



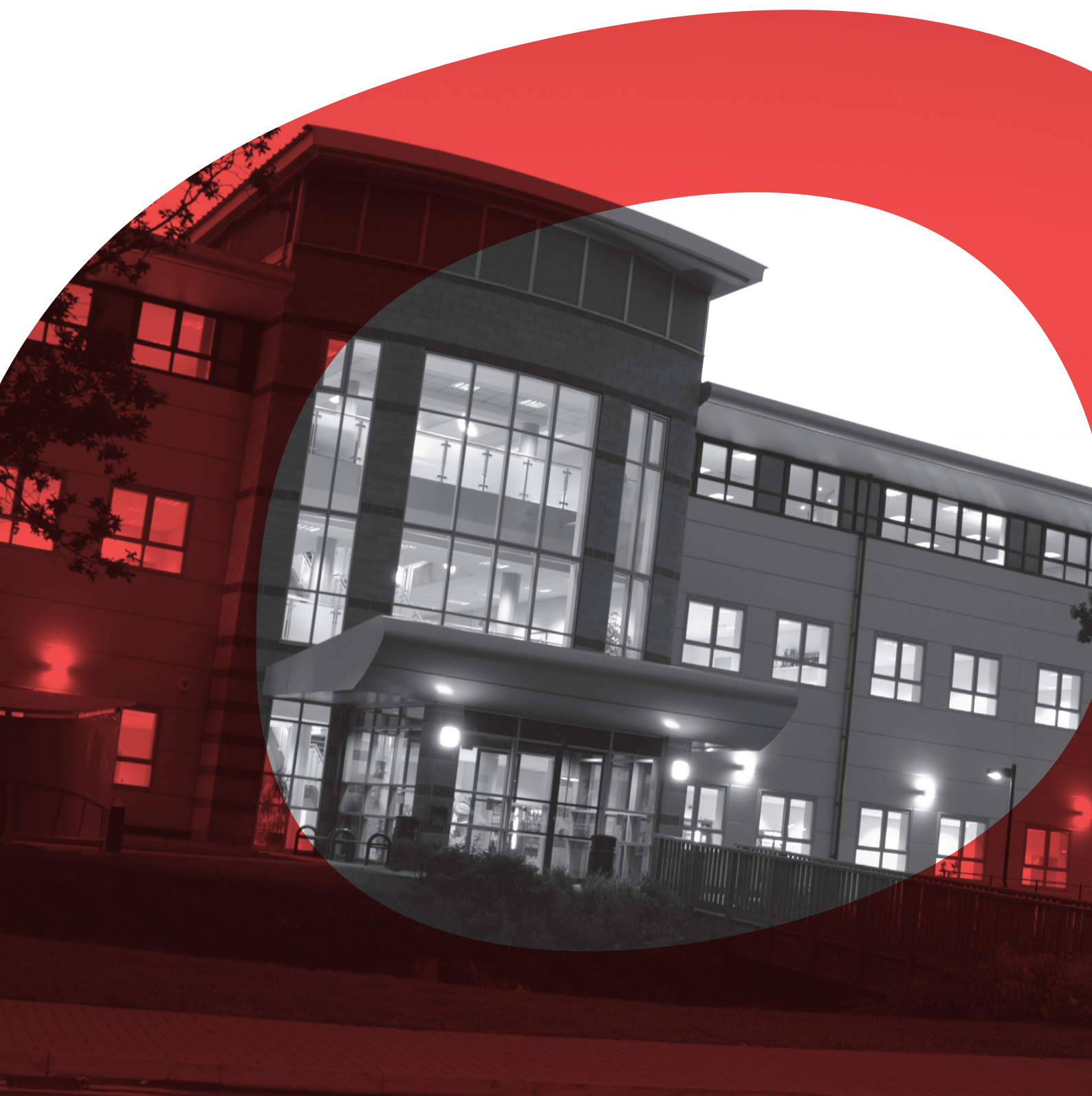
WARWICKSHIRE  
COLLEGE  
GROUP



# ANNUAL REPORT

*2014 – 2015*

FINANCIAL STATEMENTS FOR YEAR ENDING 31 JULY 2015



## ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2015

### CONTENTS

	Page number
Operating and Financial Review	2
Statement of Corporate Governance and Internal Control	14
Governing Body's statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding	19
Statement of Responsibilities of the Members of the Corporation	20
Independent Auditors' Report to the Corporation	21
Independent Auditors' Report on Regularity to the Corporation	23
Income and Expenditure Account	25
Statement of Historical Cost Surpluses and Deficits	26
Statement of Total Recognised Gains and Losses	26
Balance Sheet as at 31 July 2015	27
Cash Flow Statement	28
Reconciliation of net cash flow to movement in net debt	28
Notes to the Financial Statements	29

# **Warwickshire College Operating and Financial Review**

## **Nature, objectives and strategies**

The members present their report and the audited financial statements for the year ended 31 July 2015.

### **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.

### **Vision and Core values**

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

Our vision is to create inspirational learning environments that are recognised nationally and internationally by students, employers, educators and entrepreneurs for developing ambitious, confident and successful citizens.

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

The core values are:

- Put the learner first
- Deliver the highest quality in all that we do
- Promote a fair, open and respectful culture

### **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 Business, Innovation and Skills as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 13 and 14.

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

In delivering its core values, 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

# **Warwickshire College**

## **Operating and Financial Review (continued)**

### **Strategic priorities 2014/2015**

In 2014 the College adopted a new vision and five-year plan. Within the plan are three strategic priorities. These are:

**Priority one** – Maintain improving student success measures across all areas

**Priority two** – Ensure financial health and sustainability

**Priority three** – Develop stronger and wider reaching educational, business/commercial and community partnerships and ventures

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.

### **Quality**

The strategic driver for quality is to continually improve quality of all provision, in the classrooms, workshops and workplace, recognising this activity as core business and instilling a culture of continuous quality improvement. The College seeks to continually improve the learner experience of the whole College, including all services and aspects of support that impact on that experience. The College's target is to achieve a success rate at or above the national 75th percentile rate of 90%. Course level targets for student retention, achievement and success are regularly monitored through quality review meetings.

### **Inspection**

The College was inspected by the Office for Standards in Education (Ofsted) in March 2014, when the College's overall effectiveness was judged to be Good. The inspectors said that:

- Learners demonstrate a high standard of skills in their vocational subjects
- Apprenticeship provision and achievements at level 3 have been consistently high over the last few years
- Provision across the majority of subject areas is good, and learners make good progress to higher education
- The focus of the curriculum in developing learners' work-related and enterprise skills has enabled large numbers to enter full-time employment or to set up their own business
- The training and support that teachers receive have improved teaching, learning and assessment

The college group also received particular praise for its work with industry, with the inspectors saying "links with local employers and the local enterprise partnerships have enabled the college to grow its provision to meet local and regional needs very closely, and have led to the development of new courses and increased opportunities for learners to become familiar with industry".

The College's Higher Education provision was last reviewed by the Quality Assurance Agency for Higher Education (QAA) in February 2011. The College will be reviewed again by the QAA in November 2015.

On 1st September 2014, the College was awarded Foundation Degree Awarding Powers (FDAP). The new Foundation Degree Awarding Powers (FDAP) allows the College to offer foundation degree qualifications without requiring a university partner. Before granting such powers the college was subject to a year-long scrutiny by the Quality Assurance Agency for Higher Education (QAA) in order to demonstrate it is a "well-founded, cohesive and self-critical academic community that demonstrates firm guardianship of its standards".

In March 2012 an Ofsted report was issued following a Social Care Inspection of the College's residential facilities. The overall quality rating was considered to be outstanding.



## **Warwickshire College Operating and Financial Review (continued)**

### **Employer Engagement**

As noted in the College's Ofsted inspection of March 2015 we have excellent links with both local and national employers. Throughout 2014/2015 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:

Alstom Power Ltd  
Calor Gas Limited  
Coventry City Council  
Coventry University  
Cummins Ltd  
Doosan Babcock Limited  
E.ON UK PLC  
International Quest Limited  
Jaguar Land Rover Limited  
Khimera Limited  
The Manufacturing Technology Centre Limited  
NFU Mutual  
PaperlinX (UK) Limited  
Rolls-Royce Group plc  
Royal Parks  
Rugby Borough Council  
South Warwickshire NHS Foundation Trust  
Stratford District Council  
UK Power Networks  
University of Worcester  
Warwickshire County Council  
Warwick District Council  
University of Warwick  
Wyevale Garden Centres Limited

### **Higher Education**

The major achievement for Warwickshire College Group in 2014/2015 was its successful application for Foundation degree-awarding powers (FDAP). The College was delighted to receive confirmation of the grant of FDAP from Her Majesty's Most Honourable Privy Council in September 2014.

For a second year in row, enrolments to HE courses were up considerably in 2014/2015 compared to the previous year. There were 602 new HE entrants (full-time, part-time and including top-up students) representing a 9% increase compared to 2013/2014 (itself an 18% increase on the previous year).

Overall HE student numbers were up by 7% compared to the previous year with a total of 1125 HE students (1052 in 2013/2014 and 1058 in 2012/2013).

Employers or appropriate industry representatives continue to be involved in the design and monitoring of the College's HE courses. Implementing the newly granted FDAP, the Group approved fifteen Warwickshire College Foundation degrees, with the expectation that ten degrees would commence delivery from September 2015. Employers and current students were involved in all new course approvals with external academics commending the College's robust approach to course approval.

Success rates remained high across the Group's HE provision with an overall success of 84%, slightly improved from the previous year (83%). When distance learning courses are excluded from the calculations success is further improved at 89% (86% for 2013/2014). The College continues to support a diverse HE student population and hopes to further improve success in 2015/2016.

A key initiative in 2014/2015 was the development of student employability. The College produced a bespoke HE Student Employability Statement setting out a plethora of activities to help students develop a range of personal and professional skills to support lifelong employment. One activity was the inaugural HE Student Symposiums.

## **Warwickshire College**

In autumn 2014 four highly successful symposiums, entitled 'Run Fast...Jump High!' were attended by 281 first year HE students from across each of the Group's six colleges. A day of activities was arranged to introduce a range of employability skills and provide opportunities for students to use the skills in a variety of tasks.

### **Student numbers**

The College had approximately 5,933 (2013/2014 7,323) Skills Funding Agency (SFA) / Education Funding Agency (EFA) funded students and 6,373 (2013/2014 6,711) non SFA funded students. The number of students engaged in employer responsive learning was 1,639 (2013/2014 1,750). 14-16 provision has continued with approximately 158 (2013/2014 215) young learners attending programmes at the College.

## **Financial position**

### **Financial Health Priority**

The last year has seen the College make good progress in improving its operating model despite further government cuts and other cost pressures not in its direct control, such as changes in local government pension contributions.

Staff costs have been moved closer to sector norms through a combination of natural wastage, voluntary and compulsory redundancies. At the same time strict control over all non-staff costs was implemented.

In consequence the underlying operating results (before staff restructuring, disposal of fixed assets and the FRS 17 adjustments) have been significantly improved from £3,327,000 loss in 2013/2014 to £876,000 surplus in 2014/2015. This compares with the budgeted operating loss of £226,000. Note 12 in the financial statements shows these underlying results.

Net debt levels however remain high at £22,171,000 or 46% of income. Although operating cash flows increased in year, the College was also committed in 2014/2015 to two major build projects at its Trident and Pershore sites.

The College was in breach of its banking covenants for both 2012/2013 and 2013/2014 accounting periods. In consequence our banks (Lloyds and AIB) reserved their rights on the College facilities and our debt is now all classed as current. Whilst we are in compliance with covenants for 2014/2015, this does not automatically resolve the position and we are currently in negotiations with our banks to agree how this position can be corrected.

We have proposed a debt reduction strategy linked to a series of property transactions and an attendant amortisation schedule, plus committed to further financial performance improvements. These actions would see debt reduce from £22m at July 2015 to less than £10m by July 2017.

At the date of signing the accounts, Lloyds are yet to formally accept these proposals, given there are a number of uncertainties. Nevertheless they remain supportive.

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

- Disposal of the old Rugby site in Hillmorton Road for £7.6m. This transaction was completed in Nov 2014 and the proceeds were received in two equal tranches – Nov 2014 and Nov 2015. Status therefore now complete. £2m of proceeds were used to repay Lloyds bank loans.
- The College has in April 2016 contracted for the sale and leaseback of its residential accommodation blocks at Royal Leamington Spa, as well as securing additional accommodation capacity to support our growth. This brings an injection of cash of £5.3m (of which £4.8m has been received), against an ongoing rental cost, to be covered by future student rentals.
- Disposal of part of the Moreton Morrell site for £3m for housing development by David Wilson Homes. Contracts were exchanged in July 2014, but were still subject to planning permission. Stratford District Council twice rejected planning applications, despite the fact their own 5 year housing plan is under review for insufficiency. The matter was referred to the Secretary of State

## Warwickshire College Operating and Financial Review (continued)

on appeal. This was dismissed on the 11<sup>th</sup> May on the sole grounds of uncertainty over public open space despite commitments given by the College. We are currently reviewing our options in discussion with the developer as the inspector has approved both the quantity and the quality of housing proposed. The College still expect a favourable outcome from this transaction.

- The closure of the Henley College site at the end of the current academic year was announced in September 2015. This is the smallest College site by income and the catchment area does not support its continued existence. Education provision for the County will however be retained by relocating it to other College sites (Royal Leamington Spa – Art & Design, Hair & Beauty and Moreton Morrell – Sport)
- A change of use application for Henley has been submitted to Stratford District Council in Nov 2015 and this should allow us to realise significant value from the site. The planning hearing is now scheduled for June 2016. As this will be subject to competitive bids (and there is already significant interest in the site), it is deemed too commercially sensitive to disclose our expectations at this stage. The expectation is that a transaction could be complete by Nov 2016.
- The Henley project however currently has the following risks: - planning risk, timing risk and a potential risk of clawback of grants received on the site (£2.8m). The clawback risk is considered low as, the grants are between 7 and 14 years old, significant investments have and will be made in other College sites and the College will retain the Henley Sports centre and more than 50% of the land area at the site. The SFA are currently reviewing their policy in this area and as yet have been able to conclude on this matter.
- The College owns a property on Warwick New Road, Prospero House, which is currently used for student accommodation. When the new student accommodation is built at Royal Leamington Spa, then the current intention is to sell this property for development.
- The College is a significant provider of apprenticeships and indeed is the largest “trailblazer” provider in the country, given its strong relationship with JLR. Unfortunately, despite this being a government priority, funding arrangements lag delivery and the SFA are yet to confirm that £0.9m of provision delivered in year will result in payment this year and it is also unclear that our allocation for 2016/2017 will have caught up. Elements of the claim have now been acknowledged and we await the final variation letter to have certainty. Likewise the case for additional growth in 2016/2017 will shortly be made.
- Further alignment of our staff cost ratio with best practice in the sector is planned. Collective consultations in regard to changes to staff terms and conditions have now been concluded, with the resulting reduction in cost effective for the start of the academic year 2016/2017.
- The proposed facility amortisation is directly linked to property transactions to de-risk the process and the following schedule has been proposed:

<b>Proposed Amortisation Schedule</b>	<b>Lloyds £m</b>	<b>AIB £m</b>	<b>Total £m</b>
<b>Facilities at 31st July 2015</b>	<b>19.8</b>	<b>4.0</b>	<b>23.8</b>
<b>Regular amortisation Sept 2015</b>			
- Sept 2015	0.2	0.0	0.2
- Sept 2016	0.2	1.0	1.2
<b>Accelerated amortisation linked to disposals</b>			
- Rugby old site	2.0	0.0	2.0
- Disbery Halls	2.0	2.0	4.0

## Warwickshire College Operating and Financial Review (continued)

- Moreton Morrell triangle	2.0	0.0	2.0
- Henley	4.0	0.0	4.0
- Prospero House	1.0	0.0	1.0
<b>Facilities projected at 31st July 2017</b>	<b>8.4</b>	<b>1.0</b>	<b>9.4</b>

AIB have now agreed to this schedule and we are currently in discussions with Lloyds to finalize this.

Detailed cash flow projections for the period to July 2017 have been prepared and, subject to agreement of the amortisation schedule, the College has adequate headroom to cover the period allowing for reasonable sensitivities. On this basis the Governors have agreed that the College should prepare its accounts on a going concern basis, subject to full disclosure of the above assumptions. These conditions give rise to a material uncertainty which may cast significant doubt over going concern.

### Financial results

The College generated a deficit before exceptional items of £2,145,000 (2013/2014 £5,071,000), after charging depreciation of £3,499,000 (2013/2014 £3,099,000). After exceptional items the surplus was £27,000 (2013/2014 £5,056,000 deficit).

The Financial Reporting Standard (FRS 17) Retirement Benefits adjustment had a material impact on the financial statements during the year. A cost of £1,083,000 (2013/2014 £1,032,000) for staff costs and £243,000 cost (2013/2014 £428,000) for finance cost was included in the operating deficit above. In addition, there was an actuarial loss of £4,029,000 (2013/2014 £6,822,000 loss) which was recorded in the Statement of Recognised Gains and Losses.

The funding received from EFA was £16,677,000 (2013/2014 £16,090,000). The SFA Adult Skills Budget received was £5,420,000 (2013/2014 £5,480,000) and 16-18 Apprenticeships funding was £3,300,000 (2013/2014 £3,107,000).

Tuition fees income increased overall by 7% to £12,384,000 including fees paid by employers which rose by 19% to £2,670,000. HE tuition fees increased 8% to £4,479,000. Overseas student income rose 15% to £2,102,000 due to increased student numbers and a rise in fees.

Staff costs excluding the effects of FRS 17 and restructuring reduced by 4% to £30,668,000 from £32,011,000. Staff restructuring costs amounted to £1,695,000 (2013/2014 £284,000).

Total capital expenditure on land and buildings was £8,031,000 (2013/2014 £6,263,000). The governors and management of the College have continued to invest in the College building stock to eliminate poor quality facilities. Net costs of £527,000 relating to these capital projects were also incurred and charged direct to income and expenditure during the year.

The College also spent a total of £634,000 (2013/2014 £1,348,000) on new equipment.

### Future strategy

The strategic priorities for the College have been reviewed and remain as follows:-

- Maintain improving student success
- Ensure financial health and sustainability
- Develop partnerships in all sectors

Success indicators have been reviewed and agreed with Governors for 2015/2016 for each strategic priority.

The success indicators relating to the 2015/2016 financial health objective are as follows:

1. Achieve a breakeven budget outturn (excluding property proceeds and restructuring costs)
2. Increase 16-18 learner numbers to 3,800
3. SFA financial health grade of 'satisfactory'



## **Warwickshire College Operating and Financial Review (continued)**

4. Turnover/income of £51m
5. Each college to achieve 30% contribution, before support costs
6. Course contribution (after direct delivery costs and exam fees) target of 60%
7. Implement new human resources policies including staff utilisation measure to improve efficiency
8. Realise a minimum of £11m of property proceeds
9. Achieve capital investment of £1m for growth achieved through new models
10. Achieve growth of £1.6m (21%) in delivered apprenticeship income
11. Achieve growth of £0.6m (9%) in HE income
12. Achieve growth of £0.7m (28%) in international income
13. Achieve growth of £0.5m in commercial income
14. Debt managed within agreed facility limits

Performance against 2014/2015 indicators were as follows:

1. Underlying surplus, as shown in Note 12, was £876,000 (2013/2014 £3,327,000 deficit)
2. Sales growth of 2% was achieved
3. Staff Cost ratio, excluding FRS 17 retirement benefit charge, was 64% (2013/2014 68%)
4. Debt reduced from £23m to £22m
5. SFA financial health grade was 'satisfactory'
6. Property proceeds of £3.8m realised with a further £3.8m receivable in November 2015. An additional contract has been signed for £3m receivable subject to planning consent
7. JLR tender concluded with an increased number of Apprentices for 2015/2016
8. Apprenticeships income has grown by 29%, International by 17% and HE by 2%
9. The major capital expenditure projects at Trident and Pershore have now been completed within budget

### **Budget for 2015-2016**

The financial budget 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. Longer term planning whilst done at a high level is somewhat futile ahead of the results of the November Comprehensive Spending Review.

The focus of the budget process was to build on the improvements in the operating model achieved in 2014/2015, but with a sharp focus on reducing debt.

A number of challenges are and were evident:

- No inflation increase in our Income
- Adult Skills budget was initially cut by 24% (and then a further 4% over the summer after the budget had been fixed)
- HEFCE also announced changes to grants over the summer after the budget had been fixed
- Identified growth areas for the College (apprenticeships, international and HE) had all grown in 2014/2015 (but in the case of the last two by less than target)
- Teacher and Local Government pension contributions are set to increase
- Incremental drift and pressure for salary increases exist
- NI changes/increases will additionally start to bite

In addition, the growth in our apprenticeship income for 2015/2016 is not currently reflected in our SFA allocation. In the absence of any certainty, it was prudent to exclude this additional income from our budget, whilst anticipating the cost of delivery.

In summary then, as for many colleges, despite the growth factored in and the further cost reductions contemplated the budget operating model reflects a case of running fast to stand still.

On the debt front we are however looking for a significant reduction from a combination of lower capital spend and a series of property disposals scheduled over the next two years. Delivering these is central to retaining the support of our banks.

## **Warwickshire College**

### **Operating and Financial Review (continued)**

#### **Treasury policies and objectives**

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

Short term borrowing for temporary revenue purposes is authorised by the Principal as Accounting Officer. Such arrangements are restricted by limits in the College's Financial Memorandum agreed with the SFA. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

#### **Cash flow**

Operating cash was an inflow of £2,407,000 (2013/2014 £446,000 outflow). The net cash outflow for capital expenditure was £447,000 (2013/2014 £4,828,000). Overall there was a decrease in cash resources of £118,000 (2013/14 £2,016,000) having decreased loans by £1,223,000 (2013/2014 £3,956,000 increase). Net debt was £22,171,000, down from £23,276,000 at the previous year end.

#### **Liquidity**

As at the year end the College had loans financed through Lloyds Bank plc. A secured £8.8m sixteen year term loan is fully drawn down with interest rates fixed for the full period ending September 2027, a five year revolving credit facility ending 31 December 2016 of £4m fully drawn down and a three year revolving credit facility ending 1 February 2017 of £4m also fully drawn down at the year end. Lloyds also provided a £3m overdraft facility.

The £4m balance of a secured £10m term loan facility remains with the Allied Irish Bank repayable by annual instalments of £1m which will be fully repaid in September 2018.

All the above facilities are shown as current as both lenders have reserved their rights following covenant breaches in prior years.

#### **Resources**

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

Tangible assets of £98,349,000 include the College's six main sites at Leamington Spa, Rugby, Moreton Morrell, Pershore, Henley and Whitnash.

#### *Financial*

The College has £39,873,000 (2013/2014 £40,340,000) of net assets including £32,993,000 (2013/2014 £28,080,000) pension liability) and net debt of £22,171,000 (2013/2014 £23,276,000).

#### *People*

The College employs 948 (2013/2014 1,014) people (expressed as full time equivalents), of whom 538 (2013/2014 556) are within teaching departments.

#### **Reputation**

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 recent Ofsted inspection is well recognised by prospective students, their parents, employers and stakeholders and is a key part of the College's reputation. 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.

## **Warwickshire College Operating and Financial Review (continued)**

### **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 risk register is maintained at the College level which is reviewed at least annually by the Audit Committee and more frequently where necessary. The 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. Risks are prioritised using a consistent scoring system.

The key strategic risks to the College have been identified as:

- failure to maintain SFA "satisfactory" rating
- failure to deliver business efficiency savings needed
- failure to deliver expected growth in key areas of apprenticeships, international and HE
- changes in loan conditions due to banks loss of confidence leading to inability to service loans
- loss of key contracts
- student success measures adversely affected by curriculum remodelling
- poor success leading to College being risk rated by Ofsted with inspection triggered
- negative impact on delivery and quality as a result of the staff restructuring process
- reputational damage impacts on relationships with key stakeholders
- changes in governance, leadership and management impacts on Ofsted and SFA outcomes
- lack of preparation leaves College vulnerable to act of terrorism

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

As noted above, in the short term the key risk relates to securing agreement with our banks on a revised repayment schedule and executing the schedule of planned property transactions, the majority of which are anticipated to occur within the next twelve months.

### **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.

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
- the local community
- other FE institutions and schools
- universities
- trade unions

## Warwickshire College

### Operating and Financial Review (continued)

- 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.

#### Student and staff 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; building upon citizenship activity to engage them as advocates and active citizens. Students have welcomed the opportunity to contribute to the development of the College through events such as the Student Conference, and by taking an active role in College committees at all levels.

The College believes communication and engagement with its staff to be very important and to this end a new Employee Engagement Plan is being developed. A new intranet will also be launched in Autumn 2015 and internal communications is now embedded within marketing to ensure staff are kept well informed of College developments.

#### 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 will actively promote 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.

The Equality Duty has three aims. It requires public bodies to *have due regard* to the need to:

- eliminate unlawful discrimination, harassment, victimisation and any other conduct prohibited by the Act;
- advance equality of opportunity between people who share a protected characteristic and people who do not share it; and
- *foster good relations* between people who share a protected characteristic and people who do not share it.



## Warwickshire College

### Operating and Financial Review (continued)

'*Having due regard*' means consciously thinking about the three aims of the Equality Duty as part of the process of decision-making. This means that consideration of equality issues must influence the decisions reached by the College – such as in how we act as employers; how we develop, evaluate and review policy; how we design, deliver and evaluate services, and how we commission and procure from others.

*Having due regard* to the need to advance equality of opportunity involves considering the need to:

- remove or minimise disadvantages suffered by people due to their protected characteristics;
- reasonably meet the needs of people with protected characteristics; and
- encourage people with protected characteristics to participate in College.

*Fostering good relations* involves tackling prejudice and promoting understanding between people who share a protected characteristic and others.

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

#### **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.

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;
- Monitor student applications, enrolment retention, achievement, progression;

## Warwickshire College Operating and Financial Review (continued)

- 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.

### 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 17 May 2016 and subsequently signed on its behalf by:**



**S Wood**  
Chair of the Corporation

### Professional advisers

#### *Financial statement and regularity auditors:*

PricewaterhouseCoopers LLP  
Cornwall Court  
19 Cornwall Street  
Birmingham  
B3 2DT

#### *Bankers:*

Lloyds Bank PLC  
125 Colmore Row  
Birmingham  
B3 3SF

#### *Internal auditors:*

BDO LLP  
125 Colmore Row  
Birmingham  
B3 3SD

#### *Solicitors:*

Shakespeare Martineau  
No 1 Colmore Square  
Birmingham  
B4 6AA

## Warwickshire College

### Statement of Corporate Governance and Internal Control

The college endeavours to conduct its business:

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

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

In the opinion of the governors, the College complies with the spirit of the AoC Code of Good Governance (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	Attendance During 2014-15
E Brett	August 2014	1 year	July 2015	Student	Member of ASQA	Corporation 74% ASQA 100%
C Bradshaw	January 2015	2 Years		External	Member of Audit	Corporation 100% ASQA 100%
J D'Arcy	August 2015	2 years		Staff	Member of ASQA	N/A
B Doyle	January 2009 July 2015	18 months		External	Member of RES	Corporation 71% Resources 71%
A Drury	September 2011 September 2013	4 years		External	Member of SGR Member of ASQA	Corporation 71% ASQA 100% SGR 100%
S Georgious	June 2014	N/A	April 2015	Interim Principal and CEO	Ex-Officio all committees except Audit and Remuneration	Corporation 100% Resources 100% SGR 100%
A Joyce	April 2015	N/A		Group Principal and CEO	Ex-Officio all committees except Audit and Remuneration	Corporation 100% Resources 100% SGR 100%

**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 2014-15
L Kelland	August 2006 July 2012	4 years		External	Chair of Audit Member of SGR	Corporation 100% Audit 100% SGR 100%
D Kinnersley	May 2006 May 2012	4 years		External	Member of SGR	Corporation 86% SGR 50%
P Manford	August 2008 July 2014	4 years		External	Vice Chair of Corporation Member of RES, Member of SGR	Corporation 100% Resources 86% SGR 100%
S Mason	January 2015	2 Years		External	Member of Audit	Corporation 100% Audit 100%
D McGuire	August 2015	1 year		Student	Member of ASQA	N/A
N Plant	December 2013	20 months	July 2015	Staff	Member of Audit	Corporation 100% Audit 100%
L Simpson	September 2011 September 2013	4 years		External	Chair of ASQA Member of RES Member of SGR	Corporation 86% ASQA 100% Resources 100%
R Singh	September 2011 September 2013	4 years		External	Member of Audit Member of SGR	Corporation 86% Audit 100% SGR 100%
K Skudra	November 2011 November 2013	2 years		Staff	Member of ASQA	Corporation 100% ASQA 100%
R Vitish	May 2010 April 2012	4 years		External	Chair of RES Member of SGR	Corporation 71% Resources 100% SGR 75%
S Wood	January 2007 January 2013	4 years		External	Chair of Corporation, SGR ex-officio all committees except Audit	Corporation 100% Resources 100% SGR 75%
M Williams	January 2015	2 Years		External	Member of ASQA	Corporation 50% ASQA 100%
A Winnett	August 2014	1 year	July 2015	Student	Member of ASQA	Corporation 0% ASQA 33%

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 at least twice each term.



## **Warwickshire College**

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

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. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website.

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 nine 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 2015, the College's Search Governance and Remuneration committee comprised nine 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 2015 are set out in the financial statements.

#### **Audit Committee**

The Audit Committee comprises five members but excluding the Chair of the Corporation and the Accounting Officer. The committee operates in accordance with written terms of reference approved by the Corporation.

## **Warwickshire College**

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

The Audit Committee meets four 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 SFA as they affect the College's business.

The College's internal auditors review 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 as well as reporting annually to the Corporation.

#### **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 Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives whilst safeguarding the public funds and assets for which she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between Warwickshire College and the funding bodies. She 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 2015 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 2015 and up to the date of approval of the Report and Financial Statements. This process is regularly reviewed by the Corporation.

##### *The risk and control framework*

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

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

## Warwickshire College

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

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

#### *Review of effectiveness*

As Accounting Officer, the Principal 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 2015 meeting, the Corporation carries out the annual assessment for the year ended 31 July 2015 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2015.

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

#### **Going concern**

For reasons outlined in detail in the Financial Position note above and 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 17 May 2016 and subsequently signed on its behalf by:



**S Wood**  
Chair of the Corporation



**A Joyce**  
Accounting Officer

**Governing Body's statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding**

The Corporation has considered its responsibility to notify the SFA/EFA of material irregularity, impropriety and non-compliance with SFA/EFA terms and conditions of funding, under the financial memorandum/funding agreement in place between the College and SFA/EFA. As part of our consideration we have had due regard to the requirements of the financial memorandum/funding agreement.

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 SFA/EFA's terms and conditions of funding under the College's financial memorandum/funding agreement.

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 SFA/EFA.

Approved by order of the members of the Corporation on 17 May 2016 and subsequently signed on its behalf by:



**S Wood**  
**Chair of the Corporation**



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



## Warwickshire College

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

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

Within the terms and conditions of the Financial Memorandum agreed between the SFA/EFA and the Corporation of the College, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the 2007 *Statement of Recommended Practice – Accounting for Further and Higher Education Institutions* (SORP) and with the Accounts Direction for 2014/2015 financial statements issued jointly by the SFA and the EFA, and which give a true and fair view of the state of affairs of the College and the result for that year.

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 an Operating and Financial Review which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

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

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

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

Approved by order of the members of the Corporation on 27 May 2016 and subsequently signed on its behalf by:



**S Wood**  
Chair of the Corporation

## **Warwickshire College**

### **Independent auditors' report to the Corporation of Warwickshire College ("the College")**

#### **Report on the financial statements**

##### **Our opinion**

In our opinion:

- Warwickshire College's financial statements (the "financial statements") give a true and fair view of the state of the institution's affairs as at 31 July 2015 and of the institution's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

##### **Emphasis of matter: Going Concern**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of disclosures made in note 1 of the financial statements concerning the College's ability to continue as a going concern. There are a number of material uncertainties as to whether the Group is a going concern. These include:

- The College is negotiating with its main bankers to arrange a new loan facility and repayment schedule which is required following breaches of covenant under the existing agreement in previous years; and
- The proposed a repayment schedule for this new facility is dependent on the sale of a number of properties owned by the College, with the proceeds applied to repaying part of the loan, however the timing and value of these sales and the timing of the receipt of the proceeds is uncertain.

These conditions, along with the other matters explained which are more fully disclosed in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the College's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the College group was unable to continue as a going concern.

##### **What we have audited**

The financial statements comprise:

- the institution Balance Sheet as at 31 July 2015;
- the Income and Expenditure Account for the year then ended;
- the Statement of Total Recognised Gains and Losses for the year then ended;
- the Statement of Cash Flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is the Statement of Recommended Practice for Further and Higher Education, incorporating United Kingdom Generally Accepted Accounting Practice.

In applying the financial reporting framework, the Corporation has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, it has made assumptions and considered future events.

**Opinions on other matters prescribed in the Joint Audit Code of Practice issued by the Education Funding Agency and the Chief Executive of Skills Funding**

In our opinion, in all material respects:

- proper accounting records have been kept, and
- the financial statements are in agreement with the accounting records and returns.

**Responsibilities for the financial statements and the audit**

**Respective responsibilities of the Corporation and auditors**

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 21 the Corporation is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Corporation as a body in accordance with Article 22 of the institution's Articles of Government and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**What an audit of financial statements involves**

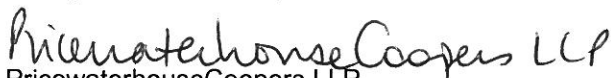
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group and parent institution's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Corporation; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

  
PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Birmingham

25 May 2016

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

## **Warwickshire College**

### **Independent Reporting Accountant's Assurance Report on Regularity to the Corporation of Warwickshire College and the Secretary of State for Business, Innovation and Skills acting through Skills Funding Agency and Secretary of State for Education acting through Education Funding Agency**

In accordance with the terms of our engagement letter dated 8 October 2015 and further to the requirements of the financial memorandum with Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Warwickshire College during the period 01 August 2014 to 31 July 2015 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 Joint Audit Code of Practice issued jointly by Skills Funding Agency and Education Funding Agency. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which Skills Funding Agency has other assurance arrangements in place.

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

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

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Joint Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 01 August 2014 to 31 July 2015 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them as set out in the Association of Colleges Accounts Direction 2014 to 2015.

#### **Approach**

We conducted our engagement in accordance with the Joint Audit Code of Practice issued jointly by Skills Funding Agency and Education Funding Agency. We performed a limited assurance engagement as defined in that framework.

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

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

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

## **Warwickshire College**

### **Independent Reporting Accountant's Assurance Report on Regularity to the Corporation of Warwickshire College and the Secretary of State for Business, Innovation and Skills acting through Skills Funding Agency and Secretary of State for Education acting through Education Funding Agency (continued)**

The work undertaken to draw to our conclusion includes but is not limited to:

- Obtaining an understanding of the College's key policies, procedures and controls;
- Reviewing a sample of payments to governors, settlement payments and expenses; and
- Confirming that activities during the year reflect the controls, policies and procedures identified.

#### **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 01 August 2014 to 31 July 2015 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them as set out in the Association of Colleges Accounts Direction 2014 to 2015.

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP  
Chartered Accountants  
Birmingham

Date: *25 May 2016*



# Warwickshire College

## Income and Expenditure Account for the year ended 31 July 2015

	Note	2015 £000	2014 £000
<b>Income</b>			
Funding body grants	2	27,702	27,542
Tuition fees and education contracts	3	12,841	11,953
Research grants and contracts	4	332	365
Other income	5	7,304	7,302
Endowment and investment income	6	44	4
<b>Total Income</b>		<b>48,223</b>	<b>47,166</b>
<b>Expenditure</b>			
Staff costs: continuing	7	(30,668)	(32,011)
Staff costs: restructuring costs	7	(1,695)	(284)
Staff costs: FRS 17 retirement benefit charge	7	(1,083)	(1,032)
Staff costs	7	(33,446)	(33,327)
Other operating expenses	9	(12,357)	(14,616)
Depreciation	13	(3,499)	(3,099)
Interest and other finance costs	10	(823)	(767)
FRS 17 pension finance costs	10	(243)	(428)
Interest and other finance costs	10	(1,066)	(1,195)
<b>Total Expenditure</b>		<b>(50,368)</b>	<b>(52,237)</b>
<b>Deficit after depreciation of tangible fixed assets at valuation and before tax</b>		<b>(2,145)</b>	<b>(5,071)</b>
Taxation	11	0	0
<b>Deficit before exceptional items</b>		<b>(2,145)</b>	<b>(5,071)</b>
Exceptional items: continuing operations			
Disposals of fixed assets		(8)	15
Disposals of current assets held for resale		2,180	0
<b>Surplus/(deficit) for the year retained within general reserves</b>	12	<b>27</b>	<b>(5,056)</b>

The income and expenditure account is in respect of continuing activities.

**Warwickshire College****Statement of Historical Cost Surpluses and Deficits for the year ended 31 July 2015**

	Note	2015 £000	2014 £000
Surplus/(deficit) on continuing operations after taxation		27	(5,056)
Difference between historical cost depreciation and the actual charge for the year calculated on the re-valued amount	22	442	442
<b>Historical cost Surplus/(deficit) for the year before and after taxation</b>		<b>469</b>	<b>(4,614)</b>

**Statement of the Total Recognised Gains and Losses for the year ended 31 July 2015**

	2015 £000	2014 £000
Surplus/(deficit) on continuing operations after depreciation of assets at valuation, disposal of assets and tax	27	(5,056)
Actuarial loss in respect of pension scheme	(4,029)	(6,822)
<b>Total recognised losses relating to the year</b>	<b>(4,002)</b>	<b>(11,878)</b>

**Reconciliation**

Opening reserves	9,493	21,371
Total recognised losses for the year	(4,002)	(11,878)
<b>Closing reserves</b>	<b>5,491</b>	<b>9,493</b>

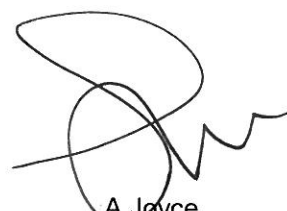
**Warwickshire College**  
**Balance Sheet as at 31 July 2015**

	Note	2015 £000	2014 £000
<b>Fixed assets</b>			
Tangible assets	13	98,349	91,334
Investments	14	<u>2</u>	<u>82</u>
<b>Total fixed assets</b>		<b><u>98,351</u></b>	<b><u>91,416</u></b>
<b>Current assets</b>			
Stock	15	624	734
Debtors	16	5,674	1,101
Assets held for resale	13	0	7,269
Investments	14	10	16
Cash at bank and in hand		<u>10</u>	<u>10</u>
<b>Total current assets</b>		<b><u>6,318</u></b>	<b><u>9,130</u></b>
Less: Creditors - amounts falling due within one year	17	(30,559)	(9,995)
<b>Net current liabilities</b>		<b><u>(24,241)</u></b>	<b><u>(865)</u></b>
<b>Total assets less current liabilities</b>		<b>74,110</b>	<b>90,551</b>
Less: Creditors - amounts falling due after more than one year	18	(27)	(20,930)
Less: Provisions for liabilities	20	(1,217)	(1,201)
<b>Net assets excluding pension liability</b>		<b><u>72,866</u></b>	<b><u>68,420</u></b>
Net pension liability	30	(32,993)	(28,080)
<b>Net assets including pension liability</b>		<b><u>39,873</u></b>	<b><u>40,340</u></b>
<b>Deferred capital grants</b>	21	34,382	30,847
<b>Reserves</b>			
Income and expenditure account excluding pension reserve	23	20,433	19,080
Pension reserve	23	<u>(32,993)</u>	<u>(28,080)</u>
Income and expenditure account including pension reserve	23	<b><u>(12,560)</u></b>	<b><u>(9,000)</u></b>
Revaluation reserve	22	18,051	18,493
<b>Total reserves</b>		<b><u>5,491</u></b>	<b><u>9,493</u></b>
<b>Total funds</b>		<b><u>39,873</u></b>	<b><u>40,340</u></b>

The financial statements on pages 25 to 56 were approved by the governing body on  
17 May 2016 and subsequently signed on its behalf by:



S Wood  
Chair of Corporation



A Joyce  
Accounting Officer

**Warwickshire College**  
**Cash Flow Statement for the year ended 31 July 2015**

	<b>Note</b>	<b>2015 £000</b>	<b>2014 £000</b>
<b>Net cash inflow/(outflow) from operating activities</b>	24	2,407	(446)
Returns on investments and servicing of finance	25	(855)	(698)
Taxation	11	0	0
Capital expenditure and financial investment	26	(447)	(4,828)
Management of liquid resources	27	0	0
Financing	28	(1,223)	3,956
<b>Decrease in cash in the year</b>	29	<u><b>(118)</b></u>	<u><b>(2,016)</b></u>

**Reconciliation of net cash flow to movement in net debt**

		<b>2015 £000</b>	<b>2014 £000</b>
Decrease in cash in the year		(118)	(2,016)
Cash inflow from liquid resources	27	0	0
Loan drawn down in year	28	0	(6,000)
Loan repayment in year	28	<u>1,223</u>	<u>2,044</u>
Change in net debt		1,105	(5,972)
Net debt at 1 August		(23,276)	(17,304)
<b>Net debt at 31 July</b>		<u><b>(22,171)</b></u>	<u><b>(23,276)</b></u>

# Warwickshire College

## Notes to the Financial Statements for the year ended 31 July 2015

### 1. Accounting policies

#### Statement of accounting policies

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

#### Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2007* (the SORP), the Accounts Direction for 2014/2015 financial statements and in accordance with applicable Accounting Standards. The College has two subsidiary companies that have not been consolidated as they have both been dormant throughout the year. The College also owns a 50% share in Pershore Indoor Tennis Centre Limited which has also not been consolidated as the College does not exercise significant influence and the value of the College's share is not material.

#### 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.

#### Going concern

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

As at 31<sup>st</sup> July 2015, the College had term loans of £12.8m, revolving credit loans of £8m and an overdraft facility of £3m.

The College was in breach of its banking covenants for both 2012/2013 and 2013/2014 accounting periods. In consequence our banks (Lloyds and AIB) reserved their rights on the College facilities and our debt is now all classed as current. Whilst we are in compliance with covenants for 2014/2015, this does not automatically resolve the position and we are currently in negotiations with our banks to agree how this position can be corrected.

We have proposed a debt reduction strategy linked to a series of property transactions and an attendant amortisation schedule. A number of these property transactions are still uncertain. These transactions include:

- Disposal of the old Rugby site in Hillmorton Road for £7.6m which is now complete.
- The sale and leaseback of its residential accommodation blocks at Royal Leamington Spa for £5.3m (of which £4.8m has been received).
- Disposal of part of the Moreton Morrell site for £3m for housing development by David Wilson Homes. Contracts were exchanged in July 2014, but were subject to planning permission. We are currently reviewing our options in discussion with the developer
- The closure of the Henley College site at the end of the current academic year was announced in September 2015. A change of use application for Henley has been submitted to Stratford District Council. The expectation is that a sale could be complete by November 2016. There is a potential risk of clawback of grants received on the site.
- Sale of Prospero House.
- SFA are yet to confirm that £0.9m of apprenticeship provision delivered in year will result in full payment this year.



## **Warwickshire College**

### **Notes to the Financial Statements for the year ended 31 July 2015 (continued)**

Whilst AIB have agreed to the proposed amortisation schedule, at the date of signing the accounts, Lloyds are yet to formally accept these proposals. Nevertheless they remain supportive

Detailed cash flow projections for the period to July 2017 have been prepared and, subject to agreement of the amortisation schedule, the College has adequate headroom to cover the period allowing for reasonable sensitivities due to the contingency actions that the College can take to recover from any downside risk. On this basis the Governors have agreed that the College should prepare its accounts on a going concern basis. However these condition indicates the existence of a material uncertainty which may cast doubt upon the College's ability to continue as a going concern.

#### **Recognition of income**

Funding body recurrent grants are recognised in line with best estimates for the year of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body at the end of November following the year end, and the results of any funding audits. Employer responsive grant income is recognised based on a year end reconciliation of income claimed and actual delivery. 16-18 learner responsive funding is not normally subject to a 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 income and expenditure account. Non-recurrent grants from the funding bodies or other bodies received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

Income from grants, contracts and other services rendered is included to the extent of the conditions of funding have been met or the extent of the completion of the contract or service concerned. Income from tuition fees is recognised in the year for which it is received and includes all fees payable by students or their sponsors.

All income from short-term deposits is credited to the income and expenditure account in the year in which it is earned.

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

##### **Post retirement benefits**

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes, which are externally funded and contracted out of the State Earnings-Related Pension Scheme (SERPS).

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 quinquennial valuations using a prospective benefit method. As stated in Note 30, the TPS is a multi employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid in the year.

The assets of the LGPS are measured using closing market values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the year is charged to the operating surplus. The expected return on the scheme's assets and the increase during the year in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

## **Warwickshire College**

### **Notes to the Financial Statements for the year ended 31 July 2015 (continued)**

#### **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. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account on an annual basis.

Land and buildings acquired since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated to write off cost or valuation over their expected useful economic life to the College of up to 50 years.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account, and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

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

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

On adoption of FRS15, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1993, but not to adopt a policy of revaluations of these properties in the future.

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

##### *Assets under construction*

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

##### *Subsequent expenditure on existing assets*

Where significant expenditure is incurred on tangible fixed assets 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

## **Warwickshire College**

### **Notes to the Financial Statements for the year ended 31 July 2015 (continued)**

#### *Equipment*

Equipment costing less than £1,000 per individual item is written off to the income and expenditure account in the year 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.

#### **Assets held for resale**

Where the College has committed to the disposal of a tangible fixed asset, such assets will be carried at cost less depreciation or net realisable value, whichever is lower. The asset will be transferred from fixed assets to current assets as long as the asset is not being replaced, there is a commitment to sell and the asset is no longer in use.

#### **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 and Spa 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 and work in progress is carried out by professional valuers. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

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

#### **Milk Quota**

The College inherited milk quota at £0 cost, which accordingly has not been included within the financial statements. Quota purchased since incorporation is included under stocks, valued at cost and depreciated over its estimated useful life.

#### **Maintenance of premises**

The cost of routine corrective maintenance is charged to the income and expenditure account in the year that it is incurred.

#### **Foreign currency translation**

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of 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 year in which they arise.

## **Warwickshire College**

### **Notes to the Financial Statements for the year ended 31 July 2015 (continued)**

#### **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 Chapter 3 Part 11 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 (VAT), 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.

#### **Liquid resources**

Liquid resources include sums on short-term deposits with recognised banks. Current asset investments are carried at the lower of cost and net realisable value.

#### **Provisions**

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.

#### **Agency arrangements**

The College acts as an agent in the collection and payment of discretionary support Funds and Employer Incentive Grant. Related payments received from the funding bodies and subsequent disbursements to students and companies are excluded from the Income and Expenditure account, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the discretionary support fund grant. The income and distribution of these grants are shown separately in Note 35.

# Warwickshire College

## Notes to the financial statements for the year ended 31 July 2015

### 2 Funding body grants

	Note	2015 £000	2014 £000
EFA - Recurrent grant		16,677	16,090
SFA - 16-18 Apprenticeships		3,300	3,107
SFA - Adult Skills Budget		5,420	5,480
Funding body non recurrent grants		305	658
HEFCE Recurrent grant		1,268	1,545
Releases of deferred capital grants	21	732	662
		<b>27,702</b>	<b>27,542</b>

### 3 Tuition Fees and Education Contracts

	2015 £000	2014 £000
Further Education students	3,133	3,307
Non European Union students	2,102	1,820
Higher Education students	4,479	4,145
Employer dedicated provision	2,670	2,251
<b>Total fees paid by or on behalf of students</b>	<b>12,384</b>	<b>11,523</b>
<b>Education contracts:</b>		
Local Education Authorities	163	164
Higher education income	294	266
	<b>12,841</b>	<b>11,953</b>

Included within the above amounts are tuition fees funded by bursaries of £293,000 (2013/2014 £313,000)



**4 Research grants and contracts**

	<b>Note</b>	<b>2015 £000</b>	<b>2014 £000</b>
Releases from deferred capital grants (non Funding body)	21	282	283
Other grants		50	82
		<u><b>332</b></u>	<u><b>365</b></u>

**5 Other Income**

	<b>2015 £000</b>	<b>2014 £000</b>
Residencies, catering and conferences	3,403	3,303
Shops	221	244
Horticulture unit	455	453
Other trading activities	1,313	1,225
Farming activities	498	571
Crèche fees	513	515
Hair and beauty and the Spa	150	175
Exam fees	364	454
Other income	387	362
	<u><b>7,304</b></u>	<u><b>7,302</b></u>

**6 Endowment and Investment Income**

	<b>2015 £000</b>	<b>2014 £000</b>
Other interest receivable	2	2
Other investment income	42	2
	<u><b>44</b></u>	<u><b>4</b></u>

Other interest receivable comprises interest earned on cash or short-term deposits.

# Warwickshire College

## Notes to the financial statements for the year ended 31 July 2015 (continued)

### 7 Staff Costs

The average monthly number of persons (including senior post-holders) employed by the College during the year, expressed as full-time equivalents, was:

	Note	2015 Number	2014 Number
Teaching departments		538	556
Student support services		81	92
Other support services		57	67
Administration and central services		115	121
General education expenditure		21	22
Premises		47	52
Other income generating activities		31	38
Catering and residences		44	50
Farming activities		3	3
Miscellaneous		11	13
		<b>948</b>	<b>1,014</b>

#### Staff costs for the above persons:

		2015 £000	2014 £000
Wages and salaries		24,889	26,423
Social security costs		1,665	1,761
Other pension costs (including FRS 17 adjustments)	30	4,423	4,336
<b>Payroll sub total</b>		<b>30,977</b>	<b>32,520</b>
Contracted out staffing services		774	523
Restructuring costs		1,695	284
		<b>33,446</b>	<b>33,327</b>

Teaching departments		18,520	18,631
Student support services		2,179	2,544
Other support services		1,670	1,938
Administration and central services		3,717	4,178
General education expenditure		611	617
Premises		1,226	1,269
Other income generating activities		660	793
Catering and residences		959	1,088
Farming activities		94	115
Miscellaneous		258	315
FRS 17 retirement benefit		1,083	1,032
<b>Payroll sub total</b>		<b>30,977</b>	<b>32,520</b>
Contracted out staffing services		774	523
<b>Sub total</b>		<b>31,751</b>	<b>33,043</b>
Restructuring costs		1,695	284
<b>Total</b>		<b>33,446</b>	<b>33,327</b>

**7 Staff Costs (continued)**

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Employment costs for staff on permanent contracts	27,641	28,818
Employment costs for staff on short-term and temporary contracts	2,253	2,670
Contracted out lecturing services	774	523
	<u>30,668</u>	<u>32,011</u>
FRS 17 retirement benefit	1,083	1,032
Restructuring costs	1,695	284
	<u><b>33,446</b></u>	<u><b>33,327</b></u>

The above restructuring costs include severance, redundancy and early retirement costs. These are approved by the Vice Principals and a member of the senior management team where appropriate following a business efficiency exercise.

The number of senior post-holders and other staff who received emoluments, excluding pension contributions but including benefits in kind, in the following ranges was:

	<b>Senior Post-holders</b>		<b>Other staff</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>Number</b>	<b>Number</b>	<b>Number</b>	<b>Number</b>
£ 60,001 to £ 70,000	0	0	1	1
£ 70,001 to £ 80,000	1	0	5	4
£ 80,001 to £ 90,000	0	0	1	3
£ 90,001 to £ 100,000	0	1	0	1
£100,001 to £ 110,000	1	0	0	0
£110,001 to £ 120,000	0	1	0	0
£120,001 to £ 130,000	1	0	0	0
£130,001 to £ 140,000	0	1	0	0
£170,001 to £ 180,000	0	0	0	0
£190,001 to £ 200,000	0	0	0	0
£230,001 to £ 240,000	0	1	0	0
	<u><b>3</b></u>	<u><b>4</b></u>	<u><b>7</b></u>	<u><b>9</b></u>

These numbers do not include the Accounting Officer who joined the College on 13 April 2015 and whose emoluments for the year did not fall within the above ranges.

## 8 Senior Post-holders' Emoluments

Senior post-holders are defined as the Accounting Officer and holders of the other senior posts whom the Governing Body has selected for the purposes of the articles of government of the College relating to the appointment and promotion of staff who are appointed by the Governing Body.

	<b>2015</b>	<b>2014</b>
	<b>Number</b>	<b>Number</b>
The number of senior post-holders including the Accounting Officer was:	4	5
Senior post-holders' aggregate emoluments are made up as follows:		
	<b>£000</b>	<b>£000</b>
Salaries	357	601
Benefits in kind	6	13
	<u>363</u>	<u>614</u>
Pension contributions	32	45
<b>Total emoluments</b>	<u><b>395</b></u>	<u><b>659</b></u>

The above emoluments include the salary of the Accounting Officer who joined the College on 13 April 2015. They do not include payments made to the Interim Principal who was contracted on a consultancy basis until April 15. Costs of £99,675 (2013/2014 £17,212) are included in Note 9 within Administration and central services.

The above emoluments include amounts payable to the Accounting Officer (who is also the highest paid employee) of:

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Salary	50	238
Benefits in kind	0	1
	<u>50</u>	<u>239</u>
Pension contributions	8	0
	<u><b>58</b></u>	<u><b>239</b></u>

The pension contributions in respect of the Accounting Officer and senior post-holders are in respect of employer's contributions to the TPS and the LGPS and are paid at the same rate as for other employees.

### Settlement for loss of office paid to a former senior post-holder

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Settlement paid to a former senior post-holder	47,000	30,000

Voluntary redundancy of former senior post-holder was agreed by Governors on 1 June 2015

The estimated value of other benefits has been calculated in accordance with FRS 17.

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

## 8 Senior Post-holders' Emoluments (continued)

### Overseas activities

The following costs were incurred during the year in respect of overseas activities which were carried out in accordance with the strategy approved by the Governing body:

	2015 £	2014 £
Members	0	0
Senior post-holders	0	14,974
Other higher paid staff	0	301
	<u>0</u>	<u>15,275</u>

## 9 Other Operating Expenses

	2015 £000	2014 £000 Restated
Teaching departments	2,477	3,602
Student support services	341	530
Other support services	313	500
Administration and central services	1,762	1,646
General education	2,394	2,400
Premises costs - Running costs	1,942	2,139
Premises costs - Maintenance	1,010	1,527
Premises costs - Rents and leases	68	63
Other income generating activities	396	489
Catering and residence operations	1,077	1,075
Farming	509	460
Franchised provision	68	185
<b>Total</b>	<u><b>12,357</b></u>	<u><b>14,616</b></u>

### Also includes:

	2015 £000	2014 £000
Auditors' remuneration:		
financial statements audit	40	40
internal audit	30	22
other services provided by the financial statement auditors	2	2
Hire of other assets - operating leases - Land and Buildings	<u>68</u>	<u>63</u>



# Warwickshire College

## Notes to the financial statements for the year ended 31 July 2015 (continued)

### 10 Interest and other finance costs

	Note	2015 £000	2014 £000
On bank loans, overdrafts and other loans:			
Repayable within 5 years		774	370
Repayable wholly or partly in more than 5 years		0	346
		<b>774</b>	<b>716</b>
Enhanced pension charge	20	49	51
Pension finance costs	30	243	428
		<b>1,066</b>	<b>1,195</b>

### 11 Taxation

The members do not believe the College was liable for any corporation tax arising out of its activities during the year (2013/2014 £0).

### 12 Income and expenditure underlying deficit

	2015 £000	2014 £000
Surplus/(Deficit) per income and expenditure account	27	(5,056)
Add back:		
Staff costs restructuring	1,695	284
Loss /(Profit) on disposal of fixed assets	8	(15)
Disposals of current assets held for resale	(2,180)	0
FRS 17 retirement benefit charge	1,083	1,032
FRS 17 pension financing costs	243	428
<b>Underlying surplus/(deficit) before exceptions, restructuring and FRS 17 adjustments</b>	<b>876</b>	<b>(3,327)</b>

### 13 Tangible Assets

Cost or Valuation	Land and Buildings		Equipment £000	Total £000
	Freehold £000	Under construction £000		
At 1 August 2014	95,817	12,052	9,783	117,652
Additions	0	8,031	634	8,665
Transfers	13,652	(13,652)	0	0
Transfer of current assets held for resale to Land and building	0	1,849	0	1,849
Disposals	0	0	(399)	(399)
<b>At 31 July 2015</b>	<b>109,469</b>	<b>8,280</b>	<b>10,018</b>	<b>127,767</b>
<b>Accumulated depreciation</b>				
At 1 August 2014	19,749	0	6,569	26,318
Charge for year	2,154	0	1,345	3,499
Eliminated in respect of disposals	0	0	(399)	(399)
<b>At 31 July 2015</b>	<b>21,903</b>	<b>0</b>	<b>7,515</b>	<b>29,418</b>
<b>Net book value at 31 July 2015</b>	<b>87,566</b>	<b>8,280</b>	<b>2,503</b>	<b>98,349</b>
Net book value at 31 July 2014	76,068	12,052	3,214	91,334
Inherited	15,302	0	0	15,302
Financed by capital grant	29,657	4,460	297	34,414
Other	42,607	3,820	2,206	48,633
<b>Net book value at 31 July 2015</b>	<b>87,566</b>	<b>8,280</b>	<b>2,503</b>	<b>98,349</b>

Land and buildings previously held for resale in the balance sheet of £1,849,000 has been moved back to fixed assets. This is Moreton Hall which is no longer available for sale.

The transitional rules set out in FRS15 Tangible Fixed Assets have been applied. Accordingly the book values at implementation have been retained.

Inherited land and buildings were valued at depreciated replacement cost by a firm of independent chartered surveyors at the time of incorporation in 1993. Other tangible fixed assets inherited from the Local Education Authority at incorporation have been valued by the College on a depreciated replacement cost basis with the assistance of independent professional advice. If these had not been re-valued they would have a net book value based on cost of £0.

Land and buildings with a net book value of £24,600,000 (2013/2014 £21,905,000) have been financed by exchequer funds, through for example the receipt of capital grants.

# Warwickshire College

## Notes to the financial statements for the year ended 31 July 2015 (continued)

### 14 Investments

	2015	2014
	£	£
Investments in subsidiary companies	200	200
Investment in Rugby Farmers Mart Limited	2,000	2,000
Investment in Pershore Indoor Tennis Centre Limited	10	10
Investment in Gazelle Transform Limited	0	80,000
Investment in Gazelle Foundation Limited	0	0
	<u>2,210</u>	<u>82,210</u>

The members believe that the carrying value of the investments is supported by their underlying net assets.

The College owns 100% of the issued £1 ordinary shares of Warwickshire College Ltd (previously called Moreton Hall Enterprises Limited), and Warwickshire College Enterprises Ltd (previously called Moreton Hall (Power) Limited). Both companies are incorporated in England, have called up share capital of £100 and were dormant during the year. Consequently the College has not prepared consolidated financial statements.

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.

The College's share of the joint venture's results and its share of the assets and liabilities for the year ended 31 July 2015 are as follows:

	£000
Turnover	<u>36</u>
Result before and after tax	<u>4</u>
Fixed Assets	201
Current Assets	24
Liabilities due within one year	(15)
Liabilities due after one year	(121)
Deferred capital grants	(117)
<b>College's share of net liabilities</b>	<u><b>(28)</b></u>

Gazelle is in the process of winding up and as a consequence the College has written off in 2014/2015 the investment of £80,000 that was held on the balance sheet. It is not assumed that there will be any proceeds from the winding up process.

### Current Asset Investments

Current assets investments (stocks and shares) held in the balance sheet at £10,000 (2013/2014 £16,000) had a market value of £35,000 at 31 July 2015 (2013/2014 £62,000). These investments are held at cost which is the same as the net book value.

**15 Stock**

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Farm livestock and deadstock	358	462
Horse livestock and horse stores	17	20
Horticulture stock	213	199
Shop, refectory and Spa stock	36	53
	<b>624</b>	<b>734</b>

**16 Debtors**

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts falling due within one year:</b>		
Trade debtors	780	682
Amounts due on sale of asset held for resale	3,822	0
Prepayments and accrued income	207	170
Amounts owed by the Skills Funding Agency	865	249
	<b>5,674</b>	<b>1,101</b>

**17 Creditors - Amounts Falling Due Within One Year**

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Bank overdrafts	1,380	1,262
Bank loans	20,800	1,200
Other loans	1	23
Payments received in advance	935	481
Trade creditors	3,570	3,761
Taxation and social security	529	626
Accruals	2,025	1,287
Deferred VAT	60	61
Amounts owed to the Skills Funding Agency	1,259	1,294
	<b>30,559</b>	<b>9,995</b>

**18 Creditors - Amounts Falling Due After More Than One Year**

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Bank loans	0	20,800
Other loans	0	1
Deferred VAT	27	129
	<b>27</b>	<b>20,930</b>

# Warwickshire College

## Notes to the financial statements for the year ended 31 July 2015 (continued)

### 19 Borrowings

	2015 £000	2014 £000
<b>Bank loans and overdrafts</b>		
Bank loans and overdrafts are repayable as follows:		
In one year or less or on demand	22,180	6,462
Between one and two years	0	1,200
Between two and five years	0	8,100
In five years or more	0	7,500
	<b>22,180</b>	<b>23,262</b>

The College has a fully utilised term loan facility with an outstanding balance of £4,000,000 (2013/2014 £5,000,000) with the Allied Irish Bank. This loan is secured against the Leamington Spa campus. Repayment of the term loan is by annual £1,000,000 payments ending on 30 September 2018.

The College also has a £9,000,000 term loan and two £4,000,000 Revolving Credit Facilities with Lloyds Bank plc. These loans are secured against the Trident campus. The £9,000,000 term loan is fully utilised and has a maturity date of September 2027 with annual capital payments of increasing amounts starting in September 2014. The first repayment of £200,000 was made on 29 September 2014. The first revolving credit facility is for 5 years maturing in December 2016, and the second for 3 years maturing in February 2017. At the year end both had been fully utilised.

### 20 Provisions for Liabilities

	Enhanced Pensions £000
At 1 August 2014	1,201
Expenditure in the year	(80)
Transferred from income and expenditure account:	
Interest on pension provision	49
Actuarial loss over year	47
<b>At 31 July 2015</b>	<b>1,217</b>

The pension provision relates to enhanced pensions for staff who have already left the College's employment. The provision has been recalculated in accordance with guidance issued by the funding bodies. These are accounted for under FRS12 (provisions, contingencies and commitments).

The principal assumptions for this calculation are :

	2015	2014
Price inflation	1.71%	1.81%
Discount rate	3.46%	4.06%

## 21 Deferred Capital Grants

	Funding Body grants	Other grants	Total
	£000	£000	£000
At 1 August 2014			
Land and buildings	21,905	8,394	30,299
Equipment	457	91	548
	<u>22,362</u>	<u>8,485</u>	<u>30,847</u>
Cash received			
Land and buildings	3,197	1,290	4,487
Equipment	62	0	62
	<u>3,259</u>	<u>1,290</u>	<u>4,549</u>
Released to income and expenditure account			
Land and buildings	(502)	(198)	(700)
Equipment	(230)	(84)	(314)
	<u>(732)</u>	<u>(282)</u>	<u>(1,014)</u>
	<u><b>24,889</b></u>	<u><b>9,493</b></u>	<u><b>34,382</b></u>
At 31 July 2015			
Land and buildings	24,600	9,486	34,086
Equipment	289	7	296
	<u><b>24,889</b></u>	<u><b>9,493</b></u>	<u><b>34,382</b></u>

### Analysis of capital grants received during 2014/2015

	£000
SFA - Support for capital projects	3,177
LEP - Support for capital projects	1,290
HEFCE - Support for capital projects	82
<b>Total</b>	<u><b>4,549</b></u>

## 22 Revaluation Reserve

	2015 £000	2014 £000
At 1 August	18,493	18,935
Transfer from revaluation reserve to general reserve in respect of:		
Depreciation on revalued assets	(442)	(442)
<b>At 31 July</b>	<u><b>18,051</b></u>	<u><b>18,493</b></u>



## 23 Movement on General Reserves

	Note	2015 £000	2014 £000
<b>Income and expenditure Account and Pension Reserve</b>			
At 1 August		(9,000)	2,436
Surplus/(deficit) retained for the year		27	(5,056)
Transfer from revaluation reserve	22	442	442
Actuarial loss in respect of pension schemes	30 and 20	(4,029)	(6,822)
<b>At 31 July</b>		<b><u>(12,560)</u></b>	<b><u>(9,000)</u></b>
<b>Balance represented by:</b>			
Pension reserve		(32,993)	(28,080)
Income and expenditure reserve excluding pension reserve		20,433	19,080
<b>At 31 July</b>		<b><u>(12,560)</u></b>	<b><u>(9,000)</u></b>

## 24 Reconciliation of Operating (Deficit)/Surplus to Net Cash Inflow from Operating Activities

	Note	2015 £000	2014 £000
Surplus/(deficit) on continuing operations after assets at valuation		27	(5,056)
Depreciation	13	3,499	3,099
Deferred capital grants released to income	2, 4, and 21	(1,014)	(945)
Profit on disposal of tangible fixed assets		8	(15)
Profit on disposal of current assets held for resale		(2,180)	0
Profit on disposal of investments	6	(40)	0
Investments written off	14	80	0
Interest payable	10	774	716
Interest receivable	6	(4)	(4)
Pension cost less contributions payable	30	884	1,356
Decrease in stocks		110	20
(Increase)/decrease in debtors		(751)	113
Increase in creditors		998	251
Increase in provisions		16	19
<b>Net cash Inflow/(outflow) from operating activities</b>		<b><u>2,407</u></b>	<b><u>(446)</u></b>

## 25 Return on Investments and Servicing of Finance

	2015 £000	2014 £000
Other interest received	4	4
Interest paid	(859)	(702)
<b>Net cash outflow from returns on investment and servicing of finance</b>	<b>(855)</b>	<b>(698)</b>

## 26 Capital Expenditure and financial investment

	2015 £000	2014 £000
Payments to acquire tangible assets	(8,665)	(7,611)
Receipts from the sale of tangible fixed assets	(7)	15
Receipts from the sale of current asset held for resale	3,777	0
Receipts from sale of investments	46	0
Deferred capital grants received	4,402	2,768
<b>Net cash outflow from capital expenditure and financial investment</b>	<b>(447)</b>	<b>(4,828)</b>

## 27 Management of Liquid Resources

	2015 £000	2014 £000
Placing of deposits	0	0
Withdrawal from deposits	0	0
<b>Net cash inflow from management of liquid resources</b>	<b>0</b>	<b>0</b>

## 28 Financing

	2015 £000	2014 £000
Debt due beyond a year:		
Loan drawn down in year	0	6,000
Loan repayment in year	(1,223)	(2,044)
<b>Net cash (outflow)/inflow from financing</b>	<b>(1,223)</b>	<b>3,956</b>

## 29 Analysis of Changes in Net Debt

	At 1 August 2014 £000	Cash flow £000	At 31 July 2015 £000
Cash at bank and in hand	10	0	10
Overdrafts	(1,262)	(118)	(1,380)
	<u>(1,252)</u>	<u>(118)</u>	<u>(1,370)</u>
Debt due within 1 year	(1,223)	(19,578)	(20,801)
Debt due after 1 year	(20,801)	20,801	0
	<u>(23,276)</u>	<u>1,105</u>	<u>(22,171)</u>

## 30 Pension and similar obligations

The College's employees belong to two principal pension schemes: 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. Both are defined benefit schemes.

Total pension cost for the year	2015 £000	2014 £000
TPS: Contributions paid	1,509	1,548
LGPS:		
Contributions paid	1,831	1,756
FRS 17 charge	1,083	1,032
Charge to the income and expenditure account (staff costs)	<u>2,914</u>	<u>2,788</u>
<b>Total Pension Cost for Year</b>	<b><u>4,423</u></b>	<b><u>4,336</u></b>

The estimated value of employer contributions for the year ended 31 July 2016 is £3,570,000.

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 the LGPS 31 March 2013.

Contributions amounting to £424,000 (2013/2014 £469,000) were payable to the schemes at 31 July and are included within creditors.

**30 Pension and similar obligations (continued)**

**Teachers' Pension Scheme**

**Introduction**

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

**The Teachers' Pension Budgeting and Valuation Account**

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis - these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

**Valuation of the Teachers' Pension Scheme**

The latest actuarial review of the TPS was carried out as at 31 March 2012 and in accordance with The Public Services 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 and the subsequent consultation are:

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

The new employer contribution rate for the TPS will be implemented in September 2015

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

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

**30 Pension and similar obligations (continued)**

**Teachers' Pension Scheme (continued)**

**Scheme Changes**

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

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

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

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

**Financial Reporting Standard 17 (FRS 17) Retirement Benefits**

Under the definitions set out in FRS 17, 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 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The College has set out above the information available on the scheme and the implications for the College in terms of the anticipated contribution rates.

The LGPS is a funded defined benefit scheme, with the assets held in separate funds administered by Warwickshire County Council. The total contribution made for the year ended 31 July 2015 was £2,529,000 (2013/2014 £2,488,000) of which employer's contributions totalled £1,831,000 (2013/2014 (£1,756,000) and employees' contributions totalled £698,000 (2013/2014 £733,000). The agreed contribution rates for future years was 16.1% for employers and range from 5.5% to 12.5% for employees, depending on salary.

30 Pension and similar obligations (continued)

Local Government Pension Scheme

FRS 17

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2013 updated to 31 July 2015 by a qualified independent actuary.

	2015	2014
Rate of increase in salaries	4.50%	4.50%
Rate of increase for pensions in payment/inflation	2.60%	2.70%
Discount rate for scheme liabilities	3.60%	4.00%
Commutation of pensions to lump sums	50%	50%

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

	2015	2014
<b><i>Retiring today</i></b>		
Males	22.4	22.4
Females	24.4	24.4
<b><i>Retiring in 20 years</i></b>		
Males	24.3	24.3
Females	26.6	26.6

The assets and liabilities in the scheme, of which the College's share is estimated to be 3.3%, and the expected rates of return were:

	Long-term rate of return expected at 31 July 2015	Value at 31 July 2015	Long-term rate of return expected at 31 July 2014	Value at 31 July 2014
		£000		£000
Equities	3.60%	33,473	6.60%	31,552
Bonds	3.60%	11,330	3.80%	9,145
Property	3.60%	5,665	4.70%	4,573
Cash/Liquidity	3.60%	1,030	3.60%	457
<b>College's estimated asset share</b>		51,498		45,727
Present value of scheme liabilities		(81,188)		(71,001)
<b>Deficit in the scheme excluding Pershore</b>		(29,690)		(25,274)
Pershore deficit brought forward		(2,806)		(2,461)
Pershore estimated movement in deficit in year		(497)		(345)
<b>Deficit in the scheme including Pershore</b>		(32,993)		(28,080)



### 30 Pension and similar obligations (continued)

#### Analysis of the amount charged to income and expenditure account

	2015 £000	2014 £000
Employer service cost (net of employee contributions)	3,042	2,914
Curtailments and settlements	32 **	20 **
Past service cost	1	0
Total operating charge	<u>3,075</u>	<u>2,934</u>

#### Analysis of pension finance costs

Expected return on pension scheme assets	2,802 **	2,637 **
Interest on pension liabilities	(3,045) **	(3,065) **
Pension finance costs	<u>(243)</u>	<u>(428)</u>

#### Amount recognised in the statement of total recognised gains and losses (STRGL)

	2015 £000	2014 £000
Actual return less expected return on pension scheme assets	1,719 **	(2,600) **
Change in financial and demographic assumptions	(5,748) **	(4,176) **
<b>Actuarial loss recognised in STRGL</b>	<u><b>(4,029)</b></u>	<u><b>(6,776)</b></u>

	2015 £000	2014 £000
<b>Movement in deficit during year</b>		
Deficit in scheme at 1 August	(28,080)	(19,902)
Movement in year:		
Current employer service charge	(3,042)	(2,914)
Employer Contributions	2,434	1,960
Curtailments and settlements	(32) **	(20) **
Past service cost	(1)	0
Net interest on assets	(243) **	(428) **
Actuarial loss	(4,029) **	(6,776) **
<b>Deficit in scheme at 31 July</b>	<u><b>(32,993)</b></u>	<u><b>(28,080)</b></u>

### 30 Pension and similar obligations (continued)

#### Local Government Pension Scheme (continued)

##### Asset and Liability Reconciliation

	2015	2014
	£'000	£'000
<b>Reconciliation of Liabilities</b>		
<b>Liabilities at start of year at 1 August</b>	75,094	65,519
Service cost	3,042	2,914
Interest cost	3,045 **	3,065 **
Employee contributions	745	781
Actuarial loss	5,748 **	4,176 **
Benefits paid	(1,616)	(1,381)
Past Service cost	1 **	0 **
Curtailments and settlements	32	20
<b>Liabilities at end of year at 31 July</b>	<b>86,091</b>	<b>75,094</b>

##### Reconciliation of Assets

<b>Assets at start of year at 1 August</b>	47,014	45,617
Expected return on assets	2,802 **	2,637 **
Actuarial gain/(loss)	1,719 **	(2,600) **
Employer contributions	2,434	1,960
Employee contributions	745	781
Benefits paid	(1,616)	(1,381)
<b>Assets at end of year at 31 July</b>	<b>53,098</b>	<b>47,014</b>

The expected rate of return on plan assets is based on market expectations, at the beginning of the year, for the investment returns over the entire life of the related obligation. The assumption used is the average of the following assumptions appropriate to the individual asset classes weighted by the proportion of the assets in the particular asset class. The actual return on scheme assets is £4,521,000 (2013/2014 £37,000)

##### Deficit contributions

The College has entered into an agreement with the LGPS to make additional contributions of £232,000 for the year ending 31 March 2015, £663,000 for the year ending 31 March 2016 and £1,094,000 each year thereafter in addition to normal funding levels until the next full valuation at which point the situation will be reviewed again.

##### History of experience gains and losses

	2015	2014	2013	2012	2011
	£000	£000	£000	£000	£000
Difference between the expected and actual return on assets:	1,719	(2,600)	6,020	(1,203)	2,084
Experience losses on scheme liabilities:	5,748	4,176	1,497	3,659	3,169
Total amount recognised in STRGL	(4,029)	(6,776)	4,523	(4,862)	(1,085)
Present value of scheme liabilities	86,091	75,094	65,519	59,186	50,836
Fair value of scheme assets	53,098	47,014	45,617	36,286	34,000
Deficit in the scheme	(32,993)	(28,080)	(19,902)	(22,900)	(16,836)

## Warwickshire College

### Notes to the financial statements for the year ended 31 July 2015 (continued)

#### 30 Pension and similar obligations (continued)

\*\* The movement in deficit during the year and the reconciliation of assets and liabilities include figures supplied by the actuaries for the amounts expected to be transferred from Worcestershire County Council to Warwickshire County Council for the employees that transferred to Warwickshire College following the merger with Pershore Group of Colleges. The final transfer has not yet occurred so these amounts are not yet finalised for the purposes of FRS 17. Any changes are not expected to be material and so the information available from actuaries is presented here. Final amounts to be confirmed once transfer values agreed.

	2015 £000	2014 £000
<b>Liabilities</b>		
Interest cost	(168)	(167)
Actuarial gain	(419)	(195)
Employer service cost (net of employee contributions)	(205)	(180)
<b>Assets</b>		
Expected return on assets	81	65
Actuarial gain	50	11
<b>Total movement in year</b>	<b>(661)</b>	<b>(466)</b>

#### 31 Post-balance sheet events

Since the 31<sup>st</sup> July the following significant events have occurred:

- In September the decision to close the Henley College at the end of the current academic year was announced. Provision will be retained and transferred to Moreton Morell and Royal Leamington Spa Colleges

- In November the second tranche of the proceeds from the disposal of the old Rugby site were received (£3.8m)

- In November the results of the Comprehensive Spending Review were announced. The consensus view for the sector was that this review was not as bad as feared, but there will still be elements that require the sector to adapt.

- In 2014 South Worcestershire College initiated a process to find a suitable merger partner, with Warwickshire College identified as the preferred option. In 2014/2015 Warwickshire College was principally focussed on improving its operating model and now being sufficiently advanced in this are able to progress the merger with both boards being supportive. Due diligence work and Consultation has been completed. The intention is that the merger will be complete by 1<sup>st</sup> August 2016

- As part of its strategy of debt reduction, the College has completed a transaction to sell and leaseback its student accommodation at Royal Leamington Spa. The transaction also allows the College to increase its available accommodation in support of our growth agenda.

- Agreement has been reached with AIB on a revised debt amortisation schedule and we are in active discussion with Lloyds seeking to conclude the same.

#### 32 Capital Commitments

	2015 £000	2014 £000
Commitments contracted for at 31 July	<b>171</b>	<b>2,122</b>

#### 33 Financial Commitments

At 31 July had annual commitments under non-cancellable operating leases as follows:

	2015 £000	2014 £000
<b>Land and Buildings</b>		
Expiring within two and five years inclusive	62	0
Expiring in over five years	0	55
	<b>62</b>	<b>55</b>

# Warwickshire College

## Notes to the financial statements for the year ended 31 July 2015 (continued)

### 34 Related Party Transactions

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

Governor	Related organisation	Purchased transactions		Sales transactions	
		Turnover £	Balance at year end £	Turnover £	Balance at year end £
L Kelland	Member of SEMTA Bit Steering Group	0	0	4,197	1,127
C Bradshaw	Governor of Queen Alexandra College	0	0	2,097	292
M Williams	Professor at University of Warwick	21,535	450	741,666	0
M Williams	Councillor at Rugby Borough Council	82,458	-8,431	14,063	0
S Georgious	Director of PLS Associates (UK) Ltd	97,029	0	0	0
K Skudra	Director of Warwickshire Race and Equality Partnerships	0	0	7,305	395

The total expenses paid to or on behalf of the Governors during the year was £2,460; 5 governors (2013/2014 £3,024; 6 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2013/2014 none)

Following the acquisition of part of the Pershore Group of Colleges on 1 August 2007, the College now holds a 50% shareholding in PITC Limited (Note 14). The College has fully provided for the debt of £114,000 from PITC Limited. Income from PITC Limited of £2,409 (2013/2014 £2,029) was included in the financial statements of the College.

Transactions with other investments (note 14) are shown below:

Organisation	Purchased transactions		Sales transactions	
	Turnover £	Balance at year end £	Turnover £	Balance at year end £
Gazelle Global Limited	7,292	7,292	0	0
The Gazelle Foundation	33,333	11,667	-6,836	4,849
Gazelle Transform Limited	2,040	8,158	6,142	6,142

**35 Amounts disbursed as agent**

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
<b>Learner support funds - funding body grants</b>		
Hardship	789	916
Residential Bursaries	228	85
Childcare	118	235
24+ Bursary	145	70
	<u>1,280</u>	<u>1,306</u>
Disbursed to students	(1,149)	(1,157)
Administration costs	(58)	(65)
Balance unspent as at 31 July, included in creditors	<u><u>73</u></u>	<u><u>84</u></u>

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

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
<b>Employer incentive grant - funding body grants</b>		
Amount carried forward from previous year	38	2
Amount received in the year	319	262
	<u>357</u>	<u>264</u>
Disbursed to companies	(340)	(226)
Balance unspent as at 31 July, included in creditors	<u><u>17</u></u>	<u><u>38</u></u>

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 income and expenditure account.




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

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

  
**MORETON MORRELL  
COLLEGE**  
MORETON MORRELL  
WARWICK  
CV35 9BL

  
**PERSHORE  
COLLEGE**  
AVONBANK  
PERSHORE  
WR10 3JP

  
**HENLEY-IN-ARDEN  
COLLEGE**  
STRATFORD ROAD  
HENLEY-IN-ARDEN  
B95 6AB

  
**WARWICK TRIDENT  
COLLEGE**  
TRIDENT PARK  
WARWICK  
CV34 6SW

 **GAZELLE  
colleges**

 **International  
Charter**

 **LSIS  
BEACON**

 **Landex**  
Land Based Colleges  
Aspiring To Excellence