



WEST NOTTINGHAMSHIRE COLLEGE

Annual Report and Consolidated Financial Statements

Year ended 31 July 2019

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Reference and Administrative Details

Board of Governors

A full list of Governors is provided on pages 16-19 of these financial statements.

Mrs Maxine Bagshaw acted as Clerk to the Corporation throughout the period.

Key Management Personnel

Andrew Cropley	Principal and CEO; Accounting officer (from 7/5/2019)
Martin Sim	Interim Principal and CEO; Accounting officer (from 29/10/18 to 30/06/2019)
Dame Asha Khemka DBE DL	Principal and CEO; Accounting officer (until 28/09/18)
Sue Martin	Interim Vice Principal Curriculum and Quality (from 15/7/19)
Tom Stevens	Deputy Principal / Executive Director: Capital Projects (until 31/01/19)
Jon Fearon	Director of Finance (from 1/8/2019)
John Owen	Interim Director of Finance (until 31/7/2019); Accounting officer (from 29/09/18 to 28/10/18)
Louise Knott	Vice Principal, Communications, Engagement and Student Experience (from 1/01/2019)

Professional advisers

Financial statements auditor and reporting accountants:

KPMG LLP
One Snowhill
Snowhill Queensway
Birmingham B4 6GH

Internal auditor:

RSM Risk Assurance Services LLP
St Philips Point
Temple Row
Birmingham
West Midlands B2 5AF

Bankers:

Lloyds Bank PLC
1st Floor
125 Colmore Row
Birmingham B3 3SF

Solicitors:

Eversheds LLP
1 Royal Standard Place
Nottingham NG1 6FZ

Strategic Report

OBJECTIVES AND STRATEGIES:

The governing body presents their annual report together with the consolidated financial statements and auditor's report for West Nottinghamshire College for the year ended 31 July 2019.

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting West Nottinghamshire College. The College is an exempt charity (Part 3 of the Charities Act 2011) and is regulated by the Education and Skills Funding Agency.

Mission

In 2018/19 the College focused on securing long term recovery plan in place, it was a year of putting the building blocks in place to support financial recovery. Having stabilised the finances and implemented a recovery plan supported by the EFSA and our bank; the Governors have agreed on a new Strategic Plan for 2019 to 2022. It sets out the Mission, Vision, Values, Strategic Aims and Strategic Objectives as follows:

Our Mission is: To provide skills to enable all students, employer partners and our community to thrive.

Our Vision: We will become a force for raising aspirations across our communities, where high-performing staff encourage students to stretch the boundaries of their potential and, in partnership with employers, develop the workforce of the future

Our Values: Respect, Integrity, Collaboration, High Expectations, Responsibility

STRATEGIC AIMS

AIM 1: LEARNERS - We will encourage and inspire our learners to aim high in life and at work and equip them to achieve these ambitions

AIM 2: EMPLOYEES - We will equip our staff to enable our learners to reach their full potential

AIM 3: EMPLOYERS - We will work with local employers to provide our learners with the skills they need today and those that will help them thrive in the future

AIM 4: COMMUNITIES - We will be a significant force for raising aspirations throughout the communities we serve

AIM 5: FINANCES - We will sustain the financial strength required to deliver high-quality services in response to new challenges

AIM 6: INFRASTRUCTURE - We will continue to invest in efficient and well-managed facilities, systems and resources to support outstanding learning.

STRATEGIC OBJECTIVES 2019-2020

Develop, implement and fully embed the ASPIRE Curriculum across all aspects of delivery
Increase by 10% the proportion of students meeting their target grades year on year
Achieve an Ofsted and/or Self-Assessment grade of "Good."
Increase the proportion of students progressing to Level 4 or above programmes (including Apprenticeships) by 10% year on year
Implement the use of OneFile consistently across all Apprenticeship provision to achieve high levels of customer satisfaction and repeat business.
Have it confirmed by our Staff that College leaders are exemplifying and rewarding our values

Achieve a rating for "Overall Satisfaction" in the staff survey which sits in the top two quartiles
Have meaningful and successful partnerships with 25% more employers with addresses in Mansfield and Ashfield districts year on year
Increase the number of adults developing their skills at WNC by 15% year on year
Deploy at least 65% of our AEB allocation to learners with addresses in D2N2 and 35% to learners with addresses in Mansfield and Ashfield districts.
Implement the employability framework so that 90% of 16-18 learners have met "basic" standards and 25% of 16-18-year-olds have met "good team member" standards by the academic year-end
Complete, with HE partners, a strategic review of our HE curriculum in order to ensure that it supports our Vision, with at least two new offers being agreed for introduction in Sep 2021.
Meet our key financial targets relating to Staff cost, Operating Surplus, EBITDA, cash balances and Bank Covenants
Dispose of investments and surplus assets
Complete those estates works identified in the College's condition surveys.
By identifying existing good practice, develop a plan for using technology to enhance the learning experience, develop independent learning and equip learners for the future workplace.

Implementation of the business plan to support recovery

The Governing Body put in place a three-year recovery plan during 2018/19; with a focus on reshaping the College's activities to ensure long term viability. The recovery plan was supported by the ESFA, FE Commissioner and Lloyds bank. In 2018/19 the College stabilised its financial position by:

- Revising its long term banking arrangements with Lloyds bank, this involved a change to the covenants and providing security over assets.
- Maintained the support of the ESFA to assist the College in implementing its three-year recovery plan through Exceptional Support Funding (ESF).
- Restructuring the College's own operations, reducing the future staffing cost as a percentage of income. The final phase of this restructure was completed in the summer of 2019. The revised structure provides long-term sustainability as it will allow the College to generate sufficient earnings before interest, tax, depreciation and amortisation (EBITDA) to meet future debt costs and invest in its operations.
- Restructured its group activities by liquidating Vision Workforce Skills Ltd and Vision Apprenticeships Ltd and closing Safety Plus Training and Consultancy Ltd and Safety Plus Construction Ltd. None of these businesses was active during 2018/19.
- Reducing its reliance on subcontracted apprenticeship delivery and focusing on local delivery of provision.

In 2019/20, the College is building on this stability and is continuing to make progress in delivering the recovery plan.

- It has maintained a strong recruitment of 16 to 19 learners.
- The College has commenced the process of realising assets to reduce debt.
- Completed the restructuring of apprenticeships to remove the impact of historically high levels of subcontracting.
 - Refocused its Adult Education Budget on activity within the D2N2 Local Enterprise Partnership area.

- Commenced a restructuring of Higher Education activity through a new potential partnership with Nottingham Trent University to enhance local opportunities.

The College's specific objectives for 2018/19 and achievement of those objectives are detailed below:

- The College achieved 2,780 (2613 in 17/18) 16-19 student numbers funded by the ESFA, maintaining its primary role of being a provider within the D2N2 Local Economic Partnership area. This secured the planned 16 to 19 funding within the recovery plan for 2019/20.
- The College maintained its level of delivery of Adult Skills; and made the first steps to reducing activity outside of the D2N2 area; this again secured the planned level of funding in 2019/20.

Delivery of the recovery plan and the improved financial position of the College remains a key priority and focus for the board. The recovery plan is also subject to ongoing scrutiny from the ESFA and FE Commissioner.

Financial objectives

The College objectives focused on improving the long term financial health of the College:

- The College achieved the renegotiation of its banking covenants
- The College financial health remained inadequate, but the steps taken in the year will assist the long term improvement in its financial health. The 2019/20 financial forecast indicates that the recovery is ongoing, with significant cash generation planned.
- With the support of the ESFA, the College maintained sufficient cash reserves not to breach covenants.
- Achieved a structure of its staffing and estates which will enable it to operate viability in the longer term.
- Grew the local apprenticeship market
- Delivered operating management accounts to budget holders within 15 working days of the end of the reporting period.

Stakeholders

West Nottinghamshire College has many stakeholders, including:

- Its current, future and past students;
- Its staff and their trade unions;
- Local, Regional and National employers;
- Funding agencies;
- Banks;
- Local Authorities and the Local Enterprise Partnership;
- The FE Commissioner;
- The local community;
- Members of Parliament;
- Other FE institutions, Universities, Schools and Academies;
- Professional bodies.

The College recognises the importance of these relationships and engages in regular communication with them throughout the year, which is supported by the College's marketing and communications strategy and the Employee Council. The College holds an annual stakeholder engagement event which is well attended.

DEVELOPMENT AND PERFORMANCE

Financial results

The Group Statement of Comprehensive Income for the financial year reports a total comprehensive deficit of £10.03m (2017/18: deficit of £1.08m) impacted by a significant actuarial loss of £5.16m (2017/18 £8.4m gain) within the defined benefit pension liability. The Group generated a deficit of £4.86m (2017/18 deficit of £9.83m) before other gains and losses, with total income of £35.43m (2017/18 £41.56m). Income fell mainly as a consequence of changes in the delivery of apprentices in the College.

Group staff costs in 2018/19 including restructuring costs reduced substantially, by £4.3m million from £29.0m to £24.7m. This reflects the restructuring exercise, which was completed in 2018/19.

The College received further Exceptional Financial Support (EFS) from the ESFA in 2018/19. The funds loaned to the College by the ESFA rose from £2.1m to £10.25m. These repayable funds are intended to support the College while it restructures its debt and realises significant asset disposals.

The College key financial measure for monitoring its performance against its recovery plan and covenants is EBITDA. In the case of banking covenants, this measure is before one-off exceptional items, which provides a good measure of ongoing operational performance. The table below shows both of these EBITDA measures.

	18/19
Total Comprehensive Income for the year	(10,028)
Add back :	
Depreciation & Impairment (note 12)	1,783
Interest paid (note 10)	633
FRS102 Actuarial loss in respect of pensions schemes (note24)	5,158
FRS 102 pension interest (note 10)	595
FRS 102 Service Cost (note 24)	1,461
Increase in Enhanced Pension Provision (note 18)	45
less :	
release of deferred capital grant (note2)	(394)
interest received (note 6)	(36)
Education Sector EBITDA	(782)
Add back exceptional items :	
Staff restructuring	1,908
External Consultancy for the recovery plan	284
Legal Cost for the recovery plan	144
Professional Fees for the recovery plan	212
Liquidation of subsidiaries	161

Provision for prior year revenue clawback	429
Write off India Investment	185
Provision for historic VAT adjustment within bksb	212
Education EBITDA after exceptional items	2,753

The sector target is to achieve an EBITDA of 8+% of turnover, in contrast to this the Group generated an EBITDA loss of £0.78m in 2018/19, the large number of one-off costs from restructuring operations were the main reasons for this. Excluding exceptional items, the group made an EBITDA surplus of £2.75m, 7.8% of turnover. This shows that normal trading activity is generating a surplus and provides a strong base for the recovery plan.

Reserves

The Group has accumulated Income and Expenditure reserves of £0.61m (2017/18: £3.19m) excluding defined benefit pension liabilities. The Group also has cash and short term investment balances of £4.79m (2017/18: 1.97m). The College wishes to accumulate reserves over the next two years as part of the recovery plan to improve financial stability, repay debt.

Developments

Tangible fixed asset additions during the year amounted to £0.07m (2017/18: £0.61m), split between land and buildings acquired of £5k and equipment purchased of £68k. The low level of spending reflects the College's priority of maintaining healthy cash balances.

Sources of income

The Group has significant reliance on the education sector funding bodies for its principal funding source, mainly from recurrent grants. In 2018/19 the FE funding bodies provided 77% (2017/18: 80%) of the Group's total income.

Group companies

The College has four live subsidiary companies, bksb Ltd, Safety Plus (Training & Consultancy) Ltd, Safety Plus Construction Ltd, Vision Business Support Services Ltd. Applications have been made to strike-off Safety Plus Construction and Safety Plus (Training and Consultancy) from the Companies House register as they have been dormant for several years. Vision Workforce Skills Limited (VWS), and Vision Apprentices Limited (VA) entered liquidation on 27th July 2019; both companies were not actively trading.

The principal activity of bksb Ltd is the commercial development of functional skills and GCSE assessment software product serving the educational market. Vision Business Support Services Ltd traded throughout the year, providing back-office business support services to the College.

Surpluses generated by the trading subsidiaries are transferred to the College under a deed of covenant to the extent that this does not result in a distribution of reserves. In the current year, the surpluses generated were £691k (2017/18 - £1,369k) for bksb Limited, a surplus of £59k (2017/18 – a surplus of £8.5k) for VWS.

bksb Limited has established a limited company in India, bksb India Private Limited which began trading in 2014. The business is still developing but is not of significant materiality and as a result, has not been consolidated within these financial statements.

Student achievements

A level learners continue to perform well, and as a result of the high pass rates, the majority progress to their first choice of Higher Education and University place. The overall achievement of 96.3% continues to be above the national average. Retention in these subjects shows a three-year improvement trend at 97.5%.

In the academic year 2018/19, overall achievement dipped slightly from 90.5% in 17/18 to 88.1% giving a 2% decline. Apprenticeship achievement reduced from the 17/18 outturn of 65.8% to 48.2%. This was expected as a

result of historical issues associated with the closure of some apprenticeship programmes; this has left the College focused on its direct delivery of apprenticeship rather than reliant on subcontracted provision.

Retention remained strong across all classroom-based provision at 92.2%.

An additional 337 learners were entered for GCSE English and maths qualifications in 2018/19 compared to the previous year. The overall achievement of GCSE subjects declined from the previous year, which is partly attributed to the reduction of delivery hours for these subjects. The overall achievement rate for 16-18-year-olds in English declined by 5.9% to 80.7% and GCSE mathematics by 3.8% to 83%. Despite the reduction in some areas of achievement, 94% of students agreed their sessions were well taught. The College has increased the taught hours for maths and English programmes in 2019/20.

Curriculum developments

There is an identified need in the local area for higher-level skills, particularly in the technical and professional sectors, and the College is positioning itself to be at the centre of providing these opportunities. The College is seeking to widen its HE Partnerships to enhance the overall offer in the local area and is working with Nottingham Trent University (NTU) to support the establishment of a NTU campus at the College's Derby Rd site.

The College plans the curriculum to meet the differing needs of learners. The plans include provision for high needs learners that continue to have high success rates and associated high progression rates to study further or employment; provision at the College has a particularly strong reputation with the local authority who provide the funding.

Provision for employer engagement in the local area has been developing with an increased focus on apprenticeships, work experience and progression of learners into work.

Courses are planned to support progression through levels of education, including into higher education, apprenticeships or into employment.

Marketing and Learner Engagement

- The College's market share for year 11 school leavers within Ashfield improved by 2% to 30%.
- The College maintained market share for year 11 school leavers within Mansfield of 43%.
- The College is on track in 2019/20 to exceed its 16 to 18 funding target by approximately 180 learners.
- Conversion from application to enrolment (16-18) improved by 3.4% to 67.3%.
- In vocational curriculum areas, conversion from application to enrolment improved by 5% to 70.5%.
- Conversion from application to enrolment in A-Levels declined by 7.3% to 41.4%.

FUTURE PROSPECTS

Developments

The College has invested significantly in the estate over many years. The main Derby Road site and specialist engineering and construction centres are in good condition. The College is seeking to dispose of a limited number of assets.

Financial Plan

The College is currently in ESFA Supervised Status. The College Finance, Resources and Estates Committee oversee the financial performance of the College, with ongoing monitoring by the ESFA and FE Commissioner.

The College with the support of The ESFA, FE Commissioner and its bank has put a three-year recovery plan in place which seeks to ensure long term sustainability. The first stage of this was achieved with a revision to bank covenants and a major staff restructuring exercise completed during the year. In the next three years, the College plans to ensure that College operations, excluding subsidiaries, generate sufficient funds to maintain the College's covenants and pay

down long term debt. Also, the College is actively seeking to dispose of assets to lower its level of debt; the financial health will remain inadequate until these assets are realised. The College does not envisage a requirement for further Emergency Funding from the ESFA.

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. Treasury management arrangements have been strengthened in 2018/19 as the College is currently in ESFA Supervised Status.

The College has a separate treasury management policy in place.

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

Cash flows and liquidity

Group cash outflow from operating activities was £0.9m in 2018/19 (2017/18: £2.48m outflow), was primarily due to high one-off costs for restructuring staffing and business operations. During the year the College continued to repay its long term debt facilities at a rate of £0.78m pa, and as at 31st July 2019 had an outstanding debt of £13.390m (2017/18: £13.995m).

A revolving credit facility (RCF) of £3m was available to the College in 2018/19; this facility was unused in the year and runs up to 31 October 2020. The College also has a short term debt of £10.25m for Exceptional Financial Support owned to the ESFA.

Reserves

Recent deficits have diminished the College Reserves; the financial recovery plan seeks to rebuild reserves to ensure that debt can be paid down while maintaining solvency.

Going concern

As reflected in these financial statements, the Group has recorded a deficit before other gains and losses of £4.87m million for the year ended 2018/19. The College is supported by £10.25m of Exceptional Financial Support from the ESFA and has agreed a revised banking facility with Lloyds bank which enables the College to maintain its long term loans.

Based on the financial forecast for 2019/20, which indicates that operations will be cash generative, the College can maintain its covenants through to July 2022, with or without the disposal of assets. In July 2022 the College has a repayment of £5.9m of debt to Lloyds, without significant asset disposals the College would need to refinance more than £3m at this period.

The ESFA Exceptional Financial Support enables the College to retain a cash balance that complies with covenant conditions. Lloyds Bank has security over three sites, and Lloyds and the ESFA have security over the shareholding in BKSB Ltd. The planned disposal of assets provides a realistic expectation that debt levels can be reduced down to sustainable levels.

Based on the information available, the Corporation believes it is appropriate to prepare the financial statements on a going concern basis.

PRINCIPAL RISKS AND UNCERTAINTIES:

The Governing Body considers the risk management strategy on an annual basis and regularly receives and reviews the strategic high-level risk register both at the Audit Committee and the Board.

In September 2019, the Board considered the College's Risk Management Strategy and approved the key strategic risks presented by the Executive. The Board reviews the strategy on an annual basis so that the approach to identifying and managing risk is appropriate to the College's operating climate.

The underlying principles of risk management are:

- The Corporation Board has responsibility for overseeing risk management within the College as a whole;
- The Corporation Board adopts an open and receptive approach to solving risk problems;
- The Principal and the senior management team support, advise and implement policies approved by the Corporation Board;
- The College makes prudent recognition and disclosure of the implications of risks;
- Senior and middle managers are responsible for encouraging good risk management practice within their designated managed area; and
- Key risk indicators will be identified and closely monitored.

In approaching risk management in a planned and systematic approach, the Board will ensure that processes for the identification, assessment and mitigation of the risks which could hinder the achievement of strategic objectives are effective. Good risk management facilitates rather than hinders innovation across the College. It involves the following main steps:

- Assessing the College's risk appetite;
- Identifying the key strategic risks that would prevent the achievement of objectives;
- Assigning ownership at Executive and Corporation Board level;
- Evaluating the significance of each risk;
- Identifying suitable responses to each risk;
- Ensuring the internal control system helps manage the risks;
- Developing the assurance mechanism to the Corporation Board; and
- Regular reviews through the Executive and the Audit Committee.

To assess the adequacy and effectiveness of the approach to risk management, the College will consider several critical success factors:

- Senior management support in leading on risk management;
- The organisational culture supports well thought out risk taking and innovation;
- The management of risk is fully embedded in management processes and consistently applied;
- The management of risk is closely linked to the achievement of objectives;
- Risks associated with working with other organisations are assessed and managed; and
- Risks are actively monitored and regularly reviewed.

Outlined below are the Key Strategic Risks identified by the Executive and approved by the Corporation Board, which have been highlighted as the most significant in meeting the College challenges for the coming year. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

1. Financial Stability and Going Concern

The College is operating in turbulent times with risk-taking opportunities but also threats to its financial stability. The College as a critical risk has highlighted the impact of the insolvency regime and the fact that the College is in ESFA Supervised Status.

The principal risks identified are:

- The College fails to deliver the agreed financial recovery plan to the satisfaction of the ESFA, the bank and other key stakeholders
- Apprenticeship income may decline due to constraints on Non-Levy funding.
- Reliance on subcontracted income
- Impact of any regulatory judgements on future income.
- College fails to meet its student number targets
- College fails to meet its banking covenants.

These risks are mitigated in several ways:

- Strong and robust long term financial forecasting for 2019/20 onwards
- New Principal and Finance Director and additional Governors with an appropriate balance and mix of skills on the Board
- Annual budget setting process.
- College restructuring programme completed in 2018/19 which has reduced the cost base
- Regular budget monitoring processes.
- Tight control over pay and non pay expenditure
- Good relationships with College funders including support from the bank
- Monitoring by the Board and Finance Resources and Estates Committee

2. Quality of Teaching & Learning and Assessment

The overall teaching, learning and assessment experience needs to stretch learners and equip them well for their chosen career path and the workplace.

The principal risks identified are:

- Inconsistent quality within teaching and learning was highlighted by Ofsted for 16-19 study programmes.
- Unsatisfactory progress made against the new accountability measures;
- Unsatisfactory progress in English and Maths.

These risks are mitigated in several ways:

- Annual SAR process and QIP monitoring
- Curriculum performance reviews
- Learning walks and feedback
- Learning consultants dedicated to improving practice both on and off-campus
- EV/EE reports
- Oversight by the Board and Standards Committee.

OTHER INFORMATION

Public Benefit

West Nottinghamshire College is an exempt charity under Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on page 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.

In delivering its mission, the College provides identifiable public benefits through the advancement of education to students and apprentices, including those with high needs. In addition to funds provided by the Government, the College uses its funds to support young people accessing and remaining in education. The College also uses its resources to support activities with 14 to 16 providing access to vocational delivery. Numerous local groups use the College's buildings in areas such as sport and the arts; the student population are actively engaged in raising funds for local charities and national charities such as Children in Need.

Equality

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value differences in race, gender, sexual orientation, disability, religion or belief and age positively. 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 Policy is published on the College's Intranet site.

The College publishes an Annual Equality Report and Equality Objectives to ensure compliance with all relevant equality legislation, including the Equality Act 2010. The most recent Ofsted report in 2017 identified the promotion of equality and diversity and British values to be a vital strength of the College.

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

The College has also implemented an Equality & Diversity training programme which staff have attended. Refresher training and training for new starters is carried out on an ongoing basis.

Disability statement

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

- a. To ensure access to provision for people with disabilities;
- b. There is a list of specialist equipment, which the College can make available for use by learners;
- c. The College has made a significant investment in the appointment of specialist lecturers to support learners with learning difficulties and disabilities. There are several learner support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for learners who have learning difficulties and/or disabilities;
- d. Specialists programmes are described in programme information guides, and achievements and destinations are recorded and published in the standard College format; and
- e. Provides a range of counselling and welfare services to support students.

Trade Union facility time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require the College to publish information on facility time arrangements for trade union officials at the College.

	Period 1/4/2018 to 31/3/2019		Period 1/4/2017 to 31/3/2018	
	Number of employees	FTE employee number	Number of employees	FTE employee number
Number of employees who were trade union representatives during the relevant period	10	9.5	10	9.5
Percentage of working hours spent on facility time				
0%	0		0	
1-50%	10		10	
51-99%	0		0	
100%	0		0	
Total cost of facility time				
Total pay bill	£18,301		£18,301	
Percentage of total bill spent on facility time	0.07%		0.07%	
Time spent on paid trade union activities as a percentage of total paid facility time	29%		29%	

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, in the absence of an agreement to the contrary, requires organisations to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1st August 2018 to 31st July 2019, the College met that target other than explicit exceptions such as invoice disputes. The College incurred no interest charges in respect of late payment for this period.

Events after the end of the reporting period

The College has requested that Safety Plus Construction Ltd and Safety Plus Training and Consultancy Ltd be struck off as they are no longer trading.

Disclosure of information to auditor

The members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College's auditor 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 auditor are aware of that information.

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

Sean Lyons

Chair of the Corporation

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. In October 2018 the College was subject to formal intervention by the ESFA and FE Commissioner, the college was placed in Supervised Status, which requires the College to declare all substantial expenditure to the ESFA. The College has responded positively to this process by

- Appointing a paid Chair (with approval from the Charity Commission), to provide a stronger leadership of governance.
- Reviewing the membership of governing body and appointing a wide range of new governors with the experience to support the recovery of the organisation, with strengths in finance, law, HR, business and IT.
- Increasing the frequency of meetings of the full board and sub committees to enhance scrutiny.
- Jointly investigating historical funding issues with the ESFA and agreeing a settlement.
- Receiving external advice on financial recovery of the organisation and putting a recovery plan in place.
- Agreeing the recovery plan with the FE Commissioner, ESFA and Lloyds bank.
- Appointing new key management with sector experience.

In November 2019 the FE commissioner recognised that the College was making good progress on the actions that were required to achieve the financial recovery of the College.

This statement covers the period from 1st August 2018 to 31st July 2019 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

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

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the College has adopted and complied with "the Code". We have not adopted the UK Corporate Governance Code; however, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects we consider to be relevant to the further education sector and best practice.

In the opinion of the Governors, the College complies with all the provisions of "the Code", and it has complied throughout the year ended 31 July 2019.

The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted on 17 September 2015.

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

The Corporation

Governors serving on the College Board to 31st October 2019 (and attendance 2018/2019 period)

Name of Governor	Date of Appointment/ Re-appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance during 2018/2019 only	
						Committee	Board
Kate Allsop *	Re-appointment 31.7.2016	4 years current term ends on 31.07.2020	Resigned 07.05.2019	Local Authority member	Vice-Chair of Governors from 01.2014 extended to 31.07.18 R (until Feb 2019) FRE	100% 0%	78%
Ian Baggaley*	Re-appointment 13.05.2017	4 years Current term ends on 13.05.2021	Resigned 27.08.19	Business Member	Subsidiary Co-Director	84%	25%
Cassidy England	25.10.2018	1 year Current Term ends on 31.07.2019	Resigned 15.05.19	Student Governor	ST	0%	20%
Andrew Cropley	11.06.2019	Principal & CEO		Principal & CEO	F&E ST WFD Subsidiary Director	100% 100% 100% 100%	100%
Paul Frammingham	25.10.2018	4 years Current Term ends on 25.10.2022		Independent Member	FRE/F&E R	100% 100%	80%
Jamie Fryatt	28.01.2016	4 years Current term ends on 28.01.2020	Resigned 16.04.2019	Independent Member	A (Chair until 29.11.2018) Subsidiary Director	75% 57%	56%
Malcolm Hall MBE*	Re-appointment 26.04.2016	4 years Current term ends on 26.4.2020	Resigned 08.02.2019	Business Member	FRE	50%	60%
Jane Hawksford	22.11.2016	4 years Current term ends on 22.11.2020		Staff Member (Support)	ST WFD	67% 100%	70%
Robyn Hodgson	31.07.2018	1 year Current Term ends on 31.07.2019	Employment ended May 2019	Student Governor	ST	50%	71%
John Holford*	Re-appointment 28.01.2014	4 years Current term ends on 28.01.2018	Resigned 04.02.2019	Business Member	ST (Chair until 25.10.2108)	50%	60%

West Nottinghamshire College
Strategic Report and Financial Statements
for Year Ending 31 July 2019

Name of Governor	Date of Appointment/ Re-appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance during 2018/2019 only	
						Committee	Board
Rebecca Joyce	25.10.2018	4 years Current Term ends on 25.10.2022		Independent Member	A	100%	70%
Mary Mamik	25.10.2018	4 years Current Term ends on 25.10.2022		Independent Member	ST R	100% 0%	80%
Neil McDonald	25.10.2018	4 years Current Term ends on 25.10.2022		Independent Member	A (Chair from 29.11.2018) Subsidiary Director R	75% 100% 100%	70%
Jon Mold	25.10.2018	4 years Current Term ends on 25.10.2022	Resigned 31.07.19	Independent Member	Subsidiary Director F&E	50% 50%	70%
Lee Radford	21.09.2017	4 years Current term ends on 21.09.2021		Independent Member	A (until March 2019) R Interim Vice Chair from 13.12.2018 WFD	33% 0% 50%	67%
Martin Rigley MBE	21.09.2017	4 years Current term ends on 21.09.2021		Independent Member	FRE (until March 2019) WFD	100% 100%	75%
Kate Truscott	25.10.2018	4 years Current Term ends on 25.10.2022		Independent Member	FRE/F&E WFD Vice Chair, (Corp. Board) Vice Chair from 10.06.19	83% 100%	70%
Sardip Sandhu	25.10.2018	4 years Current Term ends on 25.10.2022		Independent Member	A Vice Chair from 10.06.19 Vice Chair, (Corp. Board)	100%	60%
Martin Sim	29.10.2018	Interim (until Principal/ CEO appointed)	Resigned June 2019	Interim Principal and CEO	FRE/F&E ST WFD Subsidiary Director	100% 100% 100% 100%	100%
Steve Sutton	25.10.2018	4 years Current Term ends on 25.10.2022		Independent Member	ST	40%	100%
Tony Westwater	25.10.2018	4 years		Independent Member	FRE/F&E	100%	70%

West Nottinghamshire College
Strategic Report and Financial Statements
for Year Ending 31 July 2019

Name of Governor	Date of Appointment/ Re-appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance during 2018/2019 only	
						Committee	Board
		Current Term ends on 25.10.2022					
Sean Lyons	31.01.2019	2 Years as Chair Current Term ends on 31.01.2021		Chair (Corporation Board)	Chair of Govs from 31.01.19 R	100%	100%
Mark Williams	10.03.2016	4 years Current term ends on 10.3.2020		Independent Member	ST	67%	50%
Darren Wilkinson	17.12.2015	4 years Current term ends on 17.12.2019	Resigned 13.02.2019	Audit Committee Co-opted	A	33%	N/A
Jen Hope	25.10.18	4 years Current term ends on 25.10.2022		Standards Committee Co-optee	ST	80%	N/A
Neil Shaw	25.10.18	4 years Current term ends on 25.10.2022	Resigned 02.07.19	FRE Committee Co-optee	FRE	33%	N/A
Jeremy Dunn	25.10.18	4 years Current term ends on 25.10.2022	Resigned 28.04.19	FRE Committee Co-optee	FRE	33%	N/A
Adam Mussart	25.10.18	4 years Current term ends on 25.10.2022	Resigning 31.07.19	FRE Committee Co-optee	FRE	50%	N/A
Andrea Morrissey	25.10.18	4 years Current term ends on 25.10.2022		Standards Committee Co-optee	ST	60%	N/A
Alan Mele	17.12.2015	4 years Current term ends on 17.12.2019	Resigned 25.01.2019	Finance, Resources and Estates Co-opted	FRE	0%	N/A
Alison Breedon	31.12.2016	4 years Current term ends on 31.07.2020	Resigned 25.10.2018	Staff Member (Delivery)	FRE	N/A	0%
Nevil Croston *	Re-appointment 14.07.2016	4 years current term ends on	Retired 13.12.2018	Business Member	Chair of Governors from 01.2014 extended to 31.07.2018	100%	100%

West Nottinghamshire College
Strategic Report and Financial Statements
for Year Ending 31 July 2019

Name of Governor	Date of Appointment/ Re-appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance during 2018/2019 only	
						Committee	Board
		31.07.2020			R (Chair)		
Terry Dean*	Re-appointment 15.10.2013	4 years Current term ends on 15.10.2017	<i>Resigned</i> 13.12.2018	Business Member	FRE Subsidiary Co-Director	100%	75%
Dame Asha Khemka DBE	01.05.2006	n/a	<i>Resigned</i> 28.09.2018	Principal and Chief Executive	FRE ST	N/A	100%
Spencer Moore	01.08.2019	4 years Current term ends on 01.08.2023		Independent Member	ST	N/A	N/A
Charles Heaton	01.08.2019	4 years Current term ends on 01.08.2023		Independent Member	FRE	N/A	N/A
Clive Pitt	01.08.2019	4 years Current term ends on 01.08.2023		Independent Member	A	N/A	N/A
Helen Wilcockson	26.06.2019	4 years Current term ends on 26.06.2023		WFD Staff Co-optee	WFD (co-optee)	100%	N/A
Ella Brookes	26.06.2019	4 years Current term ends on 26.06.2023		WFD Staff Co-optee	WFD (co-optee)	100%	N/A
Melanie Stirland	01.08.2019	4 years Current term ends on 01.08.2023		Staff Member (Academic)	ST	N/A	N/A
Jessica Stowe	10.10.2019	1 year Current term ends on 31.07.2020		Student Governor	ST	N/A	N/A
Sophie Welbourn	10.10.2019	1 year Current term ends on 31.07.2020		Student Governor	ST	N/A	N/A
Maxine Bagshaw acts as Clerk to the Corporation.							
*denotes re-appointment							
R = Remuneration; FRE = Finance, Resources and Estates; A = Audit; ST = Standards; WFD = Workforce Development							

Notwithstanding the comments made above, it is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

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

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

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

West Nottinghamshire College
Derby Road
Mansfield
Notts
NG18 5BH

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

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

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

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

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

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding four years unless exceptional circumstances are identified by the Board in their search for appropriate skills and experience.

Corporation performance

The Corporation undertakes self-assessment annually. In 2018/19 this was completed twice. The first occasion was in February 2019 following the appointment of a new Chairman and was an opportunity to take the temperature of the board and identify agreed actions to drive forward continuing improvements. The second was in July 2019 and was intended to assess the distance travelled and future areas of focus. The year-end self-assessment process included the completion of questionnaires, governor 1:1's with the Chairman and also an appraisal of the Chairman's performance since appointment. Every governor participated in the process.

Remuneration Committee

Throughout the year ending 31st July 2019, the College's Remuneration Committee comprised three members of the Corporation. The Committee's responsibilities are to make recommendations to the Board on the objectives, performance and remuneration and benefits of the Accounting Officer and other senior post holders and the Clerk to the Clerk to the Corporation.

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

Audit Committee

The Audit Committee comprises four members of the Corporation (excluding the Accounting Officer and Chair) and two co-opted finance/audit specialists. The Committee operates under written terms of reference approved by the Corporation.

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

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

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

The Audit Committee also advises the Corporation on the appointment of the internal auditor, reporting accountants and financial statements auditor and their remuneration for audit and non-audit work as well as reporting annually to the Corporation.

Finance, Resources and Estates Committee

The Finance, Resources and Estates (FRE) Committee comprises up to seven members appointed by the Corporation, including the Principal and Chief Executive. The Committee operates in accordance with written terms of reference approved by the Corporation.

The Committee meets monthly and provides a forum for consideration of monthly management accounts, the Financial Recovery Plan, Financial and Estates risks, strategic matters, including strategic plans, joint ventures, financial matters including the year-end accounts and subcontracting activity and estates matters including the property strategy, IT strategy and capital expenditure.

Workforce Development Committee

The Workforce Development Committee (WDC) was newly established in 2018/19. The committee operates in accordance with written terms of reference approved by the Corporation. Membership is seven members, including the Principal and Chief Executive and two co-opted members of staff. The committee meets on at least a termly basis and reviews and advises the board on a range of workforce development matters. The committee operates to an agreed work plan.

Standards Committee

The Standards committee comprises six members, including two external committee co-optees. The committee operates in accordance with written terms of reference approved by the Corporation. The committee meets on at least a termly basis and reviews and advises the Board on outcomes, curriculum performance, the SAR, the SED, Teaching, Learning and Assessment, sub-contracting performance and curriculum strategy and planning.

Internal control

Scope of responsibility

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

The Corporation delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which they were personally responsible, in accordance with the

responsibilities assigned to them in the Financial Memorandum between West Nottinghamshire College and the funding bodies. They were also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. An effective system of internal control was in place in West Nottinghamshire College for the year ended 31st July 2019 and up to the date of approval of the Strategic Report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that the ongoing process for identifying, evaluating and managing the College's significant risks for the period ending 31st July 2019 and up to the date of approval of the annual report and accounts, was effective. This is evidenced by the significant improvement to the colleges underlying performance and resolution of historical issues regarding funding in 2018/19.

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; and
- the adoption of formal project management disciplines, where appropriate.

West Nottinghamshire College has an internal audit service, which operates in accordance with the requirements of the ESFA's *Post 16 Audit 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 Corporation on the recommendation of the audit committee. At a 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 interim Principal and Principal had responsibility for reviewing the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by:

- the work of the internal auditor;
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework; and
- observations made by the College's financial statements auditor and the reporting accountant for regularity assurance in their management letters and other reports.

The Accounting Officer has been advised on the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditor and other sources of assurance. The Audit Committee concluded that the system of internal control for the year ended 31st July 2019 was effective. Action to address weaknesses in the control environment has made progress in the year. The implementation of plans to improve the control environment are ongoing following historic failure reported in 201/18.

The Executive 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 Executive Team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Executive Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

Going concern

As reported earlier in this report and in these financial statements, the Group has recorded a deficit before other gains and losses of £4.86 million for the year ended 2018/19. The College is in Administrated Status, supervised by the ESFA. The ESFA has provided £10.25m of Exceptional Financial Support which has enabled the College to maintain a positive cash position. The College also agreed on a new banking facility with its bank and put a recovery plan in place.

Based on the financial forecast for 2019/20, which indicates that operations will be cash generative, the College is able to maintain its covenants through to July 2022, with or without the disposal of assets. In July 2022 the College has a repayment of £5.9m of debt to Lloyds. Without significant asset disposals, the College would need to refinance in excess of £3m.

The financial recovery plan agreed with the ESFA indicates that the College will be able to sustain its liabilities with the support of the ESFA and the College is seeking to improve its financial position by disposing of assets.

Based on the information available, the Corporation believes it is appropriate to prepare the financial statements on a going concern basis. However, these circumstances represent a material uncertainty which may cast doubt on the College's ability to continue as a going concern and therefore to continue to realise its assets and discharge its liabilities in the normal course of business.

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



Sean Lyons

Chair of the Corporation



Andrew Cropley

Accounting Officer

Statement of Regularity, Propriety and Compliance

The Corporation has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the College's grant funding agreements and contracts with the ESFA. As part of our consideration, we have had due regard to the requirements of the grant funding agreements and contracts with the ESFA.

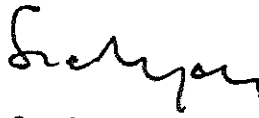
We confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to ESFA."



Andrew Cropley

Accounting Officer

12 December 2019



Sean Lyons

Chair of the Corporation

12 December 2019

Statement of Responsibilities of the Members of the Corporation

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

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

In preparing the group and parent College financial statements, the Corporation is required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- assess the group and parent College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent College or to cease operations, or have no realistic alternative but to do so.

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

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

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

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

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


Sean Lyons

Chair of the Corporation

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

Opinion

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

In our opinion the financial statements:

- give a true and fair view of the state of the Group and the College's affairs as at 31 July 2019, and of the College's income and expenditure, gains and losses, changes in reserves, and cash flows, for the year then ended; and
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education*.

Basis for opinion

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

Going concern

The Corporation has prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the College or to cease their operations, and as they have concluded that the Group and the College's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Corporation's conclusions, we considered the inherent risks to the Group's business model, including the impact of Brexit, and analysed how those risks might affect the Group and the College's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the College will continue in operation.

Other information

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Corporation's responsibilities

As explained more fully in their statement set out on page 25, the Corporation is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the parent College or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

This report is made solely to the Corporation, in accordance with Article 22 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the Corporation for our audit work, for this report, or for the opinions we have formed.



Mark Dawson

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

One Snowhill

Snow Hill Queensway

Birmingham

20 December 2019

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

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

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

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

Respective responsibilities of West Nottinghamshire College and the reporting accountant

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

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

Approach

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

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

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

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

The work undertaken to draw our conclusion included:

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

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

Conclusion

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



Mark Dawson
For and on behalf of KPMG LLP, Reporting Accountant
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham

20 December 2019

Consolidated Statements of Comprehensive Income

	Notes	Year ended 31 July 2019		Year ended 31 July 2018	
		Group £'000	College £'000	Group £'000	College £'000
INCOME					
Funding body grants	2	27,372	27,372	33,473	33,473
Tuition fees and education contracts	3	3,240	3,240	3,275	3,271
Other grants and contracts	4	178	178	146	146
Other income	5	4,600	1,913	4,655	3,119
Investment income	6	36	25	9	5
Total income		35,426	32,728	41,558	40,014
EXPENDITURE					
Staff costs	8	24,686	23,330	28,982	27,612
Other operating expenses	9	12,584	15,785	17,650	17,186
Depreciation	12	1,790	1,783	1,981	1,977
Impairment	12	(7)	(7)	1,373	1,373
Interest and other finance costs	10	1,228	1,247	1,399	1,402
Total expenditure		40,281	42,138	51,385	49,550
(Deficit) before other gains and losses		(4,855)	(9,410)	(9,827)	(9,536)
Profit/ (Loss) on disposal of assets	12	(15)	(15)	285	281
(Deficit) before tax		(4,870)	(9,425)	(9,542)	(9,255)
Taxation	11	-	-	54	-
(Deficit) for the year		(4,870)	(9,425)	(9,488)	(9,255)
Actuarial Gain/(Loss) in respect of pensions schemes	24	(5,158)	(4,873)	8,404	8,163
Total Comprehensive income for the year		(10,028)	(14,298)	(1,084)	(1,092)
Represented by:					
Unrestricted comprehensive income		(10,028)	(14,298)	(1,084)	(1,092)

Consolidated and College Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Group			
Balance at 1st August 2017	(18,612)	4,862	(13,750)
(Deficit) from the income and expenditure account	(9,488)	-	(9,488)
Other comprehensive gain/(loss)	8,404	-	8,404
Transfers between revaluation and income and expenditure	674	(674)	-
	(19,022)	4,188	(14,834)
<hr/>			
Balance at 31st July 2018	(19,022)	4,188	(14,834)
(Deficit) from the income and expenditure account	(4,870)	-	(4,870)
Other comprehensive gain/(loss)	(5,158)	-	(5,158)
Transfers between revaluation and income and expenditure reserves	118	(118)	-
Total comprehensive income for the year	(9,910)	(118)	(10,028)
<hr/>			
Balance at 31 July 2019	(28,932)	4,070	(24,862)
<hr/>			
College			
Balance at 1st August 2017	(14,333)	4,862	(9,471)
(Deficit) from the income and expenditure account	(9,255)	-	(9,255)
Other comprehensive loss	8,163	-	8,163
Transfers between revaluation and income and expenditure	674	(674)	-
	(14,751)	4,188	(10,563)
<hr/>			
Balance at 31st July 2018	(14,751)	4,188	(10,563)
(Deficit) from the income and expenditure account	(9,425)	-	(9,425)
Other comprehensive gains	(4,873)	-	(4,873)
Transfers between revaluation and income and expenditure reserves	118	(118)	-
Total comprehensive income for the year	(14,180)	(118)	(14,298)
<hr/>			
Balance at 31 July 2019	(28,931)	4,070	(24,860)
<hr/>			

Consolidated and College Balance sheets as at 31 July

	Notes	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Non-current assets					
Tangible Fixed assets	12	43,670	43,648	45,392	45,380
Investments	13	-	25	-	89
		43,670	43,673	45,392	45,469
Current assets					
Stocks		23	23	41	41
Trade and other receivables	14	1,706	1,595	1,651	5,331
Cash and cash equivalents	19	4,786	3,013	1,968	1,433
		6,515	4,631	3,660	6,805
Less: Creditors – amounts falling due within one year	15	(20,537)	(20,151)	(27,401)	(27,249)
Net current (liabilities)		(14,022)	(15,520)	(23,741)	(20,444)
Total assets less current liabilities		29,648	28,153	21,651	25,025
Creditors – amounts falling due after more than one year	16	(24,075)	(24,075)	(13,377)	(13,377)
Provisions					
Defined benefit obligations	18	(29,543)	(28,047)	(22,212)	(21,354)
Other provisions	18	(892)	(892)	(896)	(857)
Total net (liabilities)		(24,862)	(24,861)	(14,834)	(10,563)
Unrestricted Reserves					
Income and expenditure account		(28,932)	(28,932)	(19,022)	(14,751)
Revaluation reserve		4,070	4,070	4,188	4,188
Total unrestricted reserves		(24,862)	(24,861)	(14,834)	(10,563)

The financial statements on pages 30 to 56 were approved and authorised for issue by the Corporation on **12 December 2019** and were signed on its behalf by:



Sean Lyons

Chair of the Corporation



Andrew Cropley

Accounting Officer

Consolidated Statement of Cash Flows

	Notes	2019 £'000	2018 £'000
Cash flow from operating activities			
(Deficit) for the year		(4,870)	(9,542)
Adjustment for non-cash items			
Depreciation		1,790	1,981
Impairment		(7)	1,373
(Increase)/decrease in stocks		18	(7)
(Increase)/decrease in debtors		(55)	1,059
Increase/(decrease) in creditors due within one year		(11,235)	12,605
Increase/(decrease) in creditors due after one year		10,698	(12,574)
Increase/(decrease) in provisions		36	(58)
Pensions costs less contributions payable		2,151	2,926
Agency Income Excluded from CIES		(8)	-
Taxation		-	54
Adjustment for investing or financing activities			
Investment income		(36)	(9)
Interest payable		633	-
Taxation paid		-	-
(Profit)/loss on sale of non-current assets		(15)	(285)
Net cash flow from operating activities		(900)	(2,477)
Cash flows from investing activities			
Proceeds from sale of fixed assets		15	559
Investment income		36	9
Payments made to acquire fixed assets		(73)	(613)
		(22)	(45)
Cash flows from financing activities			
Interest paid		(633)	-
Repayments of amounts borrowed		(3,777)	(735)
New secured loans		8,150	2,500
		3,740	1,765
Increase/(Decrease) in cash and cash equivalents in the year		2,818	(757)
Cash and cash equivalents at beginning of the year	19	1,968	2,725
Cash and cash equivalents at end of the year	19	4,786	1,968

Notes to the Accounts

1. Statement of accounting policies and estimation techniques

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

Basis of preparation

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

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

Basis of accounting

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

Basis of consolidation

The consolidated financial statements include the College and its subsidiaries, bksb Limited, Vision Business Support Services Limited, Safety Plus Training and Consultancy Limited and Safety Plus Construction Limited, controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal.

Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 102, the activities of the students' union have been consolidated because the College exercises control over those activities. All financial statements are made up to 31st July 2019.

Going concern

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

The Group has recorded a deficit before other gains and losses of £4.86 million for the year ended 31st July 2019. The Group had net current liabilities of £14.02 million at the balance sheet date including £12.04 million payable to the Education and Skills Funding Agency (ESFA), of which £10.25 million is Exceptional Financial Support. A revolving credit facility of £3 million was also available to the College in 2018/19; this was not drawn down as at 31st July 2019 or at the date of signing the accounts.

The College is in Supervised Status, supervised by the ESFA. The ESFA has provided a total of £10.25m of Exceptional Financial Support which has enabled the College to maintain a positive cash position, put in place a new banking facility with its bank and put a recovery plan in place.

Based on the financial forecast for 2019/20, which indicates that operations will be cash generative, the College is able to maintain its covenants through to July 2022, with or without the disposal of assets. In July 2022 the College has a repayment of £5.9m of debt to Lloyds. Without significant asset disposals, the College would need to refinance in excess of £3m.

The financial recovery plan agreed with the ESFA indicates that the College will be able to sustain its liabilities with the support of the ESFA and the College is seeking to improve its financial position by disposing of assets substantially.

Based on the information available, the Corporation believes it is appropriate to prepare the financial statements on a going concern basis.

Recognition of income

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year-end reconciliation process with the funding body following the year-end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

The recurrent grant from the Office for Students (formerly HEFCE until 1st April 2018) represents the funding allocations attributable to the current financial year and is credited directly to the Statement of Comprehensive Income.

Where part of a government grant is deferred, the deferred element is recognised as deferred income within creditors and allocated between creditors due within one year and creditors due after more than one year as appropriate.

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

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

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

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

Accounting for post-employment benefits

Post-employment benefits to employees of the College are principally provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit plans, which are externally funded. The Group also has a defined contribution scheme.

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantial level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method. The TPS is a multi-employer scheme, and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

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

of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in interest and other finance costs.

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

Short term Employment benefits

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

Enhanced Pensions

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

Non-current Assets - Tangible fixed assets

Tangible fixed assets are stated at cost/deemed cost (including irrecoverable VAT and costs incurred for installation and commissioning) less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Land and buildings

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

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

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

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1996, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

Assets under construction

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

Subsequent expenditure on existing fixed assets

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

Equipment

Equipment costing less than £2,000 per individual item is recognised as an expenditure in the period of acquisition. All other equipment is capitalised at cost.

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

- technical equipment 5 years
- motor vehicles 5 years
- computer equipment 3 years
- furniture, fixtures and fittings 5 years

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. The carrying value of two College sites has been impaired at year-end.

Borrowing costs

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

Leased assets

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

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as finance leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Assets held under finance leases are included intangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Investments

Investments in subsidiaries

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

Other investments

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

Inventories

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

Cash and cash equivalents

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

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

Financial liabilities and equity

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

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

Foreign currency translation

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial period with all resulting exchange differences being taken to income in the period in which they arise.

Taxation

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

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

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

Provisions and contingent liabilities

Provisions are recognised when

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

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

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

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

Agency arrangements

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the group's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 24, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2019. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 Funding body grants	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
Education and Skills Funding Agency - Adult	6,487	6,487	6,818	6,818
Education and Skills Funding Agency - 16-18	15,973	15,973	15,351	15,351
Education and Skills Funding Agency - Apprenticeships	4,260	4,260	10,310	10,310
Higher Education Funding Council/Office for Students	234	234	343	343
Specific grants				
Releases of government capital grants	394	394	593	593
HE grants	24	24	58	58
Total	27,372	27,372	33,473	33,473
3 Tuition fees and education contracts	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	22	22	24	24
Apprenticeship fees and contracts	33	33	47	43
Fees for FE loan supported courses	748	748	632	632
Fees for HE loan supported courses	1,926	1,926	1,773	1,773
Other students fees	66	66	286	286
Total tuition fees	2,795	2,795	2,762	2,758
Education contracts	445	445	513	513
Total	3,240	3,240	3,275	3,271
4 Other grants and contracts	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
ERASMUS	178	178	84	84
Other grants and contracts	-	-	62	62
Total	178	178	146	146

5 Other income	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering and residences	569	569	481	481
Other income generating activities	3,931	1,244	4,130	2,594
Other grant income	19	19	17	17
Miscellaneous income	81	81	27	27
Total	4,600	1,913	4,655	3,119

Other income-generating activities for the Group includes £2.8m relating to bksb income. Other income-generating activities for the College includes bksb and VBSS gift aid of £0.57m and £0.06m respectively.

6 Investment income	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other interest receivable	36	25	9	5
Total	36	25	9	5

7 Donations – College only	2019	2018
	£'000	£'000
Unrestricted donations	-	-
Total	-	-

8 Staff costs – Group

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

	2019	2018
	No.	No.
Teaching staff	262	292
Non-teaching staff	345	452
	607	744
Staff costs for the above persons		
	2019	2018
	£'000	£'000
Wages and salaries	17,341	20,831
Social security costs	1,560	1,911
Other pension costs	3,671	4,948
	22,572	27,690
Contracted out staffing services	206	420
Redundancy costs:		
- contractual	1,908	872
- non-contractual	-	-
	24,686	28,982
Total Staff costs		

Redundancy costs

Redundancy costs incurred in year were all contractual and were reviewed and approved by the Board and were paid to a total of 131 staff.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Senior Post Holders, which comprises the Principal, Interim Principal and Executive. Staff costs include compensation paid to key management personnel for loss of office.

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

	2019	2018
	No.	No.
The number of key management personnel, including the Accounting Officer was:	8	4

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

	Key management personnel		Other staff	
	2019 No.	2018 No.	2019 No.	2018 No.
£60,001 to £65,000 p.a.	-	-	2	3
£65,001 to £70,000 p.a.	-	-	1	-
£70,001 to £75,000 p.a.	-	-	-	1
£75,001 to £80,000 p.a.	-	-	1	-
£80,001 to £85,000 p.a.	-	-	-	-
£85,001 to £90,000 p.a.	-	-	-	-
£90,001 to £95,000 p.a.	1	1	-	-
£95,001 to £100,000 p.a.	-	-	-	-
£100,001 to £105,000 p.a.	3	1	-	1
£105,001 to £110,000 p.a.	-	-	-	-
£110,001 to £115,000 p.a.	-	1	-	-
£115,001 to £120,000 p.a.	-	-	-	-
£120,001 to £125,000 p.a.	-	-	-	-
£125,001 to £130,000 p.a.	1	-	-	-
£130,001 to £135,000 p.a.	-	-	-	-
£135,001 to £140,000 p.a.	-	-	-	-
£140,001 to £145,000 p a	1	-	-	-
£145,001 to £150,000 p a	-	-	-	-
£150,001 to £155,000 p.a.	1	-	-	-

£250,001 to £255,000 p.a	-	-	-	-
£255,001 to £260,000 p.a.	1	-	-	-
£260,001 to £265,000 p.a.	-	1	-	-
	<u>8</u>	<u>4</u>	<u>4</u>	<u>5</u>

Key management personnel compensation is made up as follows:

	2019 £'000	2018 £'000
Salaries – gross salary sacrifice and waived emoluments	423	472
Employers National Insurance or Social Security	60	62
Benefits in kind	6	10
	<u>489</u>	<u>544</u>
Pension contributions	31	27
Total key management personnel compensation	<u>520</u>	<u>571</u>

The above emoluments include amounts payable to the Interim Principal who was the Accounting Officer and was also the highest-paid member of staff for the period 29 October 2018 to 30 June 2019:

	2019	2018
	£'000	£'000
Salaries	119	-
Benefits in kind	-	-
Pension contributions	-	-
	119	-

There were two other post-holders in 2018/19 whose total emoluments were:

	2019	2018
	£'000	£'000
<i>Post holder 1 (to 30 September 2018)</i>		
Salaries	48	257
Benefits in kind	1	5
Pension contributions	-	-
	49	262
 <i>Post holder 2 (from 18 May 2019)</i>		
Salaries	32	-
Benefits in kind	-	-
Pension contributions	4	-
	36	-

The former Principal resigned in September 2018. She waived her right to Pay in Lieu of Notice (PILON) of £126,000.

The governing body has adopted AoC's Senior Staff Remuneration Code in July 2019 and will assess pay in line with its principles in future.

The remuneration package of Key management staff, including the Principal and Chief Executive, is subject to annual review by the Remuneration Committee of the governing body who use benchmarking information to provide objective guidance.

The Principal and Chief Executive report to the Chair of Governing Council, who undertakes an annual review of their performance against the College's overall objectives using both qualitative and quantitative measures of performance.

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

	2019
Principal's basic salary as a multiple of the median of all staff	6.17
Principal and CEO's total remuneration as a multiple of the median of all staff	6.46

Compensation for loss of office paid to one former key management personnel:

	2019	2018
	£'000	£'000
Compensation paid to the former post-holder	75	-
Estimated value of benefits, including provisions for pension benefits	21	-

The severance payments disclosed above were all contractual and were approved by the Director of HR.

The members of the Corporation other than the Accounting Officer, Chair and the staff members did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties. The Chair received remuneration of £11,000 for the period 1 September 2018 to 31 July 2019.

9 Other operating expenses

	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	1,572	1,572	1,841	1,841
Subcontractor costs	4,380	4,380	9,769	9,769
Non-teaching costs	5,257	8,458	4,598	4,134
Premises costs	1,375	1,375	1,442	1,442
Total	12,584	15,785	17,650	17,186

Other operating expenses include:

	2019	2018
	£'000	£'000
Auditor's remuneration:		
Financial statements audit*	40	32
Internal audit**	28	26
Other services provided by the financial statements auditor	1	28
Other services provided by the internal auditor	-	-
Profit / (Loss) on disposal of non-current assets	-	285
Hire of assets under operating leases	87	152

* includes £32k in respect of the College only (2017/18 £20k)

** includes £28k in respect of the College (2017/18 £26k)

10 Interest and other finance costs – Group only

	2019	2018
	£'000	£'000
On bank loans, overdrafts and other loans:	633	661
Net interest on defined pension liability (note 24)	595	738
Total	1,228	1,399

11 Taxation – Group only

	2019	2018
	£'000	£'000
United Kingdom corporation tax at 19 per cent	-	(31)
Provision for deferred corporation tax in the accounts of the subsidiary	-	(23)
Total	-	(54)

12 Tangible fixed assets (Group)

	Land and buildings Freehold	Equipment	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2018	54,484	17,656	-	72,140
Additions	5	68	-	73
Transfers	-	-	-	-
Disposals	(3,941)	-	-	(3,941)
At 31 July 2019	50,548	17,724	-	68,272
Depreciation				
At 1 August 2018	10,768	15,980	-	26,748
Charge for the year	1,011	776	-	1,787
Asset Impairment	(7)	-	-	(7)
Elimination in respect of disposals	(3,926)	-	-	(3,926)
At 31 July 2019	7,846	16,756	-	24,602
Net book value at 31 July 2019	42,702	968	-	43,670
Net book value at 31 July 2018	43,716	1,676	-	45,392

12 Tangible fixed assets (College only)

	Land and buildings Freehold	Equipment	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2018	54,483	17,201	-	71,684
Additions	5	55	-	60
Transfers	-	-	-	-
Disposals	(3,940)	-	-	(3,940)
At 31 July 2019	50,548	17,256	-	67,804
Depreciation				
At 1 August 2018	10,767	15,537	-	26,304
Charge for the year	1,010	773	-	1,783
Asset Impairment	(7)	-	-	(7)
Elimination in respect of disposals	(3,927)	-	-	(3,927)
At 31 July 2019	7,843	16,310	-	24,153
Net book value at 31 July 2019	42,699	946	-	43,645
Net book value at 31 July 2018	43,716	1,664	-	45,380

Disposals and Elimination in respect of disposals include a £3.9m adjustment to reflect the impact of the 2017/18 impairment of Chesterfield Road and Thoresby Street on the Gross Book Value (GBV). This ensures the GBV agrees to the Fixed Asset Register (FAR). There is no impact to the Net Book Value (NBV).

Land and buildings were valued in 1996 at depreciated replacement cost by Innes England a firm of independent chartered surveyors.

13 Non-current investments

	College 2019 £'000	College 2018 £'000
Investments in subsidiary companies	25	89
Total	25	89

The College owns 100 per cent of the issued ordinary £1 shares of bksb Limited and Vision Business Services Ltd, both are companies incorporated in England and Wales, The value of shares in Safety Plus Training and Consultancy Limited and Safety Plus Construction Limited have been written off and an application made to strike off these companies. The value of shares in Vision Workforce Skills Ltd and Vision Apprentices Ltd has been written off as both these companies entered liquidation on 25th July 2019.

The principal business activity of bksb Limited is to the commercial development of bksb educational software products. The principal activity of Vision Business Support Services Limited is the provision of back-office services. Safety Plus Training and Consultancy Limited and Safety Plus Construction Limited did not actively trade during the period.

14 Trade and other receivables

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Amounts falling due within one year:				
Trade receivables	772	65	935	122
Amounts owed by group undertakings:				
Subsidiary undertakings	-	658	-	4,541
Prepayments and accrued income	938	872	716	668
Deferred tax assets	(4)	-	-	-
Amounts owed by the ESFA	-	-	-	-
Total	1,706	1,595	1,651	5,331

15 Creditors: amounts falling due within one year

	Group	College	Group	College
	2019	2019	2018	2018
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	735	735	16,995	16,995
Other loans	43	43	43	43
Trade payables	510	503	694	685
Amounts owed to group undertakings:				
Subsidiary undertakings	-	1,955	-	1,965
Corporation tax	19	-	19	-
Other taxation and social security	526	317	697	492
Accruals and deferred income	5,476	3,370	6,224	4,344
Deferred income - government capital grants	394	394	389	389
Deferred tax liability	-	-	4	-
Amounts owed to the ESFA	12,834	12,834	2,336	2,336
Total	20,537	20,151	27,401	27,249

16 Creditors: amounts falling due after one year

	Group	College	Group	College
	2019	2019	2018	2018
	£'000	£'000	£'000	£'000
Bank loans	12,525	12,525	-	-
Other loans	86	86	130	130
Accrual and deferred income	-	-	1,390	1,390
Deferred income - government capital grants	11,464	11,464	11,857	11,857
Total	24,075	24,075	13,377	13,377

17 Maturity of debt**(a) Bank loans and overdrafts**

	Group	College	Group	College
	2019	2019	2018	2018
	£'000	£'000	£'000	£'000
Bank loans and overdrafts are repayable as follows:				
In one year or less	748	748	16,995	16,995
Between one and two years	739	739	-	-
Between two and five years	9,106	9,106	-	-
In five years or more	2,667	2,667	-	-
Total	13,260	13,260	16,995	16,995

Bank loans at 4.38 per cent and 4.41 per cent interest, repayable by instalments falling due between 1 August 2012 and 31 July 2028 totalling £13,260k. £6,969k of the debt is repayable on 29th July 2022. A revolving credit facility (RCF) of £3 million is available but was not drawn down as at 31st July 2019. Lloyds bank has security over the College's property assets and has joint security with the ESFA over the shares in bksb ltd.

18 Provisions

	Defined benefit obligations	Restructuring	Group Enhanced pensions	Dilapidations	Total
	£'000	£'000	£'000	£'000	£'000
At 1 August 2018	22,214	-	847	10	23,071
Expenditure in the period	-	-	(67)	(10)	(77)
Additions in period	7,329	-	112	-	7,441
At 31 July 2019	29,543	-	892	-	30,435

Defined benefit obligations relate to the liabilities under the College's and bksb's membership of the Local Government Pension Scheme. Further details are given in Note 24. The defined benefit liability at the 1 August 2018 includes a deferred tax asset of £133,000 and nil at 31 July 2019.

The dilapidations provision relates to the legal obligations to carry out remedial works at leasehold buildings. The enhanced pension provision relates to the cost of staff who have already left the College's employ and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date. This provision has been recalculated in accordance with guidance issued by the Association of Colleges. The principal assumptions for this calculation are:

	2019	2018
Price inflation	2.4%	1.3%
Discount rate	2.2%	2.3%

19 Group Cash and cash equivalents

	At 1 August 2018	Cash flows	Other changes	At 31 July 2019
	£'000	£'000	£'000	£'000
Cash and cash equivalents	1,968	2,818	-	4,786
Total	1,968	2,818	-	4,786

20 Capital and other commitments

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

for Year Ending 31 July 2019

21 Lease obligations

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

	Group and College	
	2019	2018
	£'000	£'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	40	83
Later than one year and not later than five years	69	219
Later than five years	-	-
	109	302
Other		
Not later than one year	87	87
Later than one year and not later than five years	108	195
Later than five years	-	-
	195	282

22 Contingencies

The College has made substantial progress in resolving the potential recovery of ESFA funding identified in the 2017/18 accounts; costs are fully recognised in 2018/19 either based on confirmed cost or latest estimate of recovery which is awaiting final confirmation.

23 Events after the reporting period

Post the 31st July 2019 the College applied to strike off Safety Plus Construction Ltd and Safety Plus Training and Consultancy Ltd, the College's investment in these businesses has been excluded from the accounts.

24 Defined benefit obligations

The Group's employees principally belong to two post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Nottinghamshire Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Nottinghamshire County Council. Both are multi-employer defined-benefit plans. There is also a defined contribution scheme in the Group.

GROUP

	2019	2018
	£000	£000
Total pension cost for the year		
Teachers' Pension Scheme: contributions paid	1,026	1,197
Local Government Pension Scheme:		
Contributions paid	1,259	1,162
FRS 102 (28) charge	1,461	2,211
Charge to the Statement of Comprehensive Income	2,700	3,373
Enhanced pension charge to Statement of Comprehensive Income	113	43
Total Pension Cost for Year within staff costs	3,859	4,613

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

Contributions amounting to £207,495 were payable to the scheme at 31st July and are included within creditors.

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

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 2016 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 5th March 2019. The key results of the valuation are:

- New employer contribution rates were set at 23.48% of pensionable pay (including administration fees of 0.08%);
- total scheme liabilities for service to the effective date of £196.1 billion, and notional assets of £218.1 billion, giving a notional past service deficit of £22 billion;
- an employer cost cap of 10.9% of pensionable pay.

The new employer contribution rate for the TPS was implemented in September 2019.

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/-/media/documents/member/documents/news-items/teachers-pension-scheme-actuarial-valuation-2016.ashx?rev=1d463cd3f4344c199ca0c2bcf193dc90&hash=D90840D6F4AF06461F6D927C4E6265B0>

Scheme Changes

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

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

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

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

The pension costs paid to TPS in the year amounted to £1.026m(2018: £1.197m)

FRS 102 (28)

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

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

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Nottinghamshire County Council Local Authority. The total contributions made for the year ended 31 July 2019 were £1.946m, of which employer's contributions totalled £1.546m and employees' contributions totalled £0.4m. The agreed contribution rates for future years are employer's rate 13.6% plus a fixed payment of £102k for the period 1 April 2018 to 31 March 2019 and a similar amount in the following year. For employees, contributions range from 5.5% to 12.5%.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2019 by a qualified independent actuary.

	At 31 July 2019	At 31 July 2018
Rate of increase in salaries	2.85%	2.85%
Future pensions increases	2.35%	2.35%
Discount rate for scheme liabilities	2.15%	2.70%
Inflation assumption (CPI)	2.35%	2.35%
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 2019 years	At 31 July 2018 years
<i>Retiring today</i>		
Males	21.6	22.7
Females	24.4	25.6
<i>Retiring in 20 years</i>		
Males	23.3	24.9
Females	26.2	28.0

Sensitivity analysis	At 31 July 2019	At 31 July 2018
	£'000	£'000
Discount rate +0.1%	(70)	(66)
Discount rate -0.1%	73	68
Mortality assumption – 1 year increase	75	77
Mortality assumption – 1 year decrease	(69)	(74)

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

	Long-term rate of return expected at 31 July 2019	Fair Value at 31 July 2019 £'000	Long- term rate of return expected at 31 July 2018	Fair Value at 31 July 2018 £'000
Equity instruments	7.0%	28,006	9.0%	27,927
Debt instruments	7.0%	5,651	9.0%	6,081
Property	7.0%	6,107	9.0%	5,870
Cash	7.0%	1,090	9.0%	1,175
Other	7.0%	4,271	9.0%	2,079
Total market value of plan assets		45,125		43,132
Weighted average expected long term rate of return	7.0%		9.0%	
Actual return on plan assets		1,272		3,717

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

	2019 £'000	2018 £'000
Fair value of plan assets	45,125	43,586
Present value of plan liabilities	(73,842)	(65,931)
Present value of unfunded liabilities	-	-
Net pensions (liability)/asset (Note 18)	(28,717)	(22,345)

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

	2019	2018
	£'000	£'000
Amounts included in staff costs		
Current service cost	2,077	3,380
Past service cost	598	-
Total	2,675	3,380

Amounts included in investment income

Net interest cost	600	738
	600	738

Amount recognised in Other Comprehensive Income

Return on pension plan assets	92	2,651
Experience losses arising on defined benefit obligations	-	-
Changes in assumptions underlying the present value of plan liabilities	(5,250)	5,824
Amount recognised in Other Comprehensive Income	(5,158)	8,475

The actuarial (gain) / loss in other comprehensive income of (£5,870k) also includes the deferred taxation in respect of the bksb pension scheme actuarial gain of (nil) (2017/18 (£71 k)).

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

	2019	2018
	£'000	£'000
Net defined benefit (liability)/asset in scheme at 1 August	(22,345)	(27,893)
Movement in year:		
Current service cost	(2,313)	(3,288)
Employer contributions	1,530	1,176
Past service cost	(662)	(77)
Net interest on the defined (liability)/asset	(595)	(738)
Actuarial gain or loss	(5,158)	8,475
Net defined benefit (liability) at 31 July	(29,543)	(22,345)

Asset and Liability Reconciliation

	2019	2018
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	65,931	66,991
Current service cost	2,313	3,288
Interest cost	1,775	1,804
Contributions by Scheme participants	400	516
Experience gains and losses on defined benefit obligations	-	-
Changes in financial assumptions	9,230	(5,824)
Change in demographic assumptions	(3,980)	-
Estimated benefits paid	(1,663)	(921)
Past Service cost	662	77
Curtailements and settlements	-	-
Defined benefit obligations at end of period	74,668	65,931

Changes in fair value of plan assets

Fair value of plan assets at start of period	43,586	39,098
Interest on plan assets	1,180	1,066
Return on plan assets	92	2,651
Employer contributions	1,530	1,176
Contributions by Scheme participants	400	516
Other actuarial gains and losses	-	-
Estimated benefits paid	(1,663)	(921)
Fair value of plan assets at end of period	45,125	43,586

25 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, excluding the former Chief Executive and Principal, interim Principal and new Principal during the year were £1,118 (2018: £Nil). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

The new Chair of Governors, Sean Lyons, is paid £1,000 per calendar month for his services in the role for 6 months, for which approval has been provided by the Charities Commission, as is required for any payments to Governors of Charitable Bodies.

The Inspire & Achieve Foundation – a registered charity of which Dame Asha Khemka DBE DL, Former College Chief Executive and Principal is a trustee and Maxine Bagshaw, Clerk to the Corporation, was the Secretary until October 2018. Sales transactions in the year amounted to £7,502.45 (2018: £5k). The outstanding balance at the year-end was £235.75 (2018: £95). The College also purchased £255,148.20 from the Inspire and Achieve Foundation in 2019 (2018: £102k).

Mansfield and Ashfield 2020 – a Director of this organisation is also a Vice Principal of WNC. Purchases in the year amounted to £3,272.50. WNC owed Mansfield and Ashfield 2020 £1,200 at 31/7/2019.

Skills and Education Group – a Director of this organisation was also the Principal of WNC up to 28/9/2018. Sales in the year amounted to £15,000 and purchases amounted to £1,212.70. BKSb owed Skills and Education Group £65 at 31/7/2019.

Burton and South Derbyshire College - a Governor of this organisation, is also a Director of bksb. Sales in the year amounted to £35,448.28 there was no outstanding balance at 31/7/2019.

Portland College - a Governor of this organisation, is also a Director of bksb. Sales in the year amounted to £4,623k There was no outstanding balance at 31/7/2019.

T J Clarke – Consultancy services – Mr Clarke was a Governor of the College and chair of bksb. Consultancy services provided in the year amounted to £nil (2018: £8,000).

A Martin – Consultancy services – Mr Martin was a Senior Post holder of the College and chair of bksb. Consultancy services provided in the year amounted to £nil (2018: £2,668).

N Croston – Legal services – Mr Croston was Chair of the Corporation. Legal services provided Bryan and Armstrong solicitors, in which Mr Croston is a senior partner amounted to £614 in 2019 (2018: £1,730). There no outstanding balance at 31/7/2019.

Transactions with the funding bodies are detailed in notes 2, 14, 15 and 16.

26 Amounts disbursed as agent

Learner support funds

	2019	2018
	£'000	£'000
Funding body grants – bursary support	92	193
Funding body grants – discretionary learner support	484	473
Employer Grants	390	
	966	666
Disbursed to students and employers	(857)	(566)
Administration costs	(31)	(29)
Balance unspent as at 31 July, included in creditors	78	71

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

