



# ANNUAL REPORT

*2019 – 2020*

FINANCIAL STATEMENTS FOR YEAR ENDING 31 JULY 2020



**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 31 JULY 2020**

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## **Reference and Administrative Details**

### **Senior Leadership Team**

The Senior Leadership Team comprised the following in 2019/120

Angela Joyce	Chief Executive Officer (CEO); Accounting Officer
Peter Husband	Chief Operating Officer (COO) & Group Principal
Roger Bevan	Chief Finance Officer (CFO)
Helen Kinghorn	Group Deputy Principal

### **Board of Governors**

A full list of Governors is given on pages 16 and 17 of these financial statements.

Ms C Menadue acted as Clerk to the Corporation throughout the period

### **Registered Office**

Warwick New Road, Leamington Spa, Warwickshire CV32 5JE

### **Professional advisers**

#### **External Auditors**

Grant Thornton UK LLP, 20 Colmore Circus, Queensway, Birmingham B4 6AT

#### **Internal Auditors**

BDO LLP, 2 Snow Hill, Queensway, Birmingham B4 6GA

#### **Bankers**

Lloyds Bank PLC, 125 Colmore Row, Birmingham B3 3SF

#### **Solicitors**

Eversheds Sutherland LLP, Kett House, Station Road, Cambridge CB1 2JY  
Jobsons Solicitors Limited, 4 North Courtyard, Dunston Business Village, Staffordshire ST18 9AB  
Shakespeare Martineau LLP, No 1 Colmore Square, Birmingham B4 6AA

# **Warwickshire College Strategic Report**

## **OBJECTIVES AND STRATEGIES**

The governing body present their annual report together with the financial statements for Warwickshire 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 the business of Warwickshire College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

The Corporation was initially incorporated as Mid-Warwickshire College, Royal Leamington Spa. On 1 August 1996, the Secretary of State granted consent to the Corporation to change the College's name to Warwickshire College, Royal Leamington Spa and Moreton Morrell following the agreed merger of the assets of Warwickshire College for Agriculture, Horticulture and Equine Studies. The merger with Rugby College on 1 August 2003 resulted in the new name of Warwickshire College, Royal Leamington Spa, Rugby and Moreton Morrell. On 1 August 2007, the assets and liabilities of Pershore Group of Colleges (without the Holme Lacy centre) were acquired, which resulted in a further change of name to Warwickshire College. The College adopted the trading name of Warwickshire College Group in 2014. As at 1<sup>st</sup> August 2016 Warwickshire College merged with South Worcestershire College. The trading name WCG has since been adopted, to better reflect the College's increased presence in the two counties of Warwickshire and Worcestershire.

### **Mission and Core values**

Warwickshire College is a successful, complex general Further Education (FE) College with significant Higher Education (HE), apprenticeship and international provision.

#### **Our Mission**

'Raising aspiration and realising potential through excellence in learning and development'.

The core values are:

- Put the student first
- Deliver the highest quality
- Act with fairness, openness and respect
- Challenge and Innovate

These core values are actively promoted at every opportunity. They provide a flexible framework by which decisions are made and priorities agreed

### **Public Benefit**

Warwickshire 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 pages 16 and 17.

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

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

- High quality teaching
- Widening participation and tackling social exclusion
- Excellent employment record for students

## Warwickshire College Strategic Report (continued)

- Strong student support systems
- Links with employers, industry and commerce
- Links with Local Enterprise Partnerships (LEP's)

### Implementation of the Strategic Plan

In 2016/17 the College adopted a new mission and five-year plan – “Delivering Successful Futures”.

Within the plan there are five strategic priorities. These are:

**Student Success** – To deliver a dynamic and responsive curriculum designed to maximise student outcomes and economic impact.

**Financial Success** – To develop and grow income streams with cost effective delivery models, optimising asset utilisation thus ensuring financial health, capacity to invest and sustainability.

**People Success** – Develop stronger and wider reaching educational, business/commercial and community partnerships and ventures

**Quality Success** – To be an outstanding provider of education and training, delivering excellence in all activities.

**Economic Success** - To contribute to the local, regional and national economy through supplying and training the workforce.

Each priority has a set of success indicators attached in order to enable the College to track progress and to allow staff to see the part that they can play in ensuring the College meets its strategic priorities. These targets are reviewed and then set annually.

Performance indicators

Key performance Indicator	Budget for 2019/20	Actual for 2019/20
EBITDA as % of income – education specific	5.3%	8.0%
EBITDA as % of income – excluding restructuring costs	6.7%	8.8%
Staff costs (incl contract services /excl pensions adjustment/excl restructuring) as % of income	65.5%	67.3%
Adjusted current ratio	0.37	0.72
Borrowing as % of income	13.5%	14.1%
Reliance on ESFA income	59.6%	61.5%
Financial Health Score	130	190

### Financial Success Priority

To develop and grow income streams with cost effective delivery models, optimising asset utilisation thus ensuring financial health, capacity to invest and sustainability.

- We aim to profitably grow our income
- We aim to increase efficiency and drive cost effectiveness
- We will optimize our use of assets and ensure they are appropriately funded



## **Development and performance**

### **Financial Overview**

Income for the year at £49,263k was down by £4,559k or 8.5% on the prior year. Much of this reduction was anticipated, being associated with a slowing of our apprenticeship programme with JLR, as they adapted to challenging market conditions and additionally a more competitive HE environment, following the ongoing impact of the removal of student number caps on universities and the proliferation of unconditional offers. Growth has come in areas such as the expansion of high needs provision and in the development of Prince's Trusts and English Football League (EFL) traineeships. Income also includes an £875k ESFA contribution to offset the significant impact of the increase in Teachers' Pension contributions, which were effective 1<sup>st</sup> September 2019. A decision to outsource catering from 1<sup>st</sup> February has further reduced headline income in year. These factors, all combined, meant that in our revised forecast, submitted to the ESFA end February 2020, we projected a drop in income of £3,333k or 6.2%. With the advent of Covid 19 however, whilst many income streams were either secured or guaranteed at the point of lock down, a further unplanned adverse hit to income of £2,634k or 4.9% resulted in a brief four month window. This adverse impact was principally on apprenticeships and commercial income. This negative was then offset partially by the College accessing the various relief schemes available, principally the job retention scheme, which in aggregate generated an additional income of £1,408k. A further hidden impact of Covid 19 was that we were unable to deliver our Prince's Trust and EFL Traineeships over this four month period, with the venues, where these re-engagement programmes are delivered, being closed. Whilst this did not impact income in year it has left us with a significantly reduced allocation of ESFA funding being secured for 2020/21.

Staff costs at £34,580k in headline terms were down by £2,398k or 6.5% on the prior year. This reflects the impact of significant restructuring implemented last year, focused on improving the viability of our delivery models. This was further supported by a wage freeze in year, in part offsetting the significant increase in Teachers' Pension contributions from September 2019 that had been anticipated in year.

Fundamental restructuring costs at £372k, whilst less significant than last year (£1,140k), reflects further steps necessary to adjust for a reduction in JLR apprenticeship activity reflecting their own commercial pressures, and a further fine tuning of our delivery model. The priority however remains to maintain provision and choice across all our College sites.

Other operating expenses at £11,508k were significantly down by £2,589k or 18.4% on the prior year. This reflects a combination of planned reductions, an active response to the Covid 19 situation and finally a natural impact of the sites being effectively closed for a four month period. There was no demand from either key worker related or disadvantaged students to have access to the sites and all students were supported remotely during this period. This was made possible both by the investments made in our IT infrastructure in recent years and the responsiveness of staff and students to adapt to new ways of working.

Depreciation, interest and other finance costs are broadly in line with the prior year.

In consequence the deficit before other gains and losses has decreased from £2,930k in 2018/19 to £1,746k in 2019/20.

The actuarial loss of £15,638k mainly arose from a fall in AA corporate bond yields which serves to increase the value placed on past service obligations (see note 22). The volatility/sensitivity of this calculation to small changes in assumptions is evident in reviewing past years' statements of comprehensive income and expenditure where large gains and losses have been recorded.

Net debt at 31 July 2020 was £6,035k (£7,365k 2018/19) and equates to 12.2% of total income (13.7% in 2018/19). Net cash flow from Operating Activities for the year was £2,494k inflow (£3,107k outflow in 2018/19). The difference principally relating to working capital timing differences.

The College has come a long way in the last few years in reducing debt and remains committed to an agreed debt amortisation schedule. We are equally committed to financial performance improvements and to investment to develop the College sites.

# **Warwickshire College**

## **Strategic Report (continued)**

### **Financial results**

The College presents its financial statements under FRS 102 and the 2019 FE HE SORP.

The College generated a deficit before other gains and losses of £1,746k (2018/19 deficit £2,930k), after charging depreciation of £3,354k (2018/19 £3,431k). After disposal of assets the deficit was £1,759k (2018/19 £101k deficit).

The Financial Reporting Standard (FRS102) (28) pension adjustment again had a material impact on the financial statements during the year. A cost of £1,298k (2018/19 £1,686k) for staff costs and £803k (2018/19 £699k) for finance cost was included in the operating deficit above. In addition, there was an actuarial loss of £15,638k (2018/19 £10,560k loss) which was recorded in the Statement of Comprehensive Income and Expenditure.

The funding received from EFSA was £29,685k (2018/19 £29,871k), this included £875k to compensate for Teachers' Pension cost increases. In addition £338k of adult funding was received from the West Midlands Combined Authority. Office for Students funding decreased to £1,720k (2018/19 £1,824k) reflecting a decline in student numbers.

Tuition fees income decreased overall by 26.4% to £10,503k (2018/19 £14,277k), due to lower fees paid by employers which fell by 62.0% to £2,268k (2018/19 £5,918k) as noted above a combination of JLR adjustments and Covid 19, and HE fees which fell by 20% reflecting the competitive environment.

Other Income at £4,359k (2018/19 £6,257k) – this was the area hit hardest by Covid 19, coupled with the decision to outsource catering from 1<sup>st</sup> February 2020 and the closure of sports provision at Henley.

### **Treasury policies and objectives**

The College has treasury management arrangements in place to manage cash flows, banking arrangements and the risks associated with those activities. Short term borrowing for temporary revenue purposes is authorised by the Chief Executive as Accounting Officer. All other borrowing requires the authorisation of the Corporation.

### **Cash flows and Liquidity**

Net cash flow from operating activities was an inflow of £2,494k (2018/19 £3,107k outflow). Net cash flow from investing activities was an outflow of £801k (2018/19 £4,305k inflow reflecting the partial sale of Henley). Net debt was £6,035k, down from £7,365k at the previous year end.

At the year end the College had the following loans financed through Lloyds Bank plc. A secured term loan (£9m) of which £6.8m was available and that was fully drawn, with interest rates fixed for the full period, ending September 2027. Lloyds additionally provide a £1m overdraft facility

Standard bank covenant tests apply in respect of leverage, cash flow cover and gearing, the conditions of which have been met. Additionally, security has been given over certain properties to ensure that the facilities provided are less than 70% of the security provided.

### **Reserves**

The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation, and ensures that there are adequate reserves to support the College's core activities. The College reserves include no restricted reserves. As at the balance sheet date Total unrestricted reserves stand at £8,327k (2018/19 £25,724k). The deterioration in 2019/20 is principally due to actuarial losses (see note 22) which will remain a source of volatility. It is the Corporation's intention to increase underlying reserves over the life of the strategic plan through the generation of annual operating surpluses.

# **Warwickshire College Strategic Report (continued)**

## **Resources**

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

Tangible fixed assets of £100,881k (2018/19 £103,459k) include the College's seven College sites at Royal Leamington Spa, Rugby, Moreton Morrell, Pershore, Warwick Trident, Evesham, & Malvern Hills.

The College has £8,327k (2018/19 £25,724k) of net assets including £55,281k (2018/19 £37,542k) defined benefit obligations and net debt of £6,035k (2018/19 £7,365k).

## **Group companies**

The College has two subsidiary companies, Warwickshire College Ltd and Warwickshire College Enterprises Ltd. Warwickshire College Ltd commenced trading on 1 August 2017 as an employment company, whilst Warwickshire College Enterprises Ltd remained dormant during the year.

## **Future Prospects**

### **Budget for 2020/21**

The financial budget for 2020/21 was, as usual, prepared by a combination of a top down modelling exercise and a bottom up build, with the two approaches being made to converge, as clarity around issues emerged.

Any budget is dependent on a series of assumptions, but this year the uncertain ongoing impact of Covid 19 led us to prepare both a Base case budget and Best case budget. Whilst we believe our projections are cautious, the ongoing pandemic means that, as for many businesses, projections are subject to material uncertainties.

Three main concerns were evident at the time the Budget was constructed:

- A potential further drop in Income across a broader range of our activities due to Covid 19, most frustrating of which was a rejection of our growth claim in respect of the Prince's Trust/EFL courses that would have been delivered April to July 2020, but for Covid 19.
- The falling away of available relief schemes, such as the job retention scheme, with no visibility at the time of alternate mechanisms that may be provided
- The costs of re-opening College sites generally and implementing the additional protective measures required.

The budget also assumed the sale of the balance of the old Henley site. Whilst contracts had been exchanged, this sale was still subject to a planning application.

Under both the Base and Best case scenarios approved by Governors on 14<sup>th</sup> July 2020 and submitted to the ESFA end July 2020, the projections showed challenges in respect of both available facilities and bank covenant tests.

The following subsequent developments have now been reflected in a revised forecast and this forms the basis of our going concern assessment:

- Enrolments have been broadly in line with our base budget and are better in the case of both HE and 16-18 enrolments, principally due to our forecast Prince's Trust and EFL programmes.
- A favourable planning decision was granted on 21<sup>st</sup> October 2020 in respect of the sale of Henley and we now expect this important transaction will complete by end January 2021.
- Additional income streams have either been identified or confirmed which should reduce net debt by £1.8m, most significant of which is the ESFA allocation for condition improvement of the estate.



## **Warwickshire College Strategic Report (continued)**

- Lloyds bank have agreed to defer Sept 20 scheduled repayment to Dec 21 and extend the existing overdraft facility for a year. Contracts to this effect were signed at the Board meeting on 16<sup>th</sup> December.

An updated in year cash flow was submitted to the ESFA at the end of November 2020 reflecting the above.

### **COVID-19:**

Covid 19 has had a significant impact on the College as noted above and will continue to impact on income streams in 2021/22 with the College setting base and best case scenarios for its going concern review. To the extent relief schemes have been made available such as furloughing, the College has accessed these to mitigate the impact of the above wherever possible subject to the rules of those schemes. The College continues to be bank covenant compliant but as noted above the ongoing pandemic means that, as for many businesses, projections are subject to material uncertainties

### **Student Success Priority**

To deliver a dynamic and responsive curriculum designed to maximise student outcomes and economic impact we aim to:

- develop a dynamic curriculum offer to meet future employment needs and maximise the potential of individuals
- improve student outcomes across all provision
- raise student progression into higher education and employment
- ensure each individual College is at the heart of its community in meeting local skills needs

### **Student numbers**

The College had approximately 6,867 (2018/19 7,644) ESFA funded students and 4,594 (2018/19 5,417) non ESFA funded students. The number of students engaged in employer responsive learning was 2,057 (2018/19 2,177). 14-16 provision has continued with approximately 51 (2018/19 121) young learners attending programmes at the College.

With 640 FTE new HE entrants (new starters and returning full-time and part-time students, including those on full-cost recovery courses) enrolling on HE courses in 2019/20, this was a slight increase on the previous year. There was a slight decrease in overall HE student numbers with a total of 797 FTE HE students including degree apprentices.

### **Student involvement**

The College continues to improve its responsiveness to students through robust and extensive student involvement activities, empowering students to affect change within the college community. Students have welcomed the opportunity to contribute to the development of the College through events such as the Student Parliament, Student Councils, the Student Union, and by taking an active role in College committees at all levels.

### **Student Achievements**

Students continue to achieve well at the College. Achievement rates have improved in 2019/20 and 94% of FE students moved into sustainable employment, further or higher education. When benchmarked against other further education colleges, the College's progression to full-time employment rate is 10% higher than average.

# **Warwickshire College Strategic Report (continued)**

## **Safeguarding**

Our policy is, that the safeguarding of students and staff at Warwickshire College is deemed to be the responsibility of all members of the College. Safeguarding, along with the associated elements of Child Protection and the Prevent agenda, is integral to all activities associated with the College whether on site or off. The Policy takes account of all relevant legislation including the latest statutory guidance, Keeping Children Safe in Education 2020.

## **Prevent strategy policy statement**

Warwickshire College is committed to providing a secure and tolerant environment for all students receiving education and training at the College. Our policy applies to all staff, governors and volunteers working for Warwickshire College.

## **People Success Priority**

### **Staff involvement**

Within its five year strategy document, 'Delivering Successful Futures', the college has one of its priorities as people success to attract, retain and develop high performing, well-motivated individuals, committed to our mission and values. Specifically people success aims to:

- Attract, identify, grow and retain talent and succession plan
- Provide a progressive, safe and supportive working environment
- Build a strong college profile and reputation.

Operationally the college involves staff via regular staff forums at each college, staff talks by the Senior Leadership Team, staff survey and an online innovation site for staff ideas.

The College believes communication and engagement with its staff to be very important. An active intranet and regular internal communications are now embedded within marketing to ensure staff are kept well informed of College developments.

### **People**

The College employs 1,265 (2018/19 1,338) people, of whom 803 (2018/19 870) are within teaching departments.

### **Equality and diversity**

The College is committed to serving the wider community by developing equality of opportunity in all of its actions and by supporting human rights. The aim of the College is that everyone is given reasonable and appropriate support and the opportunity to reach their full potential. In fulfilling this aim the College works proactively to ensure that no one is disadvantaged as a result of their protected characteristics:

- age
- disability
- gender reassignment
- race
- marriage and civil partnership
- pregnancy and maternity
- religion/beliefs
- sex
- sexual orientation

The College actively promotes harmony between different groups and encourages both tolerance and understanding of the beliefs of others. The College is committed to recognising the achievements of all members of the College community. The College community is defined as places where College functions take place and includes all out-reach centres, work placements, employer premises and other venues where activities are taking place in the name of, or on behalf of, the College. Every member of this

## **Warwickshire College Strategic Report (continued)**

community has a responsibility to tackle and eliminate discriminatory behaviour including bullying, harassment and intimidation. Visitors, contracted personnel and partners will be required to ensure that equality is upheld both in principle and practice, when visiting or working with the College.

Public Sector Equality Duty came into force in 2011. The Equality Duty ensures that all public bodies play their part in making society fairer by tackling discrimination and providing equality of opportunity for all.

Complying with the Equality Duty may involve treating some people better than others, as far as this is allowed by discrimination law. For example, it may involve making use of an exception or the positive action provisions in order to provide a service in a way which is appropriate for people who share a protected characteristic.

Under the Equality Duty the College is required to:

- publish information to demonstrate their compliance with the Equality Duty, at least annually; and
- set equality objectives, at least every four years

Warwickshire College Group has an established Equality and Diversity Committee that ensures compliance with the Public Sector Equality Duty.

### **Encouraging participation of under-represented groups**

The College will be proactive in identifying under-represented groups and encourage them to participate by developing flexible provision in appropriate surroundings within the College community. The College recognises that it has an opportunity to model equal access and empower all groups including disabled, ethnic, religious and socially & economically disadvantaged and will:

- Try to recruit governors representative of the student population and/or community;
- Encourage the widest participation from students, parents, lecturers and employers;
- Support individuals and community groups to express their case on matters affecting themselves and their community; and
- Encourage all employers to support their workforce in their learning.

This policy is representative of the College core values and will be monitored through the College Single Equality Scheme and associated actions.

The College in all its activities will endeavour to:

- Promote Equality and Diversity throughout the student journey and in particular in teaching and learning and in all areas of the curriculum;
- Provide vision and strong leadership in all aspects of equality, diversity and tolerance with all our stakeholders, students and staff;
- Respond to the needs of individual learners and seek to include those who are disaffected or marginalised;
- Provide the appropriate environment and facilities for all staff and not limit the equality of opportunity for particular staff;
- Provide the appropriate environment and facilities for all groups of students and not limit the equality of opportunity for particular groups;
- Ensure that all groups of students are supported to achieve their maximum potential;
- Consult with representatives of community groups, employers and other external organisations to inform the planning of specific learning programmes, initiatives, programme planning and curriculum development;
- Operate an admissions system that promotes tolerance of the beliefs of others, that is sensitive to all prospective students and staff and offers the relevant advice and guidance;
- Give prospective students (where appropriate) the opportunity to visit the College, so that they can make an independent judgement as to whether the environment is suitable;
- Provide reasonable support systems to students by encouraging disclosure, assessing their particular needs and publicising additional support arrangements including any costs incurred;
- Publicise childcare facilities and costs;
- Ensure that staff recruitment systems are compliant with equality legislation;
- Induct students and staff and raise their awareness of the Equality & Diversity Policy;
- Monitor feedback via the Customers Services team for issues that relate to Equality & Diversity to ensure that the College does not indirectly discriminate against one particular group/groups;

## Warwickshire College Strategic Report (continued)

- Provide opportunities for students to take part in a wide range of activities;
- Ensure good equality and diversity practice in organisations where students take part in work based learning and employer engagement;
- Encourage and support all employers and suppliers to develop Equality & Diversity Policies;
- Ensure that assessment and examination methods are fair;
- Promote that the College is representative of the community it supports and make sure that all students, governors, volunteers and staff understand that our value of tolerance relating to the beliefs of others is central to everything the College does;
- Promote British Values within the College and specifically the aspects regarding mutual respect and tolerance of different faiths and beliefs.

### Trade union facility time for the period 1 April 2019 to 31 March 2020

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

Numbers of employees who were relevant union officials during the relevant period	FTE employee number
5 (4.4 FTEs)	302 (178.54 FTEs)

Percentage of time	Number of employees
0%	0
1-50%	5
51-99%	0
100%	0

Total cost of facility time	£56,376
Total pay bill	£30m
Percentage of total bill spent on facility time	0.18%

Time spent on paid trade union activities as a percentage of total paid facility time	45%
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### Payment Performance

The Late Payment of Commercial Debts (Interest) Act 1998, in the absence of agreement to the contrary, requires organisations to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for the payment to suppliers within 30 days is 95 per cent which is a target the College strives to meet. The College incurred no interest charges in respect of late payment for this period.

### Quality Success Priority

**To be an outstanding provider of education and training delivering excellence in all activities.**

- We aim to deliver a high quality and memorable experience to our students, apprentices and customers
- We aim to provide excellent services, resources and environments
- We aim to embed a culture of reflection and enhancement

Operationally the College has a central quality function that works to a comprehensive quality framework and annual cycle of quality review meetings. This supports the improvement of student outcomes across all provision and raises student progression into higher education and employment.

## **Warwickshire College Strategic Report (continued)**

The College has a good reputation locally and nationally for its teaching, learning and work based learning provision. Maintaining a quality brand is essential for the College's success at attracting students and external partnerships. This is carefully managed and associated risks are monitored via the College's risk management procedures. The College's new Group identity, which was introduced in 2014 as part of an overall proactive and comprehensive marketing and communications Strategy, has been well received and enabled partner schools and stakeholders to more clearly identify with the group structure and its component Colleges, each with their own unique identity.

### **Inspection**

The College was inspected by the Office for Standards in Education (Ofsted) in March 2018, when the College's overall effectiveness was judged to be "Good". The inspectors said that:

- The Principal and Senior Leadership Team have set a clear strategic direction, centred on providing opportunities to improve learners' futures;
- Senior leaders managed the recent merger with another local college adeptly and sensitively;
- Leaders are highly effective at enabling the college to play a productive role in the local economy;
- Most learners and apprentices develop good skills, produce work of a high standard and consequently are well prepared for their next steps in education or work; almost all progress to further learning or employment;
- Managers, teachers and assessors monitor the progress of learners and apprentices well, and intervene to support them effectively.

On 1 September 2014, the College was awarded Foundation Degree Awarding Powers (FDAP). The new Foundation Degree Awarding Powers (FDAP) allows the College to offer foundation degree qualifications without requiring a university partner. Before granting such powers the college was subject to a year-long scrutiny by the Quality Assurance Agency for Higher Education (QAA) in order to demonstrate it is a "*well-founded, cohesive and self-critical academic community that demonstrates firm guardianship of its standards*". The College's Higher Education provision was last reviewed by the Quality Assurance Agency for Higher Education (QAA) in June 2020 and was judged to meet expectations in relation to quality and academic standards. Warwickshire College is on the Office for Students register of higher education providers.

An Ofsted report was issued following a Social Care Inspection of the College's residential facilities in February 2020. The overall quality rating was considered to be "Good".

### **Economic Success Priority**

To contribute to the local, regional and national economy through supplying and training the workforce.

- We aim to support employers by contributing to the skills supply
- We aim to work with others to support economic growth
- We aim to increase opportunities for employer partners to inform and influence curriculum
- We aim to underpin our developments through partnerships
- We aim to provide higher technical skills that meet the local, regional and national need

### **Employer Engagement**

As noted in the College's Ofsted inspection of March 2018 we have excellent links with both local and national employers. 'Leaders are highly effective at enabling the college group to play a productive role in the local economy. Leaders respond quickly to employers' proposals and have been successful in developing beneficial partnerships with many of them. Across the group, the curriculum reflects the local economy and skills priorities. Learners gain the right skills and use industry-compatible resources, such as those required to secure work in the digital games industry in a local area known as the 'Silicon Spa'. Leaders have established strong partnerships with the automotive industry to develop effective

## **Warwickshire College Strategic Report (continued)**

apprenticeship programmes.’ Throughout 2019/20 this has enabled us to continue to increase our engagement and partnerships and to extend the number and range of apprenticeships offered. Through our Business Development Team we have also worked with many companies to meet their bespoke training needs.

This is a sample of the companies that we work with:

Alstom Transport  
Babcock Defence Support Group  
Cemex UK Ltd  
Coventry City Council  
Coventry University  
Cummins Ltd  
Fortis Housing  
Glendale Grounds Management  
Jaguar Land Rover Limited  
National Trust  
Rivus Fleet  
Sanctuary Group  
Siemens  
Taylor Wimpey  
University of Worcester  
University of Warwick  
Vets for Pets  
Warwickshire County Council

### **Stakeholders**

Effective partnership working is essential to the College’s core values in meeting the needs of the diverse customer base that it serves. The College builds on a strong history of successful delivery with a range of partners, and maintains effective partnerships with employers, schools, other colleges, universities and providers.

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

- Students
- funding agencies
- staff
- local employers
- national employers
- local Authorities
- LEPS
- the local community
- other FE institutions and schools
- universities
- trade unions
- professional bodies
- local entrepreneurs

Economic well-being and educational excellence is at the centre of our activity, as is supplying skills to large and small businesses. We are committed to making our footprint area an economic success and to contributing to community advancement and economic regeneration. This ambition has been central to the development of the College’s strategy for teaching and learning which places the development of work-readiness and employability skills at its heart.

### **Principal risks and uncertainties**

The College continues to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the College’s assets and reputation.



## **Warwickshire College Strategic Report (continued)**

The Senior Leadership Team (SLT) undertakes a comprehensive review of the risks to which the College is exposed, identifying a risk owner for each of the risks identified. They identify systems and procedures, including specific preventable actions to mitigate any potential impact on the College and consider any new risks which may arise as a result of a new area of development for the College. The internal controls are then implemented.

A primary risk register is maintained at the College level which is reviewed by the Audit Committee at each meeting. Secondary risk registers have also been developed for all curriculum, commercial and support areas. These secondary registers extend the participation in the identification and assessment of risk, with key risks being escalated to the primary register against agreed rating criteria. The Audit Committee reviews the secondary registers with the designated risk owner by rotation.

All risks are prioritised using a consistent scoring system and each risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks.

Clearly the impact of Covid 19 and our ability to respond to it has been the major issue in 2019/20 and it remains so. The risk of a pandemic had always featured in our risk register albeit the likelihood had hitherto been considered low risk. The College has generally responded well to the initial reactive phase, in keeping operations running and moving to a new normal. This will remain a challenge throughout 2020/21 and potentially beyond. A particular focus has been on governance and communication.

In addition, the key strategic risks to the College, which currently have high or moderate net risk scores, and are accordingly contained in the primary risk register, have been identified as follows:

- 1) Loss of confidence in financial markets impacting ability of the College to service loans or secure additional finance
- 2) Vulnerability to unwanted access given open nature of College sites
- 3) Lack of preparation and awareness leaves WCG vulnerable in the event of an act of terrorism
- 4) Impact of a significant fire, flood or other such physical event on business continuity
- 5) Impact of political changes, including the result of BREXIT, result in a reduction of funding or a reduction in learner numbers
- 6) Changes to grant funding leading to a reduction in College core income
- 7) Loss of reputation/income due to complaints from learners and/or other stakeholders
- 8) Information and data loss by staff through negligence, naivety or Cyber Security incident resulting in reputational damage
- 9) Expected growth not delivered in apprenticeships
- 10) Loss of key contracts (valued over £2 million) due to competition and perceived reduction in quality leads to loss of reputation and income
- 11) Failure to maintain an adequate ESFA financial health rating resulting in intervention
- 12) Student achievements do not meet college targets
- 13) Loss or long term absence of key personnel
- 14) Failure to ensure an efficient and relevant curriculum
- 15) Expected growth is not delivered in HE

## **Warwickshire College Strategic Report (continued)**

16) Poor arrangements in maintaining facilities and failure to meet HSE requirements reduces the safety of people using college sites and facilities, resulting in a health and safety incident, injury or death

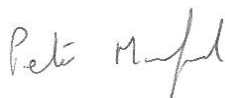
17) Loss of internet connectivity at a campus for an extended period due to external circumstances

As part of the risk management process, appropriate mitigating steps have been identified and implemented against each of the above primary risks.

### **Disclosure of information to auditors**

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

**Approved by order of the members of the Corporation on 16 December 2020 signed on its behalf by:**

A handwritten signature in dark ink, appearing to read 'Pete Manford', is written over a light blue horizontal line.

**P Manford  
Chair of the Corporation**

# Warwickshire College

## Statement of Corporate Governance and Internal Control

The college endeavours to conduct its business:

- i. in accordance with the seven principals identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership)
- ii. having due regard to the UK Corporate Governance Code ("the Code") insofar as it is applicable to the further education sector.

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

In the opinion of the governors, the College complies with the spirit of the AoC Code of Good Governance, and has adopted the AoC Senior Postholders' Remuneration Code. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times.

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

### Covid-19 Statement

During the Covid-19 crisis the Corporation continued its business as usual with all governor meetings being held virtually, which has been extremely successful. The Corporation approved an extension to the Membership and Chairmanship of P Manford to ensure stability in these challenging times. The Search and Governance met fortnightly during the summer term to monitor the impact of the emerging situation, and reported back to the Corporation on a regular basis. Governance has remained strong during this challenging period.

### The Corporation

It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct. The members who served on the Corporation during the year and up to the date of signature of this report were as listed below:

Key to abbreviations:

ASQA	Academic Standards and Quality Assurance Committee
AUDIT	Audit Committee
RES	Resources Committee
SG	Search and Governance Committee
REM	Remuneration Committee
STRAT	Strategy Day & Board briefings

Name	Date of Appointment, and most recent re-appointment	Term of office	Date of resignation	Status of appointment	Committees served to December 2020	Attendance During 2019-20
M Blanks	October 2019	2 years		Student	Member of ASQA	ASQA 75% Board 67% Strategy 0%
C Bradshaw	January 2015 January 2017	4 Years		External	Chair of Audit Member of SG Member of REM	Corporation 83% Audit 100% SG 100% REM 100% Strategy 100%
M Chambers	April 2018 April 2020	4 years		External	n/a	Corporation 33% Strategy 0%

**Warwickshire College**  
**Statement of Corporate Governance and Internal Control (continued)**

G Clipson	January 2017 January 2019	4 years		External	Vice Chair of Corporation Chair of ASQA Member of Audit Member of SG Member of REM	Corporation 100% ASQA 100% Audit 100% SG 82% REM 50% Strategy 100%
M Davis	August 2017 August 2019	4 years		External	Member of RES	Corporation 67% RES 0%
N Eastwood	August 2016 August 2018	4 years		External	Member of RES	Corporation 83% RES 75%
C Hooper	April 2018 April 2020	4 years		External	Member of ASQA	Corporation 100% RES 100% Strategy 100%
A Joyce	April 2015	N/A		Group Principal and CEO	Ex-Officio RES and ASQA Committees	Corporation 100% RES 100% ASQA 100% Strategy 100%
A Lazenby	January 2020	2 years		External	Member of RES	Corporation 0% RES 50% Strategy 100%
P Manford	August 2008 October 2017 July 2020	2 years		External	Chair of Corporation, Chair of SG Ex-Officio all committees except Audit	Corporation 100% ASQA 75% RES 75% SG 100% REM 100% Strategy 100%
S Malle	January 2019	2 years	31 December 2020	External	Member of RES	Corporation 25% RES 33% Strategy 50%
P Marsh	August 2018	2 years	31 March 2020	Student	Member of ASQA	Corporation 67% ASQA 67% Strategy 0%
S Needham	August 2020	2 years		Student	Member of ASQA	n/a
L Norville	May 2019	2 years		External	Member of ASQA	Corporation 67% ASQA 50% Strategy 50%
R Sandby-Thomas	August 2017 August 2019	4 years		External	Member of Audit	Corporation 67% Audit 50% Strategy 50%
K Skudra	November 2011 August 2017 August 2019	4 years		Staff	Member of ASQA	Corporation 100% ASQA 100% Strategy 100%
P Walker	January 2017 January 2019	4 years		External	Vice Chair of Corporation Chair of REM Member of SG Member of ASQA Member of RES	Corporation 83% ASQA 100% RES 75% SG 100% REM 100% Strategy 100%
D Webb	November 2018 November 2020	4 years		External	Member of Audit	Corporation 83% Audit 67% Strategy 100%
S Williams	January 2017 January 2019	4 years		External	Chair of RES Member of SG Member of REM	Corporation 67% RES 100% SG 100% REM 50% Strategy 100%

## **Warwickshire College**

### **Statement of Corporate Governance and Internal Control (continued)**

In addition to formal Board meetings and Strategy days, 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 Audit, Resources, Academic Standards and Quality Assurance, and Search, Governance and Remuneration. Corporation minutes, except those deemed to be confidential, are available on the College's website. Governors are also involved as co-chairs of Advisory Boards which inform the Corporation's decision making.

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

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

Clerk to the Corporation  
Warwickshire College Group  
Royal Leamington Spa College  
Warwick New Road  
Royal Leamington Spa  
CV32 5JE

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

Formal agendas, papers and reports are supplied to governors in a timely manner, prior to Board meetings. Briefings are also provided as appropriate.

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 Chair 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.

#### **Search and Governance committee**

The Corporation has a Search and Governance committee, consisting of five external members of the Corporation, which is responsible for the selection and nomination of any new member for the Corporation's consideration. 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.

#### **Remuneration Committee**

Throughout the year ending 31 July 2020, the College's Remuneration committee comprised five external members of the Corporation. The committee's responsibilities in relation to Remuneration are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer, other senior post-holders and the Clerk to the Corporation.

# **Warwickshire College**

## **Statement of Corporate Governance and Internal Control (continued)**

### **Remuneration Committee (continued)**

The committee has regard to performance target goals and objectives to ensure that the senior post-holders and the Clerk to the Corporation are fairly rewarded for their individual contributions to the College's overall performance and takes account of the regional and national contexts for the remuneration of comparable posts, and the financial health of the College. It demonstrates through membership, constitution and actions that the pay of the senior post-holders and the clerk is proposed by a committee which has no personal interest in the outcome of its recommendations.

The Committee has adopted the AoC Senior Postholders' Remuneration Code. Details of remuneration for the year ended 31 July 2020 are set out in the financial statements.

### **Audit Committee**

The Audit Committee comprised of six members, excluding the Chair of the Corporation and the Accounting Officer, and includes an independent co-opted member, who is not a member of the Corporation. The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee meets three times a year and provides a forum for reporting by the College's internal and financial statements auditors, who have access to the committee for independent discussion, without the presence of College management. The committee also receives and considers reports from the ESFA, the Office for Students and the FE Commissioner, as they affect the College's business.

The College's internal auditors monitor the systems of internal control in accordance with an agreed plan of input and report their findings to management and the Audit Committee.

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

The Audit Committee also advises the Corporation on the appointment of internal and financial statements auditors and their remuneration for both audit and non-audit work.

### **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 has delegated the day-to-day responsibility to the Chief Executive Officer, 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 are personally responsible, in accordance with the responsibilities assigned in the Financial Memorandum between Warwickshire College and the funding bodies. The Chief Executive Officer is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

#### *The purpose of the system of internal control*

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the College for the year ended 31 July 2020 and up to the date of approval of the Report and Financial Statements.



## **Warwickshire College**

### **Statement of Corporate Governance and Internal Control (continued)**

#### *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 there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the year ending 31 July 2020 and up to the date of approval of the Report and Financial Statements. This process is regularly reviewed by the Corporation.

#### *The risk and control framework*

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

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

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

#### *Risks faced by the corporation*

The College has a comprehensive approach to risk management as outlined in the Strategic Report within the Principal risks and uncertainties section.

#### *Control weaknesses identified*

The College operates a robust system of internal control and no significant weaknesses have arisen or require action.

#### *Responsibilities under funding agreements*

The College takes seriously its contractual responsibilities under its funding agreements and contracts with ESFA. The college has been subject to funding audits in each of the previous two years, the outcomes of which have been positive and has additionally commissioned independent review of these areas as an ongoing requirement.

#### *Statement from the audit committee*

The audit committee has advised the board of governors that the corporation has an effective framework for governance and risk management in place. The audit committee believes the corporation has effective internal controls in place. The committee engages BDO as their internal auditors.

#### *Covid 19*

Covid 19 has required new ways of working remotely from the college which have proved effective. Neither internal nor external audit have been delayed as a result of this.

## Warwickshire College

### Statement of Corporate Governance and Internal Control (continued)

#### Review of effectiveness

As Accounting Officer, the Chief Executive Officer has responsibility for reviewing the effectiveness of the system of internal control. The Accounting Officer's review of the effectiveness of the system of internal control is informed by:

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

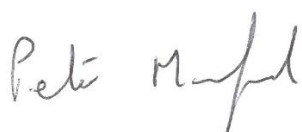
The Accounting Officer has been advised on the implications of the result of her review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditor and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The senior leadership 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 senior management team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2020 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2020 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2020.

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

#### Going concern

As noted above, the ongoing pandemic has added to the material uncertainty of projections. However after preparing robust projections and making the appropriate enquiries the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.



**P Manford**  
**Chair of the Corporation**  
**23 December 2020**



**A Joyce**  
**Accounting Officer**  
**23 December 2020**

## **Warwickshire College**

### **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 agreement and contracts with the ESFA. As part of our consideration we have had due regard to the requirements of the grant funding agreements and contracts with the ESFA.

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

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



**P Manford**  
**Chair of the Corporation**  
**23 December 2020**



**A Joyce**  
**Accounting Officer**  
**23 December 2020**

## **Warwickshire College**

### **Statement of Responsibilities of the Members of the Corporation**

The members of the corporation, as governors, are required to present audited financial statements for each financial year.

Within the terms and conditions of the corporation's grant funding agreements and contracts with 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 Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's college accounts direction and the UK's Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the college and its surplus / deficit of income over expenditure for that period.

In preparing the 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 whether the Corporation is a going concern, noting the key supporting assumptions, qualifications or mitigating actions as appropriate.
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation.

The Corporation is also required to prepare a Members' 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 Corporation.

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

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

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

**Approved by order of the members of the Corporation on 16 December 2020 signed on its behalf by:**



**P Manford**  
**Chair of the Corporation**

## Warwickshire College

# Independent auditor's report to the Members of the Corporation of Warwickshire College Group

### Opinion

We have audited the financial statements of Warwickshire College Group (the 'parent corporation') and its subsidiaries (the 'group') for the year ended 31 July 2020, which comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Balance Sheet, Statement of Cash Flows 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent corporation's affairs as at 31 July 2020 and of the group's deficit of income over expenditure and of the parent corporation's deficit of income over expenditure for the year then ended; and
- have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice – Accounting for Further and Higher Education as issued in October 2018 and any subsequent amendments.

### 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 parent corporation 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.

### Emphasis of Matter – effects of Covid-19 on the valuation of LGPS property investment assets

We draw attention to Note 22 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the College's share of the pension fund's property investments. As disclosed in Note 22 to the financial statements, the outbreak of Covid-19 has impacted global financial markets and market activity has been impacted. A material valuation uncertainty was therefore disclosed in the pension fund's property valuation reports and consequently less certainty and a higher degree of caution should be attached to the valuation. Our opinion is not modified in respect of this matter.

### The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

### Material uncertainty related to going concern

We draw attention to note 1 in the financial statements, which indicates that there are uncertainties in relation to the College's cashflow forecast, due to the impact of uncertainties in relation to specified property transactions as well as inherent uncertainties on the income streams of the College as a result of the pandemic. As stated in note 1, these events or conditions, indicate that a material uncertainty exists that may cast doubt on the group's and the parent corporation's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Other information

The Members of 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.

## Warwickshire College

### Independent auditor's report to the Members of the Corporation of Warwickshire College Group (continued)

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.

#### Opinion on other matters prescribed by the Office for Student's ('OfS') accounts direction (issued October 2019)

In our opinion, in all material respects:

- funds from whatever source administered by the parent corporation for specific purposes have been properly applied to those purposes and managed in accordance with the relevant legislation;
- funds provided by the OfS, have been applied in accordance with the relevant terms and conditions, and any other terms and conditions attached to them, and
- the requirements of the OfS's accounts direction (issued October 2019) have been met.

#### 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 2019 to 2020 issued by the Education & Skills Funding Agency requires us to report to you if, in our opinion:

- the parent corporation has not kept adequate accounting records; or
- the group and parent corporation's annual accounts are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of the following matters where the OfS accounts direction (issued October 2019) requires us to report to you where:

- the group and parent corporation's grant and fee income, as disclosed in the note to the accounts, has been materially misstated; or
- the group and parent corporation's expenditure on access and participation activities for the financial year, as disclosed in the note to the accounts, has been materially misstated.

#### Responsibilities of the Members of the Corporation for the financial statements

As explained more fully in the statement of responsibilities of the Members of the Corporation set out on page 23, the Members of the Corporation are responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Members of 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 Members of the Corporation are responsible for assessing the group's and parent corporation's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Members of the Corporation either intends to liquidate the group or parent corporation or to cease operations, or has no realistic alternative but to do so.

#### Auditor's responsibilities for the audit of the financial statements

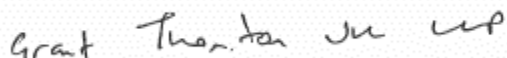
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee 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 the 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.



**Warwickshire College****Independent auditor's report to the Members of the Corporation of Warwickshire College Group (continued)****Use of our report**

This report is made solely to the Members of the Corporation, as a body, in accordance with the terms of our engagement letter dated 6 October 2020. Our audit work has been undertaken so that we might state to the Members of the Corporation those matters we are required to state to it 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 corporation and the Members of the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in dark ink, appearing to read "Grant Thornton UK LLP", is positioned above a light grey dotted rectangular box.

Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Birmingham  
24 December 2020

## **Warwickshire College**

### **Reporting accountant's assurance report on regularity**

#### **To the corporation of Warwickshire College Group 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 [including the relevant Mayoral combined Authority or the Greater London Authority], we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that, in all material respects, the expenditure disbursed and income received by Warwickshire College Group 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 and in any relevant conditions of funding concerning adult education notified by a relevant funder. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record returns, for which the ESFA or devolved authority has other assurance arrangements in place.

#### **Respective responsibilities of Warwickshire College Group and the reporting accountant**

The corporation of Warwickshire College Group is responsible, under the requirements of the Further and Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received are 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 ESFA. We performed a limited assurance engagement as defined in that framework.

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

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

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

The work undertaken to draw our conclusion includes:

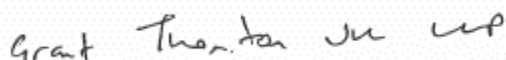
- an assessment of the risk of material irregularity and impropriety across the college's activities;
- evaluation of the processes and controls established and maintained in respect of regularity and propriety for the use of public funds through observation of the arrangements in place and enquiries of management;
- consideration and corroboration of the evidence supporting the Accounting Officer's statement on regularity, propriety and compliance and that included in the self-assessment questionnaire (SAQ); and
- limited testing, on a sample basis, of income and expenditure for the areas identified as high risk and included on the SAQ.

#### **Conclusion**

In the course of our work, nothing has come to our attention which suggests that, in all material respects, the expenditure disbursed and income received during the period 1 August 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.

**Warwickshire College****Reporting accountant's assurance report on regularity (continued)****Use of our report**

This report is made solely to the corporation of Warwickshire College Group 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 Warwickshire College Group and the ESFA those matters we are required to state in a limited assurance 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 Warwickshire College Group, as a body, and the ESFA, as a body, for our work, for this report, or for the conclusion we have formed.

A handwritten signature in dark ink, appearing to read "Grant Thornton UK LLP", is written over a light grey dotted rectangular background.

Grant Thornton UK LLP  
Chartered Accountants  
Birmingham  
24 December 2020

# Warwickshire College

## Consolidated Statements of Comprehensive Income and Expenditure

	Notes	Year ended 31 July 2020		Year ended 31 July 2019	
		Group	College	Group	College
		£'000	£'000	£'000	£'000
<b>INCOME</b>					
Funding body grants	2	32,369	32,369	32,359	32,359
Tuition fees and education contracts	3	10,503	10,503	14,277	14,277
Other grants and contracts	4	2,032	2,032	929	929
Other income	5	4,359	4,359	6,257	6,257
<b>Total income</b>		<b>49,263</b>	<b>49,263</b>	<b>53,822</b>	<b>53,822</b>
<b>EXPENDITURE</b>					
Staff costs	6	34,580	34,673	36,978	37,046
Fundamental restructuring costs	6	372	365	1,140	1,132
Other operating expenses	7	11,508	11,422	14,097	14,037
Depreciation	10	3,354	3,354	3,431	3,431
Interest and other finance costs	8	1,195	1,195	1,106	1,106
<b>Total expenditure</b>		<b>51,009</b>	<b>51,009</b>	<b>56,752</b>	<b>56,752</b>
<b>Deficit before other gains and losses</b>		<b>(1,746)</b>	<b>(1,746)</b>	<b>(2,930)</b>	<b>(2,930)</b>
Profit/(Loss) on disposal of assets	10	(13)	(13)	2,848	2,848
Share of operating deficit in joint venture		-	-	(19)	(19)
<b>Deficit before tax</b>		<b>(1,759)</b>	<b>(1,759)</b>	<b>(101)</b>	<b>(101)</b>
Taxation	9	-	-	-	-
<b>Deficit for the year</b>		<b>(1,759)</b>	<b>(1,759)</b>	<b>(101)</b>	<b>(101)</b>
Actuarial loss in respect of pensions schemes		(15,638)	(15,638)	(10,560)	(10,560)
<b>Total Comprehensive Income for the year</b>		<b>(17,397)</b>	<b>(17,397)</b>	<b>(10,661)</b>	<b>(10,661)</b>

All items of income and expenditure relate to continuing activities with the exception of the joint venture which is in the process of being wound up. See Note 11.


**Warwickshire College**  
**Consolidated Statement of Changes in Reserves**

	Income and Expenditure account £'000	Revaluation reserve £'000	Total £'000
<b>Group</b>			
<b>Balance at 1st August 2018</b>	5,694	30,691	36,385
Surplus/(deficit) from the income and expenditure account	(101)	-	(101)
Other comprehensive income	(10,560)	-	(10,560)
Transfers between revaluation and income and expenditure reserves	498	(498)	-
	(10,163)	(498)	(10,661)
<b>Balance at 31st July 2019</b>	(4,469)	30,193	25,724
Surplus/(deficit) from the income and expenditure account	(1,759)	-	(1,759)
Other comprehensive income	(15,638)	-	(15,638)
Transfers between revaluation and income and expenditure reserves	490	(490)	-
<b>Total comprehensive income for the year</b>	(16,907)	(490)	(17,397)
<b>Balance at 31st July 2020</b>	(21,376)	29,703	8,327
<b>College</b>			
<b>Balance at 1st August 2018</b>	5,694	30,691	36,385
Surplus/(deficit) from the income and expenditure account	(101)	-	(101)
Other comprehensive income	(10,560)	-	(10,560)
Transfers between revaluation and income and expenditure reserves	498	(498)	-
<b>Total comprehensive income for the year</b>	(10,163)	(498)	(10,661)
<b>Balance at 31st July 2019</b>	(4,469)	30,193	25,724
Surplus/(deficit) from the income and expenditure account	(1,759)	-	(1,759)
Other comprehensive income	(15,638)	-	(15,638)
Transfers between revaluation and income and expenditure reserves	490	(490)	-
<b>Total comprehensive income for the year</b>	(16,907)	(490)	(17,397)
<b>Balance at 31st July 2020</b>	(21,376)	29,703	8,327

**Warwickshire College**  
**Balance sheets as at 31 July**

	Notes	Group	College	Group	College
		2020 £'000	2020 £'000	2019 £'000	2019 £'000
<b>Non current assets</b>					
Tangible fixed assets	10	100,881	100,881	103,459	103,459
Investments	11	2	2	2	2
		<b>100,883</b>	<b>100,883</b>	<b>103,461</b>	<b>103,461</b>
<b>Current assets</b>					
Stocks		415	415	507	507
Trade and other receivables	12	1,820	1,820	1,880	1,880
Investments	13	1	1	1	1
Cash and cash equivalents	18	765	765	154	154
		<b>3,001</b>	<b>3,001</b>	<b>2,542</b>	<b>2,542</b>
<b>Less: Creditors – amounts falling due within one year</b>	14	(4,877)	(4,877)	(5,698)	(5,698)
<b>Net current liabilities</b>		<b>(1,876)</b>	<b>(1,876)</b>	<b>(3,156)</b>	<b>(3,156)</b>
<b>Total assets less current liabilities</b>		<b>99,007</b>	<b>99,007</b>	<b>100,305</b>	<b>100,305</b>
Less: Creditors – amounts falling due after more than one year	15	(34,201)	(34,201)	(35,879)	(35,879)
<b>Provisions</b>					
Defined benefit obligations	17	(55,281)	(55,281)	(37,542)	(37,542)
Other provisions	17	(1,198)	(1,198)	(1,160)	(1,160)
<b>Total net assets</b>		<b>8,327</b>	<b>8,327</b>	<b>25,724</b>	<b>25,724</b>
<b>Unrestricted reserves</b>					
Income and expenditure account		(21,376)	(21,376)	(4,469)	(4,469)
Revaluation reserve		29,703	29,703	30,193	30,193
<b>Total unrestricted reserves</b>		<b>8,327</b>	<b>8,327</b>	<b>25,724</b>	<b>25,724</b>

The financial statements on pages 29 to 57 were approved and authorised for issue by the Corporation on 16 December 2020. They were signed on its behalf on 23 December 2020 by:



**P Manford**  
**Chair**



**A Joyce**  
**Accounting Officer**



**Warwickshire College**  
**Consolidated Statement of Cash Flows**

	Notes	2020 £'000	2019 £'000
<b>Cash inflow from operating activities</b>			
Deficit for the year		(1,759)	(101)
<b>Adjustment for non cash items</b>			
Depreciation		3,354	3,431
Decrease in stocks		92	4
(Increase)/decrease in debtors		60	(441)
Decrease in creditors due within one year		(796)	(5,085)
Decrease in creditors due after one year		(978)	(2,941)
Increase in provisions		38	94
Pensions costs less contributions payable		2,101	2,385
Taxation		-	-
<b>Adjustment for investing or financing activities</b>			
Investment income		-	-
Interest payable		369	382
Taxation paid		-	-
Loss on sale of fixed assets		13	1
Release of DCG on sale of asset held for resale		-	2,013
Profit on asset held for resale		-	(2,849)
		<b>2,494</b>	<b>(3,107)</b>
<b>Net cash flow from operating activities</b>			
<b>Cash flows from investing activities</b>			
Proceeds from sale of fixed assets		-	-
Proceeds from sale of asset held for resale		-	5,197
Investment in Joint Venture written off		(25)	-
Investment income		-	-
Payments made to acquire fixed assets		(776)	(892)
		<b>(801)</b>	<b>4,305</b>
<b>Cash flows from financing activities</b>			
Interest paid		(363)	(347)
Repayments of amounts borrowed		(719)	(737)
		<b>(1,082)</b>	<b>(1,084)</b>
<b>Increase in cash and cash equivalents in the year</b>		<b>611</b>	<b>114</b>
Cash and cash equivalents at beginning of the year	18	154	40
Cash and cash equivalents at end of the year	18	765	154

# **Warwickshire College**

## **Notes to the Financial Statements for the year ended 31 July 2020**

### **1. Accounting policies**

#### **Basis of accounting**

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

#### ***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 modified by the revaluation of certain fixed assets and in accordance with applicable United Kingdom Accounting Standards.

#### **Basis of consolidation**

The consolidated financial statements include the College and its subsidiary Warwickshire College 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. Under the purchase method of accounting, the results of subsidiary and associated undertakings, acquired or disposed of during the year are included in the consolidated income and expenditure account from or up to the date on which control of the undertaking passes. Intra group sales and profits are eliminated fully on consolidation. In accordance with FRS 102, the activities of the students union have not been consolidated because the College does not control these activities.

#### ***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 Review. The financial position of the College, its cash flow, liquidity and borrowings are described in the Financial Statements and accompanying Notes.

Net debt at 31 July 2020 was £6,035k (£7,365k 2018/19) and equates to 12.2% of income (13.7% in 2018/19). The College has £8,327k (2018/19 £25,724k) of net assets including £55,281k (2018/19 £37,542k) defined benefit obligations.

The financial budget for 2020/21 was, as usual, prepared by a combination of a top down modelling exercise and a bottom up build, with the two approaches being made to converge, as clarity around issues emerged.

Any budget is dependent on a series of assumptions, but this year the uncertain ongoing impact of Covid 19 led us to prepare both a Base case budget and Best case budget. Whilst we believe our projections are cautious, the ongoing pandemic means that, as for many businesses, projections are subject to material uncertainties.

## **1. Accounting policies (continued)**

Three main concerns were evident at the time the Budget was constructed:

- A potential further drop in Income across a broader range of our activities due to Covid 19, most frustrating of which was a rejection of our growth claim in respect of the Prince's Trust/EFL courses that would have been delivered April to July 2020, but for Covid 19.
- The falling away of available relief schemes, such as the job retention scheme, with no visibility at the time of alternate mechanisms that may be provided
- The costs of re-opening College sites generally and implementing the additional protective measures required.

The budget also assumed the sale of the balance of the old Henley site. Whilst contracts had been exchanged, this sale was still subject to a planning application.

Under both the Base and Best case scenarios approved by Governors on 14<sup>th</sup> July 2020 and submitted to the ESFA end July 2020, the projections showed challenges in respect of both available facilities and bank covenant tests.

The following subsequent developments have now been reflected in a revised forecast and this forms the basis of our going concern assessment:

- Enrolments have been broadly in line with our base budget and are better in the case of both HE and 16-18 enrolments, principally due to our forecast Prince's Trust and EFL programmes.
- A favourable planning decision was granted on 21<sup>st</sup> October 2020 in respect of the sale of Henley and we now expect this important transaction will complete by end January 2021.
- Additional income streams have either been identified or confirmed which should reduce net debt by £1.8m, most significant of which is the ESFA allocation for improvement of the condition of the estate.
- Lloyds bank have agreed to defer Sept 20 scheduled repayment to Dec 21 and extend the existing overdraft facility for a year. Contracts to this effect were signed at the Board meeting on 16<sup>th</sup> December.

Covid 19 has had a significant impact on the College as noted above and will continue to impact on income streams in 2021/22 with the College setting base and best case scenarios for its going concern review. To the extent relief schemes have been made available such as furloughing, the College has accessed these to mitigate the impact of the above wherever possible subject to the rules of those schemes. The College continues to be bank covenant compliant but as noted above the ongoing pandemic means that, as for many businesses, projections are subject to material uncertainties in terms of the impact on income any further significant tightening of restrictions might bring, the availability then of additional support measures and the importance then attaching to specified property transactions

Nevertheless after preparing robust projections and making the appropriate enquiries the Corporation continues to consider that the College has adequate resources to continue in operational existence for the foreseeable future, being a period not less than 12 months from the date of approval of these financial statements. For this reason, it continues to adopt the going concern basis in preparing the financial statements and do not include the adjustments that would result if the College was unable to continue as a going concern.

## **2. Accounting policies (continued)**

### ***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 Education 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 OfS represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

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 model as permitted by FRS 102. Other, non-governmental 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.

### ***Agency Arrangements***

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

### ***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 and contracted out of the State Second Pension.

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method.

The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to

**Warwickshire College**  
**Notes to the Financial Statements for the year ended 31 July 2020 (continued)**

**1. Accounting policies (continued)**

***Accounting for post-employment benefits (continued)***

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.

Warwickshire College Ltd offers a defined contribution scheme.

***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 a 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 and expenditure account in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet.

***Tangible fixed assets***

***Land and buildings***

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. The associated credit is included in the revaluation reserve. Land and buildings acquired since incorporation are included in the balance sheet at cost. Freehold land is not depreciated as it is considered to have an infinite useful life.

Freehold buildings are depreciated over their expected useful economic life to the College of up to 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 capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Finance costs and additional running costs which are directly attributable to the construction of land and buildings, are not capitalised as part of the cost of those assets. Costs relating to the preparative stages of capital projects are written off at the time of expenditure.

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 revalue the land, but retain the book value of the buildings, (which were revalued in 1993), but not to adopt a policy of revaluations of these properties in the future.

## **1. Accounting policies (continued)**

### ***Tangible fixed assets (continued)***

#### *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 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 £1,000 per individual item is recognised as expenditure in the period of acquisition. All other equipment or groups of items less than £1,000 but which are considered to be interdependent, are capitalised at cost. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Capitalised equipment is depreciated on a straight line basis over 5 years.

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

### ***Leased assets***

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

### ***Investments***

Investments, which may include listed investments, are stated at the lower of their cost and net realisable value.

### ***Stocks***

Horticulture stocks are calculated at retail prices and reduced by appropriate margins to the lower of cost and net realisable value. Shop & refectory stock are stated at the lower of cost or net realisable value on a first in, first out basis. The valuation of farm and horse stock is carried out by professional valuers. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

### ***Cash and cash equivalents***

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

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

### ***Financial liabilities and equity***

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

All loans, investments and short term deposits held by the College 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 College has calculated that the difference

## **1. Accounting policies (continued)**

### **Financial liabilities and equity (continued)**

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 year with all resulting exchange differences being taken to the income and expenditure account 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 a minor element of 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.

## **2. Accounting policies (continued)**

### ***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 College'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 22, 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.

- *COVID-19:*

The Pension Funds use valuation techniques to determine the carrying amount of pooled property funds and directly held freehold property of which the College has a share. The outbreak of COVID-19 has impacted global financial markets and as at the valuation date, less weight can be attached to the previous market evidence to inform opinions of value. Valuations on the Pension Fund property are reported on the basis of 'material valuation uncertainty'. Consequently less certainty and a higher degree of caution should be attached to the valuation.



**Warwickshire College**  
**Notes to the Accounts (continued)**

**2 Funding council grants**

	Year ended 31 July		Year ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
<b>Recurrent grants</b>				
Education and Skills Funding Agency - adult education budget	2,956	2,956	3,480	3,480
Education and Skills Funding Agency - 16-18	19,725	19,725	20,014	20,014
Education and Skills Funding Agency - apprenticeships	5,384	5,384	5,753	5,753
Office for Students	1,635	1,635	1,724	1,724
<b>Specific Grants</b>				
Releases of government capital grants	626	626	664	664
Devolved Adult Education Budget	338	338	0	0
ESFA - Provider Relief Scheme	38	38	0	0
ESFA - Teachers Pension Scheme contribution grant	875	875	0	0
Funding body non recurrent grants	792	792	724	724
<b>Total</b>	<b>32,369</b>	<b>32,369</b>	<b>32,359</b>	<b>32,359</b>

Under the Provider Relief Scheme, the corporation received £38k from the ESFA. Of this, £37k was spent in the year. The remaining funding will be repaid.

**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
Further Education students	1,968	1,968	2,313	2,313
International students	317	317	237	237
Higher Education students	3,905	3,905	4,872	4,872
Employer dedicated provision	2,268	2,268	5,918	5,918
<b>Total tuition fees</b>	<b>8,458</b>	<b>8,458</b>	<b>13,340</b>	<b>13,340</b>
Education contracts	2,045	2,045	937	937
<b>Total</b>	<b>10,503</b>	<b>10,503</b>	<b>14,277</b>	<b>14,277</b>

**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
European Commission	376	376	408	408
Other grants and contracts	286	286	521	521
Coronavirus Job Retention Scheme Grant	1,370	1,370	0	0
<b>Total</b>	<b>2,032</b>	<b>2,032</b>	<b>929</b>	<b>929</b>

The College furloughed staff, mainly estates and commercial, under the government's Coronavirus Job Retention Scheme. The funding received of £1,370k relates to staff costs which are included within the staff costs note below as appropriate.

**5 Other income**

	Year ended 31 July		Year ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering and residences	2,092	2,092	3,136	3,136
Other income generating activities	1,538	1,538	2,137	2,137
Non government capital grants	365	365	364	364
Miscellaneous income	364	364	620	620
<b>Total</b>	<b>4,359</b>	<b>4,359</b>	<b>6,257</b>	<b>6,257</b>

**Warwickshire College**  
**Notes to the Accounts (continued)**

**6 Staff costs - Group and College**

The average number of persons (including key management personnel) employed by the group during the year, was:

	<b>2020</b>	<b>2019</b>
	<b>No.</b>	<b>No.</b>
		<b>Restated</b>
Teaching staff	803	870
Non teaching staff	462	468
	<u><b>1,265</b></u>	<u><b>1,338</b></u>

2019 headcount figures have been restated due to a change in the requirement to show this as average headcount rather than Full Time Equivalent

**Staff costs for the above persons**

	<b>2020</b>	<b>2020</b>	<b>2019</b>	<b>2019</b>
	<b>Group</b>	<b>College</b>	<b>Group</b>	<b>College</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Wages and salaries	25,615	19,899	27,043	23,099
Social security costs	2,129	1,745	2,364	2,089
Other pension costs	6,152	5,989	6,424	6,315
<b>Payroll sub total</b>	<b>33,896</b>	<b>27,633</b>	<b>35,831</b>	<b>31,503</b>
Contracted out staffing services	684	7,040	1,147	5,543
	<u><b>34,580</b></u>	<u><b>34,673</b></u>	<u><b>36,978</b></u>	<u><b>37,046</b></u>
Fundamental restructuring costs	372	365	1,140	1,132
	<u><b>34,952</b></u>	<u><b>35,038</b></u>	<u><b>38,118</b></u>	<u><b>38,178</b></u>

**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 Leadership Team which comprises the Chief Executive, the Chief Operating Officer & Principal, the Chief Finance Officer and the Group Deputy Principal. Staff costs include compensation paid to key management personnel for loss of office.

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

	<b>2020</b>	<b>2019</b>
	<b>No.</b>	<b>No.</b>
The number of key management personnel including the Accounting Officer was:	<u>4</u>	<u>6</u>

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

	<b>Key management personnel</b>		<b>Other staff</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
£ 65,001 to £ 70,000	-	1	4	4
£ 70,001 to £ 75,000	-	1	-	-
£ 75,001 to £ 80,000	-	1	-	-
£ 80,001 to £ 85,000	1	-	-	-
£110,001 to £ 115,000	1	1	-	-
£130,001 to £ 135,000	1	1	-	-
£180,001 to £ 185,000	-	1	-	-
£220,001 to £ 225,000	1	-	-	-
	<u><b>4</b></u>	<u><b>6</b></u>	<u><b>4</b></u>	<u><b>4</b></u>

Including part time workers grossed up to full time equivalent and staff on maternity, paternity or sickness leave at their usual pay, 1 member of "Other staff" was paid in the £60,001 to £65,000 banding in 2020 (2019:1).

**Warwickshire College**  
**Notes to the Accounts (continued)**

**6 Staff costs - Group and College**

Key management personnel compensation is made up as follows:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Basic salary	511	641
Employers National Insurance	71	82
Benefits in kind	44	3
Pension contributions	86	86
	<u>712</u>	<u>812</u>

There were no amounts due to key management personnel that were waived in the year, nor any salary sacrifice arrangements in place.

The above compensation includes amounts payable to the Accounting Officer (who is also the highest paid officer) of:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Basic salary	183	181
Benefits in kind	41	1
Pension contributions	42	30
	<u>266</u>	<u>212</u>

The Accounting Officer was paid relocation of £40k in 2020.

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

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

The Chief Executive reports to the Chair of the Governing Body, who undertakes an annual review of her performance against the college's overall objectives using both qualitative and quantitative measures of performance.

Relationship of Chief Executive pay and remuneration expressed as a multiple

	<b>2020</b>	<b>2019</b>
CEO's basic salary as a multiple of the median of all staff	6.7 x	6.4 x
CEO's total remuneration as a multiple of the median of all staff	7.8 x	6.1 x

**Compensation for loss of office paid to former key management personnel**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Compensation paid to former post-holders - contractual	-	50,659
Estimated value of other benefits, including provisions for pension benefits	-	-
	<u>-</u>	<u>-</u>

The members of the Corporation other than the Accounting Officer and the staff member did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

**Warwickshire College**  
**Notes to the Accounts (continued)**

**7 Other operating expenses**

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	4,810	4,810	5,860	5,860
Non teaching costs	3,197	3,111	3,494	3,434
Premises costs	3,501	3,501	4,743	4,743
<b>Total</b>	<b>11,508</b>	<b>11,422</b>	<b>14,097</b>	<b>14,037</b>

**Other operating expenses include:**

	2020 £'000	2019 £'000
Auditors' remuneration:		
Financial statements audit*	48	46
Internal audit**	33	47
Other services provided by the financial statements auditors***	2	1
Other services provided by the internal auditors	9	7
Losses on disposal of non current assets (where not material)	13	3
Depreciation	3,354	3,431
Hire of assets under operating leases	714	811

\* includes £44,000 in respect of the College (2018/19)

\*\* includes £33,000 in respect of the College (2018/19)

\*\*\* other services include audit of Teachers' Pension annual return and Warwickshire College Limited corporation tax compliance

**8 Interest payable - Group and College**

	2020 £'000	2019 £'000
On bank loans, overdrafts and other loans:	369	382
	369	382
Enhanced pension charge	23	25
Net interest on defined pension liability (note 22)	803	699
<b>Total</b>	<b>1,195</b>	<b>1,106</b>

**9 Taxation - Group only**

The members do not believe that the Group was liable for any corporation tax arising out of its activities during either year.

**Warwickshire College**  
**Notes to the Accounts (continued)**

**10 Tangible fixed assets (Group and College)**

	Land and buildings	Equipment	Assets in the Course of Construction	Total
	Freehold	Long leasehold		
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At 1 August 2019	132,258	-	9,840	142,098
Additions	-	-	776	776
Transfers	-	-	-	-
Impairment	-	-	-	-
Disposals	-	-	(653)	(653)
<b>At 31 July 2020</b>	<b>132,258</b>	<b>-</b>	<b>9,963</b>	<b>142,221</b>
<b>Depreciation</b>				
At 1 August 2019	31,359	-	7,280	38,639
Charge for the year	2,365	-	989	3,354
Impairment	-	-	-	-
Elimination in respect of disposals	-	-	(653)	(653)
<b>At 31 July 2020</b>	<b>33,724</b>	<b>-</b>	<b>7,616</b>	<b>41,340</b>
<b>Net book value at 31 July 2020</b>	<b>98,534</b>	<b>-</b>	<b>2,347</b>	<b>100,881</b>
Net book value at 31 July 2019	100,899	-	2,560	103,459

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

If fixed assets had not been revalued before being deemed as cost on transition they would have been included at the following historical cost amounts:

	£'000
Cost	-
Aggregate depreciation based on cost	-
<b>Net book value based on cost</b>	<b>-</b>

## Warwickshire College

### Notes to the Accounts (continued)

#### 11 Non current Investments

	College 2020 £'000	College 2019 £'000
Other investments	2	2
	<hr/>	<hr/>
<b>Total</b>	<b><u>2</u></b>	<b><u>2</u></b>

The College owns 100% of the issued £1 ordinary shares of Warwickshire College Ltd, and Warwickshire College Enterprises Ltd. Both companies are incorporated in England and have called up share capital of £100. Warwickshire College Enterprises Ltd was dormant during the year and Warwickshire College Ltd commenced trading on 1 August 2017 as an employment company and the College has prepared consolidated financial statements.

On 30 May 2018 the College incorporated a new entity Moreton Hall FEC which was intended to be used as a funding vehicle for the Moreton Hall restoration project. Moreton Hall FEC did not trade during 2019/20. Digital West Midlands Ltd was incorporated on 28 Feb 2018 as a Joint Venture with City College Coventry & North Warwickshire and South Leicestershire College to promote digital apprenticeships and is in the process of being wound up. The College's exposure is limited to £1 in each of these entities.

The College owns 4 ordinary £500 shares of the 975 issued by Rugby Farmers Mart Limited. Rugby Farmers Mart Limited was founded in 2006 by a group of 250 local farmers. The principal activity of the company is selling livestock.

The College owns a 50% shareholding in Pershore Indoor Tennis Centre Limited (PITC Limited), a company registered in England and Wales whose principal activity is the provision of leisure facilities. The College owns 10 ordinary shares of a nominal value of £1 each. The results for PITC Limited have not been consolidated as the College does not exercise significant influence and the value of the College's share is not material.

#### 12 Trade and other receivables

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Amounts falling due within one year:				
Trade receivables	322	322	360	360
Prepayments and accrued income	1,148	1,148	1,028	1,028
Loan to Joint Venture	-	-	25	25
Amounts owed by the ESFA	350	350	467	467
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total</b>	<b><u>1,820</u></b>	<b><u>1,820</u></b>	<b><u>1,880</u></b>	<b><u>1,880</u></b>

**Warwickshire College**  
**Notes to the Accounts (continued)**

**13 Current investments**

	<b>Group 2020 £'000</b>	<b>College 2020 £'000</b>	<b>Group 2019 £'000</b>	<b>College 2019 £'000</b>
Current Asset Investments	1	1	1	1
<b>Total</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>

**14 Creditors: amounts falling due within one year**

	<b>Group 2020 £'000</b>	<b>College 2020 £'000</b>	<b>Group 2019 £'000</b>	<b>College 2019 £'000</b>
Bank loans and overdrafts	700	700	700	700
Other loans	-	-	19	19
Trade payables	352	352	566	566
Amounts owed to group undertakings:				
Subsidiary undertakings	-	28	-	16
Joint Venture	-	-	19	19
Other taxation and social security	29	29	50	50
Accruals and deferred income	3,325	3,297	3,937	3,921
Amounts owed to the ESFA	471	471	407	407
<b>Total</b>	<b>4,877</b>	<b>4,877</b>	<b>5,698</b>	<b>5,698</b>

**15 Creditors: amounts falling due after one year**

	<b>Group 2020 £'000</b>	<b>College 2020 £'000</b>	<b>Group 2019 £'000</b>	<b>College 2019 £'000</b>
Bank loans	6,100	6,100	6,800	6,800
Other loans	-	-	-	-
Deferred income - government capital grants	28,101	28,101	29,079	29,079
<b>Total</b>	<b>34,201</b>	<b>34,201</b>	<b>35,879</b>	<b>35,879</b>

**Warwickshire College**  
**Notes to the Accounts (continued)**

**16 Maturity of debt**

**(a) Bank loans and overdrafts**

Bank loans and overdrafts are repayable as follows:

	<b>Group</b>	<b>College</b>	<b>Group</b>	<b>College</b>
	<b>2020</b>	<b>2020</b>	<b>2019</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
In one year or less	700	700	700	700
Between one and two years	700	700	700	700
Between two and five years	2,100	2,100	2,100	2,100
In five years or more	3,300	3,300	4,000	4,000
<b>Total</b>	<b><u>6,800</u></b>	<b><u>6,800</u></b>	<b><u>7,500</u></b>	<b><u>7,500</u></b>

The College has agreed banking facilities as follows:

The College has a £9,000,000 Term Loan with Lloyds Bank plc which has a maturity date of September 2027, with annual capital payments of increasing amounts starting in September 2014. At 31 July 2020, £6,800,000 was available and drawn. The College also has a £6m Revolving Credit Facility of which £nil was available at 31 July 2020 with termination date of 30 September 2022. These loans are secured against the Trident Campus, the Henley Campus, the Evesham Campus, the Pershore Campus, the Moreton Morrell Triangle of land and the Leamington Spa Campus.



**Warwickshire College**  
**Notes to the Accounts (continued)**

**17 Provisions**

	<b>Group and College</b>		
	<b>Defined benefit Obligations</b>	<b>Enhanced pensions</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 August 2019	37,542	1,160	38,702
Expenditure in the period	(2,510)	(78)	(2,588)
Transferred from income and expenditure account	20,249	116	20,365
<b>At 31 July 2020</b>	<b>55,281</b>	<b>1,198</b>	<b>56,479</b>

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 22.

The enhanced pension provision relates to the cost of staff who have already left the College's employment 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 funding bodies.

The principal assumptions for this calculation are:

	<b>2020</b>	<b>2019</b>
Price inflation	2.2%	2.4%
Discount rate	1.4%	2.1%

**18 Cash and cash equivalents**

	<b>At 1 August 2019</b>	<b>Cash flows</b>	<b>Other changes</b>	<b>At 31 July 2020</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash and cash equivalents	15	(4)	-	11
Bank/(overdraft)	139	615	-	754
<b>Total</b>	<b>154</b>	<b>611</b>	<b>-</b>	<b>765</b>

**Warwickshire College**  
**Notes to the Accounts (continued)**

**19 Lease Obligations**

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

	<b>Group and College</b>	
	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Future minimum lease payments due</b>		
<b>Land and buildings</b>		
Not later than one year	602	602
Later than one year and not later than five years	3,010	3,010
later than five years	9,297	9,899
	<u>12,909</u>	<u>13,511</u>
<b>Other</b>		
Not later than one year	14	85
Later than one year and not later than five years	-	14
later than five years	-	-
	<u>14</u>	<u>99</u>
Total lease payments due	<u>12,923</u>	<u>13,610</u>

**20 Contingent liabilities**

No contingent liabilities identified

**21 Events after the reporting period**

In November 20, Lloyds Bank confirmed that the £1m overdraft has been renewed until November 2021.

## Warwickshire College

### Notes to the Accounts (continued)

#### 22 Defined benefit obligations

The College's employees belong to two principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Warwickshire County Council and Worcestershire County Council. Both are multi-employer defined-benefit plans.

In addition to this the College's subsidiary company Warwickshire College Ltd operates the National Employment Savings Trust (NEST), a workplace pension scheme set up by the government.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2016 and of the LGPS 31 March 2019.

Total pension cost for the year	2020 £'000	2019 £'000
Teachers Pension Scheme: contributions paid	2,086	1,649
Local Government Pension Scheme:		
Contributions paid	2,512	2,833
FRS 102 (28) charge	<u>1,298</u>	<u>1,686</u>
Charge to the Statement of Comprehensive Income	3,810	4,519
Enhanced pension charge to Statement of Comprehensive Income	93	147
Total Pension Cost for College	<u>5,989</u>	<u>6,315</u>
NEST pension cost for subsidiary	163	109
<b>Total Pension Cost for Group</b>	<b><u>6,152</u></b>	<b><u>6,424</u></b>

Contributions amounting to £nil (2019: £nil) were payable to the Teachers Pension scheme and Local Government schemes and are included in creditors.

#### Teachers' Pension Scheme

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

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 scheme. 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.

## Warwickshire College

### Notes to the Accounts (continued)

#### 22 Defined benefit obligations (continued)

##### Teachers' Pension Scheme (continued)

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 (DfE) 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 2018/19). The DfE has agreed to pay a teacher pension 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 £2,086,000 (2019: £1,649,000)

##### Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Warwickshire County Council and Worcestershire County Council. The total contribution made for the year ended 31 July 2020 was £2,288,000, of which employer's contributions totalled £1,825,000 and employees' contributions totalled £563,000. The agreed contribution rates for future years are for Warwickshire County Council 20.0% for employers and for Worcestershire County Council 19.3% for employers and range from 5.5% to 12.5% cent for employees, depending on salary.

##### Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 updated to 31 July 2020 by Hymans Robertson LLP, a qualified independent actuary.

	At 31 July 2020	At 31 July 2019
Rate of increase in salaries	2.90%	3.00%
Future pensions increases	2.10%	2.40%
Discount rate for scheme liabilities	1.40%	2.10%
Inflation assumption (CPI)	2.20%	2.40%
Commutation of pensions to lump sums	50%	50%

## Warwickshire College

### Notes to the Accounts (continued)

#### 22 Defined benefit obligations (continued)

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
<i>Retiring today</i>		
Males	21.6	21.4
Females	23.8	23.6
<i>Retiring in 20 years</i>		
Males	22.5	22.4
Females	25.4	25.0

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

	Fair value at 31 July 2020 £'000	Fair value at 31 July 2019 £'000
Equity instruments	49,953	57,273
Debt instruments	24,165	21,432
Property	11,128	10,287
Cash/Other	2,876	1,901
<b>Total fair value of plan assets</b>	<b>88,122</b>	<b>90,893</b>

#### Weighted average expected long term rate of return

<b>Actual return on plan assets</b>	<b>(3,342)</b>	<b>4,996</b>
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The Pension Funds use valuation techniques to determine the carrying amount of pooled property funds and directly held freehold property of which the College has a share. The outbreak of COVID-19 has impacted global financial markets and as at the valuation date, less weight can be attached to the previous market evidence to inform opinions of value. Valuations on the Pension Fund property are reported on the basis of 'material valuation uncertainty'. Consequently less certainty and a higher degree of caution should be attached to the valuation.

The College's pension fund property assets total £11,128,000 (2019 - £10,287,000).

**Warwickshire College**  
**Notes to the Accounts (continued)**

**22 Defined benefit obligations (continued)**

**Local Government Pension Scheme (Continued)**

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

	<b>2020</b> <b>£'000</b>	<b>2019</b> <b>£'000</b>
Fair value of plan assets	88,122	90,893
Present value of plan liabilities	(143,403)	(128,435)
<b>Net pensions (liability)/asset (Note 17)</b>	<b><u>(55,281)</u></b>	<b><u>(37,542)</u></b>

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

	<b>2020</b> <b>£'000</b>	<b>2019</b> <b>£'000</b>
<b>Amounts included in staff costs</b>		
Current service cost	4,044	3,822
Past service cost	(238)	723
<b>Total</b>	<b><u>3,806</u></b>	<b><u>4,545</u></b>

**Amounts included in investment income**

Net interest income	(803)	(699)
	<b><u>(803)</u></b>	<b><u>(699)</u></b>

**Amounts recognised in Other Comprehensive Income**

Return on pension plan assets	(5,261)	2,603
Experience losses arising on defined benefit obligations	-	-
Changes in assumptions underlying the present value of plan liabilities	(10,377)	(13,163)
<b>Amount recognised in Other Comprehensive Income</b>	<b><u>(15,638)</u></b>	<b><u>(10,560)</u></b>

**Warwickshire College**  
**Notes to the Accounts (continued)**

**22 Defined benefit obligations (continued)**

**Local Government Pension Scheme (Continued)**

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

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Surplus/(deficit) in scheme at 1 August	(37,542)	(24,597)
Movement in year:		
Current service cost	(4,044)	(3,822)
Employer contributions	2,510	2,862
Past service cost	236	(726)
Net interest on the defined (liability)/asset	(803)	(699)
Actuarial gain or (loss)	(15,638)	(10,560)
<b>Net defined benefit liability at 31 July</b>	<b><u>(55,281)</u></b>	<b><u>(37,542)</u></b>

**Asset and Liability Reconciliation**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Changes in the present value of defined benefit obligations</b>		
<b>Defined benefit obligations at start of period</b>	128,435	109,049
Current Service cost	4,044	3,822
Interest cost	2,722	3,092
Contributions by Scheme participants	560	628
Experience gains and losses on defined benefit obligations	-	-
Changes in demographic assumptions	2,253	(6,001)
Changes in financial assumptions	11,755	19,164
Changes in other assumptions	(3,631)	-
Estimated benefits paid	(2,497)	(2,042)
Past Service cost	(238)	676
Curtailments and settlements	-	47
<b>Defined benefit obligations at end of period</b>	<b><u>143,403</u></b>	<b><u>128,435</u></b>

**Reconciliation of Assets**

<b>Fair value of plan assets at start of period</b>	90,893	84,452
Interest on plan assets	1,919	2,393
Return on plan assets	(5,261)	2,603
Employer contributions	2,508	2,859
Contributions by Scheme participants	560	628
Estimated benefits paid	(2,497)	(2,042)
<b>Fair value of plan assets at end of period</b>	<b><u>88,122</u></b>	<b><u>90,893</u></b>

## **Warwickshire College**

### **Notes to the Accounts (continued)**

#### **22 Defined benefit obligations (continued)**

##### **Local Government Pension Scheme (continued)**

These accounts show a past service gain of £242k in respect of the McCloud / Sergeant judgement which ruled that the transitional protection for some members of the public service schemes implemented when they were reformed, constituted age discrimination. This is under 0.2% of the total scheme liability as at 31 July 2020. The calculation of adjustment to past service costs, arising from the outcome of the Court of Appeal judgement is based on a number of key assumptions including:

- the form of remedy adopted
- how the remedy will be implemented
- which members will be affected by the remedy
- the earning assumptions
- the withdrawal assumption

The other financial and demographic assumptions adopted to calculate the past service cost are the same as those used to calculate the overall scheme liability. Adopting different assumptions, or making other adjustments to reflect behavioural changes stemming from the judgement, would be expected to change the disclosed past service cost. Similarly, allowing for variations in individual members' future service or salary progression is expected to produce higher costs. If the salary increase rate was 0.5% higher, then the defined benefit obligation disclosed here would be expected to increase by 1% with a monetary value of approximately £1,066k.



## Warwickshire College

### Notes to the Accounts (continued)

#### 23 Related party transactions

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

The total expenses paid to or on behalf of the Governors during the year was £706; 2 governors (2019: £1,981; 6 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity. No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2019: None).

*M Chambers was a Fellow of the Institute of Hospitality*

Purchase transactions in the year amounted to £1,140 (2019 – £1,140). Balances outstanding at the year end amounted to £nil (2019 – £nil)

*A Joyce was a Director of Landex*

Purchase transactions in the year amounted to £8,175 (2019 – £9,236). Balances outstanding at the year end amounted to £nil (2019 – £nil)

*A Joyce was a Director of QAA*

Purchase transactions in the year amounted to £32,202 (2019 – £12,338). Balances outstanding at the year end amounted to £nil (2019 – £nil)

*K Skudra was a Director of Warwickshire Race and Equality Partnerships*

Sales transactions in the year amounted to £7,339 (2019 – £6,136). Balances outstanding at the year end amounted to £3,780 (2019 – £300)

*M Davis was a Director of Kantar UK Ltd*

Purchase transactions in the year amounted to £2,475 (2019 – £1,920). Balances outstanding at the year end amounted to £nil (2019 – £nil)

*R Sandby-Thomas was an Employee of the University of Warwick*

Sales transactions in the year amounted to £50,642 (2019 – £116,126). Balances outstanding at the year end amounted to £500 (2019 – £728)

Purchase transactions in the year amounted to £66,566 (2019 – £109,278). Balances outstanding at the year end amounted to £nil (2019 – £nil)

*G Clipson was a Trustee of Skills for Education Group Awards*

Sales transactions in the year amounted to £nil (2019 – £293). Balances outstanding at the year end amounted to £nil (2019 – £nil)

Purchase transactions in the year amounted to £5,402 (2019 – £6,566). Balances outstanding at the year end amounted to £nil (2019 – £506)

*P Walker was a non-executive Director of Malvern Hills Science Park Ltd*

Purchase transactions in the year amounted to £6,784 (2019 – £5,731). Balances outstanding at the year end amounted to £nil (2019 – £nil)

*N Eastwood was Deputy Chairman of Wasps Ricoh Arena*

Sales transactions in the year amounted to £52,757 (2019 – £nil). Balances outstanding at the year end amounted to £21,668 (2019 – £nil)

*A Lazenby was an employee of the Royal Agricultural Society of England*

Sales transactions in the year amounted to £nil (2019 – £277). Balances outstanding at the year end amounted to £nil (2019 – £nil)

*The College holds a 50% shareholding in PITC Limited (Note 11).*

Loan repayment from PITC Ltd to the College in the year amounted to £4,069 (2019 - £4,069)

Sales transactions in the year amounted to £1,718 (2019 – £2,220). Balances outstanding at the year end amounted to £nil (2019 – £nil)

*The College operates a joint venture DWM Ltd with 2 other colleges (Note 11).*

Loan from the College to DWM Ltd in the year amounted to £25,000 (2019 - £25,000)

Sales transactions in the year amounted to £2,619 (2019 – £720). Balances outstanding at the year end amounted to £2,619 (2019 – £720)

Purchase transactions in the year amounted to £1,100 (2019 – £nil). Balances outstanding at the year end amounted to £nil (2019 – £nil)

**Warwickshire College**  
**Notes to the Accounts (continued)**

**24 Amounts disbursed as agent**

**Learner support funds**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Funding body grants – hardship	58	87
Funding body grants – residential bursaries	136	143
Funding body grants – 24+ Bursary	99	133
	<u>293</u>	<u>363</u>
Disbursed to students	(241)	(266)
Administration costs	(9)	(11)
	<u>43</u>	<u>86</u>
Balance unspent as at 31 July, included in creditors	<u>43</u>	<u>86</u>

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

**Employer incentive grant - funding body grant**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Amount carried forward from previous year	100	55
Amount received in the year	372	339
	<u>472</u>	<u>394</u>
Disbursed to companies	(238)	(294)
	<u>234</u>	<u>100</u>
Balance unspent as at 31 July, included in creditors	<u>234</u>	<u>100</u>

Employer Incentive Grant is received from the ESFA and paid out to companies to encourage them to take on apprentices. The College only acts as a paying agent and therefore the grants and related disbursements are excluded from the Statement of Comprehensive Income.

**25 Access and Participation spending**

	<b>2020</b>
	<b>£'000</b>
Access investment	415
Financial Support to students	25
Disability support	35
<b>Total Access and Participation</b>	<u><b>475</b></u>



WCG | WARWICK NEW ROAD | LEAMINGTON SPA | CV32 5JE


  
**ROYAL LEAMINGTON SPA**  
COLLEGE  
WARWICK NEW ROAD  
LEAMINGTON SPA  
CV32 5JE

  
**RUGBY**  
COLLEGE  
TECHNOLOGY DRIVE  
RUGBY  
CV21 1AR

  
**MORETON MORRELL**  
COLLEGE  
MORETON MORRELL  
WARWICK  
CV35 9BP

  
**WARWICK TRIDENT**  
COLLEGE  
POSEIDON WAY  
WARWICK  
CV34 6SW

  
**PERSHORE**  
COLLEGE  
AVONBANK  
PERSHORE  
WR10 3JP

  
**MALVERN HILLS**  
COLLEGE  
ALBERT ROAD NORTH  
MALVERN  
WR14 2YH

  
**EVESHAM**  
COLLEGE  
DAVIES ROAD  
EVESHAM  
WR11 1LP