

**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 31 JULY 2018**

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## **Reference and Administrative Details**

### **Senior Leadership Team**

The Senior Leadership Team comprised the following in 2017/18

Angela Joyce	Chief Executive Officer (CEO); Accounting Officer
Peter Husband	Chief Operating Officer (COO) & Group Principal
Roger Bevan	Chief Finance Officer (CFO)
Sharon Bell	Group Vice Principal - Commercial and International
Neil Coker	Group Vice Principal - Curriculum
Helen Kinghorn	Group Vice Principal - Quality, Student Services, Teaching, Learning & HE

### **Board of Governors**

A full list of Governors is given on pages 15 and 16 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  
Emms Gilmore Liberson, Lancaster House, 67 Newhall Street, Birmingham B3 1NQ  
Shakespeare Martineau LLP, No 1 Colmore Square, Birmingham B4 6AA

# **Warwickshire College Strategic Report**

## **OBJECTIVES AND STRATEGIES**

The governing body present their report and the audited financial statements for Warwickshire College for the year ended 31 July 2018.

### **Legal Status**

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting the business of Warwickshire College. The College is an exempt charity for the purposes 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 15 and 16.

In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. 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.

# Warwickshire College

## Strategic Report (continued)

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
- 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 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.

### Performance indicators

Key performance Indicator	Budget for 2017/18	Actual for 2017/18	Budget for 2018/19
EBITDA as % of income – education specific	6.9%	4.1%	6.2%
EBITDA as % of income – excluding restructuring costs	8.5%	6.1%	7.7%
Staff costs (incl contract services /excl pensions adjustment/excl restructuring) as % of income	64.5%	69.1%	66.0%
Adjusted current ratio	0.49	0.18	0.33
Borrowing as % of income	19.8%	15.7%	13.7%
Reliance on ESFA income	55.6%	53.0%	52.1%
Financial Health Score	140	120	140

The College is committed to observing the importance of sector measures and indicators and uses the FE Choices data available on the GOV.UK website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the Education and Skills Funding Agency (“ESFA”). The College is assessed by the ESFA as having a “Satisfactory” financial health grading. The current rating of Satisfactory is considered an acceptable outcome.

## Strategic Report (continued) 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

### Financial Overview

Income for the year at £53,844k was up by £1,182k or 2.2% on the prior year. Positive growth in Apprenticeships (+7%), SEND provision, Prince's Trust and Commercial activities(+9%) were the main drivers, offsetting a drop in core 16-18 year old funding, with other areas of provision relatively flat.

Staff costs at £38,921k in headline terms were up by £2,885k or 7.4% on the prior year and there are two elements to this. In cash terms staff costs were £37,169k, an increase of £1,842k or 5.2% driven by a modest pay award, LGPS contribution increases, harmonisation of SWC terms, the introduction of the apprenticeship levy and the impact of growth in provision. These cost pressures, in the absence of any change in funding rates for several years, has necessitated a radical review of some of our delivery models. The balance of non cash staff costs relate to an actuarial assessment of the gap in LGPS pension costs between the actuarial estimate of the service costs of providing the scheme and actual employer/employee contributions. In the short term this assessment is indicative, but potentially it flags a risk of higher contributions in future. These are reviewed every three years, with the impact of the next review impacting from April 2020. The impact of the current review of Teachers' Pension contributions is yet to be fully communicated. A significant increase in cash costs is however anticipated from September 2019.

Fundamental restructuring costs at £1,033k reflect the impact of changes arising from the review of delivery models noted above, which are in place for the new academic year. Mitigating strategies meant that the need for compulsory redundancies were minimised.

Operating expenses have remained under tight control, with the absolute increase of £264k or 2.0% reflecting modest additional spend on maintenance of the estate and marketing to drive areas of growth.

In consequence the deficit before other gains and losses has increased from (£1,866k) in 2016/17 to (£4,359k) in 2017/18.

We had hoped to benefit from the sale of part of the Henley site in 2017/18, but this transaction will now complete in 2018/19.

The actuarial gain of £8,758k principally relates to improvements in asset values in the two main LGPS schemes (see note 25). The volatility/sensitivity of this calculation to small changes in assumptions is evident in reviewing the past three years' statement of comprehensive income and expenditure. The prior year actuarial gain has been restated from £14,015k to £17,376k eliminating a duplication of assets and liabilities transferred following the merger with Pershore College.

Net debt at 31 July 2018 was £8,216k (£9,277k 2016/17) and equates to 15.3% of income (17.6% in 2016/17). Operating cash flow for the year was £3,247k (£6,600k in 2016/17).

The College has come a long way in the last four 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, with Moreton Morrell being the immediate focus. Two outstanding property transactions remain key to further progress and the current status of each of these is as follows:

- The closure of the Henley in Arden College at the end of July 2016, was originally announced in September 2015. Part of the site has been sold for development as a retirement village and this transaction will complete early in 2019. The remainder of the site, which includes a sports hall and sport pitches, will be operated commercially by the College for public benefit.

## Strategic Report (continued)

- The disposal of a small part of the Moreton Morrell site for housing development, consistent with the local development plan, has been an objective for several years, and we continue to seek a mutually acceptable way forward with the Parish Council.

Detailed monthly cash flow projections for the period to July 2020 have been prepared incorporating the above assumptions and, reflecting the debt amortisation schedule agreed post balance sheet with our banks. Based on these projections, the College has adequate headroom and/or ability to arrange its affairs to cover the relevant forward period, allowing for all reasonable sensitivities. On this basis the Governors have agreed that the College should prepare its financial statements on a going concern basis, subject to the full disclosure of the above assumptions.

### Financial results

The College presents its financial statements under FRS 102 and the 2015 FE HE SORP.

The College generated a deficit before other gains and losses of £4,359k (2016/17 deficit £2,015k), after charging depreciation of £3,686k (2016/17 £3,488k). After disposal of assets the deficit was £4,382k (2016/17 £1,427k deficit).

The Financial Reporting Standard (FRS102) (28) pension adjustment again had a material impact on the financial statements during the year. A cost of £1,771k (2016/17 £706k) for staff costs and £842k (2016/17 £1,022k) for finance cost was included in the operating deficit above. In addition, there was an actuarial gain of £8,758k (2016/17 £17,376k gain) which was recorded in the Statement of Comprehensive Income and Expenditure. The prior year restatement reflects a correction in the presentation of assets and liabilities from a prior merger.

The funding received from EFSA was £27,869k (2016/17 £31,146k), the drop principally due to changes in Apprenticeship funding reflected in higher fee income noted below. HEFCE funding increased to £1,796k (2016/17 £1,029k).

Tuition fees income increased overall by 20.9% to £16,378k (2016/17 £13,549k), principally due to fees paid by employers which rose by 65.9% to £6,651, (2016/17 £4,010k) as noted above. The other significant increase was in Education contracts, due to additional high needs provision, increased to £930k (£477k in 2016/17). Other income sources were relatively flat.

### 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 £3,247k (2016/17 £6,600k inflow). Net cash flow from investing activities of £1,621k (2016/17 £2,814k) was lower than planned due to delays in obtaining planning permission for new sports pitches at Moreton Morrell. This investment will now take place in 2018/19. Net debt was £8,216k, down from £9,277k 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 £8.2m was available and that was fully drawn, with interest rates fixed for the full period, ending September 2027, a revolving credit facility ending 30 September 2022 for £6m (of which £3m was available but not drawn). Lloyds additionally provide a £1m overdraft facility.

A £1m balance of a secured £10m term loan facility with the Allied Irish Bank, was fully repaid in September 2017.

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

## Strategic Report (continued)

### 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 £36,385k (2016/17 £28,499k). The improvement in 2017/18 is principally due to actuarial gains (see note 25) 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.

### Resources

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

Tangible fixed assets of £106,942k (2016/17 £109,030k) include the College's eight main sites at Royal Leamington Spa, Rugby, Moreton Morrell, Pershore, Warwick Trident, Evesham, Malvern Hills & Henley. This excludes the portion of the site at Henley that is held for sale (£3,418k).

The College has £36,385k (2016/17 £32,009k) of net assets including £24,597k (2016/7 £30,742k) defined benefit obligations and net debt of £8,216k (2016/17 £9,277k).

### Budget for 2018/19

The financial budget for 2018/19 was 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.

The focus of the budget process was to focus on implementing and realising the benefits of a revised FE delivery model, combined with a further reduction in debt.

A number of challenges and opportunities are and were evident:

- Funding remains capped in nominal not real terms and subject to further cuts
- Growth opportunities exist for Apprenticeships in particular
- Continuing uncertainty about the implications of the Apprenticeship Levy and delays in release of new standards
- Cost pressures in particular from pension funding
- Pressure for a further pay award given cost of living increases
- Realising the benefits of a revised FE delivery model
- The need to deliver further property sales to reduce net debt further
- Investment priorities, notably at Moreton Morrell and Rugby HE.

In summary then, as for many colleges, despite the growth factored in and the further cost reductions contemplated, the budget reflects a need to run fast to stand still.

### 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

# **Warwickshire College**

## **Strategic Report (continued)**

### **Student numbers**

The College had approximately 7,038 (2016/17 8,434) ESFA funded students and 5,532 (2016/17 5,068) non ESFA funded students. The number of students engaged in employer responsive learning was 2,142 (2016/17 2,112). 14-16 provision has continued with approximately 167 (2016/17 125) young learners attending programmes at the College.

With 779 FTE new HE entrants (full-time, part-time and including top-up students) enrolments to HE courses in 2017/18 were an increase on the previous year. There was growth in overall HE student numbers with a total of 983 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 remain high in 2017/18, 94% of students moved into sustainable employment, further or higher education.

### **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 2018.

### **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.



### Strategic Report (continued)

#### People

The College employs 990 (2016/17 972) people (expressed as full time equivalents), of whom 635 (2016/17 606) 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 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-representative 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.

### Strategic Report (continued)

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;
- 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 2017 to 31 March 2018

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
6 (5.4 FTEs)	399 (165.33 FTEs)

Percentage of time	Number of employees
0%	0
1-50%	6
51-99%	0
100%	0

**Strategic Report (continued)**

**Trade union facility time for the period 1 April 2017 to 31 March 2018 (continued)**

Total cost of facility time	£18,500
Total pay bill	£32m
Percentage of total bill spent on facility time	0.057%

Time spent on paid trade union activities as a percentage of total paid facility time	40%
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**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.

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-

## **Warwickshire College**

### **Strategic Report (continued)**

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 December 2015 and was judged to meet expectations in relation to quality of the information about its HE learning opportunities and also the enhancement of learning opportunities. 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 November 2016. 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 apprenticeship programmes.' Throughout 2017/18 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 Relationship 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:

Aston Martin Lagonda Limited  
BT Fleet  
Calor Gas Limited  
Cemex UK Ltd  
Coventry City Council  
Coventry University  
Cummins Ltd  
DHL  
Glendale Grounds Management  
Jaguar Land Rover Limited  
Natural England  
Sanctuary Group  
South Warwickshire NHS Foundation Trust  
University of Worcester  
University of Warwick

### **Building partnerships and responding to the community**

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.

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

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 has undertaken further work during the year 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.

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. The internal controls are then implemented.

The Senior Leadership Team considers any new risks which may arise as a result of a new area of development for the College.

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 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.

The key strategic risks to the College, which currently have a 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

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

- 5) Impact of political changes, including result BREXIT, resulting in a reduction of funding or a reduction in learner numbers.
- 6) Changes to grant funding lead 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 or naivety resulting in reputational damage. Introduction of GDPR in May 2018 increases both our responsibilities and liabilities and opportunities for non-compliance
- 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 a "satisfactory" ESFA financial health rating results in intervention by the ESFA
- 12) Student achievements do not meet college targets
- 13) Loss or long term absence of key personnel
- 14) Inadequate asbestos maintenance and survey
- 15) Failure to ensure an efficient and relevant curriculum
- 16) Expected growth is not delivered in HE
- 17) Poor arrangements in maintaining facilities and failure to meet HSE requirements reduces the safety of people using college sites and facilities resulting in an health and safety incident, injury or death.
- 18) Loss of internet connectivity at a campus for an extended period due to external circumstances.
- 19) Total Loss of the phone system at any site - at certain times of year, such as enrolment, this could have a significant effect on business.

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 18 December 2018 signed on its behalf by:**



**P Manford  
Chair of the Corporation**



## Warwickshire College

### Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and financial statements of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2017 to 31 July 2018 and up to the date of approval of the annual report and financial statements.

The college endeavours to conduct its business:

- i. in accordance with the seven 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 (March 2015). 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.

#### The Corporation

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
SGR	Search Governance and Remuneration Committee

Name	Date of Appointment, and most recent re-appointment	Term of office	Date of resignation	Status of appointment	Committees served to December 2018	Attendance During 2017-18
C Bradshaw	January 2015 January 2017	4 Years		External	Chair of Audit Member of ASQA Member of SGR	Corporation 100% Audit 67% SGR 67%
M Chambers	April 2018	2 years		External	Member of ASQA	Corporation 100% ASQA 0%
G Clipson	January 2017	2 years		External	Chair of ASQA Member of SGR	Corporation 100% ASQA 100%
M Davies	August 2017	2 years		External	Member of RES	Corporation 57% Resources 50%
B Doyle	January 2009 January 2017	2 years		External	Member of Audit	Corporation 86% Audit 100%
N Eastwood	August 2016 August 2018	4 years		External	Member of RES	Corporation 29% Resources 50%

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

Name	Date of Appointment, and most recent re-appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance During 2016-17
B Fairhurst	August 2017	4 years		Staff	For 2017-18 Member of Audit For 2018-19 Member of RES	Corporation 100% Audit 67%
C Hardwicke-Garner	August 2017	1 year	8 June 2018	Student	Member of ASQA	Corporation 71% ASQA 100%
D Holmes	August 2016 August 2018	4 years		External	Member of ASQA	Corporation 71% ASQA 75%
C Hooper	April 2018	2 years		External	Member of ASQA	Corporation 100% Resources 0%
A Joyce	April 2015	N/A		Chief Executive	Ex-Officio all committees except Audit and Remuneration	Corporation 100% Resources 100% ASQA 100% SGR 100%
J Keyes	August 2017	2 years	21 May 2018	External	Member of RES	Corporation 33% Resources 0%
P Manford	August 2008 October 2017	2.5 years		External	To 31 Jan 2018 Vice Chair of Corporation Member of RES, SGR  From 1 Feb 2018 Chair of Corporation, SGR Ex-Officio all committees except Audit From 1 February 2018	Corporation 100% Resources 100% SGR 100%
P Marsh	August 2018	1 year		Student	Member of ASQA	N/A
R Sandby-Thomas	August 2017	2 years		External	Member of RES	Corporation 75% Resources 71%
L Simpson	Sept 2011 Sep 2017	4 years		External	Member of Audit	Corporation 86% Audit 100%
K Skudra	November 2011 August 2017	2 years		Staff	Member of ASQA	Corporation 100% ASQA 100%
P Walker	January 2017	2 years		External	From 1 Feb 2018 Vice Chair of Corporation Member of SGR Member of ASQA Member of Audit	Corporation 100% ASQA 100% SGR 100% Audit 100%
S Williams	January 2017	2 years		External	Chair of RES Member of SGR	Corporation 100% RES 100%
S Wood	January 2007 January 2017	1 year	31 January 2018	External	Chair of Corporation, SGR ex-officio all committees except Audit	Corporation 100% Resources 100% SGR 100% ASQA 100%



## **Warwickshire College**

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

It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

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

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 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:

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. The Corporation has a Search, Governance and Remuneration 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.

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

Throughout the year ending 31 July 2018, the College's Search Governance and 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. 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. Details of remuneration for the year ended 31 July 2018 are set out in the financial statements.

## **Warwickshire College**

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

#### **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 2018 and up to the date of approval of the Report and Financial Statements.

##### *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 2018 and up to the date of approval of the Report and Financial Statements. This process is regularly reviewed by the Corporation.

## Warwickshire College

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

#### *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 *Post 16 Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. At minimum, annually, the Head of Internal Audit (HIA) provides the governing body with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

#### *Review of effectiveness*

As Accounting Officer, the 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 2018 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2018 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2018.

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*".

## **Warwickshire College**

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

#### **Going concern**

After making 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.

**Approved by order of the members of the Corporation on 18 December 2018 signed on its behalf by:**



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



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

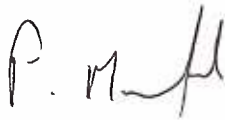
## **Warwickshire College**

### **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**  
**18 December 2018**



**A Joyce**  
**Accounting Officer**  
**18 December 2018**

## **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 college'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 2015 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
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation.

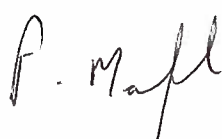
The corporation is also required to prepare a Members' Report which describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the college.

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 the college's 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 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. 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 college's resources and expenditure so that the benefits that should be derived from the application of public funds from ESFA are not put at risk.

**Approved by order of the members of the Corporation on 18 December 2018 signed on its behalf by:**



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

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

### Opinion

We have audited the financial statements of Warwickshire College (the 'parent' College) and its subsidiary (the 'group') for the year ended 31 July 2018 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Reserves, Balance Sheet, Consolidated Statement of Cashflows 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 College's affairs as at 31 July 2018 and of the Group's surplus of income over expenditure and parent College's surplus 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 issued in March 2014.

### Basis for opinion

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

### Who are we reporting to

This report is made solely to the College's Corporation, as a body, in accordance with College's Articles of Government. Our audit work has been undertaken so that we might state to the College's 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 College and the College's Corporation as a body, for our audit work, for this report, or for the opinions we have formed.

### Conclusions relating to going concern

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

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



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

#### **Other information**

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

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

We have nothing to report in this regard.

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

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

- adequate accounting records have not been kept by Warwickshire College; or
- the Warwickshire College 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.

#### **Responsibilities of the Corporation/Governing Body for the financial statements**

As explained more fully in the Statement Responsibilities of the Corporation set out on page 22, the College's Corporation is 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 Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporation is responsible for assessing the group's and parent College'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 Corporation either intend to liquidate the group or parent College or to cease operations, or have no realistic alternative but to do so.

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

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



**Independent auditor's report to the Corporation of Warwickshire College  
(continued)**

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.

*Grant Thornton UK LLP*

Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
The Colmore Building  
20 Colmore Circus  
Birmingham  
B4 6AT  
Date: *19 December 2018*

## **Warwickshire College**

### **Reporting accountant's assurance report on regularity to the corporation of Warwickshire College Secretary of State for Education acting through Education and Skills Funding Agency ('ESFA')**

In accordance with the terms of our engagement letter dated 20 August 2018 and further to the requirements and conditions of funding in ESFA's grant funding agreements and contracts 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 during the period 1 August 2017 to 31 July 2018 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

This report is made solely to the corporation of Warwickshire College and 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 and 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, as a body, and ESFA, as a body, for our work, for this report, or for the conclusion we have formed.

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

The corporation of Warwickshire College 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 is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that, in all material respects, expenditure disbursed and income received during the period 1 August 2017 to 31 July 2018 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

### **Approach**

We conducted our engagement in accordance with the Code issued 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.

## Warwickshire College

### Reporting accountant's assurance report on regularity to the corporation of Warwickshire College Secretary of State for Education acting through Education and Skills Funding Agency ('ESFA') (continued)

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 2017 to 31 July 2018 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

*Grant Thornton UK LLP*

Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
The Colmore Building  
20 Colmore Circus  
Birmingham  
B4 6AT

Date: *19 December 2018*

# Warwickshire College

## Consolidated Statements of Comprehensive Income and Expenditure

	Notes	Year ended 31 July 2018		Restated	Restated
		Group	College	Year ended 31 July 2017	Year ended 31 July 2017
		£'000	£'000	Group £'000	College £'000
<b>INCOME</b>					
Funding body grants	2	30,339	30,339	32,853	32,853
Tuition fees and education contracts	3	16,378	16,378	13,549	13,549
Other grants and contracts	4	396	396	96	96
Other income	5	6,731	6,731	6,162	6,162
Endowment and investment income	6	-	-	2	2
Donations and Endowments	7	-	-	-	-
<b>Total income</b>		<b>53,844</b>	<b>53,844</b>	<b>52,662</b>	<b>52,662</b>
<b>EXPENDITURE</b>					
Staff costs	8	38,921	38,941	35,986	35,986
Fundamental restructuring costs	8	1,033	1,027	589	589
Other operating expenses	9	13,070	13,056	12,806	12,806
Depreciation	12	3,686	3,686	3,488	3,488
Interest and other finance costs	10	1,493	1,493	1,659	1,659
<b>Total expenditure</b>		<b>58,203</b>	<b>58,203</b>	<b>54,528</b>	<b>54,528</b>
<b>Deficit before other gains and losses</b>		<b>(4,359)</b>	<b>(4,359)</b>	<b>(1,866)</b>	<b>(1,866)</b>
Profit/(Loss) on disposal of assets	12	(23)	(23)	588	588
<b>Deficit before tax</b>		<b>(4,382)</b>	<b>(4,382)</b>	<b>(1,278)</b>	<b>(1,278)</b>
Taxation	11	-	-	-	-
<b>Deficit for the year</b>		<b>(4,382)</b>	<b>(4,382)</b>	<b>(1,278)</b>	<b>(1,278)</b>
Actuarial profit in respect of pensions schemes		8,758	8,758	17,376	17,376
<b>Total Comprehensive Income for the year</b>		<b>4,376</b>	<b>4,376</b>	<b>16,098</b>	<b>16,098</b>

**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 2016</b>	(15,814)	31,725	15,911
Surplus/(deficit) from the income and expenditure account	(1,278)	-	(1,278)
Other comprehensive income	17,376	-	17,376
Transfers between revaluation and income and expenditure reserves	536	(536)	-
	<u>16,634</u>	<u>(536)</u>	<u>16,098</u>
<b>Balance at 31st July 2017</b>	820	31,189	32,009
Surplus/(deficit) from the income and expenditure account	(4,382)	-	(4,382)
Other comprehensive income	8,758	-	8,758
Transfers between revaluation and income and expenditure reserves	498	(498)	-
<b>Total comprehensive income for the year</b>	<u>4,874</u>	<u>(498)</u>	<u>4,376</u>
<b>Balance at 31st July 2018</b>	<u>5,694</u>	<u>30,691</u>	<u>36,385</u>
<b>College</b>			
<b>Balance at 1st August 2016</b>	(15,814)	31,725	15,911
Surplus/(deficit) from the income and expenditure account	(1,278)	-	(1,278)
Other comprehensive income	17,376	-	17,376
Transfers between revaluation and income and expenditure reserves	536	(536)	-
	<u>16,634</u>	<u>(536)</u>	<u>16,098</u>
<b>Balance at 31st July 2017</b>	820	31,189	32,009
Surplus/(deficit) from the income and expenditure account	(4,382)	-	(4,382)
Other comprehensive income	8,758	-	8,758
Transfers between revaluation and income and expenditure reserves	498	(498)	-
<b>Total comprehensive income for the year</b>	<u>4,874</u>	<u>(498)</u>	<u>4,376</u>
<b>Balance at 31st July 2018</b>	<u>5,694</u>	<u>30,691</u>	<u>36,385</u>

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

	Notes	Group	College	Restated Group	Restated College
		2018 £'000	2018 £'000	2017 £'000	2017 £'000
<b>Fixed assets</b>					
Tangible fixed assets	12	106,942	106,942	109,030	109,030
Investments	13	2	2	2	2
		<b>106,944</b>	<b>106,944</b>	<b>109,032</b>	<b>109,032</b>
<b>Current assets</b>					
Stocks		511	511	482	482
Trade and other receivables	14	1,439	1,439	928	928
Assets held for resale		3,418	3,418	3,418	3,418
Investments	15	1	1	1	1
Cash and cash equivalents	20	40	40	1,216	1,216
		<b>5,409</b>	<b>5,409</b>	<b>6,045</b>	<b>6,045</b>
<b>Less: Creditors – amounts falling due within one year</b>	16	(10,766)	(10,766)	(18,586)	(18,586)
<b>Net current liabilities</b>		<b>(5,357)</b>	<b>(5,357)</b>	<b>(12,541)</b>	<b>(12,541)</b>
<b>Total assets less current liabilities</b>		<b>101,587</b>	<b>101,587</b>	<b>96,491</b>	<b>96,491</b>
Less: Creditors – amounts falling due after more than one year	17	(39,539)	(39,539)	(32,618)	(32,618)
<b>Provisions</b>					
Defined benefit obligations	19	(24,597)	(24,597)	(30,742)	(30,742)
Other provisions	19	(1,066)	(1,066)	(1,122)	(1,122)
<b>Total net assets</b>		<b>36,385</b>	<b>36,385</b>	<b>32,009</b>	<b>32,009</b>
<b>Unrestricted reserves</b>					
Income and expenditure account		5,694	5,694	820	820
Revaluation reserve		30,691	30,691	31,189	31,189
<b>Total unrestricted reserves</b>		<b>36,385</b>	<b>36,385</b>	<b>32,009</b>	<b>32,009</b>

The financial statements on pages 28 to 55 were approved and authorised for issue by the Corporation on 18 December 2018 and were signed on its behalf on that date by:



**P Manford**  
**Chair**



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

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

	Notes	2018 £'000	Restated 2017 £'000
<b>Cash inflow from operating activities</b>			
Deficit for the year		(4,382)	(1,278)
<b>Adjustment for non cash items</b>			
Depreciation		3,686	3,488
Increase in stocks		(29)	(21)
(Increase)/decrease in debtors		(511)	1,574
Increase in creditors due within one year		1,833	1,355
Decrease in creditors due after one year		(542)	(171)
Decrease in provisions		(56)	(80)
Pensions costs less contributions payable		2,613	1,728
Taxation		-	-
<b>Adjustment for investing or financing activities</b>			
Investment income		-	(2)
Interest payable		612	595
Taxation paid		-	-
(Profit)/loss on sale of fixed assets		23	(588)
		<u>3,247</u>	<u>6,600</u>
<b>Net cash flow from operating activities</b>			
<b>Cash flows from investing activities</b>			
Proceeds from sale of fixed assets		(23)	1,047
Disposal of non-current asset investments		-	-
Investment income		-	2
Payments made to acquire fixed assets		(1,598)	(3,863)
		<u>(1,621)</u>	<u>(2,814)</u>
<b>Cash flows from financing activities</b>			
Interest paid		(565)	(563)
Repayments of amounts borrowed		(2,237)	(3,237)
		<u>(2,802)</u>	<u>(3,800)</u>
<b>Decrease in cash and cash equivalents in the year</b>		<u>(1,176)</u>	<u>(14)</u>
Cash and cash equivalents at beginning of the year	20	1,216	1,230
Cash and cash equivalents at end of the year	20	40	1,216

# Warwickshire College

## Notes to the Financial Statements for the year ended 31 July 2018

### 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 2015* (the 2015 FE HE SORP), the College Accounts Direction for 2017 to 2018 and in accordance with Financial Reporting Standard 102 – “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

#### *Basis of accounting*

The financial statements are prepared in accordance with the historical cost convention 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. All financial statements are made up to 31<sup>st</sup> July 2018.

#### *Going concern*

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Strategic 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 2018 was £8,216k (£9,277k 2016/17) and equates to 15.3% of income (17.6% in 2016/17).

We are now into the fourth year of a debt reduction strategy linked to a series of property transactions and an attendant debt amortisation schedule. We are also committed to further financial performance improvements.

The following form key elements of the plan and the current status of each are as follows:

- The closure of the Henley in Arden College at the end of July 2016, was originally announced in September 2015. Part of the site has been sold for development as a retirement village and this transaction will complete in early 2019. The remainder of the site, which includes a sports hall and sport pitches, will be operated commercially by the College for public benefit.



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

### ***Going concern (continued)***

- The disposal of a small part of the Moreton Morrell site for housing development, consistent with the local development plan, has been an objective for several years, and we continue to seek a mutually acceptable way forward with the Parish Council.

The College has agreed terms with Lloyds to re-instate all existing banking facilities. Detailed monthly cash flow projections for the period to July 2020 have been prepared and reflect the debt amortisation schedule agreed with Lloyds. Based on these projections, the College has adequate headroom and/or ability to arrange its affairs to cover the relevant forward period, allowing for all reasonable sensitivities.

On this basis the Governors have agreed that the College should prepare its financial statements on a going concern basis.

### ***Recognition of income***

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult 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 HEFCE 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.

### ***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.

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

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

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred.

Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in interest and other finance costs.

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

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 using the enhanced pension spreadsheet provided by the funding bodies.

### ***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.

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.

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

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

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.

#### *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 it is charged to the income and expenditure account in the year it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- market value of the tangible fixed asset is subsequently improved
- asset capacity increases
- substantial improvement in the quality of the output or reduction in operating costs
- significant extension of the tangible fixed asset's life beyond that conferred by repairs and maintenance

#### *Equipment*

Equipment costing less than £1,000 per individual item is written off to the income and expenditure account 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. Equipment inherited from the local education authority is included in the balance sheet at valuation.

Inherited equipment is now fully depreciated. All other equipment is depreciated to write off cost 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.

**Notes to the Financial Statements for the year ended 31 July 2018 (continued)**

**1. Accounting policies (continued)**

***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.

***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 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.

***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.

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

### ***Provisions and contingent liabilities (continued)***

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

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

### ***Agency Arrangements***

The College acts as an agent in the collection and payment of discretionary support funds and employer incentive grants. Related payments received from the funding bodies and subsequent disbursements to learners 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.

### ***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 25, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

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

**2 Funding council grants**

	Year ended 31 July 2018		Year ended 31 July 2017	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
<b>Recurrent grants</b>				
Education and Skills Funding Agency - adult	3,438	3,438	5,493	5,493
Education and Skills Funding Agency - 16-18	19,507	19,507	19,747	19,747
Education and Skills Funding Agency - 16-18 apprenticeships	4,736	4,736	5,750	5,750
Higher Education Funding Council	1,706	1,706	1,029	1,029
<b>Specific Grants</b>				
Releases of government capital grants	674	674	678	678
Funding body non recurrent grants	278	278	156	156
<b>Total</b>	<b>30,339</b>	<b>30,339</b>	<b>32,853</b>	<b>32,853</b>

**3 Tuition fees and education contracts**

	Year ended 31 July 2018		Year ended 31 July 2017	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Further Education students	2,914	2,914	3,130	3,130
International students fees	278	278	287	287
Higher Education students	5,605	5,605	5,645	5,645
Employer dedicated provision	6,651	6,651	4,010	4,010
Total tuition fees	15,448	15,448	13,072	13,072
Education contracts	930	930	477	477
<b>Total</b>	<b>16,378</b>	<b>16,378</b>	<b>13,549</b>	<b>13,549</b>

**4 Other grants and contracts**

	Year ended 31 July 2018		Year ended 31 July 2017	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Erasmus				
UK-based charities				
European Commission	313	313	44	44
Other grants and contracts	83	83	52	52
<b>Total</b>	<b>396</b>	<b>396</b>	<b>96</b>	<b>96</b>

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

**5 Other income**

	Year ended 31 July 2018		Year ended 31 July 2017	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering and residences	3,198	3,198	2,998	2,998
Other income generating activities	2,397	2,397	2,346	2,346
Non government capital grants	459	459	224	224
Miscellaneous income	677	677	594	594
	<hr/>		<hr/>	
<b>Total</b>	<b>6,731</b>	<b>6,731</b>	<b>6,162</b>	<b>6,162</b>

**6 Investment income**

	Year ended 31 July 2018		Year ended 31 July 2017	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other investment income	-	-	2	2
Other interest receivable	-	-	-	-
	<hr/>		<hr/>	
	-	-	2	2
Net return on pension scheme (note 25)	-	-	-	-
	<hr/>		<hr/>	
	-	-	2	2

**7 Donations - College only**

	Year ended 31 July 2018		Year ended 31 July 2017	
	£'000	£'000	£'000	£'000
Unrestricted donations	-	-	-	-
	<hr/>		<hr/>	
<b>Total</b>	-	-	-	-

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

**8 Staff costs - Group and College**

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

	2018 No.	2017 No.		
Teaching staff	635	606		
Non teaching staff	355	366		
	<u>990</u>	<u>972</u>		
<b>Staff costs for the above persons</b>			<b>Restated</b>	<b>Restated</b>
	<b>2018</b>	<b>2018</b>	<b>2017</b>	<b>2017</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	28,049	27,043	26,514	26,514
Social security costs	2,452	2,386	2,292	2,292
Other pension costs	6,978	6,952	6,013	6,013
	<u>37,479</u>	<u>36,381</u>	<u>34,819</u>	<u>34,819</u>
Payroll sub total				
Contracted out staffing services	1,442	2,560	1,167	1,167
	<u>38,921</u>	<u>38,941</u>	<u>35,986</u>	<u>35,986</u>
Fundamental restructuring costs	1,033	1,027	589	589
	<u>39,954</u>	<u>39,968</u>	<u>36,575</u>	<u>36,575</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 Officer, the Chief Operating Officer, the Chief Finance Officer and the Vice Principals. 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**

	2018 No.	2017 No.
The number of key management personnel including the Accounting Officer was:	6	8

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>2018 No.</b>	<b>2017 No.</b>	<b>2018 No.</b>	<b>2017 No.</b>
£ 60,001 to £ 70,000	-	-	6	5
£ 70,001 to £ 80,000	3	4	-	2
£ 80,001 to £ 90,000	-	-	-	-
£ 90,001 to £ 100,000	-	-	-	-
£100,001 to £ 110,000	-	2	-	-
£110,001 to £ 120,000	1	-	-	-
£120,001 to £ 130,000	-	1	-	-
£130,001 to £ 140,000	1	-	-	-
£140,001 to £ 150,000	-	-	-	-
£160,001 to £ 170,000	-	1	-	-
£170,001 to £ 180,000	1	-	-	-
	<u>6</u>	<u>8</u>	<u>6</u>	<u>7</u>



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

**8 Staff costs - Group and College**

Key management personnel compensation is made up as follows:

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Salaries - gross of salary sacrifice and waived	640	617
Employers National Insurance	81	79
Benefits in kind	4	4
	<u>725</u>	<u>700</u>
Pension contributions	86	78
Settlement	-	20
	<u>-</u>	<u>20</u>
<b>Total emoluments</b>	<u><b>811</b></u>	<u><b>798</b></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>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Salaries	169	167
Benefits in kind	2	2
	<u>171</u>	<u>169</u>
Pension contributions	<u>28</u>	<u>28</u>

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

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Compensation paid to the former post-holder -	-	20,000
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)**

**9 Other operating expenses**

	Year ended 31 July		Year ended 31 July	
	2018	2018	2017	2017
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	4,479	4,479	4,670	4,670
Non teaching costs	4,440	4,426	4,047	4,047
Premises costs	4,151	4,151	4,089	4,089
<b>Total</b>	<b>13,070</b>	<b>13,056</b>	<b>12,806</b>	<b>12,806</b>

**Other operating expenses include:**

	2018	2017
	£'000	£'000
Auditors' remuneration:		
Financial statements audit*	42	54
Internal audit**	41	43
Other services provided by the financial statements auditors	-	-
Other services provided by the internal auditors	6	-
Losses on disposal of non current assets (where not material)	23	-
Hire of assets under operating leases	759	523

\* includes £42,000 in respect of the College (2016/17 £54,000)

\*\* includes £40,000 in respect of the College (2016/17 £43,000)

**10 Interest payable - Group and College**

	2018	Restated
	£'000	2017
		£'000
On bank loans, overdrafts and other loans:	612	595
	<u>612</u>	<u>595</u>
Enhanced pension charge	39	42
Net interest on defined pension liability (note 25)	842	1,022
	<u>842</u>	<u>1,022</u>
<b>Total</b>	<b>1,493</b>	<b>1,659</b>

Prior year net interest on defined pension liability has been restated, eliminating a duplication following the merger with Pershore College.

**11 Taxation - Group only**

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

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

**12 Tangible fixed assets (Group)**

	Land and buildings		Equipment	Assets in the Course of Construction	Total
	Freehold	Long leasehold			
	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>					
At 1 August 2017	131,179	-	10,624	1,926	143,729
Additions	314	-	1,136	148	1,598
Transfers	1,926	-	-	(1,926)	-
Disposals	(164)	-	(854)	-	(1,018)
<b>At 31 July 2018</b>	<b>133,255</b>	<b>-</b>	<b>10,906</b>	<b>148</b>	<b>144,309</b>
<b>Depreciation</b>					
At 1 August 2017	26,775	-	7,924	-	34,699
Charge for the year	2,506	-	1,180	-	3,686
Elimination in respect of disposals	(164)	-	(854)	-	(1,018)
<b>At 31 July 2018</b>	<b>29,117</b>	<b>-</b>	<b>8,250</b>	<b>-</b>	<b>37,367</b>
<b>Net book value at 31 July 2018</b>	<b>104,138</b>	<b>-</b>	<b>2,656</b>	<b>148</b>	<b>106,942</b>
Net book value at 31 July 2017	104,404	-	2,700	1,926	109,030

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

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

**12 Tangible fixed assets (College only)**

	Land and buildings		Equipment	Assets in the Course of Construction	Total
	Freehold	Long leasehold			
	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>					
At 1 August 2017	131,179	-	10,624	1,926	143,729
Additions	314	-	1,136	148	1,598
Transfers	1,926	-	-	(1,926)	-
Disposals	(164)	-	(854)	-	(1,018)
<b>At 31 July 2018</b>	<b>133,255</b>	<b>-</b>	<b>10,906</b>	<b>148</b>	<b>144,309</b>
<b>Depreciation</b>					
At 1 August 2017	26,775	-	7,924	-	34,699
Charge for the year	2,506	-	1,180	-	3,686
Elimination in respect of disposals	(164)	-	(854)	-	(1,018)
<b>At 31 July 2018</b>	<b>29,117</b>	<b>-</b>	<b>8,250</b>	<b>-</b>	<b>37,367</b>
<b>Net book value at 31 July 2018</b>	<b>104,138</b>	<b>-</b>	<b>2,656</b>	<b>148</b>	<b>106,942</b>
Net book value at 31 July 2017	104,404	-	2,700	1,926	109,030

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

## Warwickshire College

### Notes to the Accounts (continued)

#### 12 Tangible fixed assets (College only) (continued)

If land and building had not been revalued they would have been included at the following historical cost amounts:

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

#### 13 Non current Investments

	College 2018 £'000	College 2017 £'000
Other investments	2	2
	<u>          </u>	<u>          </u>
<b>Total</b>	<u><u>2</u></u>	<u><u>2</u></u>

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 will be used as a funding vehicle for the Moreton Hall restoration project. 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. Both companies are limited by £1 guarantee and neither traded in 2017/18.

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.

#### 14 Trade and other receivables

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Amounts falling due within one year:				
Trade receivables	617	617	631	631
Prepayments and accrued income	412	412	297	297
Amounts owed by the ESFA	410	410	-	-
<b>Total</b>	<u><u>1,439</u></u>	<u><u>1,439</u></u>	<u><u>928</u></u>	<u><u>928</u></u>

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

**15 Current investments**

	<b>Group 2018 £'000</b>	<b>College 2018 £'000</b>	<b>Group 2017 £'000</b>	<b>College 2017 £'000</b>
Current Asset Investments	1	1	1	1
<b>Total</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>

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

	<b>Group 2018 £'000</b>	<b>College 2018 £'000</b>	<b>Group 2017 £'000</b>	<b>College 2017 £'000</b>
Bank loans and overdrafts	700	700	10,400	10,400
Other loans	37	37	37	37
Trade payables	692	692	1,474	1,474
Amounts owed to group undertakings:				
Subsidiary undertakings	-	59	-	-
Other taxation and social security	778	736	585	585
Accruals and deferred income	6,967	6,950	5,226	5,226
Amounts owed to the ESFA	1,592	1,592	864	864
<b>Total</b>	<b>10,766</b>	<b>10,766</b>	<b>18,586</b>	<b>18,586</b>

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

	<b>Group 2018 £'000</b>	<b>College 2018 £'000</b>	<b>Group 2017 £'000</b>	<b>College 2017 £'000</b>
Bank loans	7,500	7,500	-	-
Other loans	19	19	56	56
Deferred income - government capital grants	32,020	32,020	32,562	32,562
<b>Total</b>	<b>39,539</b>	<b>39,539</b>	<b>32,618</b>	<b>32,618</b>

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

**18 Maturity of debt**

**(a) Bank loans and overdrafts**

Bank loans and overdrafts are repayable as follows:

	<b>Group 2018 £'000</b>	<b>College 2018 £'000</b>	<b>Group 2017 £'000</b>	<b>College 2017 £'000</b>
In one year or less	700	700	10,400	10,400
Between one and two years	700	700	-	-
Between two and five years	2,100	2,100	-	-
In five years or more	4,700	4,700	-	-
<b>Total</b>	<b><u>8,200</u></b>	<b><u>8,200</u></b>	<b><u>10,400</u></b>	<b><u>10,400</u></b>

The College has agreed banking facilities as follows:

The College had a fully utilised Term Loan facility with an outstanding balance of £0 (2016/2017 £1,000,000) with the Allied Irish Bank. This loan was secured against the Leamington Spa campus. Repayment of the Term Loan is by annual £1,000,000 payments ending on 30 September 2017.

The College has a £9,000,000 Term Loan with Lloyds Bank plc which is fully utilised and has a maturity date of September 2027, with annual capital payments of increasing amounts starting in September 2014. The balance of the Term Loan at 31 July 2018 was £8,200,000. The College also has a £6m Revolving Credit Facility of which £3,000,000 was available to draw at 31 July 2018 with termination date of 30 September 2022. At the year end £nil of the Revolving credit loan had been utilised. 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)**

**19 Provisions**

	<b>Group and College Defined benefit Obligations £'000</b>	<b>Enhanced pensions £'000</b>	<b>Total £'000</b>
At 1 August 2017	30,742	1,122	31,864
Expenditure in the period	(3,223)	(75)	(3,298)
Transferred from income and expenditure account	(2,922)	19	(2,903)
<b>At 31 July 2018</b>	<b>24,597</b>	<b>1,066</b>	<b>25,663</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 25.

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>2018</b>	<b>2017</b>
Price inflation	1.7%	1.7%
Discount rate	3.5%	3.5%

**20 Cash and cash equivalents**

	<b>At 1 August 2017 £'000</b>	<b>Cash flows £'000</b>	<b>Other changes £'000</b>	<b>At 31 July 2018 £'000</b>
Cash and cash equivalents	14	-	-	14
Bank/(overdraft)	1,202	(1,176)	-	26
<b>Total</b>	<b>1,216</b>	<b>(1,176)</b>	<b>-</b>	<b>40</b>

**21 Capital commitments**

	<b>Group and College 2018 £'000</b>	<b>2017 £'000</b>
Commitments contracted for at 31 July	-	605



## Warwickshire College

### Notes to the Accounts (continued)

#### 22 Lease Obligations

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

	<b>Group and College</b>	
	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
<b>Future minimum lease payments due</b>		
<b>Land and buildings</b>		
Not later than one year	671	361
Later than one year and not later than five years	3,021	1,538
later than five years	10,501	5,126
	<u>14,193</u>	<u>7,025</u>
<b>Other</b>		
Not later than one year	85	97
Later than one year and not later than five years	100	185
later than five years	-	-
	<u>185</u>	<u>282</u>
Total lease payments due	<u>14,378</u>	<u>7,307</u>

#### 23 Contingent liabilities

No contingent liabilities identified

#### 24 Events after the reporting period

As previously noted in note 13, Digital West Midlands Limited was set up as a Joint Venture along with 2 other colleges. All 3 colleges have now made a loan of £25k each to fund ongoing activities.

## Warwickshire College

### Notes to the Accounts (continued)

#### 25 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.

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

	2018 £'000	Restated 2017 £'000
<b>Total pension cost for the year</b>		
Teachers Pension Scheme: contributions paid	1,882	1,837
Local Government Pension Scheme:		
Contributions paid	3,318	3,516
FRS 102 (28) charge	<u>1,771</u>	<u>706</u>
Charge to the Statement of Comprehensive Income	5,089	4,222
Enhanced pension charge to Statement of Comprehensive Income	(19)	(46)
Total Pension Cost for College	<u>6,952</u>	<u>6,013</u>
Pension cost for subsidiary	26	-
<b>Total Pension Cost for Group</b>	<u><u>6,978</u></u>	<u><u>6,013</u></u>

Contributions amounting to £488,000 (2017: £511,000) were payable to the Teachers Pension scheme and Local Government schemes and are included in creditors.

Prior year FRS102 (28) charge has been restated, eliminating a duplication following the merger with Pershore College.

#### 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 scheme.

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)**

#### **25 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 2012 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation are:

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

The new employer contribution rate for the TPS were implemented in September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable at some point in 2019.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website.

The pension costs paid to TPS in the year amounted to £1,882,000 (2017: £1,837,000)

## Warwickshire College

### Notes to the Accounts (continued)

#### 25 Defined benefit obligations (continued)

##### 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 2018 was £3,205,000, of which employer's contributions totalled £2,443,000 and employees' contributions totalled £762,000. The agreed contribution rates for future years are for Warwickshire County Council 20.1% for employers and for Worcestershire County Council 16.3% 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 2017 updated to 31 July 2018 by a qualified independent actuary

	At 31 July 2018	At 31 July 2017
Rate of increase in salaries	3.00%	3.1%
Future pensions increases	2.40%	2.5%
Discount rate for scheme liabilities	2.80%	2.7%
Inflation assumption (CPI)	2.40%	2.4%
Commutation of pensions to lump sums	50%	50.0%

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

	At 31 July 2018 years	At 31 July 2017 years
<i>Retiring today</i>		
Males	22.5	22.5
Females	24.7	24.7
<i>Retiring in 20 years</i>		
Males	24.3	24.3
Females	26.7	26.7

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

**25 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:

	2018 £'000	Restated 2017 £'000
Fair value of plan assets	84,452	76,730
Present value of plan liabilities	(109,049)	(107,472)
<b>Net pensions (liability)/asset (Note 19)</b>	<b><u>(24,597)</u></b>	<b><u>(30,742)</u></b>

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

	2018 £'000	2017 £'000
<b>Amounts included in staff costs</b>		
Current service cost	4,984	3,861
Past service cost	7	124
<b>Total</b>	<b><u>4,991</u></b>	<b><u>3,985</u></b>

**Amounts included in investment income**

Net interest income	(842)	(1,022)
	<b><u>(842)</u></b>	<b><u>(1,022)</u></b>

**Amounts recognised in Other Comprehensive Income**

Return on pension plan assets	3,642	3,860
Experience losses arising on defined benefit obligations	-	8,969
Changes in assumptions underlying the present value of plan liabilities	5,116	4,547
<b>Amount recognised in Other Comprehensive Income</b>	<b><u>8,758</u></b>	<b><u>17,376</u></b>

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

**25 Defined benefit obligations (continued)**

**Local Government Pension Scheme (Continued)**

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

	<b>2018</b>	<b>Restated</b>
	<b>£'000</b>	<b>2017</b>
		<b>£'000</b>
Surplus/(deficit) in scheme at 1 August	(30,742)	(46,390)
Movement in year:		
Current service cost	(4,984)	(3,951)
Employer contributions	3,223	3,279
Past service cost	(10)	(34)
Net interest on the defined (liability)/asset	(842)	(1,022)
Actuarial gain or loss	8,758	17,376
<b>Net defined benefit (liability)/asset at 31 July</b>	<b><u>(24,597)</u></b>	<b><u>(30,742)</u></b>

**Asset and Liability Reconciliation**

	<b>2018</b>	<b>2017</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>	107,472	115,711
Current Service cost	4,984	3,861
Interest cost	2,921	2,667
Contributions by Scheme participants	779	767
Experience gains and losses on defined benefit obligations	-	(8,969)
Changes in demographic assumptions	-	(1,090)
Changes in financial assumptions	(5,116)	(3,457)
Estimated benefits paid	(1,998)	(2,142)
Past Service cost	4	34
Curtailments and settlements	3	90
<b>Defined benefit obligations at end of period</b>	<b><u>109,049</u></b>	<b><u>107,472</u></b>

**Reconciliation of Assets**

<b>Fair value of plan assets at start of period</b>	76,730	69,321
Interest on plan assets	2,079	1,645
Return on plan assets	3,642	3,860
Employer contributions	3,220	3,279
Contributions by Scheme participants	779	767
Estimated benefits paid	(1,998)	(2,142)
<b>Fair value of plan assets at end of period</b>	<b><u>84,452</u></b>	<b><u>76,730</u></b>

## Warwickshire College

### Notes to the Accounts (continued)

#### 26 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 £2,049; 5 governors (2017: £1,252; 4 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 (2017: None).

*C Bradshaw was a Governor of Queen Alexandra College*

Sales transactions in the year amounted to £nil (2017 – £61). Balances outstanding at the year end amounted to £nil (2017 – £nil)

*A Joyce was a Director of Find a Future Ltd (Trading as World Skills UK)*

Sales transactions in the year amounted to £0 (2017 – £3,105). Balances outstanding at the year end amounted to £0 (2017 – £3,000)

*A Joyce was a Director of Landex*

Sales transactions in the year amounted to £1,714 (2017 – £15,882). Balances outstanding at the year end amounted to £nil (2017 – £nil)

Purchase transactions in the year amounted to £13,806 (2017 – £42,856). Balances outstanding at the year end amounted to £nil (2017 – £nil)

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

Sales transactions in the year amounted to £6,189 (2017 – £6,104). Balances outstanding at the year end amounted to £0 (2017 – £nil)

*M Davis was a Director of Kantar UK Ltd*

Sales transactions in the year amounted to £2,530 (2017 – £nil). Balances outstanding at the year end amounted to £nil (2017 – £nil)

Purchase transactions in the year amounted to £1,365 (2017 – £2,745). Balances outstanding at the year end amounted to £nil (2017 – £435)

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

Sales transactions in the year amounted to £149,210 (2017 – £132,030). Balances outstanding at the year end amounted to £927 (2017 – £3,375)

Purchase transactions in the year amounted to £5,545 (2017 – £24,400). Balances outstanding at the year end amounted to £450 (2017 – £3,990)

*D Holmes was a Director of British Eventing Ltd*

Sales transactions in the year amounted to £1,100 (2017 – £240). Balances outstanding at the year end amounted to £nil (2017 – £30)

Purchase transactions in the year amounted to £7,544 (2017 – £6,559). Balances outstanding at the year end amounted to £nil (2017 – £nil)

*N Eastwood was a Director of University Hospital Coventry and Warwickshire Charity*

Sales transactions in the year amounted to £nil (2017 – £860). Balances outstanding at the year end amounted to £nil (2017 – £500)

#### 27 Amounts disbursed as agent

##### Learner support funds

	2018 £'000	2017 £'000
Funding body grants – hardship	70	138
Funding body grants – residential bursaries	151	168
Funding body grants – 24+ Bursary	194	220
	<u>415</u>	<u>526</u>
Disbursed to students	(231)	(299)
Administration costs	(12)	(23)
	<u>172</u>	<u>204</u>
Balance unspent as at 31 July, included in creditors		

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

	2018 £'000	2017 £'000
Amount carried forward from previous year	88	92
Amount received in the year	230	468
	<u>318</u>	<u>560</u>
Disbursed to companies	(263)	(472)
	<u>55</u>	<u>88</u>
Balance unspent as at 31 July, included in creditors		

Employer Incentive Grant is received from the SFA 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.