

WARWICKSHIRE COLLEGE

**Report and Financial Statements
for the year ended 31 July 2017**

Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

Key management personnel are defined as members of the Senior Leadership Team and were represented by the following in 2016/17

Angela Joyce	Principal and CEO; Accounting officer
Roger Bevan	Deputy Principal – Corporate Services
Peter Husband	Deputy Principal – Apprenticeships, HE and Innovation
Sharon Bell	Vice Principal – Commercial and International
Neil Coker	Vice Principal – Curriculum (from 03/07/2017)
Helen Kinghorn	Vice Principal – Teaching, Learning and Quality
Andrew Cropley	Deputy Principal – Curriculum (until 31/12/2016)
Yousef Fouda	Vice Principal - Technology (until 31/10/2016)

Board of Governors

A full list of Governors is given on pages 20 and 21 of these financial statements.

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

Professional advisers

Financial statements auditors and reporting accountants

PricewaterhouseCoopers LLP, Cornwall Court, 19 Cornwall Street, Birmingham B3 2DT.

Internal Auditors

BDO LLP, Cornwall Court, 19 Cornwall Street, Birmingham B3 3SD

Bankers

Lloyds Bank PLC, 125 Colmore Row, Birmingham B3 3SF
Allied Irish Bank, 63 Temple Row, Birmingham B2 5LS

Solicitors

Eversheds, Bridgewater Place, Water Lane, Leeds LS11 5DR
Emms Gilmore Liberson, Lancaster House, 67 Newhall Street, Birmingham B3 1NQ
Shakespeare Martineau, No 1 Colmore Square, Birmingham B4 6AA

**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 JULY 2017**

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Warwickshire College Strategic Report

NATURE, OBJECTIVES AND STRATEGIES

The members present their report and the audited financial statements for the year ended 31 July 2017.

Legal Status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting the business of Warwickshire College. The College is an exempt charity for the purposes of the Charities Act 2011.

The Corporation was initially incorporated as Mid-Warwickshire College, Royal Leamington Spa. On 1 August 1996, the Secretary of State granted consent to the Corporation to change the College's name to Warwickshire College, Royal Leamington Spa and Moreton Morrell following the agreed merger of the assets of Warwickshire College for Agriculture, Horticulture and Equine Studies. The merger with Rugby College on 1 August 2003 resulted in the new name of Warwickshire College, Royal Leamington Spa, Rugby and Moreton Morrell. On 1 August 2007, the assets and liabilities of Pershore Group of Colleges (without the Holme Lacy centre) were acquired, which resulted in a further change of name to Warwickshire College. The College adopted the trading name of Warwickshire College Group in 2014.

As at 1st August 2016 Warwickshire College merged with South Worcestershire College and accepted all South Worcestershire College assets and liabilities on the dissolution of the South Worcestershire Corporation again as at 1st August 2016. The trading name WCG has also now been adopted, to better reflect the College's increased presence in the two counties of Warwickshire and Worcestershire.

Mission and Core values

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

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

The core values are:

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

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

Public Benefit

Warwickshire College is an exempt charity under Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 20 and 21.

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

Warwickshire College Strategic Report (continued)

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

- High quality teaching
- Widening participation and tackling social exclusion
- Excellent employment record for students
- Strong student support systems
- Links with employers, industry and commerce
- Links with Local Enterprise Partnerships (LEP's)

Implementation of Strategic Plan

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

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

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

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

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

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

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

Each priority has a set of success indicators attached to enable the College to track progress and to allow staff to see the part that they can play in ensuring the College meets its strategic priorities. The success indicators have been reviewed and agreed with Governors for 2016/17 for each strategic priority.

The success indicators relating to the 2017/18 Financial Success specifically have been set as follows:

1) Financial Health

Deliver budgeted EBITDA of £2.4m or higher (excluding property proceeds and restructuring costs)

SFA financial health grade of “Satisfactory” to be maintained

Achieve a Debt to EBITDA ratio of 2.9x or less.

Realise a minimum of £5m of property proceeds

2) Financial Efficiency

Achieve a Staff Cost ratio of 64% or less (with a mid-term objective of less than 60%).

Achieve average class size of 16

Staff utilisation to be 95%

Achieve an overall curriculum contribution of 37% for 2017/18

Warwickshire College Strategic Report (continued)

3) College Contributions

Each college to achieve a contribution at least as follows:

- Royal Leamington Spa 15%
- Rugby 13%
- Warwick Trident 28%
- Moreton Morrell 28%
- Pershore 1%
- Evesham 0%
- Malvern Hills 0%

Mid-term target remains for all Colleges to deliver 30% contribution.

4) Procurement

Achieve £140k savings through effective procurement (1% of all purchases).

5) Income Growth

Secure additional income through successful bids to the value of £2m.

6) Income Diversification

Dependence on public funding to be less than 60%.

Performance indicators

Key performance Indicator	Budget for 2016/17	Actual for 2016/17	Budget for 2017/18
EBITDA as % of income – education specific	1.81%	7.93%	6.85%
EBITDA as % of income – excluding restructuring costs	6.38%	9.18%	8.47%
Staff costs (incl contract services /excl pensions adjustment/excl restructuring) as % of income	67.96%	66.07%	64.49%
Cash flow from operating activities £000	(882)	(1,427)	(597)
Adjusted current ratio	0.37	0.15	0.49
Borrowing as % of income	16.73%	20.27%	19.77%
Reliance on ESFA income	59.98%	60.18%	55.58%
Financial Health Score	90	140	140

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

Warwickshire College Strategic Report (continued)

Financial Success

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

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

Financial Overview

The last year has seen the College make further progress in improving its operating model, despite further reduction in grant funding and other cost pressures not in its direct control, such as changes in local government pension contributions and the introduction of the apprenticeship levy.

The merger with South Worcestershire College was successfully completed on 1 August 2016, enabling significant costs to be taken out of the consolidated structure (approximately £1.1m in a full year), principally through elimination of duplication in support functions. The financial statements have been prepared on a merger basis in accordance with the accounting standards and this allows a better performance comparison of the organisation between the two years. As a result the prior year comparatives have been restated to reflect the merged Corporation.

Income for the year at £52.662k was down 3.4% on the prior year. Positive growth in Apprenticeships (+8%), HE fees (+15%) and Prince's Trust provision, was more than offset by further cuts to grant funding and a drop in International income, principally due a single foundation programme contract no longer being out sourced to the College.

Staff costs were held relatively flat, despite introducing a modest pay award for the first time in several years and other cost pressures. Restructuring costs at £589k were marginally higher, reflecting the impact of cost reduction facilitated by the merger.

Operating expenses remain under tight control, with the absolute increase reflecting approved additional spend on maintenance of the estate and marketing to drive areas of growth.

In consequence the surplus/(deficit) before other gains and losses has moved from a small surplus in 2015/16 (£108k) to a deficit for the current year of (£2,015k).

Proceeds were received on the disposal of Prospero House for £1.1m. This transaction was completed at 31 July 2017 and coincided with new accommodation blocks coming on stream at the Leamington site.

The actuarial gain of £14,015k essentially reflects the higher discount rate employed this year to estimate future pension liabilities (see note 25). The volatility/sensitivity of this calculation to small changes in assumptions is evident in reviewing the past two years' statement of comprehensive income and expenditure.

Net debt has again been significantly reduced through a combination of lower capital investment and the conclusion of the property sale noted above. The net debt position is however somewhat flattered by an exceptionally favourable NWC position (by approximately £2,200k). Net debt at 31 July 2017 was £9,277k (£12,501k 2015/16) and equates to 18% of cash income (23% in 2015/16). Operating cash flows increased in year to £6,600k.

The College has come a long way in the last three years in reducing debt and remains committed to an agreed debt amortisation schedule. We are equally committed to further financial performance improvements and to investment to develop the College sites, with Moreton Morrell being the immediate focus. Two outstanding property transactions remain key to further progress and the current status of each of these is as follows:

- The closure of the Henley in Arden College at the end of July 2016, was originally announced in September 2015. Contracts have now been exchanged with Octopus Health care to sell part of the site for development as a retirement village. This sale is still subject to planning

Warwickshire College Strategic Report (continued)

permission; an application for which has been submitted with significant local support. The remainder of the site, which includes a sports hall and sport pitches, will be operated commercially by the College for public benefit.

- The disposal of a small part of the Moreton Morrell site for housing development, consistent with the local development plan, has been an objective for several years, but this has met with local resistance. A joint working party with the Parish Council has now been established to seek a mutually acceptable way forward and we remain hopeful a compromise can soon be reached.

Detailed monthly cash flow projections for the period to July 2019 have been prepared incorporating the above assumptions and, reflecting the debt amortisation schedule agreed post balance sheet with our banks. Based on these projections, the College has adequate headroom and/or ability to arrange its affairs to cover the relevant forward period, allowing for all reasonable sensitivities. On this basis the Governors have agreed that the College should prepare its financial statements on a going concern basis, subject to the full disclosure of the above assumptions.

Financial results

The College presents its financial statements under FRS 102 and the 2015 FE HE SORP. Merger accounting has been adopted in respect of the inclusion of South Worcestershire College from 1 August 2016 and the prior year has accordingly been restated to better aid year on year comparison.

The College generated a deficit before other gains and losses of £2,015k (2015/16 surplus £108k), after charging depreciation of £3,488k (2015/16 £3,926k). After disposal of assets the deficit was £1,427k (2015/16 £2,400k surplus).

The Financial Reporting Standard (FRS102) (28) pension adjustment again had a material impact on the financial statements during the year. A cost of £756k (2015/16 £450k) for staff costs and £1,121k (2015/16 £1,339k) for finance cost was included in the operating deficit above. In addition, there was an actuarial gain of £14,015k (2015/16 £7,909k loss) which was recorded in the Statement of Comprehensive Income and Expenditure.

The funding received from EFA was £19,747k (2015/16 £19,896k). The SFA Adult Skills Budget received was £5.493k (2015/16 £5,316k) and 16-18 Apprenticeships funding was £5.750k (2015/16 £5,335k).

Tuition fees income decreased overall by 1.5% to £13,549k (2015/16 £13,755k), including fees paid by employers which rose by 27.8% to £4,010, (2015/16 £3,137). HE tuition fees increased 17.5% to £5,534k (2015/16 £4,715k). Overseas student income however fell by 81.0% to £287k due principally to the end of a large International Foundation Programme (IFP) contract (2015/16 £1,508k).

Staff costs excluding the effects of FRS 102 pension adjustment £756k (2015/16 £450k) and restructuring reduced by 0.3% to £35,280k from £35,370k last year. Staff restructuring costs amounted to £589k (2015/16 £293k).

Total capital expenditure was £3,863k (2015/16 £2,674k). The governors and management of the College have continued to invest in the College building stock to eliminate poor quality facilities, but equally moderated this to reflect the need to reduce debt levels. Net costs of £160k relating to these capital projects were also incurred and charged direct to income and expenditure during the year, (2015/16 £221k).

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. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

Warwickshire College Strategic Report (continued)

Cash flows and Liquidity

Net cash flow from operating activities was an inflow of £6,600k (2015/16 £3,126k inflow). This is however somewhat flattered by an exceptionally favourable NWC position (by approximately £2,200k). Cash resources decreased by £14k (2015/16 £1,632k increase) having decreased loans by £3,237k (2015/16 £7,294k decrease). Net debt was £9,277k, down from £12,501k at the previous year end.

At the year end the College had the following loans financed through Lloyds Bank plc. A secured term loan (£9m) of which £8.4m was available and that was fully drawn, with interest rates fixed for the full period ending September 2027, a revolving credit facility ending 30 April 2018 for £6m (of which £5m was available and £2m was drawn). Lloyds additionally provide a £1m overdraft facility.

The £1m balance of a secured £10m term loan facility also remained with the Allied Irish Bank, repayable by annual instalments of £1m and which was fully repaid in September 2017.

All the above facilities are shown as current as at the year end, pending agreement of a further extension of facilities which has now taken place.

Lloyds Bank have continued to be supportive and we have maintained an open dialogue with them on all developments – so there are no surprises for them. We have now agreed terms with Lloyds as follows:

- Term Loan (£9m) to be reinstated on original terms to 2027.
- RCF facility (£6m) to be reinstated and then amortised at minimum of £1m pa.
- Overdraft facility (£1m) extended to Nov 2018 the maximum possible period.

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

Reserves

The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation, and ensures that there are adequate reserves to support the College's core activities. The College reserves include no restricted reserves. As at the balance sheet date Total unrestricted reserves stand at £28,499k (2015/16 £15,911k). The improvement in 2016/17 is principally due to actuarial gains (see note 25) which will remain a source of volatility. It is the Corporation's intention to increase underlying reserves over the life of the strategic plan through the generation of annual operating surpluses.

Resources

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

Tangible fixed assets of £109,032k include the College's eight main sites at Royal Leamington Spa, Rugby, Moreton Morrell, Pershore, Warwick Trident, Evesham, Malvern Hills & Henley. This excludes the portion of the site at Henley that is held for sale (£3,418k).

Financial

The College has £28,499k (2015/16 £15,911k) of net assets including £34,252k (2015/16 £46,390k) defined benefit obligations and net debt of £9,277k (2015/16 £12,501k).

Warwickshire College Strategic Report (continued)

Budget for 2017/18

The financial budget for 2017/18 was prepared by a combination of a top down modelling exercise and a bottom up build, with the two approaches being made to converge, as clarity around issues emerged.

The focus of the budget process was to build on the improvements in the operating model achieved in 2016/17, with a continued focus on reducing debt.

A number of challenges and opportunities are and were evident:

- Funding remains capped in nominal not real terms and subject to further cuts
- Growth opportunities exist for Apprenticeships in particular
- Uncertainty about the implications of the Apprenticeship Levy
- Cost pressures in particular from pension funding and the Apprenticeship Levy
- Pressure for a further pay award given cost of living increases
- The need to consider further restructuring
- The need to deliver further property sales to reduce net debt further
- Investment priorities, notably at Moreton Morrell

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

On the debt front specifically, we are looking for a further reduction from a combination of lower capital spend and the sale of Henley.

Student Success

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

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

Student numbers

The College had approximately 7,690 (2015/16 6,404) Skills Funding Agency (SFA) / Education Funding Agency (EFA) funded students and 5,068 (2015/16 6,646) non SFA funded students. The number of students engaged in employer responsive learning was 2,112 (2015/16 1,990). 14-16 provision has continued with approximately 125 (2015/16 122) young learners attending programmes at the College.

Student involvement

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

Warwickshire College Strategic Report (continued)

Student Achievements

Qualification Achievement Rates (QAR)	WCG Overall Three Year Trend		
	2014/15	2015/16	2016/17
Leavers	10,328	8,796	10,932
Achievement %	79.1%	83.0%	83.0%

At headline level, WCG has maintained a high overall achievement rate with an increased number of enrolments

The qualification type with the greatest number of enrolments was the diploma with 2,540 enrolments and an achievement rate of 85.6% which is 1.2% points above national rate. The certificate qualification had 789 enrolments and an achievement rate of 85%. The award qualification had 486 enrolments and an achievement rate of 93.2%. These three qualification types cover the majority of WCG's enrolment for vocational and technical education and all have robust achievement at 85% or more.

Apprenticeships

The large majority of apprentices successfully complete their qualifications; they develop good occupational skills, become more confident, work effectively and produce a high standard of work. However, the headline data both overall and timely does not reflect the good achievements by the large majority of apprentices.

In 2015/16, Jaguar Land Rover, a significant employer working with WCG, made a strategic decision to move apprenticeship provision between its partners, namely EEF and Warwickshire College. The number of Jaguar Land Rover apprentices at WCG has grown and now amounts to over 600 apprentices. This decision by Jaguar Land Rover enabled the growth of product design engineering apprentices at Warwickshire College, while EEF now delivers all the maintenance engineering apprentices for the company.

As a consequence of this move, the overall college apprenticeship achievement rate will be 63.2%; and would have otherwise been 71.3%. The 2016/17 overall achievement rate for SSA 4.2 Engineering Manufacturing Technologies will be 54.4% rather than 74.5%.

The total number of apprentices transferred from WCG to EEF in 2015 was 151. The impact on 2016/17 achievement was due to the 52 who were expected to achieve in this year. There will be a further impact in 2017/18 due to 43 Advanced Apprentices, in 2018/19 due to 35 Advanced & 7 Degree Apprentices, in 2019/20 due to 9 Degree apprentices and 5 Degree apprentices in 2020/21.

Higher Education

With nearly 607 new HE entrants (full-time, part-time and including top-up students) enrolments to HE courses in 2016/17 were similar to the previous year. There was growth in overall HE student numbers with a total of 1201 HE students (1145 in 2015/16 and 1142 in 2014/15) and the FTE also increased to 1051 (up from 1009 in 2015/16 and 980 in 2014/15).

Following the granting of Foundation degree-awarding powers (FDAP) in September 2014, the College has now approved a wide range of Foundation degree programmes; in 2016/17 there were student registrations on five new WCG Foundation degrees in summer 2017. The College was pleased to ratify 204 Foundation Degree awards and 5 intermediate Certificates of Higher Education.

The College works with four University partners, and continues to strengthen these relationships, validating two new top-up awards with the University of Gloucestershire in summer 2017, and registering students on two new programmes with Coventry University.

Warwickshire College Strategic Report (continued)

The College received a bronze award in the new Teaching Excellence Framework, an award based on a range of sector metrics.

Success rates continued to be high across the Group's HE provision with an overall success rate of 85%.

The College has agreed a revised HE Strategy 2016-2020 with four strategic objectives:

- Maintain growth in higher education students numbers to 1400 students (1200 FTE) in 2020;
- Increase market share for degree apprenticeships meeting local, regional and national needs;
- Develop smart approaches to scholarly activity and research to support applied HE and postgraduate activity; and
- Maintain a strategic approach to enhancement of its HE provision.

External Destination Data

Destination data for 16-19 students	96.2%
Destination data for 19+	89.4%
Destination data for apprentices	98.5%

External Destination for 16 – 19 Study Programmes

- Destination data for 16 – 19 students leaving WCG is good with **96.2%** of students having a positive destination after leaving.

Overall Data	
Proportion of 16-18 students who left WCG in June 2016 who were in a sustained, positive destination (e.g. employment, further study or an apprenticeship) at least six months after leaving.	96.2%
Breakdown of the Overall Data	
Continuing with study either higher education or another further education course:	75.8%
Paid employment	14.0%
Apprenticeship	5.8%
Voluntary Work (e.g. Gap year)	0.6%
Not in education, employment or training.	3.8%
Destination Data by Subject Studied for 16-18 students who studied with WCG	
Agriculture	98.6%
A Levels	98.4%
- Proportion who progressed into further/higher education	88.0%
Animal Welfare	95.1%
Business	99.3%
Construction	92.9%
Engineering	99.5%
Equine Studies	100.0%
Hair & Beauty	96.2%
Health & Social Care	97.4%
Horticulture	95.0%
Digital/IT	97.3%
Motor Vehicle Engineering	96.3%
Sport and Public Services	97.7%
Creative Arts	98.3%

- Table : Destination Data for 16-18 year olds

Warwickshire College Strategic Report (continued)

- External Destination for 19+ Adult Learning Programmes
- Destination data for 19+ students leaving WCG is good with **89.4%** of students having a positive destination after leaving.

Overall Data	
Proportion of 19+ students who left WCG in June 2016 who were in a sustained, positive destination (e.g. employment, further study or an apprenticeship) at least six months after leaving.	89.4%
Breakdown of the Overall Data	
Continuing with study either higher education or another further education course:	43.1%
Paid employment	
Apprenticeship	38.0%
Voluntary Work (e.g. Gap year)	6.6%
Not in education, employment or training.	1.7%
	10.6%

- *Table : Destination Data for 19+ adults*

External Destination for Apprenticeships

- Destination data for apprentices completing their apprenticeship with WCG is excellent with **98.5%** of students having a positive destination after completing.

Overall Data	
Proportion of apprentices who left WCG between June 2016 and March 2017 who were in a sustained, positive destination (e.g. employment, further study or an apprenticeship) at least six months after leaving.	98.5%
Breakdown of the Overall Data	
Continuing with study at level 4 and above	6.0%
Paid employment	57.0%
Self-employment	10.5%
Apprenticeship – next level	25.0%
Not in education, employment or training.	1.5%

- *Table : Destination Data for apprentices*

Safeguarding

Our policy is, that the safeguarding of students and staff at Warwickshire College is deemed to be the responsibility of all members of the College. Safeguarding, along with the associated elements of Child Protection and the Prevent agenda, is integral to all activities associated with the College whether on site or off. The Policy takes account of all relevant legislation including the latest statutory guidance, Keeping Children Safe in Education 2016.

Prevent strategy policy statement

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

Warwickshire College Strategic Report (continued)

People Success

To attract, retain and develop high performing, well-motivated individuals, committed to our mission and our values, we aim to:

- attract, identify, grow and retain talent and succession plan
- provide a progressive, safe and supportive working environment
- build a strong profile and reputation

Staff involvement

Operationally the College involves staff via regular staff forums at each College, staff talks by the principal, staff survey and online innovation site for staff ideas.

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

People

The College employs 972 (2015/16 1,042) people (expressed as full time equivalents), of whom 606 (2015/16 651) are within teaching departments.

Equality and diversity

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

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

The College 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

Warwickshire College Strategic Report (continued)

- *foster good relations* between people who share a protected characteristic and people who do not share it.

'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

Disability statement

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

- a) The College has appointed a Head of Inclusion and Learning Support, who along with the SEN Team Leaders provide information, advice and arranges support where necessary for students with disabilities.
- b) There is a list of specialist equipment, such as radio aids, which the College can make available for use by students and a range of assistive technology is available in the learning centre.
- c) The admissions policy for all students is described in the College charter. Appeals against a decision not to offer a place are dealt with under the complaints policy.
- d) The College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of Student Support Assistants, Specialist Student Support Assistants and Learning Mentors who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
- e) Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.
- f) Details of counselling and welfare services are included in the course handbook and are on the College website.

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:

Warwickshire College Strategic Report (continued)

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

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

The College in all its activities will endeavour to:

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

Quality Success

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

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

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

Warwickshire College Strategic Report (continued)

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

Inspection

The College was inspected by the Office for Standards in Education (Ofsted) in March 2015, 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 December 2015 and was judged to meet expectations in relation to quality of the information about its HE learning opportunities and also the enhancement of learning opportunities.

On 1 September 2014, the College was awarded Foundation Degree Awarding Powers (FDAP). The new FDAP allow 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".

An Ofsted report was issued following a Social Care Inspection of the College's residential facilities in November 2016. The overall quality rating was considered to be "Good".

Economic Success

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

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

Warwickshire College Strategic Report (continued)

Employer Engagement

As noted in the College's Ofsted inspection of March 2014, we have excellent links with both local and national employers. Throughout 2016/17 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 Transport Ltd
BT Fleet
Calor Gas Limited
Cemex UK Ltd
Coventry City Council
Coventry University
Cummins Ltd
DHL
Glendale Grounds Management
Jaguar Land Rover Limited
Natural England
Sanctuary Group
South Warwickshire NHS Foundation Trust
University of Worcester
University of Warwick

Building partnerships and responding to the community

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

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

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

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

Principal risks and uncertainties

The College has undertaken further work during the year to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation.

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

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

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

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

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

- 1) Loss of confidence in financial markets due to economic turmoil / changed banking environment (including an increase in interest rates) affects loan conditions leading to inability of the College to service loans or secure additional finance.
- 2) Changes to grant funding lead to a reduction in College core income
- 3) Failure to respond appropriately to curriculum and assessment reform impacts on student outcomes - introduction of external examinations as part of curriculum reform.
- 4) Loss of reputation/income due to complaints from learners and/or other stakeholders particularly relating to equality legislation.
- 5) Lack of preparation and awareness leaves WCG vulnerable in the event of an act of terrorism
- 6) Poor security procedures at any of the College sites results in loss, injury or death and or a major incident
- 7) Poor arrangements in maintaining facilities and failure to meet HSE requirements reduces the safety of people using college sites and facilities resulting in an health and safety incident, injury or death.
- 8) Information and data governance is not consistent across the organisation and therefore there is an increased danger of data loss by staff through negligence or naivety resulting in reputational damage. Introduction of GDPR in May 2018 increases both our responsibilities and liabilities and opportunities for non-compliance.
- 9) Expected growth not delivered in apprenticeships.
- 10) Loss of key contracts (valued over £2 million) due to competition and perceived reduction in quality leads to loss of reputation and income.
- 11) Failure to maintain a "satisfactory" SFA financial health rating due to reductions in funding and changed external environment, results in intervention by the SFA

**Warwickshire College
Strategic Report (continued)**

Principal risks and uncertainties (continued)

- 12) Due to financial constraints on curriculum planning, the ability of teams to deliver a quality provision (both teaching and teaching support) is reduced, impacting on student achievement and progress.
- 13) Expected growth is not delivered in HE.
- 14) Loss of internet connectivity at a campus for an extended period due to external circumstances.
- 15) Total Loss of the phone system at any site - at certain times of year, such as enrolment, this could have a significant effect on business.
- 16) Impact of political changes, including result of the EU referendum, resulting in a reduction of funding or a reduction in learner numbers.

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

Disclosure of information to auditors

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

Approved by order of the members of the Corporation on 19 December 2017 signed on its behalf by:



**S Wood
Chair of the Corporation**

Warwickshire College

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and financial statements of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2016 to 31 July 2017 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

- i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership)
- ii. having due regard to the UK Corporate Governance Code 2016 ("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. 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 (up to December 2017)	Attendance During 2016-17
C Bradshaw	January 2015 January 2017	4 Years		External	Chair of Audit Member of ASQA Member of SGR	Corporation 100% Audit 100% ASQA 100%
J D'Arcy	August 2015	2 years	31 July 2017	Staff	Member of ASQA	Corporation 57% ASQA 75%
G Clipson	January 2017	2 years		External	Chair of ASQA Member of SGR	Corporation 75% ASQA 50%
M Davies	August 2017	2 years		External	Member of RES	N/A
B Doyle	January 2009 January 2017	2 years		External	Chair of RES Member of SGR	Corporation 100% Resources 100% SGR 100%
N Eastwood	August 2016	2 years		External	Member of RES	Corporation 63% Resources 80%

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

Name	Date of Appointment, and most recent re-appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance During 2016-17
B Fairhurst	August 2017	4 years		Staff	Member of Audit	N/A
C Hardwicke-Garner	August 2017	1 year		Student	Member of ASQA	N/A
D Holmes	August 2016	2 years		External	Member of ASQA	Corporation 100% ASQA 50%
C Hume	August 2016	1 year	31 July 2017	Student	Member of ASQA	Corporation 50% ASQA 25%
A Joyce	April 2015	N/A		Group Principal and CEO	Ex-Officio all committees except Audit and Remuneration	Corporation 100% Resources 100% ASQA 100% SGR 100%
J Keyes	August 2017	2 years		External	Member of RES	N/A
R Large	August 2016	1 year	31 March 2017	Student	Member of ASQA	Corporation 40% ASQA 100%
P Manford	August 2008 October 2017	2.5 years		External	Vice Chair of Corporation Member of RES, Member of SGR	Corporation 100% Resources 100% SGR 100%
S Mason	January 2015 January 2017	4 Years	20 June 2017	External	Chair of Audit Member of SGR	Corporation 100% Audit 100% SGR 87.5%
R Sandby-Thomas	August 2017	2 years		External	Member of RES	N/A
L Simpson	September 2011 September 2017	4 years		External	Chair of ASQA Member of RES Member of SGR	Corporation 100% ASQA 100% Resources 100% SGR 100%
R Singh	September 2011 September 2013	4 years	10 November 2016	External	None served	Corporation 33%
K Skudra	November 2011 August 2017	2 years		Staff	Member of ASQA Member of Audit	Corporation 100% Audit 100%
S Williams	January 2017	2 years		External	Chair of RES Member of Audit Member of SGR	Corporation 100% Audit 100%
P Walker	January 2017	2 years		External	Member of ASQA	Corporation 100% ASQA 100%
S Wood	January 2007 January 2017	1 year		External	Chair of Corporation, SGR ex-officio all committees except Audit	Corporation 100% Resources 100% ASQA 75% SGR 87.5%
M Williams	January 2015	2 Years	31 December 2016	External	Member of ASQA	Corporation 67% ASQA 100%

Warwickshire College

Statement of Corporate Governance and Internal Control (continued)

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

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

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Audit, Resources, Academic Standards and Quality Assurance, and Search, Governance and Remuneration. Corporation minutes, except those deemed to be confidential, are available on the College's website.

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 six 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 2017, the College's Search Governance and Remuneration committee comprised six 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 2017 are set out in the financial statements.

Warwickshire College

Statement of Corporate Governance and Internal Control (continued)

Audit Committee

The Audit Committee comprised of four members, excluding the Chair of the Corporation and the Accounting Officer. The Committee operates in accordance with written terms of reference approved by the Corporation.

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

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

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

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

Internal control

Scope of responsibility

The Corporation is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Corporation has delegated the day-to-day responsibility to the 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 2017 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 2017 and up to the date of approval of the Report and Financial Statements. This process is regularly reviewed by the Corporation.

Warwickshire College

Statement of Corporate Governance and Internal Control (continued)

The risk and control framework

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

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

The College has an internal audit service, which operates in accordance with the requirements of the 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 2017 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2017 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2017.

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

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

Going concern

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 19 December 2017 signed on its behalf by:



S Wood
Chair of the Corporation



A Joyce
Accounting Officer

Warwickshire College
Statement of Regularity, Propriety and Compliance

The Corporation has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with ESFA terms and conditions of funding, under the financial memorandum/funding agreement in place between the College and ESFA. 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 ESFA'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 ESFA.



S Wood
Chair of the Corporation
19 December 2017



A Joyce
Accounting Officer
19 December 2017

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 ESFA 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 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education Institutions* (SORP) and with the Accounts Direction for 2016 to 2017 issued jointly by the ESFA 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 19 December 2017 signed on its behalf by:



S Wood
Chair of the Corporation

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

Report on the audit of the financial statements

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 2017 and of the institution's income and expenditure and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

We have audited the financial statements, included within the Report and Financial Statements (the "Annual Report"), which comprise the institution Balance Sheet as at 31 July 2017; the Statement of Comprehensive Income for the year then ended; the Statement of Changes in Reserves 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the institution in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the institution's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Corporation is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the Corporation for the financial statements

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 27, the Corporation is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Corporation is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporation is responsible for assessing the institution's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporation either intends to liquidate the institution or to cease operations, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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.

Warwickshire College
Independent auditors' report to the Corporation of Warwickshire College (the
"institution") (continued)

Other Required Reporting

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

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.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

22 December 2017

- (a) The maintenance and integrity of the 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 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 Education acting through the Education and Skills Funding Agency

In accordance with the terms of our engagement letter dated 4 August 2017 and further to the requirements of the financial memorandum with the Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Warwickshire College during the period 1 August 2016 to 31 July 2017 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

This report is made solely to the corporation of Warwickshire College and the Education and Skills Funding Agency in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of Warwickshire College and Education and Skills Funding Agency those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the corporation of Warwickshire College and Education 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 Post-16 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 1 August 2016 to 31 July 2017 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 2016 to 2017.

Approach

We conducted our engagement in accordance with the Post-16 Audit Code of Practice issued jointly by the Education and Skills Funding Agency. We performed a limited assurance engagement as defined in that framework.

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

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

Warwickshire College

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

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

The work undertaken to draw to our conclusion includes:

- Obtaining an understanding of Warwickshire 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 1 August 2016 to 31 July 2017 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants

22 December 2017

Warwickshire College

Statement of Comprehensive Income for the year ended 31 July 2017

	Note	2017 £'000	Restated 2016 £'000
INCOME			
Funding body grants	2	32,853	33,301
Tuition fees and education contracts	3	13,549	13,755
Other grants and contracts	4	96	71
Other income	5	6,162	7,276
Endowment and investment income	6	2	67
Donations and Endowments	7	-	-
Total income		52,662	54,470
EXPENDITURE			
Staff costs	8	36,036	35,820
Fundamental restructuring costs	8	589	293
Other operating expenses	9	12,806	12,199
Depreciation	12	3,488	3,926
Interest and other finance costs	10	1,758	2,124
Total expenditure		54,677	54,362
(Deficit)/surplus before other gains and losses		(2,015)	108
Profit on disposal of assets	12	588	2,292
(Deficit)/surplus before tax		(1,427)	2,400
Taxation	11	-	-
(Deficit)/surplus for the year		(1,427)	2,400
Actuarial gain/(loss) in respect of pensions schemes		14,015	(7,909)
Total Comprehensive income/(expense) for the year		12,588	(5,509)

Warwickshire College

Statement of Changes in Reserves for the year ended 31 July 2017

	Income and Expenditure account £'000	Revaluation reserve £'000	Total £'000
Balance at 1st August 2015	(10,814)	32,234	21,420
Surplus from the income and expenditure account	2,400	-	2,400
Other comprehensive expense	(7,909)	-	(7,909)
Transfers between revaluation and income and expenditure reserves	509	(509)	-
Total comprehensive expense for the year	(5,000)	(509)	(5,509)
Balance at 31st July 2016	(15,814)	31,725	15,911
Deficit from the income and expenditure account	(1,427)	-	(1,427)
Other comprehensive income	14,015	-	14,015
Transfers between revaluation and income and expenditure reserves	536	(536)	-
Total comprehensive income for the year	13,124	(536)	12,588
Balance at 31st July 2017	(2,690)	31,189	28,499

Warwickshire College
Balance sheet as at 31 July 2017

	Note	2017 £'000	Restated 2016 £'000
Fixed assets			
Tangible fixed assets	12	109,030	112,532
Investments	13	2	2
		109,032	112,534
Current assets			
Stocks		482	461
Trade and other receivables	14	928	2,502
Assets held for resale		3,418	-
Investments	15	1	1
Cash and cash equivalents	20	1,216	1,230
		6,045	4,194
Less: Creditors – amounts falling due within one year	16	(18,586)	(20,399)
Net current liabilities		(12,541)	(16,205)
Total assets less current liabilities		96,491	96,329
Less: Creditors – amounts falling due after more than one year	17	(32,618)	(32,826)
Provisions			
Defined benefit obligations	19	(34,252)	(46,390)
Other provisions	19	(1,122)	(1,202)
Total net assets		28,499	15,911
Unrestricted reserves			
Income and expenditure account		(2,690)	(15,814)
Revaluation reserve		31,189	31,725
Total unrestricted reserves		28,499	15,911

The financial statements on pages 33 to 59 were approved by the governing body on 19 December 2017 and subsequently signed on its behalf by:



S Wood
Chair of the Corporation



A Joyce
Accounting Officer

Warwickshire College

Statement of Cash Flows for the year ended 31 July 2017

	Notes	2017 £'000	Restated 2016 £'000
Cash inflow/(outflow) from operating activities			
(Deficit)/surplus for the year		(1,427)	2,400
Adjustment for non cash items			
Depreciation	12	3,488	3,926
(Increase)/decrease in stocks		(21)	163
Decrease/(increase) in debtors		1,574	(443)
Increase/(decrease) in creditors due within one year		1,355	(2,011)
Decrease in creditors due after one year		(171)	(1,076)
Decrease in provisions		(80)	(15)
Pensions costs less contributions payable		1,877	1,789
Adjustment for investing or financing activities			
Investment income	6	(2)	(67)
Interest payable	10	595	743
Taxation paid		-	-
Profit on sale of fixed assets		(588)	(2,292)
Investment written off		-	9
Net cash flow from operating activities		6,600	3,126
Cash flows from investing activities			
Proceeds from sale of fixed assets		1,047	5,289
Proceeds from sale of current assets held for resale		-	3,822
Investment income	6	2	67
Payments made to acquire fixed assets	12	(3,863)	(2,674)
		(2,814)	6,504
Cash flows from financing activities			
Interest paid		(563)	(704)
New unsecured loans		-	148
Repayments of amounts borrowed		(3,237)	(7,442)
		(3,800)	(7,998)
(Decrease)/increase in cash and cash equivalents in the year		(14)	1,632
Cash and cash equivalents at beginning of the year	20	1,230	(402)
Cash and cash equivalents at end of the year	20	1,216	1,230

Warwickshire College

Notes to the Financial Statements for the year ended 31 July 2017

1. Accounting policies

Basis of accounting

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

Basis of preparation

These financial statements have been prepared in accordance with *the Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the College Accounts Direction for 2016 to 2017 and in accordance with Financial Reporting Standard 102 – “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

The merger with South Worcestershire College was successfully completed on 1 August 2016, enabling significant costs to be taken out of the consolidated structure (approximately £1.1m in a full year), principally through elimination of duplication in support functions. The financial statements have been prepared on a merger basis in accordance with the accounting standards and this allows a better performance comparison of the organisation between the two years. As a result the prior year comparatives have been restated to reflect the merged Corporation.

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

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets and in accordance with applicable United Kingdom Accounting Standards.

Going concern

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

Net debt has been significantly reduced through a combination of lower capital investment and the conclusion of two property sales. Net debt at 31 July 2017 was £9.3m (£12.5m 2015/16).

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

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

- Henley in Arden College closed at the end of July 16. Part of this site has now been sold subject to planning permission. The sports hall and playing pitches have however been retained and will be run commercially for community benefit.
- Disposal of part of the Moreton Morrell site for housing development remains an objective however all existing contracts in this regard have now lapsed. Discussions with the parish council have however been initiated.

1. Accounting policies (continued)

Going concern (continued)

The College has agreed terms with Lloyds to re-instate all existing banking facilities. Detailed monthly cash flow projections for the period to July 2019 have been prepared and reflect the debt amortisation schedule agreed with Lloyds. Based on these projections, the College has adequate headroom and/or ability to arrange its affairs to cover the relevant forward period, allowing for all reasonable sensitivities. On this basis the Governors have agreed that the College should prepare its financial statements on a going concern basis.

Recognition of income

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

The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

The recurrent grant from HEFCE represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

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

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

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

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

Accounting for post-employment benefits

Post-employment benefits to employees of the College are principally provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit plans, which are externally funded and contracted out of the State Second Pension.

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

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

1. Accounting policies (continued)

Accounting for post-employment benefits (continued)

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

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

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

Short term Employment benefits

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

Enhanced Pensions

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

Tangible fixed assets

Land and buildings

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

Freehold buildings are depreciated over their expected useful economic life to the College of up to 50 years.

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

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

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

1. Accounting policies (continued)

Tangible fixed assets (continued)

On adoption of FRS 102, the College followed the transitional provision to revalue the land, but retain the book value of the buildings, (which were revalued in 1993), but not to adopt a policy of revaluations of these properties in the future.

Assets under construction.

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

Subsequent expenditure on existing assets

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the year it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

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

Equipment

Equipment costing less than £1,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment or groups of items less than £1,000 but which are considered to be interdependent, are capitalised at cost. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Equipment inherited from the local education authority is included in the balance sheet at valuation.

Inherited equipment is now fully depreciated. All other equipment is depreciated to write off cost on a straight line basis over 5 years.

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

Leased assets

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

Investments

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

Stocks

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

1. Accounting policies (continued)

Foreign currency translation

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

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

The College's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

Cash and cash equivalents

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

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

Financial liabilities and equity

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

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

Provisions and contingent liabilities

Provisions are recognised when

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

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

1. Accounting policies (continued)

Provisions and contingent liabilities (continued)

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

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

Agency Arrangements

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

Other key sources of estimation uncertainty

- ***Tangible fixed assets***

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account.

Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- ***Local Government Pension Scheme***

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 25, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Warwickshire College
Notes to the Financial Statements for the year ended 31 July 2017 (continued)

2 Funding body grants

	2017 £'000	Restated 2016 £'000
Education Funding Agency - recurrent grant	19,747	19,896
Skills Funding Agency - 16-18 Apprenticeships	5,750	5,335
Skills Funding Agency - Adult Skills Budget	5,493	5,316
Funding body non recurrent grants	156	791
Higher Education Funding Council	1,029	1,197
Releases of funding body capital grants	678	766
Total	32,853	33,301

3 Tuition fees and education contracts

	2017 £'000	Restated 2016 £'000
Further Education students	3,130	3,680
Non European Union students	287	1,508
Higher Education students	5,534	4,715
Employer dedicated provision	4,010	3,137
Total tuition fees	12,961	13,040
Education contracts		
Local Education Authorities	477	421
Higher education income	111	294
Total	13,549	13,755

4 Other grants and contracts

	2017 £'000	Restated 2016 £'000
Other grants and contracts	96	71
Total	96	71

Warwickshire College

Notes to the Financial Statements for the year ended 31 July 2017 (continued)

5 Other income

	2017 £'000	Restated 2016 £'000
Residencies, catering and conferences	2,998	3,408
Other income generating activities	2,346	3,028
Other income	594	632
Releases of non funding body capital grants	224	208
	<u>6,162</u>	<u>7,276</u>
Total		

6 Endowment and Investment income

	2017 £'000	Restated 2016 £'000
Other interest receivable	-	10
Other investment income	2	57
	<u>2</u>	<u>67</u>
Pension finance income (note 25)	-	-
	<u>2</u>	<u>67</u>

7 Donations and Endowments

	2017 £'000	2016 £'000
Unrestricted donations	-	-
Total	<u>-</u>	<u>-</u>

Warwickshire College
Notes to the Financial Statements for the year ended 31 July 2017 (continued)

8 Staff costs

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

	2017 No.	Restated 2016 No.
Teaching staff	606	651
Non teaching staff	366	391
	<u>972</u>	<u>1,042</u>
Staff costs for the above persons		
	2017 £'000	2016 £'000
Wages and salaries	26,514	27,487
Social security costs	2,292	1,980
Other pension costs	6,063	5,517
Payroll sub total	34,869	34,984
Contracted out staffing services	1,167	836
	<u>36,036</u>	<u>35,820</u>
Fundamental restructuring costs - contractual	589	293
	<u>36,625</u>	<u>36,113</u>

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Senior Leadership Team which comprises the Principal, Deputy Principals and Vice Principals. Staff costs include compensation paid to key management personnel for loss of office.

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

	2017 No.	Restated 2016 No.
The number of key management personnel including the Accounting Officer was:	6	11

Warwickshire College

Notes to the Financial Statements for the year ended 31 July 2017 (continued)

8 Staff costs (continued)

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

	Key management personnel		Other staff	
	2017 No.	Restated 2016 No.	2017 No.	Restated 2016 No.
£ 0 to £ 10,000	1	-	-	-
£ 10,001 to £ 20,000	1	-	-	-
£ 20,001 to £ 30,000	-	1	-	-
£ 30,001 to £ 40,000	1	-	-	-
£ 40,001 to £ 50,000	-	1	5	3
£ 50,001 to £ 60,000	2	5	2	2
£ 60,001 to £ 70,000	-	1	-	-
£ 70,001 to £ 80,000	-	-	-	-
£ 80,001 to £ 90,000	1	1	-	-
£ 90,001 to £ 100,000	-	-	-	-
£ 100,001 to £ 110,000	-	-	-	-
£ 110,001 to £ 120,000	1	1	-	-
£ 120,001 to £ 130,000	-	-	-	-
£ 130,001 to £ 140,000	-	-	-	-
£ 140,001 to £ 150,000	1	1	-	-
£ 150,001 to £ 160,000	-	-	-	-
£ 160,001 to £ 170,000	-	-	-	-
£ 170,001 to £ 180,000	-	-	-	-
£ 180,001 to £ 190,000	-	-	-	-
£ 190,001 to £ 200,000	-	-	-	-
	<u>8</u>	<u>11</u>	<u>7</u>	<u>5</u>

Key management personnel emoluments are made up as follows:

	2017 £'000	Restated 2016 £'000
Salaries	617	673
Interim Principal and Vice Principal of SWC paid on invoice	-	185
Benefits in kind	4	12
	<u>621</u>	<u>870</u>
National Insurance contributions	79	81
Pension contributions	78	88
Settlement	20	-
	<u>798</u>	<u>1,039</u>

The Interim Principal and Vice Principal of SWC both left on 31 July 2016.

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

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

	2017 £'000	Restated 2016 £'000
Salaries	167	165
Interim Principal of SWC paid on invoice	-	110
Benefits in kind	2	1
	<u>169</u>	<u>276</u>
National Insurance contributions	22	21
Pension contributions	28	27

Compensation for loss of office paid to former key management personnel

	2017 £	Restated 2016 £
Compensation paid to the former post-holder - contractual	20,000	-

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

Warwickshire College

Notes to the Financial Statements for the year ended 31 July 2017 (continued)

9 Other operating expenses

	2017	Restated 2016
	£'000	£'000
Teaching costs	4,670	4,300
Non teaching costs	4,047	4,495
Premises costs	4,089	3,404
Total	12,806	12,199

Other operating expenses include:	2017	Restated 2016
	£'000	£'000
Auditors' remuneration:		
Financial statements audit	54	70
Internal audit	43	46
Other services provided by the financial statements auditors	-	2
Other services provided by the internal auditors	-	45
Hire of assets under operating leases	523	164

10 Interest and other finance costs

	2017	Restated 2016
	£'000	£'000
On bank loans, overdrafts and other loans:	595	743
	595	743
Enhanced pension charge	42	42
Pension finance costs (note 25)	1,121	1,339
Total	1,758	2,124

11 Taxation

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

Warwickshire College

Notes to the Financial Statements for the year ended 31 July 2017 (continued)

12 Tangible fixed assets

	Land and buildings Freehold	Equipment	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2016	136,625	13,037	208	149,870
Additions	833	1,104	1,926	3,863
Transfers	208	-	(208)	-
Transfer to current assets held for resale	(4,553)	-	-	(4,553)
Disposals	(1,934)	(3,517)	-	(5,451)
At 31 July 2017	131,179	10,624	1,926	143,729
Depreciation				
At 1 August 2016	27,164	10,174	-	37,338
Charge for the year	2,399	1,089	-	3,488
Transfer to current assets held for resale	(1,135)	-	-	(1,135)
Elimination in respect of disposals	(1,653)	(3,339)	-	(4,992)
At 31 July 2017	26,775	7,924	-	34,699
Net book value at 31 July 2017	104,404	2,700	1,926	109,030
Net book value at 31 July 2016	109,461	2,863	208	112,532

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

If fixed assets had not been revalued they would have been included at the following historical cost amounts:

	£'000
Cost	Nil
Aggregate depreciation based on cost	Nil
Net book value based on cost	Nil

Warwickshire College
Notes to the Financial Statements for the year ended 31 July 2017 (continued)

13 Non current investments

	2017 £'000	Restated 2016 £'000
Other investments	2	2
	<u>2</u>	<u>2</u>
Total	<u>2</u>	<u>2</u>

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.

14 Trade and other receivables

	2017 £'000	Restated 2016 £'000
Amounts falling due within one year:		
Trade receivables	631	895
Prepayments and accrued income	297	508
Amounts owed by the Skills Funding Agency/EFA	-	1,099
	<u>928</u>	<u>2,502</u>
Total	<u>928</u>	<u>2,502</u>

Warwickshire College
Notes to the Financial Statements for the year ended 31 July 2017 (continued)

15 Current investments

	2017 £'000	Restated 2016 £'000
Current Asset Investments	1	1
Total	<u>1</u>	<u>1</u>

16 Creditors - amounts falling due within one year

	2017 £'000	Restated 2016 £'000
Bank loans and overdrafts	10,400	13,600
Other loans	37	37
Trade payables	1,474	1,149
Other taxation and social security	585	670
Accruals and deferred income	5,226	4,559
Amounts owed to the Skills Funding Agency/EFA	864	384
Total	<u>18,586</u>	<u>20,399</u>

17 Creditors - amounts falling due after more than one year

	2017 £'000	Restated 2016 £'000
Other loans	56	93
Deferred income - government capital grants	32,562	32,733
Total	<u>32,618</u>	<u>32,826</u>

Warwickshire College**Notes to the Financial Statements for the year ended 31 July 2017 (continued)****18 Maturity of debt****(a) Bank loans and overdrafts**

Bank loans and overdrafts are repayable as follows:

	2017 £'000	Restated 2016 £'000
In one year or less	10,400	13,600
Between one and two years	-	-
Between two and five years	-	-
In five years or more	-	-
Total	<u>10,400</u>	<u>13,600</u>

The College agreed banking facilities after the balance sheet date (note 24), as follows:

The College has a fully utilised Term Loan facility with an outstanding balance of £1,000,000 (2015/2016 £2,000,000) 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 2017.

The College has a £9,000,000 Term Loan with Lloyds Bank plc which is fully utilised and has a maturity date of September 2027 subject to a 30 April 2018 dated break clause, with annual capital payments of increasing amounts starting in September 2014. The balance of the Term Loan at 31 July 2017 was £8,400,000. The College also has a £6m Revolving Credit Facility with termination date of 30 April 2018. At the year end £1,000,000 of the Revolving credit loan had been utilised. These loans are secured against the Trident Campus, the Henley Campus, the Evesham Campus, the Pershore Campus, Prospero House and the Moreton Morrell Triangle of land.

Warwickshire College

Notes to the Financial Statements for the year ended 31 July 2017 (continued)

19 Provisions

	Defined benefit Obligations	Enhanced pensions	Total
	£'000	£'000	£'000
At 1 August 2016	46,390	1,202	47,592
Expenditure in the year	(3,529)	(76)	(3,605)
Transferred from income and expenditure	(8,609)	(4)	(8,613)
At 31 July 2017	<u>34,252</u>	<u>1,122</u>	<u>35,374</u>

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 25.

The enhanced pension provision relates to the cost of staff who have already left the College's employment and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:

	2017	2016
Price inflation	1.7%	1.3%
Discount rate	3.5%	2.3%

20 Cash and cash equivalents

	Restated At 1 August 2016 £'000	Cash flows £'000	Other changes £'000	At 31 July 2017 £'000
Cash and cash equivalents	10	4	-	14
Bank/(overdraft)	1,220	(18)	-	1,202
Total	<u>1,230</u>	<u>(14)</u>	<u>-</u>	<u>1,216</u>

21 Capital commitments

	2017 £'000	Restated 2016 £'000
Commitments contracted for at 31 July	<u>605</u>	<u>247</u>

Warwickshire College

Notes to the Financial Statements for the year ended 31 July 2017 (continued)

22 Lease Obligations

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

	2017 £'000	Restated 2016 £'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	361	354
Later than one year and not later than five years	1,538	1,592
later than five years	5,126	5,418
	<u>7,025</u>	<u>7,364</u>
Other		
Not later than one year	97	105
Later than one year and not later than five years	185	282
	<u>282</u>	<u>387</u>

23 Contingent liabilities

No contingent liabilities identified

24 Events after the reporting period

Agreement has been reached with Loyds Bank to re-instate all existing bank facilities as outlined in the Strategic Report

The College has two subsidiaries both of which have been dormant for a number of years. From the 1 August 2017, Warwickshire College Ltd has been activated as an employment company for the group. Warwickshire Enterprises Ltd remains dormant.

Warwickshire College

Notes to the Financial Statements for the year ended 31 July 2017 (continued)

25 Defined benefit obligations

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

Total pension cost for the year	2017 £'000	Restated 2016 £'000
Teachers Pension Scheme: contributions paid	1,837	1,943
Local Government Pension Scheme:		
Contributions paid	3,516	3,103
FRS 102 (28) charge	<u>756</u>	<u>450</u>
Charge to the Statement of Comprehensive Income	4,272	3,553
Enhanced pension charge to Statement of Comprehensive Income	(46)	21
Total Pension Cost for Year	<u>6,063</u>	<u>5,517</u>

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

Contributions amounting to £511,000 (2016: £426,000) were payable to the scheme and are included in creditors.

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 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 teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay-as-you-go' basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' 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.

Warwickshire College
Notes to the Financial Statements for the year ended 31 July 2017 (continued)

25 Defined benefit obligations (continued)

Valuation of the Teachers' Pension Scheme

The latest actuarial review of the TPS was carried out as at 31 March 2012 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation are:

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

The new employer contribution rate for the TPS 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>

Scheme Changes

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

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

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

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

The pension costs paid to TPS in the year amounted to £1,837,000 (2016: £1,663,000)

Warwickshire College
Notes to the Financial Statements for the year ended 31 July 2017 (continued)

25 Defined benefit obligations (continued)

FRS 102 (28)

Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme.

Accordingly, the College has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The College has set out above the information available on the plan and the implications for the College in terms of the anticipated contribution rates.

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Warwickshire County Council. The total contribution made for the year ended 31 July 2017 was £2,910,000, of which employer's contributions totalled £2,140,000 and employees' contributions totalled £770,000. The agreed contribution rates for future years are 16.1% for employers and range from 5.5% to 12.5% for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2017 by a qualified independent actuary

	2017	2016
Rate of increase in salaries	3.1%	3.9%
Future pensions increases	2.5%	1.9%
Discount rate for scheme liabilities	2.7%	2.4%
Inflation assumption (CPI)	2.4%	1.9%
Commutation of pensions to lump sums	50.0%	50.0%

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

	2017	2016
	years	years
<i>Retiring today</i>		
Males	22.5	22.4
Females	24.7	24.4
<i>Retiring in 20 years</i>		
Males	24.3	24.3
Females	26.7	26.6

Warwickshire College

Notes to the Financial Statements for the year ended 31 July 2017 (continued)

25 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

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

	2017 £'000	Restated 2016 £'000
Fair value of plan assets	79,280	69,321
Present value of plan liabilities	(113,532)	(115,711)
Net pensions liability (Note 19)	<u>(34,252)</u>	<u>(46,390)</u>

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

	2017 £'000	Restated 2016 £'000
Amounts included in staff costs		
Current service cost	4,161	3,545
Past service cost and curtailments and settlements	124	13
Total	<u>4,285</u>	<u>3,558</u>

Amounts included in investment income

Net interest	(1,121)	(1,334)
	<u>(1,121)</u>	<u>(1,334)</u>

Amounts recognised in Other Comprehensive Income

Return on pension plan assets	6,076	5,191
Experience losses arising on defined benefit obligations	8,969	841
Changes in assumptions underlying the present value of plan liabilities	(1,030)	(13,941)
Amount recognised in Other Comprehensive Income	<u>14,015</u>	<u>(7,909)</u>

Warwickshire College

Notes to the Financial Statements for the year ended 31 July 2017 (continued)

25 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

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

	2017	Restated 2016
	£'000	£'000
Deficit in scheme at 1 August	(46,390)	(36,692)
Movement in year:		
Current service cost	(4,251)	(3,550)
Employer contributions	3,529	3,108
Past service cost and curtailments and settlements	(34)	(13)
Net interest on the defined (liability)/asset	(1,121)	(1,334)
Actuarial gain/(loss)	14,015	(7,909)
Net defined benefit liability at 31 July	<u>(34,252)</u>	<u>(46,390)</u>

Asset and Liability Reconciliation

	2017	Restated 2016
	£'000	£'000

Changes in the present value of defined benefit obligations

Defined benefit obligations at start of year	115,711	96,779
Current Service cost	4,161	3,545
Interest cost	2,818	3,543
Contributions by Scheme participants	827	804
Experience gains and losses on defined benefit obligations	(8,969)	(841)
Changes in demographic assumptions	(1,150)	-
Changes in financial assumptions	2,180	13,941
Estimated benefits paid	(2,170)	(2,073)
Past Service cost	34	13
Curtailments and settlements	90	-
Defined benefit obligations at end of year	<u>113,532</u>	<u>115,711</u>

Reconciliation of Assets

Fair value of plan assets at start of year	69,321	60,087
Interest on plan assets	1,697	2,209
Return on plan assets	6,076	5,186
Employer contributions	3,529	3,108
Contributions by Scheme participants	827	804
Estimated benefits paid	(2,170)	(2,073)
Assets at end of year	<u>79,280</u>	<u>69,321</u>

Warwickshire College

Notes to the Financial Statements for the year ended 31 July 2017 (continued)

26 Related party transactions

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

The total expenses paid to or on behalf of the Governors during the year was £1,252; 4 governors (2016: £3,528; 11 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 (2016: None).

A governor was a governor of Queen Alexandra College

Sales transactions in the year amounted to £61 (2016 – £301). Balances outstanding at the year end amounted to £nil (2016 – £nil)

A governor was an employee of the AOC

Purchase transactions in the year amounted to £nil (2016 – £1,430). Balances outstanding at the year end amounted to £nil (2016 – £nil)

A governor was a Director of AOC Create

Purchase transactions in the year amounted to £7,332 (2016 – £3,726). Balances outstanding at the year end amounted to £nil (2016 – £nil)

Two governors were trustees of Find a Future Ltd (Trading as World Skills UK)

Sales transactions in the year amounted to £3,105 (2016 – £nil). Balances outstanding at the year end amounted to £3,000 (2016 – £nil)

A governor was a Director of Warwickshire Race and Equality Partnerships

Sales transactions in the year amounted to £6,104 (2016 – £6,475). Balances outstanding at the year end amounted to £nil (2016 – £128)

27 Amounts disbursed as agent

Learner support funds	2017	Restated
	£'000	2016 £'000
Funding body grants – hardship	138	991
Funding body grants – residential bursaries	168	136
Funding body grants – 24+ Bursary	220	177
	<u>526</u>	<u>1,304</u>
Disbursed to students	(299)	(1,016)
Administration costs	(23)	(61)
	<u>(322)</u>	<u>(1,077)</u>
Balance unspent as at 31 July, included in creditors	<u>204</u>	<u>227</u>

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

Employer incentive grant - funding body grant	2017	Restated
	£'000	2016 £'000
Amount carried forward from previous year	92	17
Amount received in the year	468	416
	<u>560</u>	<u>433</u>
Disbursed to companies	(472)	(341)
Balance unspent as at 31 July, included in creditors	<u>88</u>	<u>92</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 Statement of Comprehensive Income.