

**THE LIPA SIXTH FORM COLLEGE**

**(a company limited by guarantee)**

**Financial Statements**

**for the year ended 31 August 2016**

**Registered number: 8825752 (England and Wales)**

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## **The LIPA Sixth Form College**

# **Reference and administrative details of The LIPA Sixth Form College, its governors and advisers**

### **Members**

M Featherstone-Witty RNOM OBE  
R Grey  
I Jones

### **Governors**

J Moriarty  
M Featherstone-Witty RNOM OBE  
A Jones  
I Kellgren  
C Leight  
A Packer

Chair  
Chief Executive  
Appointed 23 March 2016  
Appointed 15 March 2016  
Appointed 27 June 2016

### **Company Secretary**

K Dimmock

### **Company Name**

The LIPA Sixth Form College

### **Company registered number**

8825752

### **Registered office**

The Liverpool Institute  
Mount Street  
Liverpool  
L1 9HF

### **Senior management team**

*M Featherstone-Witty RNOM OBE	Chief Executive
C Bartholomew	Director of the Sixth Form College
*R Adams	Director of Administration and Personnel
*J Dimmock	Head of Corporate and Financial Development until 31 December 2015 and from 1 October 2016
*K Dimmock	Head of Accounting
*C Lewis	Director of Marketing and Student Recruitment
*J Pritchard	Group Director of Finance from 1 January 2016 until 30 September 2016

\*Members of LIPA directorate

### **Independent auditor**

Grant Thornton UK LLP  
Chartered Accountants  
Statutory Auditor  
Royal Liver Building  
Liverpool  
L3 1PS

## **The LIPA Sixth Form College**

### **Internal auditors**

RSM Risk Assurance Services LLP  
3 Hardman Street  
Manchester  
M3 3HF

### **Bankers**

The Royal Bank of Scotland plc  
1 Dale Street  
Liverpool  
L2 2PP

### **Solicitors**

Weightmans  
100 Old Hall Street  
Liverpool  
L3 9QJ

## **Governors' Report**

The Governors, who are the directors for the purposes of the Companies Act, present their report together with the audited annual financial statements for The LIPA Sixth Form College for the year ended 31 August 2016. The annual report serves the purposes of both a trustees' report and a directors' report under company law.

### **Structure, governance and management**

#### **a. Constitution**

In pursuance of its educational objective of developing an integrated educational group, The Liverpool Institute for Performing Arts ("LIPA" or "the Sponsor") sponsored the development of The LIPA Sixth Form College (the "Charitable Company" or the "the Sixth Form College") under the Government's Free Schools Initiative.

The LIPA Sixth Form College is a company limited by guarantee and an exempt charity. The Charitable Company's memorandum and articles of association are its primary governing documents. The Governors of the Charitable Company are its directors for the purposes of company law and also its trustees for the purposes of charity law.

The Governors who served during the year ended 31 August 2016 are listed in the Reference and Administrative Details page of the financial statements.

#### **b. Members' liability**

Each Member of the Charitable Company undertakes to contribute to the assets of the Charitable Company in the event of it being wound up while they are a Member, or within one year after they cease to be a Member, such amount as may be required, not exceeding £10, for the debts and liabilities contracted before they ceased to be a Member.

#### **c. Governors' indemnities**

The Charitable Company has in place insurance which indemnifies the Governors when acting in that capacity on its behalf.

#### **d. Principal activities**

The Sixth Form College offers a curriculum covering the performing and creative arts and ancillary skills for the education of young people aged 16 to 19. The College opened in September 2016 with an initial intake of 192 students.

#### **e. Method of appointment or election of Members and Governors**

The Membership comprises 3 persons, all of whom are signatories to the Memorandum of Association and are also members of LIPA. LIPA may appoint 8 Members and the Members themselves may appoint additional Members by Special Resolution. The chairman of the Governors is a Member. There is no limit on the number of Members.

The Members may appoint up to 8 Governors, 5 of which are to be nominated by LIPA, and such Staff Governors as they think fit, provided that the number of Staff Governors does not exceed one third of the total number of Governors.

## **The LIPA Sixth Form College**

The Director of the Sixth Form College is a Governor. A minimum of 2 Parent Governors are to be elected by parents of registered pupils at the Sixth Form College. A Parent Governor must be a parent of a pupil at the Sixth Form College at the time of election.

Governors are elected for a term of four years but, subject to remaining eligible, may be re-elected.

### **f. Policies and procedures adopted for the induction and training of Governors**

The training and induction provided for new Governors will depend on their existing experience. Where necessary induction will provide training on charity, educational, legal and financial matters. All Governors are welcome to visit the Sixth Form College and to meet with staff and students. All Governors are to be provided with copies of policies, procedures, minutes, accounts, budgets, plans and other documents that they will need to undertake their role as Governors. As there will normally be only one or two new Governors a year, induction will be done informally and will be tailored specifically to the individual.

### **g. Organisational structure**

A unified management structure is being developed that will consist of three levels: the Governors, the Senior Management Team and the Operational Management Team. The aim of the management structure is to devolve responsibility and encourage involvement in decision making at all levels. The Director of the Sixth Form College is employed by LIPA on the same terms as other LIPA staff, as are all other staff engaged, or to be engaged, on the Sixth Form College's operations, including members of the Senior Management Team and teaching staff.

LIPA provides a range of administrative support services required by the Sixth Form College. LIPA may charge no more than its costs in providing the services.

### **h. Connected organisations**

The Sixth Form College is sponsored by LIPA, whose Founding Principal and Chief Executive, Mr Mark Featherstone –Witty, is Chief Executive and Accounting Officer of the Sixth Form College.

### **i. Risk management**

The Governors have assessed the major risks to which the Sixth Form College is, and will be, exposed, in particular those relating to the specific teaching, provision of facilities and other operational areas of the Sixth Form College and its finances. The Governors have implemented a number of systems to assess risks that the Sixth Form College will face, especially in the operational areas (for example in relation to teaching, health and safety, bullying and discipline) and in relation to the control of finance. They have introduced systems, including operational procedures (e.g. staff conduct policies) and internal financial controls in order to minimise risk. These policies mirror those of LIPA.

Insurance cover has been implemented to mitigate the financial consequences of the major risk areas.

## **Objectives and Activities**

### **a. Objects and aims**

The objects for which the Charitable Company is established are specifically restricted to a 16 to 19 Sixth Form College offering a curriculum appropriate to the needs of its students.

The Charitable Company has adopted principles approved by the Secretary of State for Education. These include, amongst other things, the basis for admitting pupils to the Sixth Form College, the catchment area from which pupils are drawn, and that the curriculum should comply with the substance of the national curriculum.

## **The LIPA Sixth Form College**

### **b. Strategies and activities**

The Sixth Form College is implementing an approach to deliver its transformational agenda in a challenging and, in areas, deprived community by:

- personalised learning experiences integrated with new technologies;
- admissions based on the concept of a community Sixth Form College serving all prospective students of its community;
- development of a learning model to meet the needs of the whole community, offering innovative and far reaching practices;
- providing value for money for the funds expended;
- providing a programme of activities for all students.

### **c. Public benefit**

On commencement of teaching in September 2016 the Charitable Company became an exempt charity with the charitable purpose of advancement of education to students between the ages of 16 and 19.

The Governors have complied with their duty to have due regard to the guidance on public benefit published by the Charity Commission.

## **Strategic report**

### **Achievements and performance**

#### **a. Key financial performance indicators**

As the Sixth Form College had not commenced teaching at 31 August 2016, no key financial performance indicators are available.

#### **b. Achievements and performance**

The alterations and refurbishment of the Sixth Form College's premises were completed on schedule in August 2016, ready for the admission of the first cohort of 180 students in September 2016.

#### **c. Going concern**

After making appropriate enquiries, the Governors have a reasonable expectation that the Sixth Form College has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the Accounting Policies.

## **Financial review**

### **a. Principal funding**

Most of the Sixth Form College's income is obtained from the Department for Education ("DfE") in the form of grants, the use of which may be restricted to particular purposes. The grant from the DfE during the year ended 31 August 2016 and the associated expenditure are shown as restricted funds in the statement of financial activities.

The Sixth Form College also receives grants for fixed assets from the DfE. In accordance with the Charities Statement of Recommended Practice, 'Accounting and Reporting by Charities' (SORP 2005) such grants are shown in the Statement of Financial Activities as restricted income in the fixed asset fund.

## **The LIPA Sixth Form College**

The restricted fixed asset fund balance is reduced by annual depreciation charges over the expected useful life of the assets concerned.

### **b. Financial report for the year**

The Sixth Form College has been allocated a grant from the Educational Funding Agency to cover start up and pre-opening costs. LIPA, as Sponsor, has provided, and is continuing to provide, management time and other support services, at a discount on its cost, during the year.

### **c. Reserves policy**

The Governors recognise that as the Sixth Form College develops it will need to hold a level of reserves. In setting a policy the Governors will be mindful of:

- The need to spend funds in the year of their receipt or subsequently;
- The need to demonstrate a level of prudence and good financial planning to cover unexpected and unplanned events so that the Sixth Form College's objective is preserved in unforeseen circumstances.

The Governors will determine an amount to set aside annually with the aim of having sufficient free reserves to meet an average month's expenditure.

### **d. Principal risks and uncertainties**

LIPA has a comprehensive risk management policy to identify, evaluate and manage risk. The Sixth Form College has adopted the same approach in the identification and management of risks. Risks are categorised into strategic risks and operational risks. Strategic risks include political, economic, social, technological, legal, environmental, competitive and customer. Managing these risks is a core responsibility of the senior leadership team in liaison with Governors. Operational risks include professional, financial, legal, physical, contractual and technological. Risks are assessed in terms of impact and likelihood and risk control measures are identified and assigned to an appropriate member of staff.

### **e. Investment policy**

The Sixth Form College holds its funds in a bank current account as they are needed for day to day operations and capital expenditure. As the Sixth Form College develops it will use appropriate forms of investment, particularly bank deposit accounts, to ensure that income is maximised.

### **f. Financial and Risk Management Objectives and Policies**

Parliament has agreed, at the request of the Secretary of State for Education, to a guarantee that, in the event of academy closure, outstanding local government pension scheme liabilities would be met by the Department for Education. The Sixth Form College does not have any employees covered by this scheme.

The Sixth Form College intends to use a variety of financial instruments, including cash and items such as trade debtors and trade creditors that arise directly from day to day activities. The main purpose of these financial instruments is to ensure liquidity for the Sixth Form College's operations.



## **The LIPA Sixth Form College**

### **Plans for future periods**

The Sixth Form College will strive to ensure that all students achieve their maximum potential. It is The Sixth Form College received its first cohort of 192 students in September 2016, and will admit its second cohort of a similar number in September 2017. When fully operational the Sixth Form College will accommodate approximately 360 students over 2 years.

### **Auditor**

Each of the persons who are Governors at the time when this Governors' report is approved has confirmed that:

- so far as that Governor is aware, there is no relevant audit information of which the Charitable Company's auditor is unaware, and
- that Governor has taken all the steps that ought to have been taken as a Governor in order to be aware of any relevant audit information and to establish that the Charitable Company's auditor is aware of that information.

### **Approval**

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487 (2) of the Companies Act 2006 unless the Charitable Company receives notice under section 488 (1) of the Companies Act 2006.

This report, incorporating the Strategic report, was approved by order of the Governors, as the company directors, on 24 November 2016 and signed on the board's behalf by:



**J Moriarty**  
**Chair of Governors**

## **Governance Statement**

### **Scope of Responsibility**

As Governors, we acknowledge we have overall responsibility for ensuring that the Sixth Form College has an effective and appropriate system of control, financial and otherwise. 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 Governors have delegated the day-to-day responsibility to the Chief Executive, as Accounting Officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between the Sixth Form College and the Secretary of State for Education. The Chief Executive is also responsible for reporting to the Governors any material weaknesses or breakdowns in internal control.

### **Governance**

The information on governance included here supplements that described in the Governors' Report and in the Governors' responsibilities statement. The Governors have met informally on several occasions, as needed, during the year, to discuss all relevant issues.

The Sixth Form College's affairs are a fixed item on the agenda of the LIPA Group Audit Committee and Finance Committee. It is intended that Governors will join the LIPA Group Audit and Finance Committees.

### **Value for Money**

As Accounting Officer the Chief Executive has responsibility for ensuring that the Sixth Form College delivers good value in the use of public resources. The Accounting Officer understands that value for money refers to the educational and wider societal outcomes achieved in return for the taxpayer resources received.

The Accounting Officer considers how the Sixth Form College's use of its resources has provided good value for money during each academic year, and reports to the Governors where value for money can be improved, including the use of benchmarking data where available. The Accounting Officer has delivered improved value for money during the year by:

- applying strict procurement procedures, including multiple quotations and competitive tendering;
- reducing expenditure by utilisation of LIPA group services delivered at cost.

### **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 Sixth Form 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 the Sixth Form College for the year to 31 August 2016 and up to the date of approval of the annual report and financial statements.

## **The LIPA Sixth Form College**

### **Capacity to Handle Risk**

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

### **The Risk and Control Framework**

The Sixth Form College's system of internal financial control adheres to that prevailing in LIPA. This is based on a framework of regular management information and administrative procedures including the segregation of duties and a system of delegation and accountability. In particular, it includes:

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the Governors;
- regular reviews by the LIPA Group Finance Committee of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes;
- setting targets to measure financial and other performance;
- clearly defined purchasing (asset purchase or capital investment) guidelines.
- delegation of authority and segregation of duties;
- identification and management of risks.

The Governors have agreed to appoint RSM Risk Assurance Services LLP as internal auditor and have not nominated a Responsible Officer.

### **Review of Effectiveness**

As Accounting Officer, the Chief Executive has responsibility for reviewing the effectiveness of the system of internal control. During the year in question the review has been informed by:

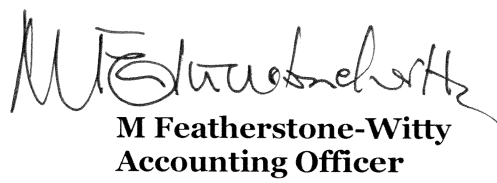
- the work of internal audit across the wider LIPA processes, systems and controls and specific reviews of the Sixth Form College's operations;
- the work of the independent auditor;
- the work of the executive managers within the Sixth Form College who have responsibility for the development and maintenance of the internal control framework.

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control.

Approved by order of the Governors on 24 November 2016 and signed on their behalf, by:



**J Moriarty**  
**Chair of Governors**



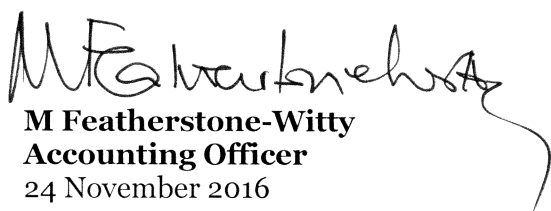
**M Featherstone-Witty**  
**Accounting Officer**

## **Statement on Regularity, Propriety and Compliance**

As Accounting Officer of The LIPA Sixth Form College I have considered my responsibility to notify the Governors and the Education Funding Agency of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between the Sixth Form College and the Secretary of State. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook.

I confirm that I and the Governors are able to identify any material, irregular or improper use of funds by the Sixth Form College, or material non-compliance with the terms and conditions of funding under the Sixth Form College's funding agreement and the Academies Financial Handbook.

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



**M Featherstone-Witty**  
**Accounting Officer**  
24 November 2016

## **Governors' Responsibilities Statement for the year ended 31 August 2016**

The Governors (who act as trustees of The LIPA Sixth Form College and are also the directors of the Charitable Company for the purposes of company law) are responsible for preparing the Governors' report (including the Strategic report) and the financial statements in accordance with the Annual Accounts Direction issued by the Education Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

Company law requires the Governors to prepare financial statements for each financial year. Under company law the Governors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Charitable Company and of its incoming resources and application of resources, including its income and expenditure, for that year. In preparing these financial statements, the Governors are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Charitable Company will continue in business.

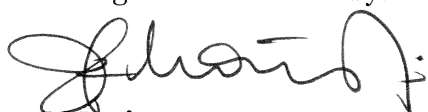
The Governors are responsible for keeping adequate accounting records that are sufficient to show and explain the Charitable Company's transactions and disclose with reasonable accuracy at any time the financial position of the Charitable Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Charitable Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Governors are responsible for ensuring that in its conduct and operation the Charitable Company applies financial and other controls, which conform with the requirements both of propriety and of good financial management. They are also responsible for ensuring grants received from EFA/DfE have been applied for the purposes intended.

The Governors are responsible for the maintenance and integrity of the corporate and financial information included on the Charitable Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by order of the Governors on 9 December 2016

and signed on its behalf by:



**J Moriarty**  
**Chair of Governors**  
24 November 2016

# **Independent Auditor's Report to the Governors of The LIPA Sixth Form College**

We have audited the financial statements of The LIPA Sixth Form College for the year ended 31 August 2016 which comprise the Statement of Financial Activities (incorporating the income and expenditure account and statement of total recognized gains and losses), the Balance Sheet, the Cash Flow Statement, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Academies Accounts Direction 2015 to 2016 issued by the Education Funding Agency.

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of governing body and auditor**

As explained more fully in the governing body's responsibilities statement set out on page 12, the governing body (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

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

## **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2016 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the Academies Accounts Direction 2015 to 2016 issued by the Education Funding Agency.

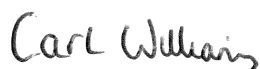
## **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Governors' Report (incorporating the strategic report) for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Carl Williams  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Liverpool

25 November 2016

Grant Thornton UK LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

# **Independent Reporting Accountant's Assurance Report on Regularity to The LIPA Sixth Form College and the Education Funding Agency**

In accordance with the terms of our engagement letter dated 10 November 2016 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2015 to 2016, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by The LIPA Sixth Form College during the year ended 31 August 2016 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

## **Respective responsibilities of The LIPA Sixth Form College's Accounting Officer and the reporting accountant**

The accounting officer is responsible, under the requirements of The LIPA Sixth Form College's funding agreement with the Secretary of State for Education dated 10 November 2016 and the Academies Financial Handbook, extant from 1 September 2015, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2015 to 2016. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the year 1 August 2015 to 31 August 2016 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

## **Approach**

We conducted our engagement in accordance with the Academies Accounts Direction 2015 to 2016 issued by the EFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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



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

The work undertaken to draw our conclusion includes:

- an assessment of the risk of material irregularity and impropriety across the Sixth Form College Trust's activities;
- evaluation of the processes and controls established and maintained in respect of regularity, propriety and compliance of the use of public funds through observation of the arrangements in place and enquiry of the Accounting Officer;
- consideration and corroboration of the evidence supporting the Accounting Officer's statement on regularity, propriety and compliance; and
- detailed testing on a sample basis of income and expenditure for the areas identified as high risk.

## **Conclusion**

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

*Grant Thornton UK LLP*

Grant Thornton UK LLP  
Chartered Accountants  
Statutory auditor  
Liverpool

25 November 2016

**Statement of Financial Activities**  
**for the year ended 31 August 2016**  
(including Income and Expenditure Account)

	Note	Unrestricted Funds £	Restricted General Funds £	Restricted Fixed Asset Funds £	2016 Total £	Period to 31 August 2015 Total £
<b>Income and endowments from:</b>						
Donations and capital grants	3	-	-	800,000	<b>800,000</b>	-
Charitable activities:						
Funding for the Charitable Company educational operations	4	-	100,000	5,062,612	<b>5,162,612</b>	446,107
Other trading activities	5	-	-	-	-	-
<b>Total</b>		<u>-</u>	<u>100,000</u>	<u>5,862,612</u>	<u><b>5,962,612</b></u>	<u>446,107</u>
<b>Expenditure on:</b>						
Raising funds	6	-	-	-	-	-
Charitable activities:						
Charitable Company educational operations	6/7	-	230,021	-	<b>230,021</b>	64,122
<b>Total</b>		<u>-</u>	<u>230,021</u>	<u>-</u>	<u><b>230,021</b></u>	<u>64,122</u>
<b>Net income/(expenditure)</b>		-	(130,021)	5,862,612	<b>5,732,591</b>	381,985
<b>Transfers between funds</b>	14	-	-	-	-	-
<b>Other recognised gains and (losses)</b>		-	-	-	-	-
<b>Net movement in funds</b>		-	(130,021)	5,862,612	<b>5,732,591</b>	381,985
<b>Reconciliation of funds</b>						
Total funds brought forward at 1 September 2015		-	85,878	296,107	<b>381,985</b>	-
<b>Total funds carried forward at 31 August 2016</b>		<u>-</u>	<u>(44,143)</u>	<u>6,158,719</u>	<u><b>6,114,576</b></u>	<u>381,985</u>

All of the Sixth Form College's activities derive from continuing operations during the above two financial periods.

The Statement of Financial Activities includes all gains and losses recognised in the period.


The notes on pages 20 to 31 form part of these financial statements.

# The LIPA Sixth Form College

## Balance Sheet as at 31 August 2016

	Note	2016 £	2015 £
<b>Fixed assets</b>			
Tangible assets	11	6,223,959	298,850
<b>Current assets</b>			
Debtors	12	439,745	181,647
Cash at bank		438,633	113,483
		878,378	295,130
<b>Creditors: amounts falling due within one year</b>	13	987,761	(211,995)
<b>Net current (liabilities)/assets</b>		(109,383)	83,135
<b>Net assets</b>		<b>6,114,576</b>	<b>381,985</b>
<b>Funds of the Sixth Form College</b>			
<b>Restricted funds</b>			
Fixed asset fund	14	6,158,719	296,107
General fund	14	(44,143)	85,878
<b>Total restricted funds</b>		<b>6,114,576</b>	<b>381,985</b>
<b>Unrestricted income funds</b>			
General fund	14	-	-
<b>Total unrestricted funds</b>		<b>-</b>	<b>-</b>
<b>Total funds</b>		<b>6,114,576</b>	<b>381,985</b>

The financial statements were approved by the Governors, and authorised for issue on 24 November 2016 and are signed on their behalf by:



**J Moriarty**  
Chair of Governors

## Cash Flow Statement for the year ended 31 August 2016

	Note	2016 £	Period to 31 August 2015 £
<b>Cash flow from operating activities</b>			
Net cash provided by (used in) operating activities	16	387,647	116,226
Cash flows from financing activities	17	-	-
Cash flows from investing activities	18	(62,497)	(2,743)
<b>Change in cash and cash equivalents in the year</b>		<u>325,150</u>	<u>113,483</u>
Cash and cash equivalents at 1 September 2015		<u>113,483</u>	<u>-</u>
<b>Cash and cash equivalents at 31 August 2016</b>		<u>438,633</u>	<u>113,483</u>

## **1. Statement of Accounting Policies**

A summary of the principal accounting policies adopted (which have been applied consistently, except where noted), judgements and key sources of estimation uncertainty, is set out below.

### **1.1 Basis of Preparation**

The financial statements of the Charitable Company, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2015 to 2016 issued by EFA, the Charities Act 2011 and the Companies Act 2006.

The Charitable Company meets the definition of a public benefit entity under FRS 102.

### **1.2 Going concern**

The Governors assess whether the use of going concern is appropriate, i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the Charitable Company to continue as a going concern. The Governors make this assessment in respect of a period of one year from the date of authorisation for issue of the financial statements and have concluded that the Charitable Company has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the Charitable Company's ability to continue as a going concern, thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

### **1.3 Income**

All incoming resources are recognised when the Charitable Company has entitlement to the funds, the receipt is probable and the amount can be measured reliably.

#### **Grants**

Grants are included in the Statement of Financial Activities on a receivable basis. The balance of income received for specific purposes but not expended during the period is shown in the relevant funds on the balance sheet. Where income is received in advance of meeting any performance-related conditions there is not unconditional entitlement to the income and its recognition is deferred and included in creditors as deferred income until the performance-related conditions are met. Where entitlement occurs before income is received, the income is accrued.

General Annual Grant is recognised in full in the Statement of Financial Activities in the year for which it is receivable and any abatement in respect of the period is deducted from income and recognised as a liability.

#### **Sponsorship Income**

Sponsorship income provided to the Charitable Company which amounts to a donation is recognised in the Statement of Financial Activities in the period in which it is receivable (where there are no performance-related conditions), where the receipt is probable and it can be measured reliably.

#### **Donations**

Donations are recognised on a receivable basis (where there are no performance-related conditions) where the receipt is probable and the amount can be reliably measured.

#### **Other Income**

Other income, including the hire of facilities, is recognised in the period it is receivable and to the extent the Charitable Company has provided the goods or services.

## The LIPA Sixth Form College

### Accounting Policies continued

#### Donated goods, facilities and services

Goods donated for resale are included at fair value, being the expected proceeds from sale less the expected costs of sale. If it is practical to assess the fair value at receipt, it is recognised in stock and 'Income from other trading activities'. Upon sale, the value of the stock is charged against 'Income from other trading activities' and the proceeds are recognised as 'Income from other trading activities'. Where it is impractical to fair value the items due to the volume of low value items they are not recognised in the financial statements until they are sold. Income is recognised within 'Income from other trading activities'.

Where the donated good is a fixed asset it is measured at fair value, unless it is impractical to measure this reliably, in which case the cost of the item to the donor should be used. The gain is recognised as income from donations and a corresponding amount is included in the appropriate fixed asset category and depreciated over the useful economic life in accordance with the Charitable Company's accounting policies.

#### 1.4 Expenditure

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably. Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs which contribute to more than one activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with the use of resources. Central staff costs are allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use.

##### Expenditure on Raising Funds

This includes all expenditure incurred by the Charitable Company to raise funds for its charitable purposes and includes costs of all fundraising activities events and non-charitable trading.

##### Charitable Activities

These are costs incurred on the Charitable Company's educational operations, including support costs and costs relating to the governance of the Charitable Company apportioned to charitable activities.

All resources expended are inclusive of irrecoverable VAT.

#### 1.5 Intangible Fixed Assets

Intangible assets costing £1,000 or more are capitalised and recognised when future economic benefits are probable and the cost or value of the asset can be measured reliably. Intangible assets are initially recognised at cost and are subsequently measured at cost net of amortisation and any provision for impairment. Amortisation is provided on intangible fixed assets at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life. The Charitable Company owned no separable intangible fixed assets at either the start or end of the financial year.

#### 1.6 Tangible Fixed Assets

Assets individually, or groups of the same items collectively, costing £1,000 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment.

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the Balance Sheet at cost and depreciated over their expected useful economic life. Where there are specific conditions attached to the funding requiring the continued use of the asset, the related grants are credited to a restricted fixed asset fund in the Statement of Financial Activities and carried forward in the Balance Sheet. Depreciation on the relevant assets is charged directly to the restricted fixed asset fund in the Statement of Financial Activities. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged to the unrestricted fund.

Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life, as follows:

Long leasehold buildings	50 years
Fixtures, fittings and equipment	10 years
Computer hardware and non-separable software	5 years

## **The LIPA Sixth Form College**

### **Accounting Policies continued**

Long leasehold land at a value of £1.5m is not depreciated.

Land and buildings have been recognised at the cost of purchasing the lease of the property together with the cost of modifications to the buildings. The cost of the modifications to the building have been funded by grants from the Education Funding Agency. These grants are reflected in the restricted fixed asset funds

The Charitable Company's land and buildings are held under a 125-years, LIPA. The lease was purchased by the Education Funding Agency for a consideration of £800,000 and title to the lease was transferred to The LIPA Sixth Form College. The purchase of the lease by the EFA and its subsequent transfer to the Charitable Company represented a gift in kind. In recognising the cost of the lease on the Balance Sheet a corresponding entry to voluntary income within the restricted fixed asset funds was recognised in the Statement of Financial Activities.

Assets in the course of construction are included at cost. Depreciation on these assets is not charged until they are brought into use.

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

#### **1.7 Liabilities**

Liabilities are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that the Charitable Company anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide.

#### **1.8 Provisions**

Provisions are recognised when the Charitable Company has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and the obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

#### **1.9 Leased Assets**

Rentals under operating leases are charged on a straight line basis over the lease term.

#### **1.10 Taxation**

The Charitable Company is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes.

Accordingly, the Charitable Company is potentially exempt from taxation in respect of income or capital gains received within categories covered by part 11, chapter 3 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

#### **1.11 Pensions Benefits**

Retirement benefits to teachers engaged on Charitable Company activities are provided by the Teachers' Pension Scheme ("TPS"). This is a defined benefit scheme, is contracted out of the State Earnings-Related Pension Scheme ("SERPS"), and the assets are held separately from those of the Charitable Company.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Charitable Company in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in note 22, the TPS is a multi-employer scheme and the Charitable Company 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 LIPA Sixth Form College**

### **Accounting Policies continued**

Retirement benefits to non-teaching staff engaged on Charitable Company activities are provided by the LIPA Staff Pension Schemes, a group of defined contribution pension plans for other employees providing benefits additional to those from the State. The assets of the schemes are held separately from those of the company in independently administered fund.

#### **1.12 Fund Accounting**

Unrestricted income funds represent those resources which may be used towards meeting any of the charitable objects of the Charitable Company at the discretion of the trustees.

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by funders where the asset acquired or created is held for a specific purpose.

Restricted general funds comprise all other restricted funds received with restrictions imposed by the funder/donor and include grants from the Education Funding Agency.

#### **1.13 Critical accounting estimates and areas of judgement**

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

##### *Critical accounting estimates and assumptions*

The Charitable Company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. There are no estimates or assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

##### *Critical areas of judgement*

There are no areas of judgement that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.



# The LIPA Sixth Form College

## Notes to the Accounts

### 2 General Annual Grant (GAG)

The Charitable Company received no funds under a GAG, or otherwise, during the year ended 31 August 2016 that were subject to any restrictions regarding amounts that could be carried forward to later years.

3.	Donations and capital grants	Unrestricted funds £	Restricted funds £	2016 Total £	2015 Total £	
	Capital Grants	-	-	-	-	
	Other donations	-	800,000	800,000	-	
		-	800,000	800,000	-	
4.	Funding for Charitable Company's educational operations	Unrestricted funds £	Restricted funds £	2016 Total £	2015 Total £	
	DfE/EFA grants					
	Start Up grants	-	100,000	100,000	150,000	
	Capital grants	-	5,062,612	5,062,612	296,107	
		-	5,162,612	5,162,612	446,107	
	Other Government grants					
	Local Authority grants	-	-	-	-	
	Special educational projects	-	-	-	-	
		-	-	-	-	
	Other income from the Charitable Company's educational operations	-	-	-	-	
		-	5,162,612	5,162,612	446,107	
5.	Other trading activities	Unrestricted funds £	Restricted funds £	2016 Total £	2015 Total £	
	Other activities	-	-	-	-	
		-	-	-	-	
6.	Expenditure	Staff Costs £	Non Pay Expenditure Premises £	Other £	2016 Total £	2015 Total £
	Expenditure on raising funds	-	-	-	-	-
	Charitable Company's educational operations:					
	Direct costs	105,994	31,336	20,339	157,669	7,871
	Support costs	19,393	-	52,959	72,352	56,251
		125,387	31,336	73,298	230,021	64,122

**The LIPA Sixth Form College**  
**Notes to the Accounts continued**

Net income/(expenditure) for the year includes:

Depreciation	-	-
Fees payable to independent auditor for:		
- Audit	4,900	4,750
- Other services	1,500	-
	<u>6,400</u>	<u>4,750</u>

There were no compensation payments, gifts, fixed asset, stock or cash losses nor unrecoverable debts in the year (2015: £nil)

**7. Charitable activities**

	<b>2016</b>	2015
	<b>£</b>	<b>£</b>
Direct costs – educational operations	157,669	7,871
Support costs – educational operations	72,352	56,251
<b>Total</b>	<u>230,021</u>	<u>64,122</u>

**Analysis of support costs – educational operations**

Support staff costs	19,393	15,250
Premises costs	-	760
Other support costs	44,202	25,194
Governance costs	8,757	15,047
<b>Total</b>	<u>72,352</u>	<u>56,251</u>

**8.a Staff costs**

All staff, including the Director, engaged on the Charitable Company's activities during the year were employed by LIPA and their salaries and other costs recharged to the Charitable Company. The total cost of staff recharged to the Charitable Company for the year to 31 August 2016 was £125,387 (2015: £6,236)

	<b>2016</b>	2015
	<b>£</b>	<b>£</b>
Wages and salaries	103,784	4,862
Social security costs	10,490	573
Operating costs of defined benefit pension scheme	10,713	801
Defined contribution pension scheme	400	-
	<u>125,387</u>	<u>6,236</u>

**8.b Staff numbers**

The average number of persons employed directly on the Charitable Company's activities during the year expressed as full time equivalents was as follows:

	<b>2016</b>	2015
Teachers	1	1
Administration and support	0.5	-
Management	-	-
	<u>1.5</u>	<u>1</u>

# The LIPA Sixth Form College

## Notes to the Accounts continued

The aggregate time spent by other LIPA support staff on the Charitable Company's affairs equates to 1 full time equivalent staff (2015: 0.5).

### 8.c Higher paid staff

The number of employees whose employee benefits (excluding employer pension costs) exceeded £60,000 was	2016	2015
£60,001 - £70,000	1	1

### 8.d. Key management personnel

The key management personnel of the Charitable Company comprise the Governors and the senior management team as listed on page 2. Of the key management personnel, only the Director was directly remunerated by LIPA for services to the Charitable Company.

### 8.e Pensions

The teaching staff participated through LIPA in the Teachers' Pension Scheme. During the year ended 31 August 2016, pension contributions amounted to £10,713 (2015: £801). Support staff participated through LIPA in the Defined Contribution Pension Scheme. During the year ended 31 August 2016, pension contributions amounted to £400 (2015: £nil).

### 9. Related Party Transactions –Governor's remuneration and expenses

No Governor, other than the Director has been paid remuneration or has received other benefits from an employment with the Charitable Company. The Director only receives remuneration in respect of services provided undertaking the role of Director under a contract of employment.

During the year the Sixth Form College paid Radero Limited, a company in which Mr A Jones has an interest, £13,122 for consultancy services. In addition, travel and subsistence expenses totalling £830 (2015: £1,048) were reimbursed to 3 Governors (2015: 2).

### 10. Governors' and officers' insurance

In accordance with normal commercial practice the Charitable Company has arranged insurance to protect Governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on Charitable Company business. The insurance provides cover up to £10m on any one claim, with maximum of claims of £10m in any year. The cost of this insurance is included in the Risk Protection cover organised through the Department for Education.

11. Tangible fixed assets	Leasehold Land and Buildings £	Furniture and Equipment £	ICT £	Total £
Cost				
At 1 September 2015	296,107	2,743	-	298,850
Additions	4,786,032	327,406	13,075	5,126,513
Donated asset	800,000	-		800,000
Disposals	-	(1,404)		(1,404)
At 31 August 2016	<b>5,882,139</b>	<b>328,745</b>	<b>13,075</b>	<b>6,223,959</b>
Depreciation				
At 1 September 2015	-	-	-	-
Charged in year	-	-	-	-
At 31 August 2016	-	-	-	-
Net book values				
At 31 August 2016	<b>5,882,139</b>	<b>328,745</b>	<b>13,075</b>	<b>6,223,959</b>
At 31 August 2015	296,107	2,743	-	298,850

# The LIPA Sixth Form College

## Notes to the Accounts continued

In March 2015 the Charitable Company acquired a 125-year lease of 70 Hope Street, Liverpool, from LIPA. The property was previously occupied by LIPA. The consideration of £800,000 for the lease was paid by the EFA.

Work on adapting the building to meet the Charitable Company's requirements and allow the admission of the first cohort of pupils was completed by 31 August 2016, the cost of the modifications being funded by a grant from the EFA and support from LIPA.

As none of the assets had been brought into use at 31 August 2016, no depreciation has been provided on them.

<b>12. Debtors</b>		<b>2016</b>	2015		
		<b>£</b>	<b>£</b>		
Grant receivable		418,003	159,030		
VAT recoverable		-	22,582		
Prepayments and accrued income		21,742	35		
		439,745	181,647		
<b>13. Creditors: Amounts falling due within one year</b>		<b>2016</b>	2015		
		<b>£</b>	<b>£</b>		
Trade creditors		25,026	119,824		
Taxation		486,974			
Related parties		20,485	17,960		
Accruals and deferred income		455,276	74,211		
		987,761	211,995		
<b>14. Funds</b>					
	<b>Balance at 1 September 2015 £</b>	<b>Incoming Resources £</b>	<b>Resources Expended £</b>	<b>Gains, Losses and Transfers £</b>	<b>Balance at 31 August 2016 £</b>
<b>Restricted general funds</b>					
Start Up Grant	85,878	100,000	(230,021)	-	(44,143)
	85,878	100,000	230,021	-	(44,143)
DFE/EFA capital grants	296,107	5,062,612	-	-	5,358,719
Donated assets	-	800,000	-	-	800,000
	296,107	5,862,612	-	-	6,158,719
<b>Total restricted funds</b>	<b>381,985</b>	<b>5,962,612</b>	<b>(230,021)</b>	<b>-</b>	<b>6,114,576</b>
<b>Unrestricted funds</b>					
Unrestricted funds	-	-	-	-	-
<b>Total unrestricted funds</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Funds</b>	<b>381,985</b>	<b>5,962,612</b>	<b>(230,021)</b>	<b>-</b>	<b>6,114,576</b>

## The LIPA Sixth Form College

### Notes to the Accounts continued

The specific purposes for which the funds are to be applied are as follows:

Unrestricted income funds represent those resources which may be used towards meeting any of the charitable objects of the Sixth Form College at the discretion of the Governors.

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by the Department for Education where the asset acquired or created is held for a specific purpose.

Restricted general funds comprise all other restricted funds received and include grants from the Department of Education.

Under the finding agreement with the Secretary of State, the Sixth Form College was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2016.

#### 15. Analysis of net assets between funds

	Unrestricted Funds	Restricted General Funds	Restricted Fixed Asset Funds	Total Funds
	£	£	£	£
Tangible fixed assets	-	-	6,223,959	<b>6,223,959</b>
Current assets	-	21,742	856,636	<b>878,378</b>
Current liabilities	-	(65,885)	(921,876)	<b>(987,761)</b>
<b>Total net assets</b>	<b>-</b>	<b>(44,143)</b>	<b>6,158,719</b>	<b>6,114,576</b>

#### 16. Reconciliation of net (expenditure)/ income to net cash flow from operating activities

	2016 £	2015 £
Net income	5,732,591	381,985
Capital grants from DfE	(5,062,612)	(296,107)
Donated asset	(800,000)	-
(Increase) in debtors	(258,098)	(181,467)
Increase in creditors	775,766	211,995
<b>Net cash provided by/(used in) operating activities</b>	<b>387,647</b>	<b>116,226</b>

#### 17. Cash flows from financing activities

	2016 £	2015 £
Interest received	-	-
<b>Net cash provided by/(used in) financing activities</b>	<b>-</b>	<b>-</b>

#### 18. Cash flows from investing activities

	2016 £	2015 £
Purchase of tangible fixed assets	(5,125,109)	(298,850)
Capital grant funding from EFA	5,062,612	296,107
<b>Net cash provided by/(used in) investing activities</b>	<b>(62,497)</b>	<b>(2,743)</b>

# The LIPA Sixth Form College

## Notes to the Accounts continued

19. Analysis of changes in net funds	1 September 2015 £	Cash flow £	31 August 2016 £
Cash at bank and in hand	113,483	325,150	438,633
<b>Net funds</b>	<b>113,483</b>	<b>325,150</b>	<b>438,633</b>

### 20. Contingent liabilities

During the period of the Funding Agreement, in the event of the sale or disposal by other means of any asset for which a Government capital grant was received, the Sixth Form College is required either to re-invest the proceeds or to repay to the Secretary of State for Education and Skills the same proportion of the proceeds of the sale or disposal as equates with the proportion of the original cost met by the Secretary of State.

Upon termination of the Funding Agreement, whether as a result of the Secretary of State or the Sixth Form College serving notice, the Sixth Form College shall repay to the Secretary of State sums determined by reference to:

(a) the value at the time of the Sixth Form College's site and premises and other assets held for the purpose of the Sixth Form College; and

(b) the extent to which expenditure incurred in providing those assets was met by payments by the Secretary of State under the Funding Agreement

### 21. Members' liability

Each Member of the Charitable Company undertakes to contribute to the assets of the company in the event of it being wound up while he/she is a member, or within one year after he/she ceases to be a Member, such amount as may be required, not exceeding £10 for the debts and liabilities contracted for before he/she ceases to be a Member.

### 22. Capital commitments

At 31 August 2016 the Sixth Form College had no capital commitments for building works, ICT, furniture or equipment contracted for but not provided in these financial statements (2015: £nil). Work on the building of a capital nature is being funded by the EFA as it progresses.

### 23. Pension commitments

As advised in the Governors' report, all individuals engaged, or to be engaged, on the Sixth Form College's operations are, or will be, employed by LIPA. Teaching and teaching related staff are entitled to join the Teacher's Pension Scheme for England and Wales (TPS). This is a defined benefit scheme. Other staff are entitled to join the LIPA Staff Pension Schemes. These are defined contribution schemes.

The pension costs of the TPS are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS related to the period ended 31 March 2012. The LIPA Staff Pensions Schemes, being defined contribution schemes, are not subject to valuation.

### Teachers' Pension Scheme

#### Introduction

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. Membership is automatic for full-time teachers in academies and, from 1 January 2007, automatic for teachers in part-time employment following appointment or a change of contract, although they are able to opt out.

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. Retirement and other pension benefits are paid by public funds provided by Parliament.

## The LIPA Sixth Form College

### Notes to the Accounts continued

#### Valuation of the Teachers' Pension Scheme

Not less than every four years the Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation 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 on 9 June 2014. The key elements of the valuation and subsequent consultation are:

- employer contribution rates set at 16.48% of pensionable pay (including a 0.08% employer administration charge (currently 14.1%))
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

During the year the employer contribution rate was 14.1%. The TPS valuation for 2012 determined an employer rate of 16.4% from September 2015, which will be payable during the implementation period until the next valuation as at March 2016, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The latest actuarial valuation of the TPS related to the period ended 31 March 2012 and of the LGPS 31 March 2013. A copy of the valuation report and supporting documentation is on the [Teachers' Pensions website](#).

The employer's contributions payable in respect of the TPS were £801 (2015: £nil). At 31 August 2016 there were outstanding contributions due by LIPA to the TPS of £801 (2015: £nil).

Under the definitions set out in FRS 102, the TPS is a multi-employer pension scheme. The Charitable Company has accounted for its contributions to the scheme as if it were a defined contribution scheme. The Charitable Company has set out above the information available on the scheme.

#### Defined Contribution Scheme

Retirement benefits for other, non-teaching, staff are provided through the LIPA Staff Pension Schemes. These are defined contribution schemes. The contributions payable in respect of defined contribution scheme arrangements for the year were £400 (2015: £nil). At 31 August 2016 there were no outstanding contributions due by LIPA to the LIPA Staff Pension Schemes (2015: £nil).

The member and the employer make contributions to the LIPA Staff Pension Schemes. Currently contribution rates for the main scheme are 7.4% to 11.7% of pensionable salary by the member and 16.48% of pensionable salary by the employer. Employees may choose to join a default scheme introduced as part of the Government's auto enrolment programme. Under this scheme both the member and the company make contributions of 3% of pensionable salary. Employees may elect to join neither the main nor the default scheme.

#### 24. Operating lease commitments

At 31 August 2016 the Sixth Form College had no annual commitments (2015: £nil) under non-cancellable operating leases.

#### 25. Related party transactions

Owing to the nature of the Sixth Form College's operations and the composition of the board of Governors being drawn from various public and private sector organisations, transactions may take place with organisations in which a Governor has an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the Sixth Form College's financial regulations and normal procurement procedures.

In March 2015 the Charitable Company acquired a 125-year lease of 70 Hope Street, Liverpool, from LIPA. The property was occupied by LIPA. The consideration of £800,000 for the lease was paid by the EFA.

## **The LIPA Sixth Form College**

### **Notes to the Accounts continued**

During the year to 31 August 2016 LIPA paid and recovered costs of £167,113 on behalf of the Sixth Form College (2015: £6,705) and charged £nil (2015: £17,960 for support services. At 31 August 2015 the Sixth Form College owed LIPA £14,941 (2015: £nil).

#### **26. Events after the end of the reporting period**

There were no material events after the end of the reporting period impacting the results for the year or the balance sheet at 31 August 2016.