WEST NOTTINGHAMSHIRE COLLEGE

Annual Report and Consolidated Financial Statements
Year ended 31 July 2020

CONTENTS

Reference and Administrative Details

Board of Governors

A full list of Governors is provided on pages 15-19 of these financial statements.

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

Key Management Personnel

Andrew Cropley	Principal and CEO; Accounting officer
Sue Martin	Interim Vice Principal Curriculum and Quality (until Dec 2019))
Matt Vaughan	Vice Principal Curriculum and quality (from Feb 2020)
Jon Fearon	Director of Finance
Louise Knott	Vice Principal, Communications, Engagement and Student Experience

Professional advisers

Financial statements auditor and reporting accountants:
Mazars LLP, Park View House, 58 The Ropewalk, Nottingham, NG1 5DW

Internal auditor:
HW Controls & Assurance Ltd, Sterling House, 97 Lichfield Street, Tamworth, B79 7QF

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

Solicitors:
Eversheds Sutherland LLP, Water Court, 116-118 Canal Street, Nottingham, NG1 7HF

STRATEGIC REPORT

Objectives and Strategies

The governing body presents their annual report together with the consolidated financial statements and auditor's report for West Nottinghamshire College for the year ended 31 July 2020.

Legal status

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

Mission

In 2019/20 the College focused on achieving the key milestones in its long term recovery plan; the Governors have agreed on a new three year rolling Strategic Plan for 2019 to 2022 to support this, this was updated in October 2020. It sets out the Mission, Vision, Values, Strategic Aims and Strategic Objectives as follows:

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

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

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

Strategic Aims

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

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

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

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

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

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

STRATEGIC OBJECTIVES 2020-2021

Ensure that the college operates effectively and safely through and out of the Covid-19 crisis
Review the impact of the ASPIRE Curriculum and adapt or improve where appropriate
Continue to implement a curriculum strategy fully informed by LMI and employer relationships.
Increase by 10% the proportion of students meeting their target grades year-on-year
Achieve an Ofsted grade and/or self-assessment grade of 'Good', with 'Outstanding' in at least two of the eight aspects/provision types and none assessed as 'Requires Improvement'
Self-assess all apprenticeships provision as good
60% of 16-18-year-olds enrolled in GCSE English and maths improve by at least one grade and 25% by at least two grades
Increase the proportion of students progressing to Level 4 or above programmes (including apprenticeships) by 10% year-on-year
Implement and develop further the Employer Engagement Strategy to support the college's vision.
Implement employability framework so that 100% of 16-18 learners have met 'basic' standards and 75% of 16-18-year-olds have met 'good team member' standards and 25% have met 'great employee' standards by the academic year-end
Increase the number of adults directly developing their skills with WNC or strategic partners by 10% year-on-year
Deploy 80% of our AEB allocation to learners with addresses in D2N2 and 50% to learners with addresses in WNC Community Areas
Meet our key financial targets relating to staff cost, operating surplus, EBITDA, cash balances and bank covenants
Sell BKSB at or above our target price

Managers at all levels develop into high-quality performance leaders
All teachers take up purposeful training upskill them to provide teaching that enables their students to excel
Achieve a rating for 'Overall Satisfaction' in the staff survey of 95%.
Secure external funding to enable targeted investment in facilities and equipment offered by the college to its students
Develop and implement the technology-enhanced learning strategy to build on the experience gained through the Covid-19 crisis
Complete those estates works identified in the college's condition surveys

Implementation of the business plan to support recovery

The Governing Body put in place a three-year financial recovery plan during 2018/19; with a focus on reshaping the College's activities to ensure long term viability. 2019/20 was the first year of this plan, and strong progress has been made:

- The college has been fully compliant with its banking covenants and built healthy cash balances. The college has repaid £736k of bank debt in 2019/20.
- Maintained the support of the ESFA who continue to provide £10.25m of Exceptional Support Funding (ESF). During the year the College has repaid a £1.8m liability to the ESFA.
- It delivered a strong financial performance from core College operations and increased recruitment to 16 to 18 and Adult programmes. There was minimal impact from COVID 19 during this financial, primarily as a result of effective support from the ESFA in maintaining grant paymements during the year.
- Reducing its reliance on subcontracted apprenticeship delivery and focusing on local delivery of high-quality provision.

In 2020/21, the College is building on this stability and is continuing to make progress in delivering the recovery plan.

- It has maintained strong recruitment of 16 to 19 learners.
- The College is seeking to realise substantial assets which will allow it to address historical debt.
- Increased Adult Education Budget, Learner Loans and other activity which will assist with COVID recovery.
- Completed a restructuring of Higher Education activity through a new partnership with Nottingham Trent University which has seen the College's degree and foundation degree work transfer to NTU. However, Higher National Certificates and Diplomas in construction and engineering remain with the college.

The College's other specific objectives for 2019/20 and achievement of those objectives are detailed below:

- The College achieved 2908 (2780 in 18/19) 16-19 student numbers funded by the ESFA, maintaining its primary role of being a provider within the D2N2 Local Economic Partnership area. This secured and increased the planned 16 to 19 funding within the recovery plan for 2020/21.
- Before COVID the College was on target to fully achieve its Adult Education Budget allocation for 2019/20.

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

Financial objectives

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

- The College met all its banking covenants
- The College financial health moved to "Requires Improvement" from inadequate; as the College performed well, paid down debt and built up its cash reserves. The College is predicted to remain as "Requires Improvement" in 2020/21, as the current high levels of debt prevent the college improving its score.
- Grew the local apprenticeship market
- Delivered operating management accounts to external partners and budget holders within 15 working days of the end of the reporting period.

Stakeholders

West Nottinghamshire College has many stakeholders, including:

- Its current, future and past students;
- Its staff and their trade unions;
- Local, Regional and National employers;
- Funding agencies;
- Banks;
- Local Authorities and the Local Enterprise Partnership;
- The FE Commissioner;

- The local community;
- Members of Parliament;
- Other FE institutions, Universities, Schools and Academies;

DEVELOPMENT AND PERFORMANCE

Financial results

The Group Statement of Comprehensive Income for the financial year reports a total comprehensive deficit of £16.08m (2018/19: deficit of £10.03m) impacted by a significant actuarial loss of £18.05m (2018/19: £5.16m loss) within the defined benefit pension liability. The Group generated a surplus of £2.05m (2018/19: deficit of £4.86m) before other gains and losses, with total income of £34.64m (2018/19: £35.43m).

Group staff costs in 2019/20, including restructuring costs, continued to reduce substantially by £3.8m million from £24.69m to £20.84m. This reflects the minimal restructuring costs that were incurred in 2019/20. The College key financial measure for monitoring its performance against its recovery plan and covenants is EBITDA. In the case of banking covenants, this measure is before one-off exceptional items, which provides a good measure of ongoing operational performance. The table below shows both of these EBITDA measures.

EBITDA

	19/20	18/19
Total Comprehensive Income for the year	(16,075)	(10,028)
add back :		
Depreciation & Impairment (note 12)	1,957	1,783
Interest paid (note 10)	575	633
FRS102 Actuarial loss in respect of pensions schemes (note 24)	18,046	5,158
FRS 102 pension interest (note 10)	605	595
FRS 102 Service Cost (note 24)	1,293	1,461
Increase in Enhanced Pension Provision (note 18)	3	45
less :		
release of deferred capital grant (note 2)	(728)	(394)
interest received (note 6)	(45)	(36)
Education Sector EBITDA	5,631	(782)
	16.7%	(2.2%)
Add back exceptional items :		
Staff restructuring	0	1,908
External Consultancy for the recovery plan	63	284
Legal Cost for the recovery plan	49	144
Professional Fees for the recovery plan	125	212
Liquidation of subsidiaries	0	161
Provision for prior year revenue clawback	31	429
Write off India Investment	0	185
Provision for historic VAT adjustment within bksb	106	212
Education EBITDA after exceptional items	6,005	2,753

The sector target is to achieve an EBITDA of 8+% of turnover; the Group generated an EBITDA surplus of £5.669m 16.7% (2018/19 deficit of £0.78m), this shows the substantial progress made in securing sustainability for the college. Excluding exceptional items, the group made an EBITDA surplus of £6.01m (2018/19 £2.75m). This shows that normal trading activity is generating a surplus and provides a strong base for the recovery plan.

Reserves

The Group has accumulated Income and Expenditure reserves of £4.61m (2018/19: £0.61m) excluding defined benefit pension liabilities. The Group also has cash and short term investment balances of £6.68m (2018/19 £4.79m). The College has made significant progress in rebuilding its reserves and plans to strengthen these further in the forthcoming 12 months as part of the recovery plan to improve financial stability and repay debt.

Developments

Tangible fixed asset additions during the year amounted to £0.3m (2018/19: £0.07m), of equipment purchased. The continued low level of spending reflects the College's priority of maintaining healthy cash balances.

Sources of income

The Group has significant reliance on the education sector funding bodies for its principal funding source, mainly from recurrent grants. In 2019/20 the FE funding bodies provided 79% (2018/19: 77%) of the Group's total income.

Group companies

The College has two live subsidiary companies, bksb Ltd, and Vision Business Support Services Ltd. During the year two dormant companies Safety Plus (Training & Consultancy) Ltd and Safety Plus (Construction) Ltd were struck off the register of companies.

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

Surpluses generated by the trading subsidiaries are transferred to the College under a deed of covenant to the extent that this does not result in a distribution of reserves. In the current year, the surpluses generated were £1,602k (2018/19 - £691k) for bksb Limited and a surplus of £43k (2018/19 £59k) for Vision Business Support Services Limited.

bksb Limited has established a limited company in India, bksb India Private Limited which began trading in 2014, the primary purpose of the business is to provide product development support. The business is not of significant materiality and as a result, has not been consolidated within these financial statements.

Student achievements

Overall achievement of students of any age and all courses was 89.4%, a total of 3.4% above the national rate of 86% and an increase of 1.7% on the previous year. However, there was a slight decline in the overall achievement of study programmes learners' achievement of their technical and vocational qualifications to 82.8% from the previous year of 83.6%. Taking all qualifications studied by learners into account, the overall achievement of learners aged 16-18 was 89.1% and well above the national rate of 82.6% and the previous year of 78.4%.

While the overall achievement of adults at 90.2% was above the national rate of 89.1%, this was a decline on the previous year of 3.9%.

There was an increase in achievement at every level of learning for learners of all ages. In particular, a much greater proportion of learners succeeded in their L1 studies than in 2018/19 (+14.3%).

Priority groups of targeted learners fared well. The proportion of those with experience of local authority care who achieved their qualifications rose considerably from 72.1% in the previous year to 83.3%. Similarly, those learners in receipt of FSM who succeeded increased from 74.2% to 84.9%. Those with assessed LLDD issues also performed better, albeit slightly, with achievement increasing from 86.3% to 87.4%.

A-level learners continue to perform well, and as a result of the high pass rates, the majority progress to their first choice of University place. For the first time, all subjects now have a 100% pass rate. There was an increase in A*-B grades to 44.1% from 33.2% in 18/19. The proportion of A-level learners who achieved A*-C grades rose to 76.8% from 67.9% in 18/19. However, the retention rate for A1 learners progressing to A2 learners in 19/20 declined considerably from 97.5% to 78.2%.

The overall retention of study programmes learners up to 20 March and the national lockdown was 90.8%, slightly below the 2018/19 rate of 91.1% and 0.2% below the national rate.

There has been steady improvement in the quality of apprenticeships provision, but improvement has not been as swift as leaders would have wished, and there is a time lag between improved performance and improvements to data. As at 30 October 2020, the predicted overall achievement for the 2019/20 year is currently at 52.8%, with maximum achievement at 63.2 % if all continuing apprentices achieve. This will be 3.5% below the most recent national rate; however, this is a significant improvement on the 2018/19 performance and overall achievement of 48.2%. There needs to be a far better timely achievement by apprentices although the predicted timely rate at 30.3% is an improvement on the previous year but only by 1.4% and way below the national timely rate.

Following the introduction of Apprenticeship Standards, 96.9% of apprentices following standards programmes pass their EPA first time with 62.6% gaining high-grade achievement. September 2020 'actual destinations' trawl of leavers evidences the vast majority of apprentices who left their training with the college continued in employment with their employer. A total of 27% of apprentices took on enhanced roles and/or secured other employment.
The investment and changes to the English and maths curriculum this current year will build on the 2019/20 notable improvement in GCSE performance. A total of 24.5% of GCSE English learners achieved 9-4, the highest since 2016/17. While only 18.9% of GCSE maths learners achieved high grades, this was an improvement of 7.6% on the previous year and the highest since 2015. High grades achievement of younger learners increased from 8% to 17%. A total of 47.8% of English GCSE learners improved their grades, but 12.1% declined. A total of 35.2% of learners studying maths GCSE improved their grades. Students meeting or exceeding their target grade went up by 10.7% overall, to 42.0%.

Curriculum reshape

There has been a wholescale revision of the College's curriculum that has involved staff at all levels. The roll-out of the series of actions being conducted to ensure the curriculum embraces the ASPIRE principles was monitored throughout September and will be reviewed in early November. Evaluation of the curriculum will then inform the 2020/21 cycle of 'Seven Steps', '4Cast planning', Business Improvement Project Curriculum Planning group and Business Improvement Project 'First 42 days' processes will involve far more engagement with employers, including sponsorship of learners' achievements and skills events.
The progress of each of the aforementioned curriculum planning groups is held to account by Exec on a frequent basis. The monitoring of the effectiveness of the curriculum will be through a series of quality improvement and assurance processes. In addition, governors have agreed to lend their expertise and form a support and challenge group to enable learners on 'shadow boards' of 'learning companies' to improve their commercial acumen and work-related skills.
Leaders and managers, together with each curriculum area staff team, have planned purposeful curricula that strive to equip learners with the technical and higher-level specialist skills demanded by employers in the locality and region. This includes working together with key stakeholders such as employer groups (e.g. Mansfield/Ashfield 2020), local authorities, the D2N2 LEP, national leads on automation and advanced manufacturing and building a local shared site offer with Nottingham Trent University on the College's Derby Rd site.

Staff Engagement

Staff engagement and morale are significantly improved. Responses to the annual staff survey in 2020 were dramatically improved upon those received in 2019. Staff have also been actively involved in the development of the strategic plan, the ten Business Improvement Projects and the self-assessment process.

Marketing and Learner Engagement

- The College's market share for year 11 school leavers within Ashfield and Mansfield remain strong
- The College is on track in 2020/21 to exceed its 16 to 18 funding target by approximately 200 learners.

FUTURE PROSPECTS

Developments

The College has worked in partnership to support Nottingham Trent University to establish a campus on the College's Derby Rd site; the college has leased three buildings to NTU to create a substantial University presence.

The College has worked with D2N2 LEP to create new Automation and robotics centre within the Engineering campus. It is also working closely with Ashfield District Council and Mansfield District Council on the development of critical skills offers with the respective Towns Funds bids to Central Government.

Financial Plan

During 2019/20 the College was removed from formal ESFA Supervised Status which reflects the significant improvement in Financial Health. The College Finance, Resources and Estates Committee oversee the financial performance of the College, with ongoing monitoring by the ESFA and FE Commissioner as the College remains in intervention due to the £10.25m of outstanding Exceptional Financial Support owed to the ESFA.

The College, with the support of The ESFA, FE Commissioner and its bank has put a three-year recovery plan in place which seeks to ensure long term sustainability. The first year of this was achieved with a strong financial performance in the year, including the repayment of over £2.5m of liabilities to the ESFA and bank. In the next two years, the

College plans to ensure that College operations, excluding subsidiaries, generate sufficient funds to maintain the College's covenants and pay down long term debt. Also, the College is actively seeking to dispose of assets to lower its level of debt; the financial health has improved in the year to requires improvement, from inadequate. The College will not be able to return to good financial health until assets disposals are realised. The College now has a strong cash balance and does not envisage a requirement for further Emergency Funding from the ESFA.

Treasury policies and objectives

Treasury management is the management of the College's cash flows; its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. The College has a separate treasury management policy in place.

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

Cash flows and liquidity

Group cash inflow from operating activities was £3.50m in 2019/20 (2018/19: £0.9m outflow), was primarily due to strong trading performance. During the year the College continued to repay its long term debt facilities at a rate of £0.78m pa, and as at 31st July 2020 had an outstanding debt of £12.61m (2018/19: £13.39m).

A revolving credit facility (RCF) of £1m was available to the College in 2019/20; this facility was unused in the year and runs up to 31 October 2020. The College also has short-term debt of £10.25m for Exceptional Financial Support owned to the ESFA.

Reserves

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

Going concern

As reported in these financial statements, the Group has recorded a surplus before other gains and losses of £2.05 million for the year ended 2019/20 and has made substantial progress in restoring financial health. During the year the College was removed from supervised status by the ESFA but remains in formal intervention due to the high level of short term debt.

The College has a debt to the EFSA of £10.25m repayable on the sale of bksb and a debt of £6.94m repayable to Lloyds on 30/7/2022. There is a deed in place which confirms that the first £4.55m of net sale proceeds from bksb will be distributed to the ESFA, the next £3m will be distributed to Lloyds, and then any balance will be distributed at 50% to each party up to the level of debt outstanding. Lloyds also have security over College buildings. The College has agreed to seek to sell bksb and use the proceeds to pay down debt, bksb is valued within the group accounts based on its assets and liabilities, a potential sale will realise a substantial surplus which will support the reduction of debt. The Group currently has significant cash balances and the College and its subsidiary bksb continue to generate substantial levels of cash. If a sale is not agreed by July 2022, the College is confident that it will have sufficient cash to pay down a significant tranche of debt and agree on an extended repayment period until bksb is sold. Both the Lloyds and the ESFA remain supportive of the College as bksb is prepared for sale.

Based on the financial forecast for 2020/21 to 21/22, which indicates that operations will be cash generative, the College is able to maintain its covenants through to July 2022, with or without the disposal of assets. Due to the high levels of cash reserves and ongoing cash generation, the College has agreed to repay £1.6m to Lloyds and £2.4m to the ESFA in December 2020. The ability to pay down debt gives the College confidence that it would be able to agree a refinancing of its short-term debt with its creditors if bksb was retained.

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

PRINCIPAL RISKS AND UNCERTAINTIES:

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

In September 2020, the Board considered the College's Risk Management Strategy and approved the key strategic risks presented by the Executive. The Board reviews the strategy on an annual basis so that the approach to identifying and managing risk is appropriate to the College's operating climate.

COVID creates a number of new risks for the organisation, and a separate COVID risk management has been added. Significant risks relating to COVID are linked to maintaining income, managing our learners experience and safety and increased costs.
The underlying principles of risk management are:

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

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

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

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

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

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

- Managing the Impact of COVID on staff and students
- Delivering key aspects of the recovery plan to ensure improved financial health
- Responding to high levels of growth in Apprenticeships, 16 to 18 provision and Adult learning.

OTHER INFORMATION

Public Benefit

West Nottinghamshire College is an exempt charity under Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on page 15. In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. In delivering its mission, the College provides identifiable public benefits through the advancement of education to students and apprentices, including those with high needs. In addition to funds provided by the Government, the College uses its funds to support young people accessing and remaining in education. The College also uses its resources to support activities with 14 to 16 providing access to vocational delivery. Numerous local groups use the College's buildings in areas such as sport and the arts; the student population are actively engaged in raising funds for local charities and national charities such as Children in Need.

Equality

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

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

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

Disability statement

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

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

Trade Union facility time

	Period 1/4/2019 to 31/3/2020	
	Number of employees	FTE employee number
Number of employees who were trade union representatives during the relevant period	8	5.6
Percentage of working hours spent on facility time:		
0%		
1-50%	8	
51-99%		
100%		
Total cost of facility time	£13,714	
Total pay bill		
Percentage of total bills spent on facility time	0.06%	
Time spent on paid trade union activities as a percentage of total paid facility time	35%	

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, in the absence of an agreement to the contrary, requires organisations to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1st August 2019 to 31st July 2020, 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

None to report

Disclosure of information to the auditor

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

Approved by order of the members of the Corporation on 10 December 2020 and signed on its behalf by:

Sean Lyons

Chair of the Corporation

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. In October 2018 the College was subject to formal intervention by the ESFA and FE Commissioner. The College has responded positively to this process and has completed its second year under intervention and has made strong progress in taking the steps that will allow the ESFA and FE Commissioner to remove intervention this has included:

- Maintaining a paid Chair (with approval from the Charity Commission), to provide a stronger leadership of governance.
- Reviewing the membership of governing body and maintaining a wide range of governors with the experience to support the recovery of the organisation, with strengths in finance, law, HR, business and IT.
- Ensuring adequate frequency of meetings of the full board and sub-committees to enhance scrutiny.
- Finalising joint investigations of historical funding issues with the ESFA and settling the liability
- Delivering the first year of the recovery plan agreed with the FE Commissioner, ESFA and Lloyds bank.
- Appointing new permanent key management with sector experience

In October 2020 the FE commissioner recognised that the College was making significant progress on the actions that were required to achieve the financial recovery of the College.

This statement covers the period from 1st August 2019 to 31st July 2020 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

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

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

In the opinion of the Governors, the College complies with all the provisions of "the Code", and it has complied throughout the year ended 31 July 2020.

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

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

The Corporation

Governors serving on the College Board to 31st August 2020 (and attendance 2019/2020 period)

Name of Governor	Date of Appointment/ Re-appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance during 2019/2020 only	
						Committee	Board
Paul Frammingham	25.10.2018	4 years Current term ends on 25.10.2022		Independent Member	FE (Chair) R	100% 33%	82%
Jane Hawksford	22.11.2016	4 years Current term ends on 22.11.2020		Staff Member (Support)	ST WFD	25% 67%	36%
Melanie Stirland	01.08.2019	4 years Current term ends on 01.08.2023		Staff Member (Academic)	ST	75%	55%
Rebecca Joyce	25.10.2018	4 years Current term ends on 25.10.2022		Independent Member	A	80%	100%

Name of Governor	Date of Appointment/ Re-appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance during 2019/2020 only	
						Committee	Board
Mary Mamik	25.10.2018	4 years Current term ends on 25.10.2022		Independent Member	ST (Chair) R	80% 67%	73%
Neil McDonald	25.10.2018	4 years Current term ends on 25.10.2022		Independent Member	A (Chair) R	100% 100%	100%
Lee Radford	21.09.2017	4 years Current term ends on 21.09.2021		Independent Member	R WFD (Chair) (ceased Apr 2020)	0% 100%	18%
Martin Rigley MBE	21.09.2017	4 years Current term ends on 21.09.2021	24.01.2020	Independent Member	WFD	100%	40%
Kate Truscott	25.10.2018	4 years Current term ends on 25.10.2022		Independent Member Vice-Chair, Corp. Board	FE (ceased Feb 2020) WFD (Chair from Apr 2020) S Vice-Chair from 10.06.19	50% 100% 100%	91%
Sardip Sandhu	25.10.2018	4 years Current Term ends on 25.10.2022		Independent Member Vice-Chair, Corp. Board	A Vice-Chair from 10.06.19	80%	82%
Steve Sutton	25.10.2018	4 years Current Term ends on 25.10.2022		Independent Member	ST	40%	73%
Tony Westwater	25.10.2018	4 years Current Term ends on 25.10.2022		Independent Member	FE	88%	91%
Sean Lyons	31.01.2019	2 years as Chair Current Term ends on 31.01.2021		Chair, Corp. Board Since 31.01.19	R	100%	91%
Mark Williams	10.03.2016	4 years Current term ends on 10.3.2020	17.07.2020	Independent Member	ST	40%	82%
Andrew Cropley	11.06.2018	Principal & CEO		Principal & CEO	FE ST WFD	100% 100% 100%	100%
Spencer Moore	01.08.2019	4 years Current term ends on 01.08.2023		Independent Member	ST	40%	73%
Charles Heaton	01.08.2019	4 years Current term ends on 01.08.2023		Independent Member	FE	100%	100%
Clive Pitt	01.08.2019	4 years Current term ends on 01.08.2023	23.07.2020	Independent Member	A	40%	27%
John Gray	20.04.2020	4 years Current term ends on 20.04.2024		Independent Member	ST	100%	75%
Jen Hope	25.10.18	4 years Current term ends on 25.10.2022	19.06.2020	Standards Committee Co-optee	ST (co-optee)	60%	N/A
Andrea Morrissey	25.10.18	4 years Current term ends on 25.10.2022		Standards Committee Co-optee	ST (co-optee)	40%	N/A
Helen Wilcockson	26.06.2019	4 years Current term ends on 26.06.2023		WFD Staff Co-optee	WFD (co-optee)	67%	N/A
Ella Brookes	26.06.2019	4 years Current term ends on 26.06.2023		WFD Staff Co-optee	WFD (co-optee)	100%	N/A
Jessica Stowe	10.10.2019	1 year Current term ends on 31.07.2020	31.07.2020	Student Governor	ST	0%	20%
Sophie Welbourn	10.10.2019	1 year Current term ends on 31.07.2020	31.07.2020	Student Governor	ST	0%	50%

<table>
<tr><th rowspan="2">Name of Governor</th><th rowspan="2">Date of Appointment/ Re-appointment</th><th rowspan="2">Term of office</th><th rowspan="2">Date of resignation</th><th rowspan="2">Status of appointment</th><th rowspan="2">Committees served</th><th colspan="2">Attendance during 2019/2020 only</th></tr>
<tr><th>Committee</th><th>Board</th></tr>
<tr><td colspan="7">Maxine Bagshaw acts as Clerk to the Corporation.
*denotes re-appointment
R = Remuneration; FE = Finance and Estates; A = Audit; ST = Standards; WFD = Workforce Development</td><td></td></tr>
</table>

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 and Finance and Estates committee met each month to ensure regular oversight and scrutiny.

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 and Estates, Standards, Remuneration, Workforce Development 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
Nottinghamshire
NG18 5BH

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

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

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, on the advice of an agreed selection panel who conduct interviews. The Corporation is responsible for ensuring that appropriate training is provided as required.

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

Corporation performance

The Corporation undertakes self-assessment annually. In 2019/20 this was completed over the summer with a formal report on outcomes and recommendations presented to the October 2020 board meeting. The year-end self-assessment process included individual review of its own performance by each committee, the completion of questionnaires, governor 1:1's with the Chairman and also an appraisal of the Chairman's performance. Every governor participated in the process.

Remuneration Committee

Throughout the year ending 31st July 2020, the College's Remuneration Committee comprised five members of the Corporation; these were the committee Chairs and the Chair of the board. The Committee's responsibilities are to

make recommendations to the Board on the objectives, performance and remuneration and benefits of the Accounting Officer and other senior post holders and the Clerk to the Clerk to the Corporation.
Details of remuneration for the year ended 31st July 2020 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). The Committee operates under written terms of reference approved by the Corporation.
The Audit Committee meets at least termly and provides a forum for reporting by the College's internal auditor, reporting accountants and financial statements auditor, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the main FE funding bodies as they affect the College's business.
The College's internal 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. The audit committee agree the scope of fieldwork planned before activity commences.
Management is responsible for the implementation of agreed audit recommendations, and internal audit undertakes periodic follow-up reviews to ensure such recommendations have been implemented.
The Audit Committee also advises the Corporation on the appointment of the internal auditor, reporting accountants and financial statements auditor and their remuneration for audit and non-audit work as well as reporting annually to the Corporation.

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

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

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

Internal control
Scope of responsibility
The Corporation is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.
The Corporation delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which they were personally responsible, in accordance with the responsibilities assigned to them in the Financial Memorandum between West Nottinghamshire College and the funding bodies. They were also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.
The purpose of the system of internal control
The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being

realised and the impact should they be realised, and to manage them efficiently, effectively and economically. An effective system of internal control was in place in West Nottinghamshire College for the year ended 31st July 2020 and up to the date of approval of the Strategic Report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that the ongoing process for identifying, evaluating and managing the College's significant risks for the period ending 31st July 2020 and up to the date of approval of the annual report and accounts, was effective. This is evidenced by the significant improvement to the colleges underlying performance and resolution of historical issues regarding funding.

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. As a minimum, annually, the Head of Internal Audit (HIA) provides the governing body with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

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

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

The Accounting Officer has been advised on the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditor and other sources of assurance. The Audit Committee concluded that the system of internal control for the year ended 31st July 2020 was effective. Action to address any weaknesses in the control environment has made substantial progress in the year.

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 surplus before other gains and losses of £2.05 million for the year ended 2019/20 and has made substantial progress in restoring financial health. During the year the College was removed from supervised status by the ESFA but remains in formal intervention due to the high level of short term debt.

The College has a debt to the EFSA of £10.25m repayable on the sale of bksb and a debt of £6.94m repayable to Lloyds on 30/7/2022. There is a deed in place which confirms that the first £4.55m of net sale proceeds from bksb will be distributed to the ESFA, the next £3m will be distributed to Lloyds, and then any balance will be distributed at

50% to each party up to the level of debt outstanding. Lloyds also have security over College buildings. The College has agreed to seek to sell bksb and use the proceeds to pay down debt, bksb is valued within the group accounts based on its assets and liabilities, a potential sale will realise a substantial surplus which will support the reduction of debt. The Group currently has significant cash balances and the College and its subsidiary bksb continue to generate substantial levels of cash. If a sale is not agreed by July 2022, the College is confident that it will have sufficient cash to pay down a significant tranche of debt and agree on an extended repayment period until bksb is sold. Both the Lloyds and the ESFA remain supportive of the College as bksb is prepared for sale.

Based on the financial forecast for 2020/21 to 21/22, which indicates that operations will be cash generative, the College is able to maintain its covenants through to July 2022, with or without the disposal of assets. Due to the high levels of cash reserves and ongoing cash generation, the College has agreed to repay £1.6m to Lloyds and £2.4m to the ESFA in December 2020. The ability to pay down debt gives the College confidence that it would be able to agree a refinancing of its short-term debt with its creditors if bksb was retained.

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

Approved by order of the members of the Corporation on 10 December 2020 and signed on its behalf by:

Sean Lyons	**Andrew Cropley**
Chair of the Corporation	**Accounting Officer**

Statement of Regularity, Propriety and Compliance

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

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

Andrew Cropley	**Sean Lyons**
Accounting Officer	**Chair of the Corporation**
10 December 2020	**10 December 2020**

Statement of Responsibilities of the Members of the Corporation

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

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

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

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

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

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

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

Approved by order of the members of the Corporation on 10 December 2020 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') and its subsidiaries (the 'Group') for the year ended 31 July 2020 which comprise the Consolidated and College Statement of Comprehensive Income and Expenditure, the Consolidated and College Statement of Changes in Reserves, the Consolidated and College Balance Sheet, the Consolidated Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice) and the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and College's affairs as at 31 July 2020 and of the Group's and College's surplus of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and College in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Corporation's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Corporation have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and College's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Corporation are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Post 16 Audit Code of Practice issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- the information given in the report of the Members of the Corporation, including the operating and financial review and statement of corporate governance, is inconsistent with the financial statements; and
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Corporation

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 23, the Corporation is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporation is responsible for assessing the Group and 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 the Corporation either intend to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other required reporting

Opinion on other matters prescribed in the OfS Audit Code of Practice issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- funds provided by the OfS and UK Research and Innovation (including Research England) have been applied in accordance with the relevant terms and conditions attached to them; and
- the requirements of OfS's accounts direction have been met.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the OfS Audit Code of Practice requires us to report to you if, in our opinion:

- the provider's grant and fee income, as disclosed in the notes to the financial statements, has been materially misstated; or
- the provider's expenditure on access and participation activities, as disclosed in the financial statements, has been materially misstated.

Use of the audit report

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

Mazars LLP

Mazars LLP
Chartered Accountants and Statutory Auditor
Park View House
58 The Ropewalk
Nottingham
NG1 5DW
Date 5/2/21

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

To: The corporation of West Nottinghamshire College and Secretary of State for Education acting through Education and Skills Funding Agency ("ESFA")
In accordance with the terms of our engagement letter dated 6 October 2020 and further to the requirements and conditions of funding in ESFA's grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest, in all material respects, the expenditure disbursed and income received by West Nottinghamshire College during the period 1 August 2019 to 31 July 2020 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 ESFA. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record data returns, for which the ESFA has other assurance arrangements in place.

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

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the 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 1 August 2019 to 31 July 2020 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 by the ESFA. We performed a limited assurance engagement as defined in that framework.

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

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

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

The work undertaken to draw to our conclusion includes:

- Reviewed the statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding.
- Reviewed the College's completed self-assessment questionnaire on regularity.
- Read the financial memorandum with the ESFA..

- Tested a sample of expenditure disbursed and income received to consider whether they have been applied to purposes intended by Parliament and in accordance with funding agreements where relevant.
- Obtained the policy for personal gifts and/or hospitality.
- Obtained the register of personal interests.
- Obtained the financial regulations/financial procedures.
- Obtained the College's whistleblowing policy.

Conclusion

In the course of our work [except for the matters listed below], nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2019 to 31 July 2020 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Mazars LLP

Signed:
Mazars LLP
Date: 5/2/21

Consolidated Statements of Comprehensive Income

	Notes	Year ended 31 July 2020		Year ended 31 July 2019	
		Group	College	Group	College Restated
		£'000	£'000	£'000	£'000
INCOME					
Funding body grants	2	27,349	27,349	27,372	27,372
Tuition fees and education contracts	3	2,712	2,712	3,240	3,240
Other grants and contracts	4	141	141	178	178
Other income	5	4,391	3,604	4,600	2,413
Investment income	6	45	25	36	25
Total income		**34,638**	**33,831**	**35,426**	**33,228**
EXPENDITURE					
Staff costs	8	20,838	19,658	24,686	23,330
Other operating expenses	9	8,614	8,004	12,584	15,979
Depreciation	12	1,957	1,947	1,790	1,783
Impairment	12	-	-	(7)	(7)
Interest and other finance costs	10	1,181	1,202	1,228	1,273
Total expenditure		**32,590**	**30,811**	**40,281**	**42,358**
Surplus / (deficit) before other gains and losses		**2,048**	**3,020**	**(4,855)**	**(9,130)**
(Loss) on disposal of assets	12	(37)	(37)	(15)	(15)
Surplus / (deficit) before tax		**2,011**	**2,983**	**(4,870)**	**(9,145)**
Taxation	11	(23)	-	-	-
Surplus / (deficit) for the year		**1,988**	**2,983**	**(4,870)**	**(9,145)**
Actuarial (Loss) in respect of pensions schemes	24	(18,046)	(18,046)	(5,158)	(5,281)
Total Comprehensive income for the year		**(16,058)**	**(15,063)**	**(10,028)**	**(14,426)**
Represented by:					
Unrestricted comprehensive income		(16,058)	(15,061)	(10,028)	(14,426)

There is a prior year restatement to transfer the Local Government Pension Scheme (LGPS) liability from bksb to College. Gift aid has been increased to offset the additional available distributable reserves as a result.
See Note 28 for more details.

Consolidated and College Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Group			
Balance at 1 August 2018	**(19,022)**	**4,188**	**(14,834)**
(Deficit) from the income and expenditure account	(4,870)	-	(4,870)
Other comprehensive (loss)	(5,158)	-	(5,158)
Transfers between revaluation and income and expenditure reserves	118	(118)	-
Total comprehensive income for the year	**(9,910)**	**(118)**	**(10,028)**
Balance at 31 July 2019	**(28,932)**	**4,070**	**(24,862)**
Surplus from the income and expenditure account	1,988	-	1,988
Other comprehensive (loss)	(18,046)	-	(18,046)
Transfers between revaluation and income and expenditure reserves	102	(102)	-
Total comprehensive income for the year	**(15,956)**	**(102)**	**(16,058)**
Balance at 31 July 2020	**(44,888)**	**3,968**	**(40,920)**
College			
Balance at 1 August 2018	**(14,751)**	**4,188**	**(10,563)**
Prior year adjustment	(868)	-	(868)
Balance at 1 August as restated	**(15,619)**	**4,188**	**(11,431)**
(Deficit) from the income and expenditure account	(9,145)	-	(9,145)
Other comprehensive (loss)	(5,281)	-	(5,281)
Transfers between revaluation and income and expenditure reserves	118	(118)	-
Total comprehensive income for the year restated	**(14,308)**	**(118)**	**(14,426)**
Balance at 31 July 2019	**(29,927)**	**4,070**	**(25,857)**
Surplus from the income and expenditure account	2,983	-	2,983
Other comprehensive (loss)	(18,046)	-	(18,046)
Transfers between revaluation and income and expenditure reserves	89	(89)	-
Total comprehensive income for the year	**(14,974)**	**(89)**	**(15,063)**
Balance at 31 July 2020	**(44,901)**	**3,981**	**(40,920)**

Consolidated and College Balance Sheets as at 31 July

	Notes	Group	College	Group	College Restated
		2020	2020	2019	2019
		£'000	£'000	£'000	£'000
Non-current assets					
Tangible Fixed assets	12	41,975	41,941	43,670	43,648
Investments	13	-	25	-	25
		41,975	**41,966**	**43,670**	**43,673**
Current assets					
Stocks		20	20	23	23
Trade and other receivables	14	1,191	3,640	1,706	2,095
Cash and cash equivalents	19	6,681	3,367	4,786	3,013
		7,892	**7,027**	**6,515**	**5,131**
Less: Creditors – amounts falling due within one year	15	(17,914)	(17,040)	(20,537)	(20,151)
Net current (liabilities)		**(10,022)**	**(10,013)**	**(14,022)**	**(15,020)**
Total assets less current liabilities		**31,953**	**31,953**	**29,648**	**28,653**
Creditors – amounts falling due after more than one year	16	(22,534)	(22,534)	(24,075)	(24,075)
Provisions					
Defined benefit obligations	18	(49,509)	(49,509)	(29,543)	(29,543)
Other provisions	18	(830)	(830)	(892)	(892)
Total net (liabilities)		**(40,920)**	**(40,920)**	**(24,862)**	**(25,857)**
Unrestricted Reserves					
Income and expenditure account		(44,888)	(44,901)	(28,932)	(29,927)
Revaluation reserve		3,968	3,981	4,070	4,070
Total unrestricted reserves		**(40,920)**	**(40,920)**	**(24,862)**	**(25,857)**

The financial statements on pages 30 to 56 were approved and authorised for issue by the Corporation on **10 December 2020** and were signed on its behalf by:

Sean Lyons
Chair of the Corporation

Andrew Cropley
Principal and Accounting Officer

Consolidated Statement of Cash Flows as at 31 July

	Notes	2020	2019
		£'000	£'000
Cash flow from operating activities			
Surplus / (Deficit) for the year		1,971	(4,870)
Adjustment for non-cash items			
Depreciation		1,957	1,790
Impairment		-	(7)
Decrease in stocks		3	18
Decrease / (increase) in debtors		515	(55)
(Decrease) in creditors due within one year		(2,608)	(11,235)
(Decrease) / increase in creditors due after one year		(766)	10,698
(Decrease) / increase in provisions		18	36
Pensions costs less contributions payable		1,840	2,151
Agency Income Excluded from CIES		96	(8)
Taxation		-	-
Adjustment for investing or financing activities			
Investment income		(45)	(36)
Interest payable		575	633
Taxation paid		-	-
Loss on sale of non-current assets		(37)	(15)
Net cash flow from operating activities		**3,522**	**(900)**
Cash flows from investing activities			
Proceeds from sale of fixed assets		8	15
Investment income		45	36
Payments made to acquire fixed assets		(307)	(73)
		(254)	(22)
Cash flows from financing activities			
Interest paid		(575)	(633)
Repayments of amounts borrowed		(777)	(3,777)
New secured loans		-	8,150
		(1,352)	3,740
Increase in cash and cash equivalents in the year		**1,916**	**2,818**
Cash and cash equivalents at beginning of the year	**19**	**4,768**	**1,968**
Cash and cash equivalents at end of the year	**19**	**6,681**	**4,768**

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 2019* (the 2019 FE HE SORP), the *College Accounts Direction for 2019 to 2020* 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 and Vision Business Support Services 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 2020.

Going concern
The activities of the College, together with the factors likely to affect its future development and performance, are set out in the Strategic Report. The financial position of the College, its cash flow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.
The Group has recorded a surplus before other gains and losses of £2.05m for the year ended 31st July 2020. During the year the impact of COVID on the financial position of the College was limited. In the 2020/21 academic year the forecasts for revenue have reflected a reduction in apprenticeship volumes and increased operating costs due to COVID. The Group had net current liabilities of £10.04m at the balance sheet date including £11.486m payable to the Education and Skills Funding Agency (ESFA), of which £10.25 million is Exceptional Financial Support. A revolving credit facility of £1 million was also available to the College in 2019/20; this was not drawn down as at 31st July 2020 or at the date of signing the accounts.
As reported earlier in this report and in these financial statements, the Group has recorded a surplus before other gains and losses of £2.05 million for the year ended 2019/20 and has made substantial progress in restoring financial health. During the year the College was removed from supervised status by the ESFA but remains in formal intervention due to the high level of short term debt.

The College has a debt to the EFSA of £10.25m repayable on the sale of bksb and a debt of £6.94m repayable to Lloyds on 30/7/2022. There is a deed in place which confirms that the first £4.55m of net sale proceeds from bksb will be distributed to the ESFA, the next £3m will be distributed to Lloyds, and then any balance will be distributed at 50% to each party up to the level of debt outstanding. Lloyds also have security over College buildings. The College has agreed to seek to sell bksb and use the proceeds to pay down debt, bksb is valued within the group accounts based on its assets and liabilities, a potential sale will realise a substantial surplus which will support the reduction of debt. The Group currently has significant cash balances and the College and its subsidiary bksb continue to generate substantial levels of cash. If a sale is not agreed by July 2022, the College is confident that it will have sufficient cash to pay down a significant tranche of debt and agree on an extended repayment period until bksb is sold. Both the Lloyds and the ESFA remain supportive of the College as bksb is prepared for sale.

Based on the financial forecast for 2020/21 to 21/22, which indicates that operations will be cash generative, the College is able to maintain its covenants through to July 2022, with or without the disposal of assets. Due to the high levels of cash reserves and ongoing cash generation, the College has agreed to repay £1.6m to Lloyds and £2.4m to the ESFA in December 2020. The ability to pay down debt gives the College confidence that it would be able to agree a refinancing of its short-term debt with its creditors if bksb was retained.

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

Recognition of income

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

The recurrent grant from the Office for Students represents the funding allocations attributable to the current financial year and is credited directly to the Statement of Comprehensive Income.

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

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

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

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

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

Accounting for post-employment benefits

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

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

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

Short term Employment benefits

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

Enhanced Pensions

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

Non-current Assets - Tangible fixed assets

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

Land and buildings

Freehold buildings are depreciated over their expected useful economic life to the College of between 20 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 20 and 50 years.
Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred income account within creditors and are released to the income and expenditure account over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.
A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.
On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1996, as deemed cost but not to adopt a policy of revaluations of these properties in the future.
Land is not depreciated.

Assets under construction

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

Subsequent expenditure on existing fixed assets

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

Equipment

Equipment costing less than £2,000 per individual item is recognised as an expenditure in the period of acquisition. All other equipment is capitalised at cost.
Capitalised equipment is depreciated on a straight-line basis over its remaining useful economic life as follows:

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

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. The carrying value of two College sites has been impaired at year-end.

Borrowing costs

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

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term to the Statement of Comprehensive Income and Expenditure. Any lease premiums or incentives relating to leases signed after 1st August 2014 are spread over the minimum lease term. The College has taken advantage of the transitional exemptions in

FRS 102 and has retained the policy of spreading lease premiums and incentives to the date of the first market rent review for leases signed before 1st August 2014.

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

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

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

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

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

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

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

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

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

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

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

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

of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax so that it can only recover around 2% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.
The College's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

Provisions and contingent liabilities
Provisions are recognised when

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

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

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

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

Judgements in applying accounting policies and key sources of estimation uncertainty
In preparing these financial statements, management have made the following judgements:

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

Other key sources of estimation uncertainty

- *Tangible fixed assets*
  Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- *Local Government Pension Scheme*
  The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 24, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 July 2020. 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	
	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
Education and Skills Funding Agency - Adult	5,813	5,813	6,487	6,487
Education and Skills Funding Agency - 16-18	16,289	16,289	15,973	15,973
Education and Skills Funding Agency - Apprenticeships	3,633	3,633	4,260	4,260
Office for Students	291	291	234	234
Specific grants				
Teachers' Pension Scheme	574	574	-	-
Releases of government capital grants	728	728	394	394
HE grants	21	21	24	24
Total	**27,349**	**27,349**	**27,372**	**27,372**

3 Tuition fees and education contracts

	Year ended 31 July		Year ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	4	4	22	22
Apprenticeship fees and contracts	30	30	33	33
Fees for FE loan supported courses	727	727	748	748
Fees for HE loan supported courses	1,615	1,615	1,926	1,926
Other students fees	16	16	66	66
Total tuition fees	2,393	2,393	2,795	2,795
Education contracts	319	319	445	445
Total	**2,712**	**2,712**	**3,240**	**3,240**

4 Other grants and contracts

	Year ended 31 July		Year ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
ERASMUS	139	139	178	178
Other grants and contracts	2	2	-	-
Total	**141**	**141**	**178**	**178**

5 Other income

	Year ended 31 July		Year ended 31 July		
	2020	2020	2019	2019	2019
	Group	College	Group	Restated College	College
	£'000	£'000	£'000	£'000	£'000
Catering and residences	389	389	569	569	569
Other income generating activities	3,967	3,180	3,931	1,744	1,244
Other grant income	0	0	19	19	19
Miscellaneous income	35	35	81	81	81
Total	**4,391**	**3,604**	**4,600**	**2,413**	**1,913**

Other income-generating activities for the Group includes £3.4m (2018/19: £2.8m) relating to bksb income. Other income-generating activities for the College includes bksb and VBSS gift aid of £2.6m (2018/19: £1m) and £0.04m (2018/19: £0.06m) respectively.

6 Investment income

	Year ended 31 July		Year ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other interest receivable	45	25	36	25
Total	**45**	**25**	**36**	**25**

7 Donations – College only

	2020	2019
	£'000	£'000
Unrestricted donations	-	-
Total	-	-

8 Staff costs – Group

The average number of persons (including key management personnel) employed by the Group during the year, disclosed on an average head count basis, was:

	2020	2019
	No.	No
Teaching staff	253	268
Non-teaching staff	434	518
	687	786

Staff costs for the above persons

	2020	2019
	£'000	£'000
Wages and salaries	15,150	17,341
Social security costs	1,475	1,560
Other pension costs	3,638	3,671
Payroll subtotal	**20,265**	**22,572**
Contracted out staffing services	573	206
Redundancy costs:		
- contractual	-	1,908
- non-contractual	-	-
Total Staff costs	**20,838**	**24,686**

Redundancy costs

No redundancy costs were incurred in the year that related to 2019/20.

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 members of the Executive who are appointed by the Corporation Board.

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

	2020	2019
	No.	No.
The number of key management personnel, including the Accounting Officer was:	4	8

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	
	2020	2019	2020	2019
	No.	No.	No.	No.
£60,001 to £65,000 p.a.	-	-	-	2
£65,001 to £70,000 p.a.	-	-	2	1
£75,001 to £80,000 p.a.	1	-	-	1
£85,001 to £90,000 p.a.	1	-	1	-

£90,001 to £95,000 p.a.	1	1	-	-
£100,001 to £105,000 p.a.	-	3	-	-
£125,001 to £130,000 p.a.	-	1	-	-
£135,001 to £140,000 p.a.	1	-	-	-
£140,001 to £145,000 p a	-	1	-	-
£145,001 to £150,000 p a	-	-	-	-
£150,001 to £155,000 p.a.	-	1	-	-
£255,001 to £260,000 p.a.	-	1	-	-
	4	**8**	**3**	**4**

Key management personnel compensation is made up as follows:

	2020	2019
	£'000	**£'000**
Salaries – gross salary sacrifice and waived emoluments	366	423
Performance related pay and bonus	-	-
Benefits in kind	-	6
	366	429
Pension contributions	59	31
Total key management personnel compensation	425	460

The above emoluments include amounts payable to the Principal who is the Accounting Officer and is also the highest-paid member of staff for the period 1 August 2019 to 31 July 2020:

	2020	2019
	£'000	**£'000**
Salaries	140	119
Benefits in kind	-	-
Pension contributions	21	-
	161	119

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

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

The Principal and Chief Executive report to the Chair of Governing Council, who undertakes an annual review of their performance against the College's overall objectives using both qualitative and quantitative measures of performance. The Principal undertakes annual reviews with key management personnel, these are based on achievement of College objectives; recommendations are made to the remuneration committee based on these reviews.
Relationship of Principal/Chief Executive pay and remuneration expressed as a multiple:

	2020	2019
Principal's basic salary as a multiple of the median of all staff	5.31	6.17
Principal and CEO's total remuneration as a multiple of the median of all staff	6.09	6.46

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

	2020	2019
	£'000	**£'000**

Compensation paid to the former post-holder	-	75
Estimated value of benefits, including provisions for pension benefits	-	21

The members of the Corporation other than the Accounting Officer, Chair and the staff members did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties. The Chair received remuneration of £12,000 for the period 1 August 2019 to 31 July 2020.

9 Other operating expenses

	2020	2020	2019	2019
	Group	College	Group	Restated College
	£'000	£'000	£'000	£'000
Teaching costs	1,222	1,222	1,572	1,572
Subcontractor costs	1,816	1,816	4,380	4,380
Non-teaching costs	4,089	3,479	5,257	8,652
Premises costs	1,487	1,487	1,375	1,375
Total	**8,614**	**8,004**	**12,584**	**15,979**

Other operating expenses include:	**2020**	**2019**
	£'000	**£'000**
Auditor's remuneration:		
Financial statements audit*	45	40
Internal audit**	14	28
Other services provided by the financial statements auditor	1	1
Other services provided by the internal auditor	-	-
Hire of assets under operating leases	88	87

* includes £39k in respect of the College only (2018/19 £32k)

** includes £14k in respect of the College (2018/19 £28k)

10 Interest and other finance costs – Group only

	2020	2019
	£'000	£'000
On bank loans, overdrafts and other loans:	575	633
Net interest on defined pension liability (note 24)	605	595
Total	**1,181**	**1,228**

11 Taxation – Group only

	2020	2019
	£'000	£'000
United Kingdom corporation tax at 19%	23	-
Provision for deferred tax in the accounts of the subsidiary company	-	-
Total	**23**	-

12 Tangible fixed assets (Group)

	Land and buildings Freehold	Equipment	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2019	50,548	17,724	-	68,272
Additions	-	307	-	307
Transfers	-	-	-	-
Disposals	(91)	(33)	-	(124)
At 31 July 2020	**50,457**	**17,998**	**-**	**68,455**
Depreciation				
At 1 August 2019	7,846	16,756	-	24,602
Charge for the year	1,479	478	-	1,957
Asset Impairment	-	-	-	-
Elimination in respect of disposals	(46)	(33)	-	(79)
At 31 July 2020	**9,279**	**17,202**	**-**	**26,480**
Net book value at 31 July 2020	**41,178**	**797**	**-**	**41,975**
Net book value at 31 July 2019	42,702	968	-	43,670

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 2019	50,548	17,256	-	67,804
Additions	-	285	-	285
Transfers	-	-	-	-
Disposals	(91)	(33)	-	(124)
At 31 July 2020	**50,457**	**17,508**	**-**	**67,965**
Depreciation				
At 1 August 2019	7,849	16,310	-	24,153
Charge for the year	1,479	468	-	1,947
Asset Impairment	-	-	-	-
Elimination in respect of disposals	(46)	(33)	-	(79)
At 31 July 2020	**9,282**	**16,745**	**-**	**26,027**
Net book value at 31 July 2020	**41,175**	**763**	**-**	**41,938**
Net book value at 31 July 2019	42,702	946	-	43,648

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

13 Non-current investments

	College 2020 £'000	College 2019 £'000
Investments in subsidiary companies	25	25
Total	**25**	**25**

The College owns 100 per cent of the issued ordinary £1 shares of bksb Limited and Vision Business Services Ltd, both are companies incorporated in England and Wales.
The principal business activity of bksb Limited is to the commercial development of bksb educational software products. The principal activity of Vision Business Support Services Limited is the provision of back-office services.

14 Trade and other receivables

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Amounts falling due within one year:				
Trade receivables	677	44	772	65
Amounts owed by group undertakings:				
Subsidiary undertakings	-	3,152	-	1,158
Prepayments and accrued income	447	373	938	872
Deferred tax provision	(4)	-	(4)	-
Amounts owed by the ESFA	71	71	-	-
Total	**1,191**	**3,640**	**1,706**	**2,095**

15 Creditors: amounts falling due within one year

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Bank loans and overdrafts	733	733	735	735
Other loans	43	43	43	43
Trade payables	466	388	510	503
Amounts owed to group undertakings:				
Subsidiary undertakings	-	1,362	-	1,955
Corporation tax	23	-	19	-
Other taxation and social security	516	280	526	317
Accruals and deferred income	4,215	2,316	5,476	3,370
Deferred income - government capital grants	431	431	394	394
Deferred tax liability	-	-	-	-
Amounts owed to the ESFA	11,487	11,487	12,834	12,834
Total	**17,914**	**17,040**	**20,537**	**20,151**

16 Creditors: amounts falling due after one year

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Bank loans	11,793	11,793	12,525	12,525
Other loans	43	43	86	86
Accrual and deferred income	-	-	-	-
Deferred income - government capital grants	10,698	10,698	11,464	11,464
Total	**22,534**	**22,534**	**24,075**	**24,075**

17 Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
In one year or less	732	732	748	748
Between one and two years	7,674	7,674	7,679	7,679
Between two and five years	1,960	1,960	2,166	2,166
In five years or more	2,159	2,159	2,667	2,667
Total	**12,525**	**12,525**	**13,260**	**13,260**

Bank loans at 4.38 per cent and 4.41 per cent interest, repayable by instalments falling due between 1 August 2020 and 31 July 2028 totalling £12,525k. £6,940k of the debt is repayable on 30th July 2022. A revolving credit facility (RCF) of £1 million is available but was not drawn down as at 31st July 2020. Lloyds bank has security over the College's property assets and has joint security with the ESFA over the shares in bksb ltd.

18 Provisions

	Defined benefit obligations	Restructuring	Group Enhanced pensions	Dilapidations	Total
	£'000	£'000	£'000	£'000	£'000
At 1 August 2019	29,543	-	892	-	30,435
Expenditure in the period	-	-	(64)	-	(64)
Additions in period	19,966	-	2	-	19,968
At 31 July 2020	**49,509**	**-**	**830**	**-**	**50,339**

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 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 based on the LGPS actuaries assumptions:

	2020	2019
Price inflation	2.20%	2.35%
Discount rate	1.40%	2.15%

19 Group Cash and cash equivalents

	At 1 August 2019	Cash flows	Other changes	At 31 July 2020
	£'000	£'000	£'000	£'000
Cash and cash equivalents	4,786	1,895	-	6,681
Total	**4,786**	**1,894**	**-**	**6,681**

20 Capital and other commitments

	Group and College	
	2020	2019
	£'000	£'000
Commitments contracted for at 31 July	-	-

21 Lease obligations

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

	Group	
	2020	2019
	£'000	£'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	40	40
Later than one year and not later than five years	30	69
Later than five years	-	-
	70	109
Other		
Not later than one year	87	87
Later than one year and not later than five years	22	108
Later than five years	-	-
	109	282

22 Contingencies

The College has taken a prudent approach to income recognition of Funding Body Grants in light of the challenges to delivery due to COVID-19. Income of £575k is deferred on the Balance Sheet based on the expectation that delivery will be finalised in 2020/21 or the ESFA will claw back the funding.

23 Events after the reporting period

There are no events after the reporting period.

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		**2020**		**2019**
		£000		**£000**
Teachers' Pension Scheme: contributions paid		1,365		1,026
Local Government Pension Scheme:				
Contributions paid	1,446		1,259	
FRS 102 (28) charge	1,293		1,461	
Charge to the Statement of Comprehensive		2,739		2,700
Enhanced pension charge to Statement of Comprehensive Income		3		113
Total Pension Cost for Year within staff costs		**4,106**		**3,859**

Teachers' Pension Scheme (TPS)

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools, colleges and other educational establishments. Membership is automatic for teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS.

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 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.

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.

The valuation of the TPS is carried out in line with regulations made under the Public Service Pension Act 2013. Valuations credit the teachers' pension account with a real rate of return assuming funds are invested in notional investments that produce that real rate of return.
The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (the Department in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.
As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/9. DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019-20 academic year.
A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website. The pension costs paid to TPS in the year amounted to £1.365m (2019: £1,026m).

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 2020 were £1.268m, of which employer's contributions totalled £0.927m and employees' contributions totalled £0.341m. The agreed contribution rates for future years are an employer's rate of 17.2% plus a fixed payment of £0.114m for the period 1 April 2019 to 31 March 2020 and £0.132m in the following year. For employees, contributions range from 5.5% to 12.5%. Contributions amounting to £258,198 were payable to the schemes at 31st July and are included within creditors.

Principal Actuarial Assumptions

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

	At 31 July 2020	At 31 July 2019
Rate of increase in salaries	3.20%	2.85%
Future pensions increases	2.20%	2.35%
Discount rate for scheme liabilities	1.40%	2.15%
Inflation assumption (CPI)	2.20%	2.35%
Commutation of pensions to lump sums	50%	50%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	At 31 July 2020	At 31 July 2019
	Years	years
Retiring today		
Males	21.8	21.6
Females	24.4	24.4
Retiring in 20 years		
Males	23.2	23.3
Females	25.9	26.2

Sensitivity analysis	**At 31 July 2020**	**At 31 July 2019**
	£'000	£'000
Discount rate +0.1%	(89)	(70)
Discount rate -0.1%	92	73
Mortality assumption – 1 year increase	101	75
Mortality assumption – 1 year decrease	(98)	(69)

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

	Fair Value at 31 July 2020 £'000	**Fair Value at 31 July 2019 £'000**
Equity instruments	26,334	28,006
Debt instruments	6,214	5,651
Property	6,944	6,107
Cash	1,898	1,090
Other	5,179	4,271
Total market value of plan assets	**46,569**	**45,125**
Actual return on plan assets	**954**	**3,717**

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

	2020	2019
	£'000	£'000
Fair value of plan assets	46,569	45,125
Present value of plan liabilities	(95,931)	(73,842)
Present value of unfunded liabilities	-	-
Net pensions (liability) (Note 18)	**(49,362)**	**(28,717)**

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

	2020	2019
	£'000	£'000
Amounts included in staff costs		
Current service cost	2,140	2,077
Past service cost	62	598
Total	**2,202**	**2,675**
Amounts included in investment income		
Net interest cost	627	600
	627	**600**
Amount recognised in Other Comprehensive Income		
Return on pension plan assets	(19)	92
Other actuarial gains on assets	231	
Experience losses arising on defined benefit obligations	(5,303)	-
Changes in assumptions underlying the present value of plan liabilities	(12,955)	(5,250)
Amount recognised in Other Comprehensive Income	**(18,046)**	**(5,158)**

Movement in net defined benefit (liability) during year

	2020	2019
	£'000	£'000
Net defined benefit (liability) in scheme at 1 August	(29,396)	(22,345)
Movement in year:		
Current service cost	(2,140)	(2,313)
Employer contributions	1,158	1,530
Past service cost	(62)	(662)
Net interest on the defined (liability)	(627)	(595)
Actuarial loss	(18,258)	(5,158)
Net defined benefit (liability) at 31 July	**(49,325)**	**(29,543)**

Asset and Liability Reconciliation

	2020	2019
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	74,521	65,931
Current service cost	2,140	2,313
Interest cost	1,600	1,775
Contributions by Scheme participants	342	400
Experience losses on defined benefit obligations	5,303	-
Changes in financial assumptions	14,615	9,230
Change in demographic assumptions	(1,660)	(3,980)
Estimated benefits paid	(992)	(1,663)
Past Service cost	62	662
Curtailments and settlements	-	-
Defined benefit obligations at end of period	**95,931**	**74,668**
Changes in fair value of plan assets		
Fair value of plan assets at start of period	45,125	43,586
Interest on plan assets	973	1,180
Return on plan assets	(19)	92
Other actuarial gains and losses	231	-
Administration expenses	(18)	(16)
Employer contributions	927	1,546
Contributions by Scheme participants	342	400
Estimated benefits paid	(992)	(1,663)
Fair value of plan assets at end of period	**46,569**	**45,125**

25 Related party transactions

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

The total expenses paid to or on behalf of the Governors, excluding the former Chief Executive and Principal, interim Principal and new Principal during the year were £2,364 (2018/19: £1,118). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

The new Chair of Governors, Sean Lyons, was paid £12,000; £1,000 per calendar month for his services in the role, for which approval has been provided by the Charities Commission, as is required for any payments to Governors of Charitable Bodies.

Mansfield and Ashfield 2020: a Director of this organisation is also a Vice Principal of WNC. Purchases in the year amounted to £3,272.50. WNC owed Mansfield and Ashfield 2020 £1,200 at 31/07/2020.

Portland College: a Governor of this organisation, is also a Director of bksb. Sales in the year amounted to £4,623. There was no outstanding balance at 31/07/2020.

Coal Authority: a senior manager of this organisation, is also a College Governor. Sales in the year amounted to £4,330. There was no outstanding balance as at 31/07/2020.

Economic Modelling LLC (EMSI): a director of this organisation, is also a College Governor. Purchases in the year were £5,000. There was no outstanding balances at 31/07/2200.

ESPO: a director of this organisation was a College Governor in the year. Purchases in the year were £94,280.55. There was a balance outstanding of £465.44 at 31/07/2020.

Institute of Occupational Safety and Health: a Trustee of this organisation is a College Governor. Purchases in the year were £1,724. There was no balance outstanding at 31/07/2020

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

26 Amounts disbursed as agent:
Learner support funds

	2020 £'000	2019 £'000
Balance brought forward as at 1 August	78	-
Funding body grants – bursary support	90	92
Funding body grants – discretionary learner support	663	484
Employer Grants	299	390
	1,130	966
Disbursed to students and employers	(998)	(857)
Administration costs	(36)	(31)
Balance unspent as at 31 July, included in creditors	96	78

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.

27 Access and Participation Expenditure

The College has an Access and Participation Plan with the Office for Students (OfS) which is available at www.officeforstudents.org.uk/advice-and-guidance/the-register/search-for-access-and-participation-plans/#/AccessPlans/

Expenditure relating to the plan incurred during the financial year was as follows:

	2020 £'000	2019 £'000
Access investment	156,482	-
Financial support to students	-	-
Support for disabled students	-	-
Research and evaluation costs	320,763	-
	477,245	-

Access and participation plans were not in place prior to 1 August 2019 so no figures exist as comparatives for the prior year.

28 Prior Year Adjustment

There is a prior year restatement to transfer the Local Government Pension Scheme (LGPS) liability from bksb to College.

It has been agreed with the Scheme's Actuary that bksb is not an admitted body in its own right and is considered part of the College in the calculation of assets and liabilities.

In determining the share of the Scheme's assets and liabilities the Actuary has historically taken a proportionate view as bksb's share is not separately identifiable.

The prior year restatement derecognises the liability in bksb's opening balance at 1 August 2018 and adds it to the liability recognised by the College.

The change to distributable reserves has allowed gift aid payments made up to 30 April 2020 to be reflected in 2019.

The restatement has resulted in the following changes:

Consolidated Statements of Comprehensive Income	**College 2019 Restated £'000**	**College 2019 Original £'000**
Other income	2,413	1,913
Other operating expenses	15,979	15,785
Interest and other finance costs	1,273	1,247
Actuarial (Loss) in respect of pensions schemes	(5,281)	(4,873)

Consolidated and College Statement of Changes in Reserves	**College 2019 Restated £'000**	**College 2019 Original £'000**
Balance at 1 August 2018	(11,431)	(10,563)
(Deficit) from the income and expenditure account	(9,145)	(9,425)
Other comprehensive loss	(5,281)	(4,873)
Total comprehensive income for the year	(14,426)	(14,298)

Consolidated and College Balance Sheets	**College 2019 Restated £'000**	**College 2019 Original £'000**
Trade and other receivables	2,095	1,595
Defined benefit obligations	(29,543)	(28,047)
Income and expenditure account	(29,927)	(28,932)

The corresponding Notes have been updated to reflect the changes in the Statements:

- Note 5: Other Income
- Note 9: Other Operating Expenses
- Note 10: Interest and Other Finance Costs
- Note 14: Trade and Other Receivables
- Note 18: Provisions
- Note 24: Defined Benefit Obligations

The College will continue to recognise the full LGPS assets and liabilities of both College and bksb in future financial statements.