

WEST NOTTINGHAMSHIRE COLLEGE

Annual Report and Consolidated Financial Statements

Year ended 31 July 2018

CONTENTS

	Page number
Reference and Administrative Details	3
Strategic Report	4
Statement of Corporate Governance and Internal Control	16
Statement of Regularity, Propriety and Compliance	23
Statement of Responsibilities of the Members of the Corporation	24
Independent Auditor's Report on the Financial Statements	25
Independent Reporting Accountant's Report on Regularity	27
Consolidated Statement of Comprehensive Income and Expenditure	29
Consolidated and College Statement of Changes in Reserves	30
Balance Sheets	31
Consolidated Statement of Cash Flows	32
Notes to the Accounts	33

Reference and Administrative Details

Board of Governors

A full list of Governors is given on pages 16-18 of these financial statements.

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

Key Management Personnel

Dame Asha Khemka DBE DL	Principal and CEO; Accounting officer (until 28/09/18)
Martin Sim	Interim Principal and CEO; Accounting officer (from 29/10/18)
Tom Stevens	Deputy Principal / Executive Director: Capital Projects (until 31/01/19)
Andrew Martin	Deputy Principal/Director of Finance (until 31/03/18)
Alastair Thompson	Deputy Principal /Director of Finance (from 01/03/18 to 20/07/18)
John Owen	Interim Director of Finance (from 31/07/18); Accounting officer (from 29/09/18 to 28/10/18)

Professional advisers

Financial statements auditors and reporting accountants:

KPMG
One Snowhill
Snowhill Queensway
Birmingham
B4 6GH

Internal auditors

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 present their annual report together with the consolidated financial statements and auditor's report for West Nottinghamshire College for the year ended 31 July 2018.

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 for the purposes of Part 3 of the Charities Act 2011.

Mission

College Governors have set the College's vision statement as follows:

"A dynamic college for aspiring communities"

The College's mission remains in place as:

"Learners at the Heart of Excellence"

Following the inspection by Ofsted in February of 2017, in which the College was graded Good for overall effectiveness, Governors agreed to maintain the single strategic objective to be:

"Attaining excellence, reaching new heights"

The College's strategic objective continues to be supported by six themes for learners, people, partnerships, reputation, resources and finances. The strategic objective encompasses the College's desire to build momentum in its core teaching and learning activities to obtain an outstanding status at its next inspection.

Implementation of business plan

The Governing Body reviews its three year business plan on an annual basis setting out the objectives and outcomes for the College. The plan was updated prior to the start of 2017/18 to reflect changes in the College's operating environment including a focus upon apprenticeships and gaining the best benefit from investments in excellent facilities.

The College's specific objectives for 2017/18 and achievement of those objectives is detailed below:

- The College achieved 2,613 16-19 student numbers funded by the ESFA against a target of 2,632 Students.
- The College generated £6.667million of Adult Skills (non-apprenticeship) funding against a target of £6.806million.
- Activity on the Apprenticeship programmes delivered income of £11.7 million against a target of £17.4 million.
- HE learner volumes for the year were 377 learners against a target of 372 learners.

The Business Plan for 2017/18 recognised the changes to the funding of apprenticeships and the significant risk that changes to sub-contracting rules would have on the College. The plan included ambitious targets to grow the College's directly delivered apprenticeship programme. During the 2017/18 year, it became clear that these targets would not be achieved. The College's growing financial instability and cashflow problems resulted in the need to approach the ESFA for exceptional financial support in July 2018. FE Commissioner intervention in the early part of 2018/19 highlighted the need for significant change in a number of areas including leadership and governance. Consequently there have been changes at Board level and at the senior level within the organisation in 2018/19. New Governor recruitment has added additional rigour to the Board's scrutiny of College performance. The Governors are committed to a fundamental review and revision where necessary of the strategic direction of the College and the priorities moving forward.

Whilst the College experienced a challenging year in 2017/18 in particular meeting the financial and student number targets set as part of the business plan, the College continued to provide a positive and high quality experience for the majority of its learners on campus. Against the key sections identified within the 2017/18 business plan, the College made the following progress.

16-19 Study Programmes and Adult Education Programmes

- Overall outcomes for 16-18 learners improved by 2.3% in 2017/18 to 84.8%.
- A Level pass rates were 100% in with a 13.2% increase in high grades achieved at A Level.
- Adult learners' outcomes were 95% an improvement of 3.5% on the previous year.
- The progress of learners across academic, applied general, technical and English and Maths qualifications showed improvement. A Levels in particular showed significant improvement in 2017/18 being in the top 10 of providers nationally for value added.
- 94% of on campus learners agreed that their sessions are well taught and that the college is good.
- The College was placed in the top quartile (25%) of all colleges who undertook the QDP student survey for all categories in 2017/18.
- 97% of learners agreed that their course of study had enabled them to gain skills for future employment.
- 63 learners benefitted from visits to European colleges as part of Erasmus projects – many of the 63 left the country for the first time through these visits.
- High needs learners out-perform non-high needs learners by 4.2%.
- Retention and achievement improved by 0.1% and 1.4% respectively for vulnerable and disadvantaged learners.
- 2% more 16-18 year olds progressed into employment than in the previous year.

Apprenticeships

Apprenticeship programmes require significant improvement. Rapid improvement has been made in the early part of 2018/19, in particular in auditing learners that are out of funding to enable an accurate and robust picture of apprenticeships moving forwards.

- Timely achievement at 53% is 6% below the national rate.
- Overall achievement at 66.4% is 3.6% below national rate.
- Whilst there are pockets of good practice significant improvement needs to be made in the tracking of learner progress on One File
- Participation in employer and learner surveys is low and as such the College does not have an accurate picture of satisfaction levels.
- Processes and systems need significant improvement to ensure they facilitate effective monitoring and enrolment of learners.

Higher Education

- Despite national trends, the College maintained its level of higher education students within the year.
- The College was awarded a silver award in the newly introduced Teaching Excellence Framework (TEF).
- National student survey results for higher education were very good with the College out-performing England averages for learner feedback in all categories except resources where it was equal to national averages (Universities and Colleges combined).
- The College successfully gained institutional approval from Nottingham Trent University.
- The College has been a key partner in the DANCOP outreach programme, it is the highest performing hub within the D2N2 area.

Marketing and Learner Engagement

- The College's market share for year 11 school leavers within Ashfield improved by 2% to 28%.
- The College maintained market share for year 11 school leavers within Mansfield of 43%.
- The College's overachieved its enrolment target by 272 in 2018/19 as a result of a change to admissions processes and procedures and an improvement in market share.
- 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%.

Financial objectives

The College Governors agreed the following financial objectives for 2017/18:

- Deliver financial performance in order to fully comply with all applicable banking covenants.
- Secure an automatic financial health rating of “Good” by the end of the 2018/19 financial year.
- To maintain access to at least 30 cash days at the end of each reporting period.
- To achieve an income and expenditure reserve of £13 million by the end of the 2018/19 financial year.
- Deliver operating management accounts to budget holders within 15 working days of the end of the reporting period.

The financial objectives are monitored through the College management accounts which are presented to the Board at each of its meetings. During 2017/18, the outcomes in relation to the relevant financial objectives for the year ended 31 July 2018 were as follows:

- The College breached bank covenants at year end;
- The College’s ESFA Financial Health rating is ‘Inadequate’;
- The College had cash days in hand of 17 with a cash outflow from operating activities of £2.5 million for the year;
- The income and expenditure account reserves (excluding defined pension benefit liabilities) reduced from £9.11 million to £3.19 million;
- Management accounts were not issued within 15 days of the period to which they relate.

Whilst the College did not deliver the financial objectives in 2017/18, there are detailed plans in place to manage the College’s financial recovery over the next 4 years.

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 £1.08 million (2016/17: deficit of £3.86 million) impacted by a significant actuarial gain of £8.40 million within the defined benefit pension liability 2016/17: actuarial deficit of £2.0 million). The College generated a deficit of £9.54 million before other gains and losses (2016/17 – deficit of £2.57 million), with total income of £40.01 million (2016/17

£49.21 million). Group income fell from £51.0 million in 2016/17 to £41.56 million in 2017/18 as a consequence of changes in the funding and delivery of apprentices in the College. In order to address the reduction in income in 2017/18, the College undertook to implement a major staff restructure and to sell a minority shareholding in bksb. The restructure was completed in July 2018 and although savings of c. £3.0 million were made, they did not have an impact in 2017/18. Group staff costs in 2017/18 including restructuring costs increased by £1.8 million from £27.2 million to £29.0 million. The part sale of bksb fell through in July 2018 with the result that the College faced a cash flow difficulty. The College applied to the ESFA for Exceptional Financial Support (EFS) and received £2.1 million in July 2018. This was intended to support the College until October 2018. Further restructuring funds have been received in 2018/19.

Reserves

The Group has accumulated Income and Expenditure reserves of £3.19 million (2016/17: £9.11 million) excluding defined benefit pension liabilities. The Group also has cash and short term investment balances of £1.97 million (2016/17 - £2.73 million). The Group wishes to accumulate reserves and cash balances in order to improve financial stability, repay debt and further invest in the facilities and resources for students and employers.

Developments

Tangible fixed asset additions during the year amounted to £613k (2016/17: £3.77 million). This was split between land and buildings acquired of £113k and equipment purchased of £501k. In the main, this related to the completion of the University Centre and internal refurbishment of the Derby Road site.

Sources of income

The Group has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2017/18 the FE funding bodies provided 80% (2016/17: 82%) of the Group's total income.

Group companies

The College has six subsidiary companies, bksb Limited, Safety Plus (Training & Consultancy) Limited, Safety Plus Construction Limited, Vision Workforce Skills Limited (VWS), Vision Business Support Services Limited (VBSS) and Vision Apprentices Limited (VA).

The principal activity of bksb Limited is the commercial development of a basic and key skills assessment software product serving the educational market. Vision Business Support Services Limited traded throughout the year providing back office business support services to the College. Vision Apprentices Limited provided apprentice trainees to local employers. It stopped actively trading during 2017/18. Vision Workforce Skills Limited was a provider of apprenticeships and workplace training. The company did not actively trade during 2017/18. Safety Plus (Training & Consultancy) Limited and Safety Plus Construction Limited are dormant companies.

Surpluses generated by the trading subsidiaries are transferred to the College under deed of covenant to the extent that this does not result in a distribution of reserves. In the current year, the surpluses generated were £1,369k (2016/17 - £1,573k) for bksb Limited, a profit of £8.5k (2016/17 – profit of £544k) for VWS, a loss of £0.4k (2016/17 - loss of £9.2k) for VA and £75.0k for VBSS (2016/17 – profit of £4.1k).

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

Students continue to do well at West Nottinghamshire College. In 2017/18 improvements were made across 16-18 and AEB funding streams. 16-18 learners' retention (including English and Maths) was 94.8% (2016/17: 92.6%) and achievement of 84.8% (2016/17: 82.5%). Adult classroom based learners (including English and Maths) delivered retention of 96.4% (2016/17: 89.8%) and achievement of 95% (2016/17: 91.5%). Apprenticeship provision delivered overall success of 66.4% (2016/17: 70.8%) Timely achievement across all age groups showed a significant decline delivering timely success rates of 53%. Improvements in apprenticeship performance are a priority for the College.

The most recent Ofsted inspection in February 2017 awarded the College a grade 2 – Good overall with a ‘requires improvement’ rating for its 16-19 study programmes. Good progress has been made against the post inspection action plan for 16-19 provision with the college showing an overall improvement in the progress that learners make against their starting points.

Curriculum developments

There is an identified need in the local area for higher level skills, particularly in the technical and professional areas and the College is positioning itself to be at the centre of providing these opportunities. The area continues to have low progression rates to higher education and whilst the ambition of the university centre was to address this, there is still progress to be made in respect of increasing HE student numbers.

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

Specialist courses to support the unemployed into work have also been developed; for example our Sheffield centre provide excellent routes into the construction industry for the long term unemployed by working with Job Centre Plus.

Provision for employer engagement in the local area requires development with a refocussing of the College’s apprenticeship strategy ongoing. The College has been innovative in the development of bespoke provision to meet the needs of large employers particularly in the area of leadership development. The College, like many others, has found responding to apprenticeship reforms a challenging environment and work is ongoing to refine the College’s offer and ensure consistently high levels of service to employers within the D2N2 area. Throughout the year the College worked proactively with district councils to take forward the regeneration agenda for the immediate local communities.

Courses are planned to support progression through levels of education, including into higher education, apprenticeships or into employment. Excellent partnership working with three universities ensures the HE portfolio is expanded and offers a range of progression routes for learners whilst meeting the needs of local employers.

FUTURE PROSPECTS

Developments

The College invested significantly in the estate over a number of years. The main Derby Road site is in good condition and where possible other sites have been sold, mothballed or are on the market.

Financial Plan

The College has prepared a detailed analysis of the financial position. The purpose of the plan was to determine the level of Exceptional Financial Support (EFS) that would be needed in the short term to provide a stable financial platform on which to build its financial recovery and to quantify the level and timing of savings needed in order to deliver a balanced budget for 2019/20.

It became evident that in order to achieve medium term financial stability, further EFS was needed in the short term. The College’s plan was updated following a visit from the FE Commissioner and reported to the Board at its meeting on 13th September 2018. This showed that the College was to request a further £4.6 million of Exceptional Financial Support, and highlighted certain risks regarding subcontractors. An application for an additional tranche of up to £4.675 million of EFS was approved by the ESFA in October 2018 covering the period November 2018 to January 2019. Approval was given for £1.6 million with a further £2.0 million available if the College demonstrated the need. Additional EFS support has been requested by the College. ESFA approval was given in January 2019. The College is making good progress with the plan and expects to achieve the revised forecast results for 2018/19.

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 Administered Status. The College established a Financial Recovery Task and Finish Group which has now been amalgamated into the Finance, Resources and Estates Committee.

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

At a net cash outflow of £2.48 million in 2017/18 (2016/17: £68k inflow), the Group net cash flow from operating activities has weakened significantly in the year. The net cash outflow which was due to the poor financial performance of the College, resulted mainly from the operating performance in the year before the charges for depreciation and defined benefit pensions costs which are non-cash items and a substantial reduction in Group income of £9.42 million.

During the year the College continued to repay its long term debt at a rate of £0.74 million per annum and as at 31st July 2018 had an outstanding debt of £13.995 million (2016/17: £14.731 million). As a result of the breach of bank covenants at the year end all of this debt has been reclassified as a current liability.

A revolving credit facility (RCF) of £3m was available to the College in 2017/18. As at 1st August 2017, the College had drawn down £500k of the facility. The full facility had been drawn down by 31st July 2018. The Interim Director of Finance identified a breach of warranties and for a period of time, the College could not access its RCF. However the bank issued a waiver letter agreeing not to take action in respect of the breach in consideration for security over all of the College's freehold land and buildings. The letter of waiver has been extended to 28th February 2019. The extension is conditional on the bank receiving from the ESFA written confirmation that further EFS requested by the College is approved and that the bank is satisfied with the conditions attached to it. Positive discussions with the bank to ensure that the facility will continue beyond that date are at an advanced stage.

Reserves

The College Reserves Policy is to carry forward a prudent level of reserves designed to meet the medium and longer term requirements of operating the College and achieving the strategic objective, whilst protecting against any unforeseen events and risks. The College will review the reserves policy going forward in the light of the financial recovery plan.

Going concern

As reflected in these financial statements, the Group has recorded a deficit before other gains and losses of £9.83 million for the year ended 2017/18. This included the College deficit of £9.54 million. The College had a creditor of £2.3 million payable to the Education and Skills Funding Agency (ESFA) at 31st July 2018 of which £2.1 million is exceptional financial support. The College also had £13.995 million of loans with Lloyds Bank. Whilst the long term loans are not repayable until July 2028 with a balloon payment due in 2022, they have been reclassified as current liabilities in the financial statements.

In December 2018, the Corporation approved a deficit budget for 2018/19 as part of the financial recovery plan. The College's financial plan currently covers the two year period from 1 August 2018 to 31 July 2020. It shows the need for an additional up to £4.7 million of Exceptional Financial Support in the period February to March 2019. This finances ongoing deficits, payment of clawback to ESFA, further restructuring in February and March 2019 and the exceptional professional fees incurred as a result of the College's current financial position. The plan assumes continuing financial support at current levels from Lloyds Bank and bksb and the receipt of gift aid from bksb in respect of both 2018/19 and 2019/20.

The College has applied for additional EFS to be paid in February and March 2019. There are a number of plans in place, including an Independent Business Review (IBR) with BDO, Chartered Accountants, which will enable the College and its funders to agree the strategic direction of the College and a robust financial base moving forward.

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.

PRINCIPAL RISKS AND UNCERTAINTIES:

The Governing Body considered the risk management strategy on an annual basis and regularly received and reviewed the strategic high level risk register both at the Audit Committee and the main Board. The significant financial difficulties of the College experienced in 2017/18 and the absence of explicit and effective monitoring of the solvency of the College by the Finance Committee and the Board demonstrates that risk management was not robust at a strategic level.

In July 2017, 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 in order that the approach to identifying and managing risk is appropriate to the College's operating climate. The 2018/19 review by the new Board will focus on improvements to the monitoring and reporting of key risks for the College.

The underlying principles of risk management are:

- The Corporation Board has responsibility for overseeing risk management within the College as a whole;
- An open and receptive approach to solving risk problems is adopted by the Corporation Board;
- 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 on a regular basis.

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 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.

In order to assess the adequacy and effectiveness of the approach to risk management the College will consider a number of 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 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 a number of opportunities but also threats to its financial stability. The impact of the insolvency regime and the fact that the College is in Administered Status has been highlighted by the College as a key risk.

The key risks identified are:

- The College fails to deliver a timely and realistic financial recovery plan to the satisfaction of the ESFA, the bank and other key stakeholders
- Apprenticeship reform might affect the level of income the College derives from apprenticeships.
- The Financial Notice of Concern affects the College's ability to drive through change independently e.g. subcontractor activity
- Ongoing reductions to College funding as a result of failure to grow or maintain market share.
- Further weakening of the College position and subsequent inability to offer a high quality learning experience.
- Failure of the College to break even with over-reliance on bksb revenue streams which supports the core College.
- College fails to meet its student number targets
- College fails to meet its banking covenants.

These risks are mitigated in a number of ways:

- Strong and robust long term financial forecasting in 2018/19
- New Interim Principal and Interim Finance Director and additional Governors with an appropriate balance and mix of skills on the Board
- Annual budget setting process.
- College restructuring programmes implemented in 2017/18 and in 2018/19
- Exceptional Financial Support provided in 2017/18 and 2018/19
- 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. Work Based Learning/Apprenticeships

Apprenticeship reform poses many challenges yet many opportunities. The risk is that the college fails to capitalise on these opportunities and loses market share as a result. Significant income planned for 2018/19 representing growth of directly delivered apprenticeships.

The key risks identified are:

- The college fails to recruit to its apprenticeship target number for 2018/19 and fails to capitalise on the opportunities of apprenticeship reform.
- Apprenticeship data cleansing leads to financial clawback and / or impact on achievement data
- Loss of key partners and inability to absorb the loss of income.
- College fails to take advantage of the new standards and loses business to the competition.
- The College over stretches in terms of commitment to employers and cannot deliver
- Removal from Register of Apprenticeship Training Providers (RoATP)
- Failure of QA/QI processes leading to poor quality provision.
- Lack of control over fee structure and employer agreements meaning funding is not forthcoming for work delivered.
- Restructure and change of role and purpose fail to deliver against intention.

These risks are mitigated in a number of ways:

- Partnership team and revised apprenticeship strategy
- Monthly monitoring of key KPIs

- Client management system put in place to monitor quality
- Support from the QTLP team on the QA and QI
- Compliance team and operational processes in place
- Monitoring by the Board, Finance Resources and Estates and Standards Committees

3. 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 key risks identified are:

- Inconsistent quality within teaching and learning was highlighted by Ofsted for 16-19 study programmes.
- Inconsistent quality in the leadership and management at curriculum level
- Ineffective QA and QI processes
- Poor progress made against the new accountability measures;
- Poor data reporting which means that the college cannot track students effectively
- The movement of English and Maths back into schools of learning creates inconsistency.

These risks are mitigated in a number of 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
- Monitoring by the Board and Standards Committee.

4. Higher Level Skills

The college has the opportunity to significantly increase its HE delivery and become a hub for the local area. However take up to date and the breadth of the offer have not realised that potential.

The key risks identified are:

- Failure to meet target for higher levels skills under commitments to D2N2
- College fails to capitalise on the opportunities that higher level skills offer
- Vision University Centre is under-utilised
- Lack of higher apprenticeship or degree apprenticeship offer
- Higher level STEM offer is not strong enough to support Institute of technology

These risks are mitigated in a number of ways:

- HE Curriculum planning
- HE Communications and marketing plan
- Partnership development with Universities
- Monitoring by the Board and Standards Committee.

5. Data Protection

The College has strong data protection process and prepared for the changes required by GDPR and the new Data Protection law in 2018. Staff undertook GDPR training before the introduction of the new law. The College data protection policy was updated to include the rights and responsibilities of the Data Protection Act 2018.

The key risks include:

- A data breach could result in a significant fine (up to 2% of group turnover)
- All clients affected by a data loss must be contacted resulting in reputational damage

These risks are mitigated in the following ways:

- A data protection officer is in place to oversee compliance and implement data protection processes
- There is mandatory data protection training in place and staff who need to transfer sensitive data receive additional training
- A secure IT system is in place in order to transfer data outside the organisation
- Robust multi-layered network security is in place, preventing unauthorised access to IT systems
- A robust College procedure exists for shredding of sensitive material. In addition, all IT equipment is appropriated wiped by professional external recycling providers
- Internal audit performed a preliminary check on GDPR compliance and their findings were actioned
- Internal audit will take place in full in May/June 2019 for GDPR compliance

KEY PERFORMANCE INDICATORS

Key performance Indicator - College	Measure/Target	Actual for 2017/18
Student number targets	16-18 2786	16-18 2624
	HE 372	HE 365
Student achievement/progression	16-18 outcomes 83%	16-18 outcomes 84.8%
	19+ outcomes 92%	19+ outcomes 95%
Operating surplus/(deficit)	£1.4 million	(£9.5) million
Ofsted rating	1	2 (2017)

The College achieved only one of the four Key Performance Indicators in 2017/18. The student achievement / progression target was exceeded demonstrating that the College was learner focussed. However the other targets were not met. The actual operating deficit of £9.5 million against a target surplus of £1.4 million is of particular note. Revised financial targets have been approved by the Board in the Financial Recovery Plan.

Student achievements

Students continue to prosper at the College. Overall outcomes for 16-18 learners improved by 2.3% in 2017/18 to 84.8%. The progress of learners across academic, applied general, technical and English and maths qualifications showed improvement. A levels in particular showed significant improvement in 2017/18 being in the top 10 of providers nationally for value added. The majority of learners progressed into a positive destination from their programme of study with 2% more progressing into employment than in 2016/17.

OTHER INFORMATION

Public Benefit

West Nottinghamshire College is an exempt charity under the 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 18. 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 18,857 students, including 150 students with high needs. The College provides courses without charge to young people, to those who are unemployed and adults taking English and Maths courses. The College adjusts its courses to meet the needs of local employers and provides training to 4,945 apprentices. The College is committed to

providing information, advice and guidance to the students it enrolls and to finding suitable courses for as many students as possible regardless of their educational background.

Equality

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, disability, religion or belief and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy is resourced, implemented and monitored on a planned basis. The College's Equality 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 that the promotion of equality and diversity and British values to be a key 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 identical 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 a number of 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. Specialist programmes are described in programme information guides, and achievements and destinations are recorded and published in the standard College format; and
- e. 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.

Number of employees who were trade union representatives during the relevant period 1/4/17 – 31/3/18	FTE employee number
10	9.5

Percentage of working hours spent on facility time	Number of employees
0%	0
1-50%	10
51-99%	0
100%	0

Total cost of facility time	
Total pay bill	£18,301
Percentage of total bill spent on facility time	0.07%

Time spent on paid trade union activities as a percentage of total paid facility time	29%
---	-----

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, in the absence of 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 2017 to 31st July 2018, 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

Following the College's failure to deal quickly enough with the significant reduction in income in 2017/18, Exceptional Financial Support totalling £2.1m was requested at short notice from the ESFA in July 2018. Further EFS has been required in 2018/19 to stabilise the College's position during a period of strategic realignment.

At the same time the College has been in negotiations with Lloyds Bank in respect of its loan facilities. The College currently has two long term loans with the Bank totalling £13.995 million and a revolving credit facility (RCF) of £3.0 million. The College is currently in breach of certain representations and warranties in respect of the RCF and for a while the College was unable to access the whole facility. The bank has waived certain rights under the facility agreement in return for the College granting a legal charge over its freehold land and buildings and as a consequence access to the facility has now been restored until 28th February 2019. Positive discussions with the bank to ensure that the facility will continue beyond that date are at an advanced stage.

The College has prepared a comprehensive financial recovery strategy and plan. This financial plan will be subject to an Independent Business Review by BDO, Chartered Accountants, and will form the basis of negotiation, as referred to above, with its lenders for financial support post 31st March 2019.

Disclosure of information to auditors

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

Approved by order of the members of the Corporation on 25 February 2019 and signed on its behalf by:


 Sean Lyons 25 Feb 2019

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. This statement covers the period from 1st August 2017 to 31st July 2018 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 is applicable to the further education sector.

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

In the opinion of the Governors, the College complies with all the provisions of the Code and it has complied throughout the year ended 31 July 2018 with one exception. In January 2018, the Board made the decision to re-appoint one governor for a further period of office. This was a departure from the guidance that the maximum period of office for a governor should be 8 years (2 x 4 years). This decision was based upon an analysis of need, skills, experience and connections. Continuity in the role of Chair to the Standards Committee was considered essential until a replacement could be recruited.

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.

In respect of the College’s financial performance, cash management and risk management, the new Governing Body acknowledges that those responsibilities were not discharged effectively during 2017/18. The College has made significant improvements in governance since the year end. A new and experienced Chair has been appointed along with a number of new governors with a wide range of skills and experience including financial expertise. The Corporation is confident that significant improvements in corporate governance have been made and will continue to be made going forward.

The Corporation

Governors serving on the College Board 2017/18 and up to the date of signature of this report were as listed in the table below:

Name of Governor	Date of Appointment/ Re-appointment	Term of office	Date of resignation	Status of appointment	Committees served	Committee % Attendance	Board % Attendance
Kate Allsop *	Re-appointment 31.7.2016	4 years current term ends on 31.07.2020		Local Authority member	Vice Chair of Governors from 01.2014 extended to 31.07.18 Extended for 1 year period to 31.7.2019 <i>Interim Chair from 13.12.2018 to 31 01 2019</i>	100%	77%

West Nottinghamshire College
Strategic Report and Financial Statements
for Year Ending 31 July 2018

Name of Governor	Date of Appointment/ Re-appointment	Term of office	Date of resignation	Status of appointment	Committees served	Committee % Attendance	Board % Attendance
Ian Baggaley*	Re-appointment 13.05.2017	4 years Current term ends on 13.05.2021		Business Member	Subsidiary Cos Director	N/A	69%
Cassidy England	25.10.2018	1 year Current Term ends on 31.07.2019		Student Governor		N/A	N/A
Paul Frammingham	25.10.2018	4 years Current Term ends on 25.10.2022		Independent Member	FRE	N/A	N/A
Jamie Fryatt	28.01.2016	4 years Current term ends on 28.01.2020		Independent Member	A (Chair until 29.11.2018) Subsidiary Director	100%	100%
Jane Hawksford	22.11.2016	4 years Current term ends on 22.11.2020		Staff Member (Support)	ST	75%	25%
Robyn Hodgson	31.07.2018	1 year Current Term ends on 31.07.2019		Student Governor	ST	N/A	N/A
Rebecca Joyce	25.10.2018	4 years Current Term ends on 25.10.2022		Independent Member	A	N/A	N/A
Sean Lyons	31 01 2019	4 years		Independent Member	Chair of Governors from 31.1.2019 R	N/A	N/A
Mary Mamik	25.10.2018	4 years Current Term ends on 25.10.2022		Independent Member	ST (Chair from Jan 2019)	N/A	N/A
Neil McDonald	25.10.2018	4 years Current Term ends on 25.10.2022		Independent Member	A (Chair from 7.2.2019)	N/A	N/A
Jon Mold	25.10.2018	4 years Current Term ends on 25.10.2022		Independent Member	Subsidiary Director	N/A	N/A
Lee Radford	21.09.2017	4 years Current term ends on 21.09.2021		Independent Member	A R (no meeting since appointment) <i>Interim Vice Chair from 13.12.2018 to 31.1.2019</i>	100% N/A	75%
Martin Rigley MBE	21.09.2017	4 years Current term ends on 21.09.2021		Independent Member	FRE	100%	77%
Kate Truscott	25.10.2018	4 years Current Term ends on 25.10.2022		Independent Member	FRE R	N/A	N/A
Sardip Sandhu	25.10.2018	4 years Current Term ends on 25.10.2022		Independent Member	A	N/A	N/A
Martin Sim	29.10.2018	Interim (until Principal/ CEO appointed)		Interim Principal and CEO	FRE ST	N/A	N/A
Steve Sutton	25.10.2018	4 years Current Term ends on 25.10.2022		Independent Member	ST	N/A	N/A

Name of Governor	Date of Appointment/ Re-appointment	Term of office	Date of resignation	Status of appointment	Committees served	Committee % Attendance	Board % Attendance	
Tony Westwater	25.10.2018	4 years Current Term ends on 25.10.2022		Independent Member	FRE	N/A	N/A	
Mark Williams	10.03.2016	4 years Current term ends on 10.3.2020		Independent Member	ST	75%	100%	
Jen Hope	25.10.18	4 years Current term ends on 25.10.2022		Standards Committee Co-optee	ST	N/A	N/A	
Neil Shaw	25.10.18	4 years Current term ends on 25.10.2022		FRE Committee Co-optee	FRE	N/A	N/A	
Andrea Morrissey	25.10.18	4 years Current term ends on 25.10.2022		Standards Committee Co-optee	ST	N/A	N/A	
Alison Breedon	31.12.2016	4 years Current term ends on 31.07.2020	<i>Resigned 25.10.2018</i>	Staff Member (Delivery)	FRE	50%	50%	
Tim Clarke*	Re-appointment 11.03.2014	4 years Current term ends on 11.03.2018	<i>Resigned 01.03.18</i>	Business Member	R Subsidiary Cos Director	50%	62%	
Nevil Croston *	Re-appointment 14.07.2016	4 years current term ends on 31.07.2020	<i>Retired 13.12.2018</i>	Business Member	Chair of Governors from 01.2014 extended to 31.07.2018 R (Chair)	100%	85%	
Terry Dean*	Re-appointment 15.10.2013	4 years Current term ends on 15.10.2017	<i>Resigned 13.12.2018</i>	Business Member	FRE Subsidiary Co Director	100%	46%	
Malcolm Hall MBE*	Re-appointment 26.04.2016	4 years Current term ends on 26.4.2020	<i>Resigned 08.02.2019</i>	Business Member	FRE (Chair until Feb 2019)	100%	77%	
John Holford*	Re-appointment 28.01.2014	4 years	<i>Term ended 04.02.2019</i>	Business Member	ST (Chair until 25.10.2108)	100%	77%	
Dame Asha Khemka DBE	01.05.2006	n/a	<i>Resigned 28.09.2018</i>	Principal and Chief Executive	FRE ST	100% 75%	92%	
Lewis Maskery	21.09.2017	1 year Current term ends on 31.07.2018	<i>Term ended 31.07.2018</i>	Student Governor (SU President)	ST	75%	75%	
Alan Mele	17.12.2015	4 years Current term ends on 17.12.2019	<i>Resigned 21.1.2019</i>	Finance Resources and Estates co-optee	FRE	15%	N/A	
David Overton*	Re-appointment 31.01.2015	4 years current term ends on 31.01.2019	<i>Resigned 06.02.18</i>	Business member	A (Chair from Jan 2014) FRE (for estates matters only)	0% 50%	25%	
John Robinson*	15.07.2011	4 years current term ends on 15.7.2019	<i>Resigned 17.05.18</i>	Business Member	-	N/A	50%	
Neil Robinson	26.02.2015	4 years Current term ends on 26.02.2019	<i>Resigned 12.04.18</i>	Audit Committee Co-opted	A	0%	N/A	
Luke Walters	19.05.2017	1 year Current term ends on 31.07.2018	<i>Resigned 09.01.18</i>	Student Governor		N/A	100%	
Darren Wilkinson	17.12.2015	4 years Current term ends on 17.12.2019	<i>Resigned 13.02.2019</i>	Audit Committee Co-opted	A	75%	N/A	
Maxine Bagshaw acts as Clerk to the Corporation. *denotes re-appointment R = Remuneration; FRE = Finance, Resources and Estates; A = Audit; ST = Standards								

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 are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Clerk to the 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

Ordinarily the Corporation would undertake self-assessment at the end of each year. The self-assessment was not undertaken for 2017/18. The performance of the Corporation was commented on in the Further Education Commissioner's Intervention report dated August 2018. Since the report was published, the former Chair has retired, the former Principal has resigned, a new Interim Principal is in post and the Corporation has been strengthened by the appointment of a new Chair and other governors with a range of skills including finance.

Remuneration Committee

Throughout the year ending 31st July 2018 the College's Remuneration Committee comprised three members of the Corporation. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other key management personnel.

Details of remuneration for the year ended 31st July 2018 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 2 co-opted finance/audit specialists. The Committee operates in accordance with written terms of reference approved by the Corporation.

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

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

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

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

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 at least four times a year and provides a forum for consideration of strategic matters, including strategic plans, the HR strategy and joint ventures, financial matters including the year end accounts and subcontracting activity and estates matters including the property strategy and capital expenditure.

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 she was personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between West Nottinghamshire College and the funding bodies. She was also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control was in place in West Nottinghamshire College for the year ended 31st July 2018 and up to the date of approval of the Strategic Report and accounts but during the year to 31st July 2018 was not effective in minimising the risks and their impact.

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 whilst there was a formal ongoing process for identifying, evaluating and managing the College's significant risks that had been in place for the period ending 31st July 2018 and up to the date of approval of the annual report and accounts, the process was not effective in the period up to 31st July 2018 in managing all of the College's significant risks. This is evidenced in respect of the deterioration in the College's financial position and liquidity during 2017/18.

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 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 former Principal had responsibility for reviewing the effectiveness of the system of internal control. Her review of the effectiveness of the system of internal control was informed by:

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

The current Accounting Officer has been advised on the implications of the result of his review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditor and other sources of assurance. The Audit Committee concluded that the system of internal control for the year ended 31st July 2018 was ineffective. Action to address weaknesses in the control environment has started. Plans to improve the control environment rapidly are being developed and implemented as a matter of priority.

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

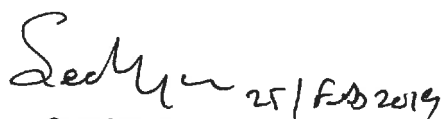
As reported earlier in this report and in these financial statements, the Group has recorded a deficit before other gains and losses of £9.83 million for the year ended 2017/18. This included the College deficit of £9.54 million. The College had a creditor of £2.3 million payable to the Education and Skills Funding Agency (ESFA) at 31st July 2018 of which £2.1 million is exceptional financial support. The College also had £13.995 million of loans with Lloyds bank and a revolving credit facility of £3.0 million. Whilst the long term loans are repayable over the period until July 2028, they have been reclassified as current liabilities in the financial statements.

In December 2018, the Corporation approved a deficit budget for 2018/19 as part of the financial recovery plan. The College's financial plan currently covers the two year period from 1st August 2018 to 31st July 2020. It shows the

need for further Exceptional Financial Support in the period February to March 2019. This finances ongoing deficits, payment of clawback to ESFA, further restructuring in February and March 2019 and the exceptional professional fees incurred as a result of the College's current financial position. The plan assumes continuing financial support at current levels from Lloyds Bank and bksb and the receipt of gift aid from bksb in respect of both 2018/19 and 2019/20. There are a number of plans in place, including an Independent Business Review (IBR), which will enable the College and its funders to agree the strategic direction of the College and a robust financial base moving forward.

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 25 February 2019 and signed on its behalf by:

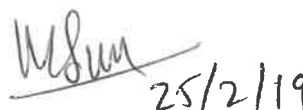
 25/FEB 2019

Sean Lyons

Chair of the Corporation

Martin Sim

Accounting Officer

 25/2/19


Statement of Regularity, Propriety and Compliance

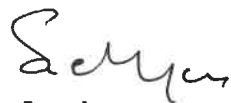
The Corporation has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the College's grant funding agreements and contracts with the ESFA. As part of our consideration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

We confirm, on behalf of the Corporation, that after due enquiry, and to the best of our knowledge, we are able to identify any material irregular or improper use of funds by the College, or material non-compliance with the terms and conditions of funding under the College's grant funding agreements and contract with the ESFA.

We confirm that the following instances of material irregularity, impropriety or funding non-compliance discovered to date have been notified to the ESFA. If any instances are identified after the date of this statement, these will be notified to the ESFA:

- The College has recently concluded an investigation that identified some historic funding irregularities relating to activity undertaken by subcontractors. As a result, the College has agreed to repay approximately £0.3 million of funding to the ESFA relating to prior financial years, which has been provided for in these financial statements. The College will also be reviewing some further historic sub-contracting arrangements in conjunction with the ESFA.
- The College has also undertaken a data cleansing review of apprenticeships. The review identified instances of non compliance with funding guidance resulting in a provision of £1.1 million in the accounts relating to activity which should have been withdrawn from the funding return to the ESFA before 31st July 2018.


Martin Sim 25/2/19
Accounting Officer
25 February 2019


Sean Lyons 25 Feb 2019
Chair of the Corporation
25 February 2019

Statement of Responsibilities of the Members of the Corporation

The members of the Corporation, as charity trustees, 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 for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education, the ESFA's College Accounts Direction 2017 to 2018 and the UK's Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the College and its 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; and
- assess the Group and parent College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and

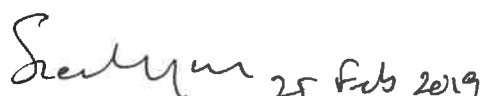
use the going concern basis of accounting unless they either intend to liquidate the Group or parent College or to cease operations, or have no realistic alternative but to do so. The Corporation is also required to prepare a Strategic Report which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the parent College, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation including the Further and Higher Education Act 1992 and Charities Act 2011, and 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 its assets and to prevent and detect fraud and other irregularities.

The Corporation is responsible for the maintenance and integrity of the College website; the work carried out by 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 ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the ESFA are not put at risk.

Approved by order of the members of the Corporation on 25 February 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 2018 which comprise the Consolidated Statements of Comprehensive Income, Consolidated and College Statement of Changes in Reserves, Consolidated and College Balance Sheets, Consolidated Statement of Cash Flows and related notes, including the statement of accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the College's affairs as at 31 July 2018, and of the Group's and the College's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended; and
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education*.

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to the Going Concern disclosures in note 1 to the financial statements which indicate that the Group and College is dependent on the continued support of the Group's bankers for the continued provision of loan facilities despite covenant breaches in relation to the 2017/18 financial year end, and the continued support of the Education and Skills Funding Agency through provision of short term cash flow support and a loan facility under the "FE College Financial Intervention and Exceptional Financial Support" policy. These events and conditions, along with other matters explained in note 1 indicate that a material uncertainty exists that may cast significant doubt on the Group's and the College's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The Corporation is responsible for the other information, which comprises the Strategic Report and 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 2017 to 2018 (March 2018) 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

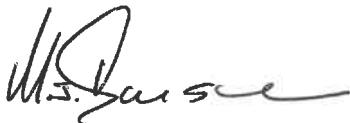
As explained more fully in their statement set out on page 24, the Corporation is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements 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 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
Snowhill Queensway
Birmingham
B4 6GH

27 February 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

In accordance with the terms of our engagement letter and further to the requirements of the funding agreement with the Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by West Nottinghamshire College during the period 1 August 2017 to 31 July 2018 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 ("the Code") issued by the Education and Skills Funding Agency. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record returns, for which the Education and Skills Funding Agency has other assurance arrangements in place.

This report is made solely to the Corporation of West Nottinghamshire College and the Education and Skills Funding Agency 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 Education and Skills Funding Agency 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 Education and Skills Funding Agency 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 Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1st August 2017 to 31st July 2018 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 Code issued jointly by the Education and Skills Funding Agency. We performed a limited assurance engagement as defined in that framework.

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

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

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

The work undertaken to draw our conclusion 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 Code.

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 2017 to 31 July 2018 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
Snowhill Queensway
Birmingham
B4 6GH

27 February 2019

Consolidated Statements of Comprehensive Income

	Notes	Year ended 31 July 2018		Year ended 31 July 2017	
		Group £'000	College £'000	Group £'000	College £'000
INCOME					
Funding body grants	2	33,473	33,473	41,653	41,653
Tuition fees and education contracts	3	3,275	3,271	4,404	4,245
Other grants and contracts	4	146	146	115	115
Other income	5	4,655	3,119	4,789	3,190
Investment income	6	9	5	14	8
Total income		41,558	40,014	50,975	49,211
EXPENDITURE					
Staff costs	8	28,982	27,612	27,199	25,984
Other operating expenses	9	17,650	17,186	21,957	22,165
Depreciation	12	1,981	1,977	2,343	2,312
Impairment	12	1,373	1,373	9	46
Interest and other finance costs	10	1,399	1,402	1,289	1,270
Total expenditure		51,385	49,550	52,797	51,777
(Deficit) before other gains and losses		(9,827)	(9,536)	(1,822)	(2,566)
Profit/ (Loss) on disposal of assets	12	285	281	(6)	(6)
(Deficit) before tax		(9,542)	(9,255)	(1,828)	(2,572)
Taxation	11	54	-	(40)	-
(Deficit) for the year		(9,488)	(9,255)	(1,868)	(2,572)
Actuarial Gain/(Loss) in respect of pensions schemes	24	8,404	8,163	(1,992)	(1,816)
Total Comprehensive income for the year		(1,084)	(1,092)	(3,860)	(4,388)
Represented by:					
Unrestricted comprehensive income		(1,084)	(1,092)	(3,860)	(4,388)

Consolidated and College Statement of Changes in Reserves


	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Group			
Balance at 1st August 2016	(14,894)	5,004	(9,890)
(Deficit) from the income and expenditure account	(1,868)	-	(1,868)
Other comprehensive loss	(1,992)	-	(1,992)
Transfers between revaluation and income and expenditure	142	(142)	-
	(3,718)	(142)	(3,860)
Balance at 31st July 2017	(18,612)	4,862	(13,750)
(Deficit) from the income and expenditure account	(9,488)	-	(9,488)
Other comprehensive gains	8,404	-	8,404
Transfers between revaluation and income and expenditure reserves	674	(674)	-
Total comprehensive income for the year	(410)	(674)	(1,084)
Balance at 31 July 2018	(19,022)	4,188	(14,834)
College			
Balance at 1st August 2016	(10,087)	5,004	(5,083)
(Deficit) from the income and expenditure account	(2,572)	-	(2,572)
Other comprehensive loss	(1,816)	-	(1,816)
Transfers between revaluation and income and expenditure	142	(142)	-
	(4,246)	(142)	(4,388)
Balance at 31st July 2017	(14,333)	4,862	(9,471)
(Deficit) from the income and expenditure account	(9,255)	-	(9,255)
Other comprehensive gains	8,163	-	8,163
Transfers between revaluation and income and expenditure reserves	674	(674)	-
Total comprehensive income for the year	(418)	(674)	(1,092)
Balance at 31 July 2018	(14,751)	4,188	(10,563)


Consolidated and College Balance sheets as at 31 July

	Notes	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Non-current assets					
Tangible Fixed assets	12	45,392	45,380	48,405	48,405
Investments	13	-	89	-	89
		45,392	45,469	48,405	48,494
Current assets					
Stocks		41	41	34	34
Trade and other receivables	14	1,651	5,331	2,710	6,122
Cash and cash equivalents	19	1,968	1,433	2,725	600
		3,660	6,805	5,469	6,756
Less: Creditors – amounts falling due within one year	15	(27,401)	(27,249)	(12,270)	(10,342)
Net current (liabilities)		(23,741)	(20,444)	(6,801)	(3,586)
Total assets less current liabilities		21,651	25,025	41,604	44,908
Creditors – amounts falling due after more than one year	16	(13,377)	(13,377)	(26,710)	(26,710)
Provisions					
Defined benefit obligations	18	(22,212)	(21,354)	(27,723)	(26,787)
Other provisions	18	(896)	(857)	(921)	(882)
Total net (liabilities)		(14,834)	(10,563)	(13,750)	(9,471)
Unrestricted Reserves					
Income and expenditure account		(19,022)	(14,751)	(18,612)	(14,333)
Revaluation reserve		4,188	4,188	4,862	4,862
Total unrestricted reserves		(14,834)	(10,563)	(13,750)	(9,471)

The financial statements on pages 29 to 55 were approved and authorised for issue by the Corporation on

25 February 2019 and were signed on its behalf by:


Sean Lyons
25 Feb 2019
Chair of the Corporation


Martin Sim
25/2/19
Accounting Officer

Consolidated Statement of Cash Flows

	Notes	2018 £'000	2017 £'000
Cash flow from operating activities			
(Deficit) for the year		(9,542)	(1,828)
Adjustment for non-cash items			
Depreciation		1,981	2,343
Impairment		1,373	9
(increase) in stocks		(7)	(13)
decrease in debtors		1,059	625
Increase/(decrease) in creditors due within one year		12,605	(2,263)
(decrease) in creditors due after one year		(12,574)	(487)
(decrease) in provisions		(58)	(311)
Pensions costs less contributions payable		2,926	2,051
Taxation		54	(50)
Adjustment for investing or financing activities			
Investment income		(9)	(14)
Interest payable		-	-
Taxation paid		-	-
(Profit)/loss on sale of non current assets		(285)	6
Net cash flow from operating activities		(2,477)	68
Cash flows from investing activities			
Proceeds from sale of fixed assets		559	464
Investment income		9	14
Payments made to acquire fixed assets		(613)	(3,771)
		(45)	(3,293)
Cash flows from financing activities			
Repayments of amounts borrowed		(735)	(739)
New secured loans		2,500	-
		1,765	(739)
(Decrease) in cash and cash equivalents in the year		(757)	(3,964)
Cash and cash equivalents at beginning of the year	19	2,725	6,689
Cash and cash equivalents at end of the year	19	1,968	2,725

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 2017 to 2018* 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 Apprentices Limited, Vision Business Support Services Limited, Vision Workforce Skills 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 2018.

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 cashflow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

The Group has recorded a deficit before other gains and losses of £9.83 million for the year ended 31st July 2018. This included the College deficit of £9.54 million. The Group had net current liabilities of £23.74 million at the balance sheet date including £2.3 million payable to the Education and Skills Funding Agency (ESFA), of which £2.1 million is Exceptional Financial Support and £13.995 million of loans with Lloyds Bank. Whilst the bank loans are not repayable until July 2028, the College is currently in breach of one of its banking covenants and expects to be in breach of another when these accounts are finalised. Therefore the bank loans have been reclassified as current liabilities in the financial statements. Discussions with the bank were ongoing at the date of approval of the financial statements. A revolving credit facility of £3 million was also available to the College in 2017/18. The full facility had been drawn down by 31st July 2018.

In December 2018, the Corporation approved a deficit budget for 2018/19 as part of the financial recovery plan. The College's financial plan currently covers the two year period from 1st August 2018 to 31st July 2020. It shows the need for further Exceptional Financial Support in the period February to March 2019. This finances the College's working capital requirements, payment of clawback of apprenticeship income to the ESFA, further restructuring in February and March 2019 and the exceptional professional fees incurred as a result of the College's current financial position. The plan assumes continuing financial support at current levels from Lloyds Bank and bksb and the continued receipt of gift aid from bksb Limited (the College's subsidiary) in respect of both 2018/19 and 2019/20. There are a number of plans in place, including an Independent Business Review (IBR), which will enable the College and its funders to agree the strategic direction of the College and a robust financial base moving forward.

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 significant 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.

Recognition of income

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

The recurrent grant from HEFCE/Office for Students (from 1st April 2018) represents the funding allocations attributable to the current financial year and is credited direct 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 substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method. The TPS is a multi-employer scheme and 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 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 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 in tangible 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 insignificant risk of change in value. An investment qualifies as a cash equivalent when it has maturity of 3 months or less from the date of acquisition.

Financial liabilities and equity

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

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

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. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the group's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the 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 2018. 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	
	2018	2018	2017	2017
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
Education and Skills Funding Agency - Adult	6,818	6,818	6,806	6,806
Education and Skills Funding Agency - 16-18	15,351	15,351	15,202	15,202
Education and Skills Funding Agency - Apprenticeships	10,310	10,310	18,444	18,444
Higher Education Funding Council/Office for Students	343	343	416	416
Specific grants				
Releases of government capital grants	593	593	729	729
HE grant	58	58	56	56
Total	33,473	33,473	41,653	41,653

3 Tuition fees and education contracts	Year ended 31 July		Year ended 31 July	
	2018	2018	2017	2017
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	24	24	23	23
Apprenticeship fees and contracts	47	43	226	67
Fees for FE loan supported courses	632	632	1,078	1,078
Fees for HE loan supported courses	1,773	1,773	2,072	2,072
Other students fees	286	286	450	450
Total tuition fees	2,762	2,758	3,849	3,690
Education contracts	513	513	555	555
Total	3,275	3,271	4,404	4,245

4 Other grants and contracts	Year ended 31 July		Year ended 31 July	
	2018	2018	2017	2017
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Erasmus	84	84	62	62
Other grants and contracts	62	62	53	53
Total	146	146	115	115

5 Other income	Year ended 31 July		Year ended 31 July	
	2018	2018	2017	2017
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering and residences	481	481	480	480
Other income generating activities	4,130	2,594	4,226	2,627
Other grant income	17	17	21	21
Miscellaneous income	27	27	62	62
Total	4,655	3,119	4,789	3,190

Other income generating activities for the Group includes £3.3 million relating to bksb income. Other income generating activities for the College includes bksb gift aid.

6 Investment income	Year ended 31 July		Year ended 31 July	
	2018	2018	2017	2017
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other interest receivable	9	5	14	8
Total	9	5	14	8

7 Donations – College only	2018	2017
	£'000	£'000
Unrestricted donations	-	-
Total	-	-

8 Staff costs – Group and College

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

	2018	2017
	No.	No.
Teaching staff	292	322
Non-teaching staff	452	448
	<u>744</u>	<u>770</u>
Staff costs for the above persons		
	2018	2017
	£'000	£'000
Wages and salaries	20,831	21,105
Social security costs	1,911	1,849
Other pension costs	4,948	3,913
	<u>27,690</u>	<u>26,867</u>
Contracted out staffing services	420	76
Redundancy costs	872	256
	<u>28,982</u>	<u>27,199</u>
Total Staff costs		

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, and Deputy Principals. Staff costs include compensation paid to key management personnel for loss of office.

An interim Director of Finance started on 31st July 2018. His salary for that day and other information has not been included in this note.

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

	2018	2017
	No.	No.
The number of key management personnel including the Accounting Officer was:	<u>4</u>	<u>4</u>

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	
	2018	2017	2018	2017
	No.	No.	No.	No.
£60,001 to £70,000 p.a.	-	-	3	5
£70,001 to £80,000 p.a.	-	-	1	1
£80,001 to £90,000 p.a.	-	1	-	-
£90,001 to £100,000 p.a.	1	1	-	2
£100,001 to £110,000 p.a.	1	-	1	-
£110,001 to £120,000 p.a.	1	1	-	-
£120,001 to £130,000 p.a.	-	-	-	-
£260,001 to £270,000 p.a.	1	1	-	-
£270,001 to £280,000 p.a.	-	-	-	-
	<u>4</u>	<u>4</u>	<u>5</u>	<u>8</u>

Key management personnel compensation is made up as follows:

	2018	2017
	£'000	£'000
Salaries – gross salary sacrifice and waived emoluments	472	484
Employers National Insurance or Social Security	62	64
Benefits in kind	10	10
	<u>544</u>	<u>558</u>
Pension contributions	27	27
Total key management personnel compensation	<u>571</u>	<u>585</u>

The former Principal and Chief Executive resigned in September 2018. She waived her right to pay in lieu of notice. There were no other amounts due to key management personnel that were waived in the year, nor any salary sacrifice arrangements in place.

The above emoluments include amounts payable to the previous Principal who was the Accounting Officer during the year (who was also the highest paid officer) of:

	2018	2017
	£'000	£'000
Salaries	257	257
Benefits in kind	5	5
	<u>262</u>	<u>262</u>
Pension contributions	-	-

Compensation for loss of office paid to former key management personnel

	2018	2017
	£'000	£'000
Compensation paid to the former post-holder	-	13
Estimated value of benefits, including provisions for pension benefits	-	-

The members of the Corporation other than the Accounting Officer 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.

9 Other operating expenses

	2018	2018	2017	2017
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	1,841	1,841	2,038	2,038
Subcontractor costs	9,769	9,769	14,691	14,691
Non-teaching costs	4,598	4,134	4,312	4,086
Premises costs	1,442	1,442	916	1,350
Total	17,650	17,186	21,957	22,165

Other operating expenses include:

	2018	2017
	£'000	£'000
Auditors' remuneration:		
Financial statements audit*	32	54
Internal audit**	26	26
Other services provided by the financial statements auditor (funding assurance and TPA)	28	1
Other services provided by the internal auditors	-	13
Profit / (Loss) on disposal of non-current assets	285	(6)
Hire of assets under operating leases	152	116

* includes £20,450 in respect of the College only. The 2016/17 fee includes £20,450 in respect of the College only and £22,000 in respect of the 2016/17 audit overrun

** includes £26,000 in respect of the College (2016/17 £26,000)

10 Interest and other finance costs – Group and College

	2018	2017
	£'000	£'000
On bank loans, overdrafts and other loans:	661	684
Net interest on defined pension liability (note 24)	738	605
Total	1,399	1,289

11 Taxation – Group only

	2018	2017
	£'000	£'000
United Kingdom corporation tax at 19 per cent	(31)	50
Provision for deferred corporation tax in the accounts of the subsidiary	(23)	(10)
Total	(54)	40

12 Tangible fixed assets (Group)

	Land and buildings	Equipment	Assets in the course of construction	Total
	Freehold			
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2017	54,979	17,213	93	72,285
Additions	113	500	-	613
Transfers	81	12	(93)	-
Disposals	(689)	(69)	-	(758)
At 31 July 2018	54,484	17,656	-	72,140
Depreciation				
At 1 August 2017	8,853	15,027	-	23,880
Charge for the year	1,020	961	-	1,981
Asset Impairment	1,312	61	-	1,373
Elimination in respect of disposals	(417)	(69)	-	(486)
At 31 July 2018	10,768	15,980	-	26,748
Net book value at 31 July 2018	43,716	1,676	-	45,392
Net book value at 31 July 2017	46,126	2,186	93	48,405

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 2017	54,978	16,730	93	71,801
Additions	113	485	-	598
Transfers	81	12	(93)	-
Disposals	(689)	(26)	-	(715)
At 31 July 2018	54,483	17,201	-	71,684
Depreciation				
At 1 August 2017	8,852	14,545	-	23,397
Charge for the year	1,020	957	-	1,977
Asset Impairment	1,312	61	-	1,373
Elimination in respect of disposals	(417)	(26)	-	(443)
At 31 July 2018	10,767	15,537	-	26,304
Net book value at 31 July 2018	43,716	1,664	-	45,380
Net book value at 31 July 2017	46,127	2,185	93	48,405

Land and buildings were valued in 1996 at depreciated replacement cost by Innes England a firm of independent chartered surveyors. The main disposal during the year was the sale of Ashfield College in May 2018. The College realised a profit on disposal of £279k.

As part of the bank's due diligence for taking security over the College's assets, Lloyds requested an independent high level valuation of the College sites. During the year, the College identified two sites which were or would be mothballed before year end prior to sale. The alternative use valuation was materially lower than the carrying value in non-current assets. Therefore the assets have been impaired at year end to reflect the valuation.

13 Non-current investments

	College 2018 £'000	College 2017 £'000
Investments in subsidiary companies	89	89
Total	89	89

The College owns 100 per cent of the issued ordinary £1 shares of bksb Limited, a company incorporated in England and Wales, 100 per cent of the issued ordinary £1 shares of Safety Plus Training and Consultancy Limited, a company incorporated in England and Wales, 100 per cent of the issued ordinary £1 shares of Safety Plus Construction Limited, a company incorporated in England and Wales, 100 per cent of the issued ordinary £1 shares in Vision Workforce Skills Limited, a company incorporated in England and Wales, 100 per cent of the issued ordinary share £1 shares of Vision Apprentices Limited, a company incorporated in England and Wales and 100 per cent of the issued ordinary £1 shares of Vision Business Support Services Limited, a company incorporated in England and Wales.

The principal business activity of bksb Limited is to provide the commercial development of bksb educational software products. The principal activity of Vision Business Support Services Limited is the provision of back office services and the principal activity of Vision Apprentices Limited is the provision of apprentice trainees to employers as an Apprentice Training Agency (ATA). Safety Plus Training and Consultancy Limited, Safety Plus Construction Limited and Vision Workforce Skills Limited and Vision Apprentices Limited did not actively trade during the period.

14 Trade and other receivables

	Group	College	Group	College
	2018	2018	2017	2017
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade receivables	935	122	1,051	252
Amounts owed by group undertakings:				
Subsidiary undertakings	-	4,541	-	4,243
Prepayments and accrued income	716	668	1,004	978
Deferred tax assets	-	-	6	-
Amounts owed by the ESFA	-	-	649	649
Total	1,651	5,331	2,710	6,122

15 Creditors: amounts falling due within one year

	Group	College	Group	College
	2018	2018	2017	2017
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	16,995	16,995	1,235	1,235
Other loans	43	43	43	43
Trade payables	694	685	399	385
Amounts owed to group undertakings:				
Subsidiary undertakings	-	1,965	-	122
Corporation tax	19	-	50	-
Other taxation and social security	697	492	660	451
Accruals and deferred income	6,224	4,344	7,462	5,685
Deferred income - government capital grants	389	389	296	296
Deferred tax liability	4	-	-	-
Amounts owed to the ESFA	2,336	2,336	2,125	2,125
Total	27,401	27,249	12,270	10,342

16 Creditors: amounts falling due after one year

	Group	College	Group	College
	2018	2018	2017	2017
	£'000	£'000	£'000	£'000
Bank loans	-	-	13,995	13,995
Other loans	130	130	173	173
Accrual and deferred income	1,390	1,390	-	-
Deferred income - government capital grants	11,857	11,857	12,542	12,542
Total	13,377	13,377	26,710	26,710

The College is currently in breach of one of its banking covenants and expects to be in breach of another when these accounts are finalised. The breaches mean that the loans are technically all due within one year. As such long term bank loans of £13.995 million have been reclassified as Creditors: amounts falling due within one year. Accruals and deferred income of £1,390,000 represent amounts owing to the ESFA for which no repayment schedule has yet been agreed.

17 Maturity of debt

(a) Bank loans and overdrafts	Group 2018	College 2018	Group 2017	College 2017
	£'000	£'000	£'000	£'000
Bank loans and overdrafts are repayable as follows:				
In one year or less	16,995	16,995	1,235	1,235
Between one and two years	-	-	734	734
Between two and five years	-	-	9,143	9,143
In five years or more	-	-	4,118	4,118
Total	16,995	16,995	15,230	15,230

Bank loans at 4.38 per cent and 4.41 per cent repayable by instalments falling due between 1 August 2012 and 31 July 2028 totalling £13,995,000. A revolving credit facility (RCF) of £3 million was also available to the College in 2017/18. The full facility had been drawn down by 31st July 2018. Since the year end, the bank has taken security over the College's freehold land and buildings.

18 Provisions

	Defined benefit obligations	Restructuring	Group Enhanced pensions	Dilapidations	Total
	£'000	£'000	£'000	£'000	£'000
At 1 August 2017	27,723	-	871	50	28,644
Expenditure in the period	-	-	(67)	(1)	(68)
Additions in period	(5,511)	-	43	-	(5,468)
At 31 July 2018	22,212	-	847	49	23,108

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 2017 includes a deferred tax asset of £170,000 and £133,000 at 31 July 2018.

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:

	2018	2017
Price inflation	1.30%	3.74%
Discount rate	2.3%	2.5%

19 Group Cash and cash equivalents

	At 1 August 2017 £'000	Cash flows £'000	Other changes £'000	At 31 July 2018 £'000
Cash and cash equivalents	2,725	(757)	-	1,968
Total	<u>2,725</u>	<u>(757)</u>	<u>-</u>	<u>1,968</u>

20 Capital and other commitments

	Group and College	
	2018 £'000	2017 £'000
Commitments contracted for at 31 July	<u>-</u>	<u>52</u>

21 Lease obligations

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

	Group and College	
	2018 £'000	2017 £'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	-	-
Later than one year and not later than five years	83	83
Later than five years	<u>219</u>	<u>296</u>
	<u>302</u>	<u>379</u>
Other		
Not later than one year	-	-
Later than one year and not later than five years	87	87
Later than five years	<u>195</u>	<u>217</u>
	<u>282</u>	<u>304</u>

22 Contingencies

The College is currently investigating two subcontractor partners where potential irregularities have been identified. The final quantum of the potential irregularity is not known. However the total value of funding claimed by the College in respect of the activity across both subcontractor partners is £3.2million. In view of the uncertainty, no financial provision has been made in these accounts in relation to these two matters.

23 Events after the reporting period

Following the College's significant reduction in income in 2017/18, Exceptional Financial Support totalling £2.1m was requested at short notice from the ESFA in July 2018. Further EFS has been required in 2018/19 to stabilise the College's position during a period of strategic realignment.

At the same time the College has been in negotiations with Lloyds Bank in respect of its loan facilities. The College currently has two long term loans with the Bank totalling £13.995 million and a revolving credit facility (RCF) of £3.0 million. The College is currently in breach of certain representations and warranties in respect of the RCF and for a while the College was unable to access the whole facility. The bank has waived certain rights under the facility agreement in return for the College granting a legal charge over its freehold land and buildings and as a consequence access to the facility has now been restored until 28th February 2019. Positive discussions with the bank to ensure that the facility will continue beyond that date are at an advanced stage.

The College has prepared a comprehensive financial recovery strategy and plan. This financial plan will be subject to an Independent Business Review by BDO, Chartered Accountants, and will form the basis of negotiation, as referred to above, with its lenders for financial support post 31st March 2019.

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

Total pension cost for the year	2018	2017
	£000	£000
Teachers' Pension Scheme: contributions paid	1,197	1,274
Local Government Pension Scheme:		
Contributions paid	1,162	1,141
FRS 102 (28) charge	2,211	1,460
Charge to the Statement of Comprehensive Income	3,373	2,601
Enhanced pension charge to Statement of Comprehensive Income	43	46
Total Pension Cost for Year within staff costs	4,613	3,921

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2016.

Contributions amounting to £273,000 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 2012 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation are:

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

The new employer contribution rate for the TPS was implemented in September 2015.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:

<https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx>

Scheme Changes

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

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

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

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

The pension costs paid to TPS in the year amounted to £1.197 million (2017: £1.274 million)

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 2018 were £1.706 million, of which employer's contributions totalled £1.191 million and employees' contributions totalled £0.515 million. The agreed contribution rates for future years are 13.6% for employers and range from 5.5% to 12.5% for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2018 by a qualified independent actuary.

	At 31 July 2018	At 31 July 2017
Rate of increase in salaries	2.85%	3.20%
Future pensions increases	2.35%	2.70%
Discount rate for scheme liabilities	2.70%	2.70%
Inflation assumption (CPI)	2.35%	2.7%
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 2018	At 31 July 2017
	years	years
<i>Retiring today</i>		
Males	22.7	22.6
Females	25.6	25.5
<i>Retiring in 20 years</i>		
Males	24.9	24.7
Females	28.0	27.8

Sensitivity analysis	At 31 July 2018	At 31 July 2017
	£'000	£'000
Discount rate +0.1%	(1,59)	(1,59)
Discount rate -0.1%	1,641	1,641
Mortality assumption – 1 year increase	2,318	2,318
Mortality assumption – 1 year decrease	(2,239)	(2,239)

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 2018	Fair Value at 31 July 2018	Long- term rate of return expected at 31 July 2017	Fair Value at 31 July 2017
		£'000		£'000
Equity instruments	9.0%	27,927	7.0%	25,858
Debt instruments	9.0%	6,081	7.0%	5,952
Property	9.0%	5,870	7.0%	4,562
Cash	9.0%	1,175	7.0%	817
Other	9.0%	2,079	7.0%	2,079
Total market value of plan assets		43,132		39,268
Weighted average expected long term rate of return	9.0%		7.0%	
Actual return on plan assets		3,717		5,013

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

	2018	2017
	£'000	£'000
Fair value of plan assets	43,586	39,098
Present value of plan liabilities	(65,931)	(66,991)
Present value of unfunded liabilities	-	-
Net pensions (liability)/asset (Note 18)	(22,345)	(27,893)

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

	2018	2017
	£'000	£'000
Amounts included in staff costs		
Current service cost	3,380	2,574
Past service cost	-	27
Total	3,380	2,601

Amounts included in investment income

Net interest cost	738	605
	738	605

Amount recognised in Other Comprehensive Income

Return on pension plan assets	2,651	4,136
Experience losses arising on defined benefit obligations	-	(1,214)
Changes in assumptions underlying the present value of plan liabilities	5,824	(4,933)
Amount recognised in Other Comprehensive Income	8,475	(2,011)

The actuarial (gain) / loss in other comprehensive income of £8,404k also includes the deferred taxation in respect of the bksb pension scheme actuarial gain of (£71k) (2016/17 £34 k).

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

	2018	2017
	£'000	£'000
Net defined benefit (liability)/asset in scheme at 1 August	(27,893)	(23,816)
Movement in year:		
Current service cost	(3,288)	(2,574)
Employer contributions	1,176	1,140
Past service cost	(77)	(27)
Net interest on the defined (liability)/asset	(738)	(605)
Actuarial gain or loss	8,475	(2,011)
Net defined benefit (liability) at 31 July	(22,345)	(27,893)

Asset and Liability Reconciliation

	2018	2017
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	66,991	57,145
Current service cost	3,288	2,574
Interest cost	1,804	1,482
Contributions by Scheme participants	516	533
Experience gains and losses on defined benefit obligations	-	1,214
Changes in financial assumptions	(5,824)	3,782
Change in demographic assumptions	-	1,084
Estimated benefits paid	(921)	(850)

Past Service cost	77	27
Curtailments and settlements	-	-
Defined benefit obligations at end of period	65,931	66,991

Changes in fair value of plan assets

Fair value of plan assets at start of period	39,098	33,329
Interest on plan assets	1,066	877
Return on plan assets	2,651	4,136
Employer contributions	1,176	1,140
Contributions by Scheme participants	516	533
Other actuarial gains and losses	-	(67)
Estimated benefits paid	(921)	(850)
Fair value of plan assets at end of period	43,586	39,098

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, during the year was £Nil; Nil governors (2017: £Nil; Nil governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

The Inspire & Achieve Foundation – a registered charity of which Dame Asha Khemka DBE DL, 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 £5k (2017: £4k). The outstanding balance at the year-end was £95 (2017: £6k). The College also subcontracted £102k of AEB activity to the Inspire and Achieve Foundation in 2017/18 (2016/17: £35k).

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 £8,000 (2017: £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 £2,668 (2017: £Nil).

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 £1,730 in 2017/18 (2017: £Nil)

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

26 Amounts disbursed as agent

Learner support funds

	2018	2017
	£'000	£'000
Funding body grants – bursary support	193	193
Funding body grants – discretionary learner support	473	476
	<u>666</u>	<u>669</u>
Disbursed to students	(566)	(639)
Administration costs	(29)	(15)
	<u>71</u>	<u>15</u>
Balance unspent as at 31 July, included in creditors	<u>71</u>	<u>15</u>

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.