackets refer to cash outflows and all other figures are cash inflows to the College.

# Notes to the Accounts

## 1 Accounting policies

### Statement of accounting policies

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

***Basis of Preparation***

These financial statements have been prepared in accordance with the *Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007,the Accounts Direction for 2013/14 financial statements* and in accordance with applicable Accounting Standards.

***Basis of accounting***

The financial statements are prepared under the historical cost convention modified by the revaluation of certain fixed assets and investments and in accordance with applicable United Kingdom Accounting Standards.

***Going concern***

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

The College currently has £3.6m of loans outstanding with bankers on terms negotiated in 2008. The terms of the existing agreement are for up to another 23 years. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

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

***Recognition of income***

The recurrent grant from HEFCE represents the funding allocation attributable to the current financial year and is credited direct to the income and expenditure account.

Funding body recurrent grants are recognised 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 at the end of November 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.

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

Income from grants, contracts and other services rendered is included to the extent the conditions of the funding have been met or the extent of the completion of the contract or service concerned.

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

**Post retirement benefits**

Retirement benefits to the employees of the College are provided by the Teachers' Pensions Scheme (TPS) and the Merseyside Pension Fund (MPF). These are defined benefit schemes, which are externally funded and contracted out of the State Earnings-Related Pension Scheme (SERPS).

Contributions to the TPS are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of present and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. As stated in note 20, the TPS is a multi employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The assets of the MPF are measured using closing market values. MPF liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

***Tangible Fixed Assets***

***Land and Buildings:***

Land and buildings are owned by the Archdiocese of Liverpool. New capital developments are included on the balance sheet at cost. The college occupies the premises rent free and therefore in accordance with FRS 5 (Substance of Transactions) these assets are recorded on the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable.

A valuation of the land and buildings (as at 1 April 2001 on a depreciated replacement cost basis) was prepared by Dixon Webb, Independent Chartered Surveyors.

Freehold buildings are depreciated over their expected useful economic life to the College of 40 years.

Where land and buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

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

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

***Assets under construction***

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

***Subsequent expenditure on existing fixed assets***

Where significant expenditure is incurred on tangible fixed assets 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

***Buildings owned by third parties***

Where land and buildings are used, but the legal rights are held by a third party, for example a charitable trust, they are only capitalised if the College has rights or access to ongoing future economic benefit.

These assets are then depreciated over their expected useful economic life.

### *Equipment:*

Equipment costing less than £1,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost. Equipment inherited from the Local Education Authority is included in the Balance Sheet at valuation on the basis of depreciated replacement cost and is now fully depreciated.

Capitalised equipment is depreciated on a straight-line basis over its remaining useful economic life to the college at rates of 20% per annum.

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 assets.

### *Leased assets*

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

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

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

### *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.

### *Taxation*

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

The College is not registered for Value Added Tax.

### Liquid Resources

Liquid resources include sums on short-term deposits with recognised banks and building societies and government securities.

### Provisions

Provisions are recognised when the institution 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.

### Agency arrangements

The College acts as an agent in the collection and payment of bursary funds. Related payments received from the Education Funding Agency and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in Note 25, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant. The College employs one member of staff dedicated to the administration of bursary fund applications and payments.

## 2 Funding body grants

| | 2014 £'000 | 2013 £'000 |
|---|---|---|
| Education funding agency recurrent grant | 8,086 | 8,300 |
| Skills funding agency recurrent grant | 20 | 60 |
| Devolved capital fund | 43 | 42 |
| Release of deferred capital grants | 448 | 451 |
| | 8,597 | 8,853 |

## 3 Education contracts

| | 2014 £'000 | 2013 £'000 |
|---|---|---|
| Higher Education (HE) contracts | 1067 | 843 |
| Other Contracts | 237 | 16 |
| | 1304 | 859 |

## 4 Grants and contracts

| | 2014 £'000 | 2013 £'000 |
|---|---|---|
| Other grant income | - | - |
| Releases from deferred capital grants (non-LSC) | 7 | 5 |
| | 7 | 5 |

## 5 Other Income

| | 2014 £'000 | 2013 £'000 |
|---|---|---|
| Other income generating activities | 55 | 55 |
| Other income | 78 | 123 |
| | 133 | 178 |

## 6 Investment Income

| | 2014 £'000 | 2013 £'000 |
|---|---|---|
| Other interest receivable | 12 | 15 |
| | 12 | 15 |

## 7 Staff Costs

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

| | 2014<br>fte | 2013<br>fte |
|---|---|---|
| Teaching departments | 106 | 101 |
| Teaching support services | 24 | 23 |
| Administration and central services | 29 | 30 |
| Premises | 14 | 14 |
| | 173 | 168 |

**Staff costs for the above persons**

| | £'000 | £'000 |
|---|---|---|
| Teaching departments | 5,294 | 4,853 |
| Teaching support services | 403 | 505 |
| Administration and central services | 1,130 | 1,088 |
| Premises | 285 | 277 |
| Other | - | - |
| | 7,112 | 6,723 |

| | £'000 | £'000 |
|---|---|---|
| Wages & salaries | 5,863 | 5,534 |
| Social security | 430 | 411 |
| Other pension costs (including FRS 17 adjustments) | 819 | 778 |
| | 7,112 | 6,723 |

| | £'000 | £'000 |
|---|---|---|
| Employment costs: staff on permanent contracts | 7,112 | 6,723 |
| Employment costs: staff on short term and temporary contracts | - | - |
| | 7,112 | 6,723 |

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

| | Year ended 31st July 2014 | | Year ended 31st July 2013 | |
|---|---|---|---|---|
| | Number Senior Post Holders | Number Other Staff | Number Senior Post Holders | Number Other Staff |
| **£60,001 to £70,000** | - | | 1 | - |
| **£70,001 to £80,000** | 1 | | - | - |
| **£80,001 to £90,000** | - | | - | - |
| **£90,001 to £100,000** | - | | - | - |
| **£100,001 to £110,000** | 1 | | 1 | - |
| **£110,001 to £120,000** | - | | - | - |

There was a pay award of 1% from 1st September 2013 for teaching and support staff.

## 8 Emoluments of Senior Post Holders and Members

Senior post holders are defined as the Accounting Officer (Principal) and holders of other senior posts whom the board has selected for the purposes of the articles of government of the College relating to the appointment and promotion of staff who are appointed by the Governing Body. This includes the Vice Principal (Strategy and Resources).

| | 2014 | 2013 |
|---|---|---|
| The number of senior post-holders including the Accounting Officer was: | 2 | 2 |
| Senior post-holders emoluments are made up as follows: | £'000 | £'000 |
| Salaries | 172 | 171 |
| Benefits in kind | - | - |
| Pension contributions | 21 | 21 |
| **Total emoluments** | 193 | 192 |

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

| | 2014 | 2013 |
|---|---|---|
| | £'000 | £'000 |
| Salaries | 102 | 101 |
| Benefits in kind | - | - |
| Pension contributions | 14 | 14 |
| **Total emoluments** | 116 | 115 |

The pension contributions in respect of the Accounting Officer are in respect of employer's contributions to the Teachers' Pension Scheme and are paid at the same rate as for other employees. The pension contributions in respect of the Vice Principal (Strategy and Resources) are in respect of employer's contributions to the Merseyside Pension Fund and are paid in accordance with the pension fund guidelines.

The Principal and Vice Principal (Strategy and Resources) received a pay award of 1% from 1st September 2013 for the year.

The members of the Governing Body, other than the Accounting Officer, did not receive any payment from the college other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

No members of the Governing Body were required to carry out any overseas activity during the year. The Principal visited Germany and the Vice Principal visited France during the year; both visits were part of the educational exchanges organised by the College. These arrangements were approved in advance by the Remuneration Committee.

## 9 Other Operating Expenses

| | 2014 | 2013 |
|---|---|---|
| | £'000 | £'000 |
| Teaching departments | 219 | 214 |
| Teaching support services | 249 | 222 |
| Other support services | 72 | 68 |
| General education | 325 | 437 |
| Admin and central services | 385 | 415 |
| Premises | 520 | 604 |
| | 1,770 | 1,960 |

| | 2014 | 2013 |
|---|---|---|
| | £'000 | £'000 |
| Other operating expenses include: | | |
| Auditors' remuneration | | |
| - Financial statements audit | 7 | 7 |
| - Internal audit | 9 | 11 |
| Hire of other assets - operating leases | 90 | 85 |

## 10 Interest Payable

| | 2014<br>£'000 | 2013<br>£'000 |
|---|---|---|
| On bank loans repayable wholly or partly in more than five years | **197** | **211** |
| Pension finance cost | **36** | **59** |
| | **233** | **270** |

## 11 Taxation

The members do not believe the College was liable for any corporation tax arising out of its activities during this period.

## 12 Tangible Fixed Assets

| | Freehold Buildings<br>£'000 | Equipment<br>£'000 | Total<br>£'000 |
|---|---|---|---|
| ***Cost or Valuation*** | | | |
| At 1 August 2013 | 28,199 | 1,144 | 29,343 |
| Disposals | | (17) | (17) |
| Additions | 484 | 119 | 603 |
| **At 31 July 2014** | **28,683** | **1,246** | **29,929** |
| ***Depreciation*** | | | |
| At 1 August 2013 | 3,577 | 863 | 4,440 |
| Disposals | | (14) | (14) |
| Charge for period | 717 | 125 | 842 |
| **At 31 July 2014** | **4,294** | **974** | **5,268** |
| ***Net Book Value*** | | | |
| **At 31 July 2014** | **24,389** | **272** | **24,661** |
| *Net Book Value* | | | |
| At 1 August 2013 | **24,622** | **281** | **24,903** |
| ***Net Book Value*** | | | |
| **At 31 July 2014** | | | |
| Financed by capital grant | | | 14,952 |
| Other | | | 9,709 |
| | | | **24,661** |

Land and buildings were valued as at 1 April 2001 on a depreciated replacement cost basis, by independent chartered surveyors, Dixon Webb. Land and buildings are owned by the Archdiocese of Liverpool. In accordance with FRS 5 (Substance of

Transactions) the College includes the full valuation of assets over which in substance all benefits and risks from using the buildings have been transferred to the institution.

Other assets inherited on incorporation were valued by the College on a depreciated replacement cost basis. These assets are now carried at net book value.

## 13 Debtors

| | 2014 £'000 | 2013 £'000 |
|---|---|---|
| Trade debtors | - | - |
| Prepayments and accrued income | 140 | 46 |
| Amounts owed by the Education Funding Agency | - | - |
| | 140 | 46 |

## 14 Creditors: amounts falling due within one year

| | 2014 £'000 | 2013 £'000 |
|---|---|---|
| Bank Loan | 164 | 164 |
| Trade creditors | 36 | 204 |
| Accruals | 273 | 445 |
| | 473 | 813 |

## 15 Creditors: amounts falling due after one year

| | 2014 £'000 | 2013 £'000 |
|---|---|---|
| Bank Loan | 3,485 | 3,649 |
| | 3,485 | 3,649 |

## 16 Borrowings

| | | 2014 | 2013 |
|---|---|---|---|
| | | £'000 | £'000 |
| (a) | **Bank loans and overdrafts** | | |
| | Bank loans and overdrafts are repayable as follows: | | |
| | In one year or less | 164 | 164 |
| | Between one and two years | 164 | 164 |
| | Between two and five years | 492 | 492 |
| | In five years or more | 2,829 | 2,993 |
| | **Total** | **3,649** | **3,813** |

A bank loan at 5.43 per cent is repayable by instalments falling due between 1 September 2013 and 31 July 2036 totalling £3,813,000. The balance remaining on the loan at year-end is £3,649,000.

| | | 2014 | 2013 |
|---|---|---|---|
| | | £'000 | £'000 |
| (b) | **Finance leases** | | |
| | The net finance lease obligations to which the College is committed are: | | |
| | In one year or less | 90 | 85 |
| | Between two and five years | | |
| | In five years or more | | |
| | **Total** | **90** | **85** |

Finance lease obligations are secured on the assets to which they relate.

## 17 Deferred Capital Grants

| | EFA Gen £'000 | Other Grants £'000 | Total £'000 |
|---|---|---|---|
| **At 1 August 2013** | | | |
| Land and Buildings | 15,066 | 161 | 15,227 |
| Equipment | 69 | 11 | 80 |
| | 15,135 | 172 | 15,307 |
| **Cash received** | | | |
| Land and Buildings | 57 | - | 57 |
| Equipment | - | - | - |
| | 57 | - | 57 |
| **Released to income and expenditure account** | | | |
| Land and Buildings | 444 | 3 | 447 |
| Equipment | 4 | 4 | 8 |
| | 448 | 7 | 455 |
| **At 31 July 2014** | | | |
| Buildings | 14,679 | 158 | 14,837 |
| Equipment | 65 | 7 | 72 |
| | 14,744 | 165 | 14,909 |

## 18 Revaluation Reserve

| | 2014 £'000 | 2013 £'000 |
|---|---|---|
| At 1 August 2013 | **1,845** | **1,904** |
| Depreciation on revalued assets | **(59)** | **(59)** |
| **At 31 July 2014** | **1,786** | **1,845** |

## 19 Movement on general reserve

| | 2014 | 2013 |
|---|---|---|
| | £'000 | £'000 |
| At 1 August 2013 | 3,680 | 3,227 |
| Surplus on continuing operations for the year | 93 | 86 |
| Transfer from revaluation reserve | 59 | 59 |
| Actuarial gain/ (loss) in respect of pension scheme | 35 | 308 |
| **At 31 July 2014** | 3,867 | 3,680 |

## 20 Pensions and similar obligations

The College's employees belong to two principal pension schemes, the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by the Merseyside Pension Fund (MPF). Both are defined-benefit schemes.

| **Total Pension cost for the year** | | Year ended 2014 | | Year ended 2013 |
|---|---|---|---|---|
| | | £'000 | | £'000 |
| Teachers Pension Scheme:contributions paid | | 588 | | 556 |
| Merseyside Pension Scheme: | | | | |
| Contributions paid | 231 | | 201 | |
| FRS 17 charge | 39 | | 21 | |
| Charge to the income and expenditure account (staff costs) | | 270 | | 222 |
| **Total Pension Cost for Year** | | 858 | | 778 |

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuations of the TPS was 31 March 2004 and the MPF 31 March 2013.

### 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 are:

- employer contribution rates were set at 16.4% of pensionable pay;
- 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 will be 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 will commence on 1 April 2015.

The pension costs paid to TPS in the year amounted to £960k (2013: £875k)

***FRS 17***

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the College has taken advantage of the exemption in FRS17 and has accounted for its contributions to the scheme as if it were a defined-contribution scheme. The College has set out above the information available on the scheme and the implications for the College in terms of the anticipated contribution rates.

**Merseyside Pension Fund**

The Merseyside Pension Fund is a funded defined-benefit scheme, with the assets held in separate funds administered by Wirral Local Authority. The total contribution made for the year ended 31 July 2014 was £323k, of which employer's contributions totalled £231k and employees' contributions totalled £92k. The agreed contribution rates for future years are 10.8% (2014/15), 11.2% (2015/16) and 11.6%(2016/17) plus lump sum contribution to historic deficit recovery for employers, and 5.5% to 12.5% for employees, depending on salary.

**FRS 17**

**Principal Actuarial Assumptions**
The following information is based upon a full actuarial valuation of the fund at 31 March 2013 updated to 31 July 2014 by a qualified independent actuary

| | At 31 July 2014 | At 31 July 2013 |
|---|---|---|
| Rate of increase in salaries | 3.80% | 3.90% |
| Rate of increase for pensions in payment/inflation | 2.30% | 2.40% |
| Discount rate for scheme liabilities | 4.30% | 4.60% |
| Commutation of pensions to lump sums | 50% | 50% |

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 2014 | At 31 July 2013 |
|---|---|---|
| *Retiring today* | | |
| Males | 22.3 | 21.8 |
| Females | 25.2 | 24.7 |
| *Retiring in 20 years* | | |
| Males | 24.7 | 23.7 |
| Females | 28.0 | 26.6 |

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

| | **Long-term rate of return expected at 31 July 2014** | **Value at 31 July 2014 £'000** | **Long-term rate of return expected at 31 July 2013** | **Value at 31 July 2013 £'000** |
|---|---|---|---|---|
| Equities | 7.00% | 3,192 | 7.00% | 2,950 |
| Government Bonds | 3.20% | 726 | 3.30% | 720 |
| Other Bonds | 4.10% | 122 | 4.30% | 123 |
| Property | 6.20% | 413 | 5.70% | 398 |
| Cash/Liquidity | 0.50% | 233 | 0.50% | 95 |
| Other | 7.00% | 615 | 7.00% | 450 |
| **Total market value of assets** | | 5,301 | | 4,736 |
| Present value scheme liabilities | | (7,457) | | (6,852) |
| **(Deficit) in the scheme** | | (2,156) | | (2,116) |

| | Year ended 2014 £'000 | Year ended 2013 £'000 |
|---|---|---|
| **Analysis of the amount charged to income and expenditure account** | | |
| Employer service cost (net of employee contributions) | (270) | (222) |
| Total operating charge | **(270)** | **(222)** |
| **Analysis of pension finance (costs)** | | |
| Expected return on pension scheme assets | 285 | 224 |
| Interest on pension liabilities | (321) | (283) |
| Net interest | **(36)** | **(59)** |
| **Amount recognised in the statement of total recognised gains and losses (STRGL)** | | |
| Actuarial return less expected return on pension scheme assets | 35 | 308 |
| **Actuarial gain/(loss) recognised in the STRGL** | **35** | **308** |

**Movement in deficit during year**

| | 2014 £'000 | 2013 £'000 |
|---|---|---|
| (Deficit) in scheme at 1 August | (2,116) | (2,344) |
| **Movement in year:** | | |
| Employer service cost (net of employee contributions) | (270) | (222) |
| Employer Contributions | 231 | 201 |
| Net interest/return on assets | (36) | (59) |
| Actuarial (loss)/gain | 35 | 308 |
| **(Deficit) in scheme at 31 July** | **(2,156)** | **(2,116)** |

## Asset and Liability Reconciliation

| | 2014 £'000 | 2013 £'000 |
|---|---|---|
| **Reconciliation of Liabilities** | | |
| **Liabilities at start of period** | 6,852 | 6,203 |
| Service cost | 270 | 222 |
| Interest cost | 321 | 283 |
| Employee contributions | 92 | 80 |
| Actuarial gain/(loss) | 13 | 148 |
| Benefits paid | (91) | (84) |
| **Liabilities at end of period** | **7,457** | **6,852** |
| **Reconciliation of Assets** | | |
| **Assets at start of period** | 4,736 | 3,859 |
| Expected return on assets | 285 | 224 |
| Actuarial gain/(loss) | 48 | 456 |
| Employer contributions | 231 | 201 |
| Employee contributions | 92 | 80 |
| Benefits paid | (91) | (84) |
| **Assets at end of period** | **5,301** | **4,736** |

The estimated value of employer contributions for the year ended 31st July 2015 is £251k.

### Deficit contributions

The College has entered into an agreement with the LGPS to make additional contributions of £91,600 (2014/15), £95,400 (2015/16) and £99,300 (2016/17) per annum in addition to normal funding levels until the next full valuation at which point the situation will be reviewed again.

### History of experience gains and losses

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| Difference between the expected and actual return on assets: | | | | | |
| Amount £000 | 48 | 456 | (187) | 149 | 248 |
| Percentage of scheme assets | 0.90% | 9.60% | 4.80% | 4.10% | 8.00% |
| Experience gains and losses on scheme liabilities | | | | | |
| Amount £000 | 260 | 0 | 0 | 282 | 0 |
| Percentage of scheme liabilities | 3.50% | 0.00% | 0.00% | 5.10% | 0.00% |
| Total amount recognised in STRGL: | | | | | |
| Amount £000 | 35 | 308 | (391) | 273 | 155 |
| Percentage of scheme liabilities | 0.50% | 4.50% | 6.30% | 4.90% | 3.02% |

## 21 Reconciliation of Operating Surplus to Net Cash Inflow from Operating Activities

| | 2014 £'000 | 2013 £'000 |
|---|---|---|
| Surplus on continuing operations | 93 | 86 |
| Depreciation | 842 | 826 |
| Deferred capital grants released to income | (455) | (456) |
| Loss on disposal of fixed assets | 3 | 45 |
| Interest payable | 197 | 211 |
| FRS 17 Pension costs less contributions payable | 75 | 80 |
| (Increase)/decrease in debtors | (94) | 45 |
| Increase/(decrease) in creditors and provisions | (339) | 332 |
| Interest receivable | (12) | (15) |
| **Net cash inflow from operating activities** | 310 | 1,154 |

## 22 Analysis of Changes in Net Funds

| | At 31 Jul 13 £'000 | Cashflows £'000 | At 31 Jul 14 £'000 |
|---|---|---|---|
| Cash at bank and in hand | 2,461 | (585) | 1,876 |
| Debt due within 1 year | (164) | 0 | (164) |
| Debt due after 1 year | (3,649) | 164 | (3,485) |
| **Total** | (1,352) | (421) | (1,773) |

## 23 Capital Commitments

| | 2014 £'000 | 2013 £'000 |
|---|---|---|
| Commitments contracted for at 31 July 2014 | 577 | 503 |

## 24 Related Party Transactions

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

The total expenses paid to or on behalf of the Governors during the year was £2,991; 3 governors (2012: £1,688; 3 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 during the year (2013: None).

## 25 Amounts disbursed as agent: Bursary Fund

| | 2014 £'000 | 2013 £'000 |
|---|---|---|
| Funding body grants | 156 | 136 |
| Interest earned | - | - |
| | 156 | 136 |
| Disbursed to Students | (148) | (127) |
| Administration fee | (8) | (7) |
| Amount consolidated in financial statements | - | - |
| Balance unspent at 31 July, included in debtors | 0 | 2 |

Funding body grants are available solely for students; in the majority of instances, the College acts only as a paying agent. The grants and related disbursements are therefore excluded from the income and expenditure account. The income and expenditure in the College's financial statements relates to the purchase of some equipment from the fund on the students behalf.

## Independent Auditor's Report on Regularity to the Governing Body of Carmel College and the Secretary of State for Education acting through the Education Funding Agency

This report is produced in accordance with the terms of our engagement letter dated 8th November 2013 for the purpose of reporting on the College's Statement of Regularity, Propriety and Compliance in respect of whether the transactions underlying the College's financial statements for the year ended 31 July 2014 are regular as defined by and in accordance with the Funding Agreement with Secretary of State for Education acting through the Education Funding Agency, in accordance with the authorities that govern them.

The regularity assurance framework that has been applied is set out in the Joint Audit Code of Practice and the Regularity Audit Framework published by the Skills Funding Agency and the Education Funding Agency. Our review has been undertaken so that we might state to the Governing Body of Carmel College and the Secretary of State for Education acting through the Education Funding Agency those matters we are required to state to them in a report and for no other purpose. This report is made solely to the Governing Body of Carmel College and the Secretary of State for Education acting through the Education Funding Agency in accordance with the terms of our engagement letter. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Governing Body of Carmel College and the Secretary of State for Education acting through the Education Funding Agency for our review work, for this report, or for the opinion we have formed.

**Responsibilities of the Governing Body of Carmel College**

The Governing Body of Carmel College is responsible under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that financial transactions are in accordance with the framework of authorities which govern them and that transactions underlying the financial statements for the year ended 31 July 2014 are regular.

The Governing Body of Carmel College is also responsible, under the requirements of the Accounts Direction 2013/14 published by the Skills Funding Agency and the Education Funding Agency for the preparation of the Statement on Regularity, Propriety and Compliance. The Statement confirms that, to the best of its knowledge, the Corporation believes it is able to identify any material, irregular or improper use of funds by the College, or material noncompliance with the Education Funding Agency's terms and conditions of funding under the College's funding agreement]. It further confirms that any instances of material irregularity, impropriety or funding noncompliance discovered in the year to 31 July 2014 have been notified to the Education Funding Agency.

**Auditor's responsibilities**

Our responsibility is to express a reasonable assurance opinion in respect of whether the transactions underlying the College's financial statements for the year ended 31 July 2014 are in all material respects regular, based on the procedures that we have performed and the evidence we have obtained. Our reasonable assurance engagement was undertaken in accordance with the Joint Audit Code of Practice, the Regularity Audit Framework and our engagement letter dated 8th November 2013. The International Standards on Auditing (UK and Ireland) and Joint Audit Code of Practice require that we plan and perform this engagement to obtain reasonable assurance in respect of the Assertion that the transactions underlying the financial statements are in all material respects regular.

**Basis of opinion**

We have performed procedures on a sample basis so as to obtain information and explanations which we consider necessary in order to provide us with sufficient appropriate evidence to express reasonable assurance that the College's Statement of Regularity, Propriety and Compliance is fairly stated in respect of whether the transactions underlying the College's financial statements are in all material respects regular for the year ended 31 July 2014.

**Opinion**

In our opinion the College's Statement of Regularity, Propriety and Compliance is fairly stated in respect of whether the transactions underlying the College's financial statements are in all material respects regular for the year ended 31 July 2014.

Murray Smith LLP ........................................ **Date**.....9 December 2014

**Murray Smith LLP, Chartered Accountants, Statutory Auditors**