



## **Report and Financial Statements**

**For the year ended 31 July 2018**

**Contents**

Reference and Administrative Details .....	3
Strategic Report .....	4
Statement on Regularity, Propriety and Compliance .....	25
Statement of Responsibilities of the Members of the Corporation.....	26
Independent Auditors' Report to the Corporation of Weymouth College.....	27
Independent Reporting accountant's assurance report on regularity.....	30
Consolidated Statements of Comprehensive Income and Expenditure.....	32
Consolidated and College Statement of Changes in Reserves .....	33
Balance Sheets as at 31 July .....	34
Consolidated Statement of Cash Flows .....	35
Notes to the Financial Statements .....	36

**Reference and Administrative Details****Corporation Members**

Richard Noah (Chair)  
Rosie Darkin-Miller (Vice-Chair)  
Jane Nicklen  
Nigel Evans (Principal)  
Stephen Webb  
Stephen Prewett  
Ian Hollows (resigned July 2018)  
Peter Vowles  
Megan Barnes  
Alex Wyatt  
Michael Byatt (resigned September 2018)  
Andrew Matthews  
Joanne George  
Lynda Bourne  
Rodney Davis  
Louise Matthews  
Jenny Stiling (Associate Member)  
Jacqui Gerrard (Associate Member)

**College Senior Leadership Team**

Nigel Evans	Principal and CEO; Accounting officer
Phil Templeton	Assistant Principal Funding & Operations
Kelly Bush	Assistant Principal Curriculum
Julia Rogerson	Assistant Principal Performance & Delivery
Liz Hurst	Director of Finance
Tania Carlow	Director of Human Resources
Sue Ratcliffe	Clerk to the Corporation

**Registered Office** Cranford Avenue, Weymouth, Dorset DT4 7LQ

**Professional advisers:**

**Financial statements auditors and reporting accountants:** Moore Stephens, 30 Gay Street, Bath, BA1 2PA

**Internal auditors:** TIAA, 53-55 Gosport Business Centre, Aerodrome Road, Gosport, Hampshire, PO13 0FQ

**Bankers:** Allied Irish Bank (GB); 20/22 Marlborough Place, Brighton, BN1 1UB

**Solicitors:** Nantes, 69 The Esplanade, Dorset, DT4 7AA

## **Strategic Report**

### **NATURE, OBJECTIVES AND STRATEGIES**

The members present their report and the audited financial statements for the year ended 31 July 2018.

#### **Legal status**

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Weymouth College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

The group comprises: Weymouth College; Weyco Services Ltd and Redlands Community Sports Hub Ltd.

#### **Mission**

The Weymouth College Board regularly reviews the College's mission and educational character, and the extent to which it is aligned with the wider strategic priorities of national, regional and local government, the skills needs of the local and regional business community and the individual education and training needs of the local people.

The College's mission is:

"Weymouth College will transform lives and contribute to economic and social regeneration – bringing skills and knowledge to life."

### **RESOURCES**

The College has various resources that it can deploy in pursuit of its strategic objectives. Tangible resources include the main College site at Cranford Avenue, Redlands Community Sports Centre, The Dorset Centre for the Creative Arts, a town centre site at 106 St Mary Street and the enterprise centre at Poundbury.

#### **Financial**

The Group has £8,461,000 of net liabilities (including £13,929,000 pension liability) and debt of £4,369,000, the profile of which is shown in note 15.

#### **People**

The Group employs 286 people (expressed as full time equivalents) (2017: 282) and remains one of the largest employers in the local area. 128 are teaching staff (2017: 119).

#### **Reputation**

The College has continued to improve its reputation both locally and nationally. The achievement of a 'Good' Ofsted judgment in November 2015 and a QAA 'grade 2' for higher education programmes has been central to enhancing its local reputation. Maintaining a quality brand is essential for the College's success at attracting students and external relationships.

Apprenticeships have been a significant focus and the success of the Weymouth College brand in terms of both enrolments and achievements has allowed the College to go from strength to strength in its employer engagement work.



## STAKEHOLDER RELATIONSHIPS

The Board operates on behalf of its ownership, which it defines as:

*Those people of Weymouth and Portland and the wider South and West Dorset area who share an interest in the long-term availability and quality of post 14 education and training.*

Weymouth College therefore has many stakeholders. These include:

- Students;
- Education sector funding bodies;
- F.E. Commissioner;
- Staff;
- Local employers;
- Local authorities;
- Local Enterprise Partnerships (L.E.P.s);
- The local community;
- Multi-agency groups;
- Community groups;
- Other FE institutions;
- Local schools;
- Trade unions;
- Financial institutions;
- Professional bodies.

The College recognises the importance of these relationships and engages in regular communication with them through the College Internet site, newsletters, targeted PR activity and by meetings.

## DEVELOPMENT AND PERFORMANCE

### Financial results

The Group generated a deficit before other gains and losses in the year of £1,186,000 (2016/17 – deficit of £335,000), with total comprehensive income of £3,590,000 (2016/17 - total comprehensive expense of £1,988,000). This result is after charging:

Result before other gains and losses		(£1,186,000)
Net interest on defined pension liability	(£462,000)	
FRS 102 (28) charge	(£651,000)	
Enhanced pension charge	<u>(£5,000)</u>	
Total defined pension charges	(£1,118,000)	
Result excluding defined pension charges		(£68,000)

At the balance sheet date, the Group had negative accumulated reserves of £11,316,000 and cash balances of £141,000. The Group wishes to accumulate reserves and cash balances in order to create a contingency fund.

Tangible fixed asset equipment additions during the year amounted to £120,000. The College has kept capital expenditure to a minimum reflecting the need to strengthen cash balances.

## **Curriculum developments**

In order to achieve the breadth of provision that our community requires we will continue to work with partners (both regional and national) to improve the experience for our learners.

Significant provision in 14 of the 15 subject sector areas is offered at the College. We offer a range of higher education courses as well as apprenticeships and workplace learning with 94% of the College's provision aligned to either Local Enterprise Partnership (L.E.P.) or Local Authority (L.A.) priorities.

## **Reserves**

The College currently holds no restricted reserves. As at the balance sheet date, the Income and Expenditure account reserve, excluding the pension deficit, stands at £2,613,000 (2017: £2,569,000). It is the Board's intention to increase reserves over the life of the Strategic Plan, by the generation of annual operating surpluses.

## **Sources of income**

The Group has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2017/18 the FE funding bodies provided 66% of the Group's total income.

## **Group Companies**

The College has two subsidiary companies, Weyco Services Limited and Redlands Community Sports Hub Limited. The principal activity of Weyco Services Limited is the supply of catering, cleaning and grounds maintenance services, whilst Redlands Community Sports Hub Limited operates leisure centre facilities at Cranfield Avenue (College owned) and at Redlands (leased from Weymouth & Portland Borough Council). Any surpluses generated by the subsidiaries are transferred to the College under deed of covenant. Where deficits arise the College has given undertakings to continue to provide financial support to the subsidiaries as wholly-owned subsidiaries of the College. In 2016/17, based on the recoverability, there was an approved debt forgiveness between the College and the Companies and between Weyco Services Limited and Redlands community Sports Hub Limited. The deficits generated for 2017/18 were £93,588 deficit and £99,522 deficit for Weyco Services Limited and Redlands Community Sports Hub Limited respectively.

## **FUTURE PROSPECTS**

### **Developments**

The College continuously reviews its curriculum offer to ensure that it meets the needs of learners and other stakeholders, including employers. There are no significant developments in train, but in 2018/19, the College will offer additional levels of qualification in some subject areas.

### **Financial plan**

The College prepares a 2 year financial plan in July each year, which is approved by the Board prior to the 31 July. In September 2018, the College prepared a longer term financial forecast as part of a submission to the ESFA under the Restructuring Funding initiative. This plan sets out the longer term financial stability of the College in a challenging economic environment.

### **Treasury policies and objectives**

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

The College has a separate Treasury Management Policy in place.

All borrowing requires the authorisation of the Board and shall comply with the requirements of the Financial Memorandum and College Financial Regulations. Such arrangements are restricted by limits in the College's Financial Memorandum previously agreed with the LSC and subsequently transferred to the Education and Skills Funding Agency (ESFA).

### **Cash flows and liquidity**

At £1,080,000 net cash inflow from operating activities was positive (2016/17: £1,618,000 net cash inflow).

During the year the College repaid £670,000 of the BIS loan. This was a revision from the original schedule, which was agreed by the ESFA in year. The College also made repayments of its AIB loans, according to the agreed schedule.

The College's total borrowing relative to its turnover has reduced significantly and now stands at 34% (2017: 44%).

### **Reserves**

The College does not have a formal Reserves Policy, but recognises the importance of reserves in the financial stability of an organisation, whilst ensuring that adequate resources are provided for the College's core business.

### **Going concern**

Since May 2015, the College has been making repayments to the ESFA of a £3.839m loan taken out by the College's former Principal as Exceptional Financial Support – the "BIS loan". The loan was to be repaid over 5 years. At the Balance Sheet date, £1,820,000 had been repaid. During the year the College requested, due to lower than expected cashflows, that the loan was rescheduled. In considering this request, the FE Commissioner team visited the College, endorsing the management and governing body's approach to the College's finances and the quality of provision at the College. The request to reschedule the loan was encompassed into an application to the Transaction Unit of the ESFA, under the Restructuring Fund regulations.

The application, which considered a medium term review of the College's financial prospects, requested that the loan repayment be deferred for a period of 3 years, with a subsequent repayment period of 10 years, thus enabling the College to generate a cash reserve and undertake investment in infrastructure and growth.

Whilst the College has not signed a new agreement with the ESFA which reflects this, it has been informed that this request will be approved. The Board therefore 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.

## 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.

Based on the strategic plan, the Senior Leadership Team undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College.

Annually, the extended College Management Team work with SLT members to assess the risks aligned to the College not achieving its objectives for the forthcoming year, existing systems and procedures are identified together with any additional actions required to further mitigate the risk in question. Risks are scored using an impact, likelihood and reputation matrix, scores subsequently being categorised as significant, contingent or low.

The College risk register is configured such that gross risk and net risk can be easily identified. The register is compiled annually and reviewed on a termly basis by both the SLT and the Audit Committee to ensure that mitigating controls and planned further controls are being implemented as appropriate. The risk register forms the basis of the audit needs assessment compiled by the College Internal Auditor.

In addition to the annual review, the SLT will also consider any risks which may arise as a result of a new area of work being undertaken by the College or risks which materialise as a consequence of the work of the college Internal Auditor.

The table below outlines the key risks that have faced the College in 2017/18 together with an analysis of how effective the implementation of mitigating controls has been in reducing risk.

### Risk register 2017/18

Ref	Risk Description	Performance in 2017/18
1	Achievement of Excellence	Staff Development days held regularly during the year to develop staff group on key themes in achieving excellence. Mid-Term reviews held with curriculum areas to monitor and progress performance. Achievement rates are 92% for 2017/18.
2	Maximisation of Student Recruitment	Detailed curriculum planning is undertaken to improve efficiencies: 16 -18 target met; adult apprenticeships target exceeded; HE shows growth. 16 – 18 Apprenticeship was lower than target, due to changes in funding methodologies.
3	Promotion of the College's Reputation	Since January 2015 the College has been pro-actively working with the local media and in doing so has kept the local community informed of the progress made by the College as it moved out of the S.P.A. process and towards financial sustainability. Student satisfaction rates remain high and improving. Partnership working has been strengthened and has been evidenced through the support given to the College as the L.E.P. bid was

		compiled. Regular briefings with Staff and Students established.
4	Financial Sustainability	The College has produced comprehensive management accounts throughout 2017/18. The College did not achieve its financial budget due to changes in the funding methodologies for apprenticeships and poor management of contracting arrangements by a lead body. However cash generation is strong and EBITDA remains good.
5	Safety and Wellbeing of Students and Staff	Learner surveys have indicated that 93% feel safe. Regular monitoring reports on safeguarding issues. Accident and incident reports indicate positive trends. Endorsed by periodic reviews of internal audit service. Success rates for students receiving Additional Learning Support and from B.M.E. backgrounds are high. Regular staff communications and access to professional advice.
6	Innovation and Responsiveness to Employers	94% of the College's provision aligned to either Local Enterprise Partnership (L.E.P.) or Local Authority (L.A.) priorities.  Income streams expanding and diversifying: HE; Apps; Full cost; ESIF programmes; further work to embed the new Apprenticeship regime.

In addition to those shown above, the College is aware of certain sector-wide risks that may impact on the College in the future:

#### Government funding

The College has considerable reliance on continued government funding through the further education sector funding bodies and through HEFCE. In 2017/18, 66% of the College's revenue was ultimately publicly funded and this level of requirement is expected to continue. There can be no absolute assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The College is aware of several issues which may impact on future funding:

- the bedding in of Apprenticeship reform and the employer levy;
- Changes to the funding methodology and/or funding rates;
- Implementation of devolution deals and the potential transfer of responsibilities for adult skills funding to combined authorities;
- Enrolment performance and the impact of lagged funding.

The College seeks to mitigate these risks by keeping tight control of all expenditures; by maintaining and increasing income streams from other sources (e.g. provision of school meals by Weyco; National Citizenship Service provision by the Sailing Academy; Skills Support for the Workforce); and by a proactive marketing and recruitment strategy aimed at securing growth in student enrolments.

#### Tuition fee policy

Ministers have confirmed that the fee assumption remains at 50%. In line with the majority of other colleges, Weymouth College has set its classroom based tuition fees in accordance with



the fee assumptions. For students aged over 24, most higher-level courses are now eligible for a student loan. The risk for the College is that demand is impacted by resistance to fee rates or the prospect of a loan.

This risk is mitigated in a number of ways:

By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students;

Close monitoring of the demand for courses and effective use of bursary funds where these are available;

Maintaining adequate funding of pension liabilities.

The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS 102.

The Local Government Pension Scheme (LGPS) for staff on support contracts is administered by Dorset County Council. The actuarial assumptions relating to the fund resulted in a gain of £4,776,000 (2016/17: £1,653,000 loss).

The Teacher Pension Scheme (TPS) is an unfunded defined benefit scheme. A notional value is ascribed to the scheme for the purposes of determining contribution rates.

## KEY PERFORMANCE INDICATORS

### Performance indicators

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 also required to complete the annual Finance Record for the ESFA.

Key performance Indicator	Measure/Target	Actual for 2017/18
Student number targets – 16-18	1301	1301
Student achievement	90%	92%
EBITDA as % of income	10.96%	3.13%
Employer satisfaction – 'Recommend College'	88%	90%
SAR rating	Good	Good with outstanding features

### Student achievements

Students continue to prosper at the College. Achievement rates remained high in 2017/18, 88% of students moved into employment, further or higher education after they completed College.

## Public Benefit

Weymouth College is an exempt charity under Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 18 to 20.

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.

The Board operates a policy governance model, on behalf of its ownership, which it defines as:

*Those people of Weymouth and Portland and the wider South and West Dorset area who share an interest in the long-term availability and quality of post 14 education and training.*

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.

## Equal opportunities

The College is committed to ensuring equality of opportunity for all who learn and work here. We:

- hold as a guiding principle the belief that all people are of equal worth;
- practise Equality and Diversity in everything we do;
- aim to foster an environment where everyone is treated with dignity, fairness and respect according to their needs;
- celebrate diversity and the individuality of each and every member of the College;
- commit to eliminating bullying and harassment, prejudice and stereotyping.

Weymouth College is committed to complying with its duties under the Equality Act 2010; we are working to remove all barriers to people accessing the College. This includes any staff, students, visitors and external partners of the College.

This Single Equality Scheme (S.E.S.) is a statement of our strong commitment and continuing approach to delivering equality of opportunity for all staff, students and visitors to the College. It is closely aligned to the College's strategic priorities. The principles set down in the S.E.S. are fundamental to building a more inclusive learning organisation which sees Equality, Diversity and Inclusivity as a dynamic driver for change and which takes the Equality Act 2010 to its heart.

We aim to be open to all sections of the community and to be a truly inclusive organisation where individual differences are respected, where staff and students are treated solely on their merits, and where everyone has a fair opportunity to fulfil their potential. We welcome the new statutory duties under the Equality Act 2010 which asks public authorities to take a proactive approach to the promotion of equality, diversity and inclusivity. Including the three due regards:

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

Weymouth College has used positive initiatives to make our services, policies, practices and buildings as accessible as possible. The S.E.S. highlights our progress to date, where there are gaps, where we can make improvements in policy and practice, and our new responsibility to promote equality in all aspects of our work.

We have involved students, staff, managers and external organisations through a range of activities and initiatives in developing the S.E.S. The feedback from staff, students and external partners has enabled us to prioritise key actions, which will enable us to develop and enhance the extensive services and support we already offer. We will also take a fresh look at those areas which require new initiatives.

Our Single Equality Scheme provides the essential framework for promoting and embedding equality across all areas of our work. It will enable us to provide a positive and lasting difference to the experiences of current and potential students, staff and external partners and those who would like to join us as students and employees. This will also provide the opportunity for Weymouth College to attract and retain talented staff and students and enhance our diversity and competitiveness in the changing and dynamic further and higher education environment.

Our work to date on this has been recognised and the College has achieved Investors in Diversity stage 1 accreditation.

The aim of the S.E.S. reflects the College's commitment to the general duties of eliminating direct or indirect discrimination, promoting equality of opportunity for all.

### **Disability statement**

The College is committed to promoting the practice of fairness and to eliminating inequality based on the grounds of age, disability, learning needs, family responsibility, marital status, culture, ethnicity, nationality, religious beliefs, gender, sexual orientation, trade union activity, unrelated criminal convictions or other irrelevant criteria. We aim to recognise and value the contribution made by each individual to our learning environment.

The College strives to ensure that all staff and learners, whether existing or potential, receive fair treatment when making application; and in terms of their retention, achievements and employability, not least in relation to under-represented groups within the community.

### **Trade Union facility time**

Trade union facility time

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

Numbers of employees who were relevant period	FTE employee number
540	286



Percentage of time	Number of employees
0%	538
1-50%	2
51-99%	0
100%	0

Total cost of facility time	£2,250
Total pay bill	£9,022,991
Percentage of total bill spent on facility time	0.02%
Time spent on paid trade union activities as a percentage of total paid facility time	0.02%

### Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2017 to 31 July 2018, the College paid 62% per cent of its invoices within 30 days (2016/17: 73%). The College incurred no interest charges in respect of late payment for this period.

### EVENTS AFTER THE REPORTING PERIOD

The Going Concern paragraph of this report describes the College's application for Restructuring Fund support. The application was to reschedule the BIS loan will finalised and approved by the Secretary of State in early 2019. The BIS loans repayable within one year, as shown in Note 15, will therefore be deferred for a period of 3 years, when the first instalment will be payable. Under this new agreement, the loan becomes interest bearing with effect from 1 August 2018.

### Implementation of strategic plan

In July 2015 the College adopted a strategic plan for the period 1 August 2016 to 31 July 2021. This strategic plan includes property and financial plans. The Board monitors the performance of the College against these plans. The plans are reviewed and updated each year.

#### Strategic Objectives

The College's continuing strategic objectives are:

- to drive up performance and the standard of provision through a 'high expectation, high achievement' culture;
- to achieve year-on-year growth through the development and delivery of relevant, responsive and innovative education and training;
- to drive skills development and be a vital educational, social, cultural and economic asset for the region;
- to return the College to 'Good' financial health.

### Financial objectives

The Board approved a revised set of objectives for 2017/18 to reflect the College's circumstances. The overarching objective is that of improving the College's financial health to "Good".

The 2017/18 priorities and progress against them is summarised below:

#### Priority 1: Achievement of Good Financial Health

The College's automated financial health score is "Satisfactory" at year end 2017/18, due to the lower borrowing and the achievement of surpluses before interest, depreciation and amortisation (EBITDA). However, as the College remains in receipt of Exceptional Financial Support (EFS), via a BIS loan, the moderated health score of "Inadequate" is proposed.

The College continues to focus on the component parts of the Financial Health Score, to ensure that there is an upward trajectory in terms of underlying financial health.

- **Focussing on income sources and stability of income;**

The College has numerous income sources which vary in their stability and complexity. It is therefore important that there is continuity of income sources and that planning includes the replacement of sources which are ending and/or changing.

- FE – *continued good recruitment above target;*
- HE – *progression from our own FE courses;*
- Apprenticeships – *re-focus of the team; working with levy-paying employers; processes within College/customer service;*
- ESIF – *short term funding to build customer base/selling-on;*
- Full cost – *follow-on and complementary from ESIF courses; community and leisure.*

- **Achievement of Annual Operating Surpluses;**

The College's plans include achievement of EBITDA (Earnings before interest, taxation, depreciation and amortisation) of circa £1m. The Board considers that achieving an operating surplus in the light of FRS102 pension costs in excess of £1m, static funding rates and increasing base costs, is currently not achievable.

The College Board wishes to improve the College's financial position in order to generate funds for reinvestment in student facilities.

- **Strengthening of Cash Balances;**

The College has achieved good cash generation from operations which is above the sector average. However in 2017/18 the College has repaid, in loans and loan interest, more than has been generated from operations. Cash balances are therefore lower than the start of the year.

- **Maintaining pay costs as a proportion of income - <65%;**

The College should maintain a level of pay costs to income of below 65%. Excluding the pensions adjustments, the College achieved a proportion of 65%.

- **Prioritising capital expenditure within a limited capital budget.**

The College was able to invest slightly more than the budget, owing to a grant received from the Office for Students (formerly HEFCE).

## **Priority 2: Improving Financial Reporting**

The College's management accounts have been revised to accommodate Governors comments and to enable comparison to the ESFA accounts reporting format.

Direct access to the College's management information on income and expenditure has been rolled out to internal budget managers.

## **CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE**

### **Financial Health**

The College continues to improve its overall financial health through the reduction in borrowing as a proportion of income. In 2017/18 the College repaid £670,000 of the BIS loan. This was against a revised schedule agreed with the ESFA in April 2018. However, due to lower than expected cashflows, the College discussed with the ESFA the potential for a further rescheduling of the loan. In considering this request, the FE Commissioner team visited the College, endorsing the management and governing body's approach to the College's finances and the quality of provision at the College. In September 2018, the request to reschedule the loan was encompassed into an application to the Transaction Unit of the ESFA, under the Restructuring Fund regulations.

The application, which considered a medium term review of the College's financial prospects, requested that the loan repayment be deferred for a period of 3 years, with a subsequent repayment period of 10 years, thus enabling the College to generate a cash reserve and undertake investment in infrastructure and growth.

Whilst the College has not signed a new agreement with the ESFA which reflects this, it has been informed that this request will be approved. This revised payment schedule will enable the College to achieve its objectives of strengthening cash balances and ensuring that the College has investment funds for infrastructure and other developments.

### **Student numbers**

In 2017/18 the College has delivered activity that has produced £8,516,000 in funding body main allocation funding (2016/17 – £8,570,000). The College had approximately 1908 funded and 453 non-funded students.

## Student achievements

Students continue to prosper at the College. Success rates rose again in 2017/18: from 86% in 2014/15 to 92% in 2017/18.

Whilst the College's financial position has continued to be a strong focus for the Board, the College has sought to minimise the impact of cost reduction measures on the student experience and outcomes. As a result, and since September 2014, strong curriculum performance has continued to be effectively delivered and monitored with performance at very high levels. In terms of performance for 2017/18, the College has continued to place the students at the centre of 'what it does'. As a result the College is able to report Outstanding achievement rates of 92% across College. In addition, the College reports Outstanding functional skills achievement rates and GCSE 9-4 grades 12% above national averages.

The College continues to build a strong reputation regionally and nationally. It is worth emphasising that, despite the financial challenges Weymouth College has faced since 2014/15, it has nevertheless been successful in not only continuing to improve its success rates, but also continuing to gain a number of awards and kite marks, including being awarded an AoC Beacon Award for Sport and Public Services in 2016/17, in addition to the 2 AoC national Beacon Awards achieved in the previous year and being shortlisted for a fourth in Practical Teaching and Learning in Health and Social Care for 2017/18. The College has seen the reaccreditation of the Sports Leaders Academy status, re-accreditation of matrix, and Investors in Careers.

2017/18 UCAS applications were high at 244, with 233 being offered a place (97%) and 210 placed (87%). In addition, 55 College students progressed onto College HE courses, maintaining the highest level of progression achieved over the past 5 years, as a direct result of a Higher education strategy aimed HE provision progression from highly performing and successful level 3 curriculum.

## Future prospects

In terms of future prospects for Weymouth College in 2017/18 and beyond, the 2016/17 year started with the Dorset Area Review, which was eventually closed down in January 2017 with the following conclusions:

***'Weymouth College to continue as a stand-alone institution, collaborating with the other 2 colleges in the Dorset review area on areas of mutual benefit.'***

- In terms of meeting current and future needs, the college offers a broad curriculum and offers provision in 14 out of the 15 sector subject areas. The offer is aligned to the LEP and local authority priorities including English and maths. Programmes offered range from entry level to higher education and include apprenticeships. Provision for students with high needs has been re-introduced and a specialist unit created.*
- With regard to financial sustainability, this college has faced considerable challenges in recent years but is now improving and likely to achieve the majority of benchmarks by 2017 to 2018. Strong operating performances will improve both the college's balance sheet and overall resilience and, provided planned growth is achieved, the college moves towards the remaining benchmarks by 2019 to 2020.*

- *In respect of quality of provision, the college was assessed as good by Ofsted and will work with the other colleges in the review area on joint staff development and peer review, with an early focus on leadership and management and sharing good practice.*
- *The college will continue to deliver a broad curriculum to meet learner and employer needs in the Weymouth area. The curriculum delivery areas reflect local and national priorities from entry to degree level, including public services, health and social care, sports and leisure, construction and engineering trades, travel and tourism.'*

The College's forward financial plans show good EBITDA projections and cash generation and declining borrowing in the next two years which will enable the College strengthen cash balances and to invest in infrastructure and development. The College continues to hold constructive monthly case review meetings with the Skills Funding Agency as part of the Notice of Concern for Financial Health, which pre-dates the development of the College's Financial Recovery Plan in 2015. These monthly reviews provide assurances that the implementation of the Recovery Plan is on track.

The College also maintains a positive working relationship with its bankers (AIB Bank) who have issued a waiver letter covering the breach of loan covenants in 2017/18.

#### **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 11 December 2018 and signed on its behalf by:**

  
.....

**Mr Richard Noah**

Chair

## Governance Statement

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

The College endeavours to conduct its business:

- In accordance with the principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- In full accordance with The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015; and
- By having due regard to the UK Corporate Governance Code (“the Code”) insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in the UK Corporate Governance code issued by the Financial Reporting Council in June 2010. Its purpose is to help the reader of the accounts understand how the principles have been applied.

In the opinion of the governors, the College complies with all the provisions of the Combined Code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31 July 2018.

The Corporation recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted in December 2011.

**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 in the table below.

	<b>Dates of Appointment</b>	<b>Term of office</b>	<b>Date of resignation</b>	<b>Status of appointment</b>	<b>Committees served</b>	<b>Attendance</b>
Jane Nicklen	25/3/2014 24/03/2018	4 years		Independent Member	Audit	Corporation 5/7 Audit 4/4
Nigel Evans	26/11/2014			Principal	Search	Corporation 7/7 Search 1/1
Stephen Webb	11/07/2017 10/07/2021	4 years		Independent Member	Audit Finance	Corporation 5/7 Audit: 2/4 Finance 2/5



	Dates of Appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance
Stephen Prewett	11/07/2017 10/07/2021	4 years		Independent Member	Search Finance	Corporation 6/7 Finance 3/5 Search 1/1
Ian Hollows	8/7/2014	4 years	10/7/2018	Independent Member	Finance Audit	Corporation 6/7 Finance: 4/5 Audit: 4/4
Peter Vowles	19/05/2014 18/05/2018	4 years		Staff Member	n/a	Corporation 7/7
Megan Barnes	22/05/2018 21/05/2022	4 years		Staff Member	n/a	Corporation 2/2
Richard Noah	10/2/2015 9/2/2019	4 years		Independent Member	Chair Of Board From July 2017	Corporation 6/7
Alex Wyatt	22/05/2018	2 years		Student	n/a	Corporation 2/2
Oliver Meech	12/12/2017	2 years	06/02/2018	Student	n/a	Corporation 2/2
Garion Campbell-Armstrong	12/12/2017	2 years	18/09/2018	Student	n/a	Corporation 4/6
Michaela Siemen-Howat	1/11/2015	4 years	7/11/2017	Independent Member		Corporation 0/2
Michael Byatt	1/11/2015	4 years	18/9/2018	Independent Member	n/a	Corporation 1/7
Rosie Darkin-Miller	1/11/2015 31/10/2019	4 years		Independent Member	Vice-Chair Board and Chair Audit	Corporation 6/7 Audit: 4/4

	<b>Dates of Appointment</b>	<b>Term of office</b>	<b>Date of resignation</b>	<b>Status of appointment</b>	<b>Committees served</b>	<b>Attendance</b>
Andrew Matthews	1/11/2015 31/10/2019	4 years		Independent Member	Audit Finance	Corporation 5/7 Finance 4/4
Joanne George	12/12/2017 11/12/2021	4 years		Independent Member	Audit Finance	Corporation 5/5 Finance 3/3
Lynda Bourne	7/11/2017 6/11/2021	4 years		Independent Member	n/a	Corporation 5/6
Rodney Davis	7/11/2017 6/11/2021	4 years		Independent Member	n/a	Corporation 5/6
Louise Matthews	09/10/2018	4 years		Independent Member	n/a	n/a
Sue Ratcliffe, Clerk to the Corporation appointed 01/01/2012						7/7
Jenny Stiling, non-voting Associate/Co-opted Member appointed annually on 31						6/7
Jacqui Gerrard non-voting Associate/Co-opted Member appointed 9 /10/2018						n/a

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 and academic performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and staff and student matters such as health and safety, equality and safeguarding and prevent.

The Corporation operates the Policy Governance model, and uses the Audit and Finance and Search and Governance Committees, to help it conduct its business. The Corporation met on 7 occasions during 2017/18 with an average attendance of 79%. The Committees each have their own terms of reference approved by the Corporation. Average attendance across committee meetings is 74%.



All Corporation and Committee minutes, except those deemed confidential by the Corporation, are published on the College website after they have been signed, or from the Clerk to the Corporation at:

Weymouth College  
Cranford Avenue  
Weymouth  
Dorset  
DT4 7LQ

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

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 and Board members received regular internal and external policy briefings.

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 Principal are separate.

### **Appointments to the Corporation**

There were two new appointments to the Corporation during 2017/18 and two further appointments were recommended by the Search and Governance Committee and confirmed by the Board on 9 October 2018.

New appointments are a matter for the consideration of the Corporation as a whole. The Corporation's Search and Governance Committee considers nominations and applications by any new member, with the exception of student and staff members. Appropriate induction and training opportunities are provided.

Members of the Corporation are appointed for a term of office not exceeding four years.

### **Corporation Performance**

The Corporation uses the Code of Good Governance for English Colleges as a self-assessment tool to annually evaluates its own performance.

### **Audit and Finance Committee**

The Audit Committee was renamed Audit and Finance Committee in July 2018, following the dissolution of the Finance Committee. The Committee comprises five members of the Corporation (excluding the Principal and Chair) and it operates in accordance with written terms of reference approved by the Corporation.

The Committee meets four times a year and provides a forum for reporting by the College's internal, regularity and financial statements auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also provides a forum for requests by the Board for extra scrutiny of financial matters in addition to considering reports from the main FE funding bodies as they affect the College's business.

The College's internal auditors monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Committee. Implementation of agreed audit recommendations is the responsibility of management and internal auditors undertake periodic follow-up reviews to ensure such recommendations have been completed.

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

### **The Search and Governance Committee**

The Search and Governance Committee comprises 5 members who operate in accordance with written terms of reference approved by the Corporation. The Committee meet as required and oversees governance arrangements in addition to recruiting, interviewing and recommending to the Corporation new members for appointment.

### **The Finance Committee**

The Finance Committee was dissolved during the year and its responsibilities relating to the financial recovery of the College returned to the Board.

## **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 they are personally responsible, in accordance with the responsibilities assigned to them in the Financial Memorandum between Weymouth College and the funding bodies. The Principal 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 on-going 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 Weymouth College for the year ended 31 July 2018 and up to the date of approval of the annual report and accounts.

*Capacity to handle risk*

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal on-going process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2018 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

*The risk and control framework*

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

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

Weymouth College has an internal audit service, which operates in accordance with the requirements of the ESFA's *Post 16 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. This 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, appointed funding auditors, the regularity auditors in their management letters and other reports;
- Recommendations from the FE Commissioner and Funding agencies.

The Principal has been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditor and the college internal Risk Management Group, 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 leadership 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 it receives reports thereon from the senior leadership team and the Audit Committee, including the Committee's Annual Report. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

Improvements to the College's systems and processes of budgeting and financial control have improved the operating position and put the College into a more secure financial position. The implementation of a cost reduction plan over the last two years, together with other actions to contain and reduce staff costs have worked to halt the decline in the College's financial health.

Based on the advice of the Audit and Finance 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".

Approved by order of the members of the Corporation on 11 December 2018 and signed on its behalf by:

Richard Noah

Chair



Nigel Evans

Principal



**Statement on Regularity, Propriety and Compliance**

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

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

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

**Nigel Evans****Principal****11 December 2018****Richard Noah****Chair of Governors****11 December 2018**

## Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the college's grant funding agreements and contracts with ESFA, the corporation – through its accounting officer – is required to prepare financial statements and an operating and financial review for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's college accounts direction and the UK's Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the college and its deficit of income over expenditure for that period.

In preparing the financial statements, the Corporation is required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation.

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

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

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

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

Approved by order of the members of the Corporation on 11 December 2018 and signed on its behalf by:



.....

**Richard Noah, Chair**



## **Independent Auditors' Report to the Corporation of Weymouth College**

### **Opinion**

We have audited the financial statements of Weymouth College (the "College") and its subsidiaries (the "Group") for the year ended 31 July 2018 which comprise the Consolidated and College Balance Sheets, the Consolidated and College Statements of Comprehensive Income, the Consolidated and College Statements of Changes in Reserves, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice), and the College Accounts Direction 2017 to 2018 issued by the Education and Skills Funding Agency.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and the College's affairs as at 31 July 2018 and of the Group's and College's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Statement of Recommended Practice – Accounting for Further and Higher Education and the College Accounts Direction 2017 to 2018 issued by the Education and Skills Funding Agency.

### **Basis for opinion**

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

### **Conclusions relating to going concern**

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

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

### **Other information**

The Corporation is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and,

except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

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

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

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

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 26, the Corporation is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

A further description of our responsibilities for the audit of the consolidated financial statements is located on the Financial Reporting Councils website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.



**Use of our report**

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

**Mark Powell (Senior Statutory Auditor)**  
**For and on behalf of Moore Stephens**  
**Chartered accountants and statutory auditors**  
**30 Gay Street**  
**Bath**  
**BA1 2PS**



Date: 11/12/2018

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

To:

**The Corporation of Weymouth College and Secretary of State for Education acting through the Department for Education ("the Department")**

In accordance with the terms of our engagement letter dated 9 October 2018 and further to the requirements of funding agreement 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 Weymouth College during the period 1<sup>st</sup> August 2017 to 31 July 2018 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

This report is made solely to the Corporation of Weymouth College and Department in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Corporation of Weymouth College and the Department 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 Weymouth College and the Department for our work, for this report, or for the conclusion we have formed.

**Respective responsibilities of Weymouth College and the reporting accountant**

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

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

**Approach**

We conducted our engagement in accordance with the Code issued jointly by the Department. 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.

**Reporting accountant's assurance report on regularity (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 but not limited to:

- Reviewing minutes of meetings, management accounts and making enquiries of management;
- Performing sample testing of expenditure ensuring items are for the College's purposes and are appropriately authorised;
- Sample testing on purchase card expenditure, review for any indication of purchase for personal use by Staff or Governors;
- Reviewing the procedures for identifying and declaring related parties and other business interests;
- Obtaining formal representation from the Governing Body and Accounting Officer acknowledging their responsibilities;
- Scrutinising journals, and other adjustments posted during the year for evidence of unusual entries and making further enquiries into any such items where relevant;
- Performing an evaluation of the general control environment of the College;
- Reviewing nominal ledger accounts for any large or unusual entries, obtaining supporting documentation and making further enquiries into any such items where relevant.

**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<sup>st</sup> August 2017 to 31 July 2018 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Moore Stephens, Statutory Auditor

30 Gay Street,  
Bath,  
BA1 2PA

Date: 11/12/2018

## Consolidated Statements of Comprehensive Income and Expenditure

	Notes	Year ended 31 July 2018		Year ended 31 July 2017	
		Group £'000	College £'000	Group £'000	College £'000
<b>INCOME</b>					
Funding body grants	2	8,516	8,494	8,570	8,551
Tuition fees and education contracts	3	1,437	1,437	1,228	1,228
Other grants and contracts	4	667	667	994	994
Other income	5	2,203	1,354	2,430	1,597
Investment income	6	1	1	-	-
<b>Total income</b>		<b>12,824</b>	<b>11,953</b>	<b>13,222</b>	<b>12,370</b>
<b>EXPENDITURE</b>					
Staff costs	7	9,023	8,310	8,503	7,831
Other operating expenses	8	3,431	3,085	3,531	3,309
Depreciation	10	989	989	1,009	1,009
Interest and other finance costs	9	567	553	514	504
<b>Total expenditure</b>		<b>14,010</b>	<b>12,937</b>	<b>13,557</b>	<b>12,653</b>
<b>Deficit before other gains and losses</b>		<b>(1,186)</b>	<b>(984)</b>	<b>(335)</b>	<b>(283)</b>
<b>Deficit before tax</b>		<b>(1,186)</b>	<b>(984)</b>	<b>(335)</b>	<b>(283)</b>
Taxation		-	-	-	-
<b>Deficit for the year</b>		<b>(1,186)</b>	<b>(984)</b>	<b>(335)</b>	<b>(283)</b>
Actuarial gain (loss) in respect of pensions schemes	19	4,776	4,505	(1,653)	(1,568)
<b>Total Comprehensive Income (Expense) for the year</b>		<b>3,590</b>	<b>3,521</b>	<b>(1,988)</b>	<b>(1,851)</b>

## Consolidated and College Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
<b>Group</b>			
<b>Balance at 1 August 2016</b>	<b>(13,152)</b>	<b>3,089</b>	<b>(10,063)</b>
Deficit from the income and expenditure account	(335)	-	(335)
Other comprehensive expense	(1,653)	-	(1,653)
Transfers between revaluation and income and expenditure reserves	117	(117)	-
<b>Total comprehensive expense for the year</b>	<b>(1,871)</b>	<b>(117)</b>	<b>(1,988)</b>
<b>Balance at 31 July 2017</b>	<b>(15,023)</b>	<b>2,972</b>	<b>(12,051)</b>
Deficit from the income and expenditure account	(1,186)	-	(1,186)
Other comprehensive income	4,776	-	4,776
Transfers between revaluation and income and expenditure reserves	117	(117)	-
<b>Total comprehensive income for the year</b>	<b>3,707</b>	<b>(117)</b>	<b>3,590</b>
<b>Balance at 31 July 2018</b>	<b>(11,316)</b>	<b>2,855</b>	<b>(8,461)</b>
<b>College</b>			
<b>Balance at 1 August 2016</b>	<b>(12,691)</b>	<b>3,089</b>	<b>(9,602)</b>
Deficit from the income and expenditure account	(283)	-	(283)
Other comprehensive expense	(1,568)	-	(1,568)
Transfers between revaluation and income and expenditure reserves	117	(117)	-
<b>Total comprehensive expense for the year</b>	<b>(1,734)</b>	<b>(117)</b>	<b>(1,851)</b>
<b>Balance at 31 July 2017</b>	<b>(14,425)</b>	<b>2,972</b>	<b>(11,453)</b>
Deficit from the income and expenditure account	(984)	-	(984)
Other comprehensive income	4,505	-	4,505
Transfers between revaluation and income and expenditure reserves	117	(117)	-
<b>Total comprehensive income for the year</b>	<b>3,638</b>	<b>(117)</b>	<b>3,521</b>
<b>Balance at 31 July 2018</b>	<b>(10,787)</b>	<b>2,855</b>	<b>(7,932)</b>

## Balance Sheets as at 31 July

	Notes	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
<b>Non-current assets</b>					
Tangible Fixed assets	10	15,505	15,505	16,374	16,374
Investments	11	-	-	-	-
		<u>15,505</u>	<u>15,505</u>	<u>16,374</u>	<u>16,374</u>
<b>Current assets</b>					
Stocks		27	11	30	15
Trade and other receivables	12	584	614	812	821
Cash and cash equivalents	17	141	108	483	387
		<u>752</u>	<u>733</u>	<u>1,325</u>	<u>1,223</u>
<b>Less: Creditors – amounts falling due within one year</b>	13	(3,605)	(3,507)	(3,336)	(3,267)
<b>Net current liabilities</b>		<u>(2,853)</u>	<u>(2,774)</u>	<u>(2,011)</u>	<u>(2,044)</u>
<b>Total assets less current liabilities</b>		<b>12,652</b>	<b>12,731</b>	<b>14,363</b>	<b>14,330</b>
Creditors – amounts falling due after more than one year	14	(6,888)	(6,888)	(8,556)	(8,556)
<b>Provisions</b>					
Defined benefit obligations	19	(13,929)	(13,630)	(17,592)	(17,074)
Other provisions	16	(296)	(145)	(266)	(153)
<b>Total net liabilities</b>		<u>(8,461)</u>	<u>(7,932)</u>	<u>(12,051)</u>	<u>(11,453)</u>
<b>Unrestricted Reserves</b>					
Income and expenditure account		(11,316)	(10,787)	(15,023)	(14,425)
Revaluation reserve		2,855	2,855	2,972	2,972
<b>Total unrestricted reserves</b>		<u>(8,461)</u>	<u>(7,932)</u>	<u>(12,051)</u>	<u>(11,453)</u>
<b>Total reserves</b>		<u>(8,461)</u>	<u>(7,932)</u>	<u>(12,051)</u>	<u>(11,453)</u>

The report and financial statements were approved and authorised for issue by the Corporation on 11 December 2018 and were signed on its behalf on that date by:



**Richard Noah**  
Chair

**Nigel Evans**  
Accounting Officer



**Consolidated Statement of Cash Flows**

	Notes	2018 £'000	2017 £'000
<b>Cash flow from operating activities</b>			
Deficit for the year		(1,186)	(335)
<b>Adjustment for non-cash items</b>			
Depreciation		989	1,054
Decrease/(increase) in stocks		3	(2)
Decrease/(increase) in debtors	12	228	(123)
Increase in creditors due within one year	13	1	301
Decrease in creditors due after one year	14	(202)	(230)
Increase in provisions	16	30	48
Pensions costs less contributions payable	19	1,113	753
<b>Adjustment for investing or financing activities</b>			
Investment income	6	(1)	-
Interest payable	9	105	127
Adjustment to fixed assets	10	-	25
<b>Net cash flow from operating activities</b>		<b>1,080</b>	<b>1,618</b>
<b>Cash flows from investing activities</b>			
Investment income	6	1	-
Receipt of capital grant		15	2
Payments made to acquire fixed assets	10	(120)	(236)
		<u>(104)</u>	<u>(234)</u>
<b>Cash flows from financing activities</b>			
Interest paid	9	(96)	(110)
Interest element of finance lease rental payments	9	(9)	(17)
Repayments of amounts borrowed	15	(1,023)	(1,114)
Capital element of finance lease rental payments	15	(190)	(187)
		<u>(1,318)</u>	<u>(1,428)</u>
<b>Decrease in cash and cash equivalents the year</b>		<b>(342)</b>	<b>(44)</b>
Cash and cash equivalents at beginning of the year	17	483	527
Cash and cash equivalents at end of the year	17	141	483
<b>Change in cash and cash equivalents in the year</b>		<b>(342)</b>	<b>(44)</b>

## Notes to the Financial Statements

### 1. Statement of accounting policies and estimation techniques

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

#### Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2017 to 2018* and in accordance with Financial Reporting Standard 102 – “*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

#### Basis of accounting

The financial statements are prepared in accordance with the historical cost convention as modified by the use of previous valuations as deemed cost at transition for certain non-current assets.

#### Basis of consolidation

The consolidated financial statements include the College and its subsidiaries, Weyco Services Limited and Redlands Community Sports Hub Limited, controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Under the purchase method of accounting, the results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2018.

#### Going concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Members Report. The financial position of the College, its cashflow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

The College currently has £2.3m of loans outstanding with bankers on terms negotiated in 2010, repayable under terms outlined in Note 15. The College also has a £2.019m loan from the Department for Business, Innovation and Skills (BIS).

Since May 2015, the College has been making repayments to the ESFA of this loan. At the Balance Sheet date, £1,820,000 had been repaid. In 2017/18 the scheduled repayment amount was £1m. During the year the College requested, due to lower than expected cashflows, that the loan was rescheduled. This was accepted and £670,000 was the amount repayable and repaid during the year. In considering the request, the FE Commissioner team visited the College, endorsing the management and governing body's approach to the College's finances and the quality of provision at the College. A request to reschedule the loan into a more manageable long term plan was encompassed into an application to the Transaction Unit of the ESFA, under the Restructuring Fund regulations. This was submitted in September 2018.



The application, which considered a medium term review of the College's financial prospects, requested that the loan repayment be deferred for a period of 3 years, with a subsequent repayment period of 10 years, thus enabling the College to generate a cash reserve and undertake investment in infrastructure and growth.

Whilst the College has not signed a new agreement with the ESFA which reflects this, it has been informed that this request will be approved. The Board therefore 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.

## **Recognition of income**

### *Revenue Grant Funding*

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 achievement for the Adult Education Budget is adjusted for and reflected in the level of recurrent grant recognised 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.

### *Capital Grant Funding*

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 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 conditions are met.

### *Fee Income*

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.

### *Catering activities*

Income from catering activities is recognised in the period for which it is received.

### *Investment Income*

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

### *Agency Arrangements*

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

**Accounting for post-employment benefits**

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

**Teachers' Pension Scheme (TPS)**

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.

**Local Government Pension Scheme (LGPS)**

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 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.

**Non-current Assets - Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of a fixed asset have different useful lives, they are accounted for as separate items if fixed assets.

*Land and buildings*

Freehold buildings are depreciated over their expected useful economic life to the College of 75 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 10 and 75 years.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred income account within creditors, and are released to the income and expenditure account over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

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

Freehold land is not depreciated as it is considered to have an infinite useful life.

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1993, as deemed cost 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 fixed assets*

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

*Equipment*

Equipment costing less than £2,000 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost.

Capitalised equipment is depreciated on a straight-line basis over its remaining useful economic life as follows:

- technical equipment - 6 years
- motor vehicles - 4 years
- computer equipment - 4 years
- furniture, fixtures and fittings - 6 years

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Comprehensive Income and Expenditure.

**Borrowing costs**

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

**Leased assets**

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

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

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

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

## **Investments**

### *Investments in subsidiaries*

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

### *Other investments*

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

## **Stock**

Stocks are stated at the lower of their cost and net realisable value, being selling price less costs to sell. Where necessary, provision is made for obsolete, slow-moving and defective items.

## **Cash and cash equivalents**

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

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with 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 Group are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the Group has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

## **Foreign currency translation**

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



## Taxation

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

The College is partially exempt in respect of Value Added Tax, so that it can only recover around 5% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

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

## Provisions and contingent liabilities

Provisions are recognised when:

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

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

The Group has a provision for the replacement of the sports pitch at the Redlands centre, in respect of an estimated future liability of £225,000. Further details are given in note 16.

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.

## Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the group's tangible assets. 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, 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 19, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

## 2 Funding body grants

	Year Ended 31 July		Year Ended 31 July	
	2018 Group £'000	2018 College £'000	2017 Group £'000	2017 College £'000
<b>Recurrent grants</b>				
Education and Skills Funding Agency – adult	624	624	801	801
Education and Skills Funding Agency – 16-18	6,396	6,374	6,159	6,140
Education and Skills Funding Agency - apprenticeships	1,159	1,159	1,282	1,282
Higher Education Funding Council	103	103	96	96
<b>Specific grants</b>				
Education and Skills Funding Agency	32	32	25	25
Releases of government capital grants	202	202	207	207
<b>Total</b>	<b>8,516</b>	<b>8,494</b>	<b>8,570</b>	<b>8,551</b>

## 3 Tuition fees and education contracts

	Year Ended 31 July		Year Ended 31 July	
	2018 Group £'000	2018 College £'000	2017 Group £'000	2017 College £'000
Adult education fees	297	297	224	224
Apprenticeship fees and contracts	13	13	-	-
Fees for FE loan supported courses	357	357	363	363
Fees for HE loan supported courses	666	666	627	627
International students fees	104	104	14	14
<b>Total</b>	<b>1,437</b>	<b>1,437</b>	<b>1,228</b>	<b>1,228</b>



**4 Other grants and contracts**

	Year Ended 31 July		Year Ended 31 July	
	2018 Group £'000	2018 College £'000	2017 Group £'000	2017 College £'000
European Commission	126	126	289	289
Other grants and contracts	541	541	705	705
<b>Total</b>	<b>667</b>	<b>667</b>	<b>994</b>	<b>994</b>

**5 Other income**

	Year Ended 31 July		Year Ended 31 July	
	2018 Group £'000	2018 College £'000	2017 Group £'000	2017 College £'000
Catering and residences	720	58	771	55
Other income generating activities	978	612	1,098	727
Non-government capital grants	34	34	33	33
Miscellaneous income	471	650	528	782
<b>Total</b>	<b>2,203</b>	<b>1,354</b>	<b>2,430</b>	<b>1,597</b>

**6 Investment income**

	Year Ended 31 July		Year Ended 31 July	
	2018 Group £'000	2018 College £'000	2017 Group £'000	2017 College £'000
Interest receivable	1	1	-	-

## 7 Staff costs

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

	<b>2018</b>	<b>2018</b>	<b>2017</b>	<b>2017</b>
	<b>Group</b>	<b>College</b>	<b>Group</b>	<b>College</b>
	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
Teaching staff	128	128	119	119
Non-teaching staff	158	123	163	128
	<b>286</b>	<b>251</b>	<b>282</b>	<b>247</b>

### Staff costs for the above persons

	<b>2018</b>	<b>2018</b>	<b>2017</b>	<b>2017</b>
	<b>Group</b>	<b>College</b>	<b>Group</b>	<b>College</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Wages and salaries	7,195	6,577	7,050	6,420
Social security costs	511	481	506	479
Other pension costs	1,317	1,252	947	922
<b>Total Staff costs</b>	<b>9,023</b>	<b>8,310</b>	<b>8,503</b>	<b>7,831</b>

### 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, Vice Principals, Directors of Finance and Human Resources and Clerk to the Corporation. Staff costs include compensation paid to key management personnel for loss of office.

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

	<b>2018</b>	<b>2017</b>
	<b>No.</b>	<b>No.</b>
The number of key management personnel including the Accounting Officer was:	<b>7</b>	<b>9</b>

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

	<b>Key management personnel</b>	
	<b>2018</b>	<b>2017</b>
	<b>No.</b>	<b>No.</b>
£10,001 to £20,000 p.a	-	1
£20,001 to £30,000 p.a	1	1
£30,001 to £40,000 p.a	2	1
£50,001 to £60,000 p.a	-	4
£60,001 to £70,000 p.a.	3	1
£90,001 to £100,000 p.a.	1	1
	<u><b>7</b></u>	<u><b>9</b></u>

There are no other higher paid staff requiring disclosure.

Key management personnel compensation is made up as follows:

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Salaries – gross of salary sacrifice and waived emoluments	371	417
Employers' National Insurance	40	48
Benefits in kind	3	2
	<u><b>414</b></u>	<u><b>467</b></u>
Pension contributions	47	52
Total key management personnel compensation	<u><b>461</b></u>	<u><b>519</b></u>

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

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

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Salaries	95	95
Benefits in kind	1	2
	<u><b>96</b></u>	<u><b>97</b></u>
Pension contributions	15	12

**8 Other operating expenses**

	<b>Group 2018</b>	<b>College 2018</b>	<b>Group 2017</b>	<b>College 2017</b>
Teaching costs	698	698	645	639
Non-teaching costs	1,883	1,591	2,049	1,882
Premises costs	850	796	837	788
<b>Total</b>	<b>3,431</b>	<b>3,085</b>	<b>3,531</b>	<b>3,309</b>

**Other operating expenses include:**

	<b>2018 £'000</b>	<b>2017 £'000</b>
Auditors' remuneration:		
Financial statements audit	27	30
Internal audit	9	10
Other services provided by the financial statements auditor - taxation compliance	1	1
Hire of assets under operating leases	166	226

**9 Interest and other finance costs**

	<b>Group 2018 £'000</b>	<b>College 2018 £'000</b>	<b>Group 2017 £'000</b>	<b>College 2017 £'000</b>
On bank loans, overdrafts and other	96	96	110	110
On finance leases	9	9	17	17
Net interest on defined pension liability (note 19)	462	448	387	377
<b>Total</b>	<b>567</b>	<b>553</b>	<b>514</b>	<b>504</b>

**10 Tangible Fixed Assets: Group and College**

	Freehold Land and buildings	Equipment	Total
	£'000	£'000	£'000
<b>Cost or valuation</b>			
At 1 August 2017	24,320	9,451	33,771
Additions	-	120	120
<b>At 31 July 2018</b>	<b>24,320</b>	<b>9,571</b>	<b>33,891</b>
<b>Depreciation</b>			
At 1 August 2017	9,222	8,175	17,397
Charge for the year	532	457	989
<b>At 31 July 2018</b>	<b>9,754</b>	<b>8,632</b>	<b>18,386</b>
<b>Net book value at 31 July 2018</b>	<b>14,566</b>	<b>939</b>	<b>15,505</b>
Net book value at 31 July 2017	15,098	1,276	16,374

Land and buildings with a net book value of £4,195,000 have been partly financed by exchequer funds through, for example, the receipt of capital grants. Should these assets be sold, the College may be liable, under the terms of its Financial Memorandum, to surrender the proceeds.

The net book value of equipment includes an amount of £293,000 (2016/17: £394,000) in respect of assets under finance leases. The depreciation charge on these assets for the year was £102,000 (2016/17: £119,000).

**11 Non-current investments**

	College 2018	College 2017
	£	£
Investments in subsidiary companies	110	110
<b>Total</b>	<b>110</b>	<b>110</b>

The College owns 100 per cent of the issued ordinary £1 shares of Weyco Services Limited, a company incorporated in England and Wales, and 100 per cent of the issued ordinary £1 shares of Redlands Community Sports Hub Limited, a company incorporated in England and Wales. The principal business activity of Weyco Services Limited is providing cleaning, catering and grounds maintenance services to the College. The principal activity of Redlands Community Sports Hub Limited is the operation of sports facilities.

**12 Trade and other receivables**

	<b>Group 2018 £'000</b>	<b>College 2018 £'000</b>	<b>Group 2017 £'000</b>	<b>College 2017 £'000</b>
Amounts falling due within one year:				
Trade receivables	235	186	248	210
Amounts owed by group undertakings:				
Subsidiary undertakings	-	87	-	52
Prepayments and accrued income	209	201	430	425
Amounts owed by ESFA	140	140	134	134
<b>Total</b>	<b>584</b>	<b>614</b>	<b>812</b>	<b>821</b>

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

	<b>Group 2018 £'000</b>	<b>College 2018 £'000</b>	<b>Group 2017 £'000</b>	<b>College 2017 £'000</b>
Bank and other loans	360	360	353	353
BIS Loan	1,380	1,380	1,000	1,000
Obligations under finance leases	56	56	190	190
Trade payables	206	153	334	303
Other taxation and social security	250	241	290	281
Accruals and deferred income	698	685	551	545
Accruals – holiday pay	334	311	307	284
Deferred income - government capital	213	213	231	231
Amounts owed to the ESFA	108	108	80	80
<b>Total</b>	<b>3,605</b>	<b>3,507</b>	<b>3,336</b>	<b>3,267</b>

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

	<b>Group 2018 £'000</b>	<b>College 2018 £'000</b>	<b>Group 2017 £'000</b>	<b>College 2017 £'000</b>
Bank and other loans	1,990	1,990	2,350	2,350
BIS Loan	639	639	1,689	1,689
Obligations under finance leases	28	28	84	84
Deferred income - government capital	4,231	4,231	4,433	4,433
<b>Total</b>	<b>6,888</b>	<b>6,888</b>	<b>8,556</b>	<b>8,556</b>



## 15 Maturity of debt

### a) Bank loans and other loans

Bank loans and other loans are repayable as follows:

	<b>Group</b>	<b>College</b>	<b>Group</b>	<b>College</b>
	<b>2018</b>	<b>2018</b>	<b>2017</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
In one year or less	1,740	1,740	1,353	1,353
Between one and two years	1,005	1,005	1,413	1,413
Between two and five years	1,120	1,120	1,771	1,771
In five years or more	504	504	853	853
<b>Total</b>	<b>4,369</b>	<b>4,369</b>	<b>5,390</b>	<b>5,390</b>

Bank loans are with the Allied Irish Bank at margins/rates ranging between 1.43% and 6.14% per cent repayable by instalments falling due between 1 August 2018 and 31 July 2026 of £2,324,000. They are secured on the freehold land and buildings of the College.

The loan from the Department of Innovation, Business and Skills has been reprofiled, as described in the Strategic Report, with further repayment falling due after 3 years and over a 10 year period, totalling £2,019,000. Interest is payable on this loan from 1 August 2018.

Other loans of £26k represent Salix loans, on which no interest is payable.

### b) Finance leases

The net finance lease obligations to which the institution is committed are:

	<b>Group</b>	<b>College</b>	<b>Group</b>	<b>College</b>
	<b>2018</b>	<b>2018</b>	<b>2017</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
In one year or less	56	56	189	189
Between two and five years	28	28	84	84
<b>Total</b>	<b>84</b>	<b>84</b>	<b>272</b>	<b>272</b>

Finance lease obligations are secured on the assets to which they relate.

**16 Provisions - Group**

	Defined benefit obligations	Sinking fund	Enhanced pensions	Total
	£'000	£'000	£'000	£'000
At 1 August 2017	17,592	113	153	17,858
Expenditure in the period	(659)	-	(13)	(672)
Additions in period	(3,004)	38	5	(2,961)
<b>At 31 July 2018</b>	<b>13,929</b>	<b>151</b>	<b>145</b>	<b>14,225</b>

**Provisions - College**

	Defined benefit obligations	Enhanced pensions	Total
	£'000	£'000	£'000
At 1 August 2017	17,074	153	17,227
Expenditure in the period	(634)	(13)	(647)
Additions in period	(2,810)	5	(2,805)
<b>At 31 July 2018</b>	<b>13,630</b>	<b>145</b>	<b>13,775</b>

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in note 19.

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

The principal assumptions for this calculation are:

	<b>2018</b>	<b>2017</b>
Price inflation	2.7%	3.1%
Discount rate	<u>2.3%</u>	<u>2.7%</u>

**Sinking Fund**

The Group has a contractual obligation to replace the 3G astro pitch located at the Redlands Sports Centre as part of an agreement associated with a grant awarded by the Football Foundation. Replacement is estimated at £225,000 resulting in a £22,500 annual provision per year across the estimated 10 year life of the asset. However no provision was set aside in the first four years, resulting in a recalculation of £37,500 per year for the remaining 6 years.

**17 Cash and cash equivalents: Group**

	At 1 August 2017 £'000	Cash flows £'000	At 31 July 2018 £'000
Cash and cash equivalents	483	(342)	141
<b>Total</b>	<b>483</b>	<b>(342)</b>	<b>141</b>

**18 Lease obligations**

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

	<b>Group and College</b>	
	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
<b>Future minimum lease payments due</b>		
<b>Land and buildings</b>		
Not later than one year	122	157
Later than one year and not later than five years	37	81
	<u>159</u>	<u>238</u>
<b>Other</b>		
Not later than one year	31	30
Later than one year and not later than five years	21	5
	<u>52</u>	<u>35</u>
<b>Total Lease Payments Due</b>	<u>211</u>	<u>273</u>

**19 Defined benefit obligations**

The Groups' 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 Dorset County Council. Both are multi-employer defined-benefit plans.

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

<b>Total pension cost for the year - Group</b>	<b>2018 £000</b>	<b>2017 £000</b>
Teachers' Pension Scheme: contributions paid	398	382
Local Government Pension Scheme:		
Contributions paid	659	575
FRS 102 (28) charge	<u>651</u>	<u>366</u>
Charge to the Statement of Comprehensive Income	1,310	941
Enhanced pension charge to Statement of Comprehensive Income	5	21
<b>Total Pension Cost for Year within staff costs</b>	<b><u>1,713</u></b>	<b><u>1,344</u></b>
 <b>Total pension cost for the year - College</b>	 <b>2018 £000</b>	 <b>2017 £000</b>
Teachers' Pension Scheme: contributions paid	398	382
Local Government Pension Scheme:		
Contributions paid	634	552
FRS 102 (28) charge	<u>613</u>	<u>341</u>
Charge to the Statement of Comprehensive Income	1,247	893
Enhanced pension charge to Statement of Comprehensive Income	5	21
<b>Total Pension Cost for Year within staff costs</b>	<b><u>1,650</u></b>	<b><u>1,296</u></b>

There were no outstanding or prepaid contributions at either the beginning or the end of the financial year.

## Teachers' Pension Scheme

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

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act. Retirement and other pension benefits are paid by public funds provided by Parliament.

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

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

The valuation of the TPS is carried out in line with regulations made under the Public Service Pension Act 2013. Valuations credit the teachers' pension account with a real rate of return assuming funds are invested in notional investments that produce that real rate of return.

The latest actuarial review of the TPS was carried out as at 31 March 2012. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation are:

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

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

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

### Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Dorset County Council. The total contributions made for the year ended 31 July 2018 were: Group - £847,670; College - £814,037, of which employer's contributions totalled: Group - £658,920; College - £633,936 and employees' contributions totalled: Group - £188,750; College - £180,101. The agreed contribution rates for future years are 15.3% for employers and range from 5.5% to 12.5% for employees, depending on salary.

### Principal Actuarial Assumptions – Group and College unless stated

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2018 by a qualified independent actuary.

	At 31 July 2018	At 31 July 2017
Rate of increase in salaries	1.0%	4.2%
Future pensions increases	2.3%	2.7%
Discount rate for scheme liabilities	2.7%	2.7%
Inflation assumption (CPI)	2.3%	2.7%

Commutation of pensions to lump sums (Group and College)	50%	50%
--	-----	-----

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

	At 31 July 2018	At 31 July 2017
<b>Group and College</b>	years	years
<i>Retiring today</i>		
Males	24.0	23.9
Females	26.1	26.0
<i>Retiring in 20 years</i>		
Males	26.3	26.1
Females	28.4	28.3



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

Group	2018	2017
	£'000	£'000
Fair value of plan assets	23,170	21,868
Present value of plan liabilities	(37,099)	(39,460)
<b>Net pensions liability</b>	<b>(13,929)</b>	<b>(17,592)</b>

  

College	2018	2017
	£'000	£'000
Fair value of plan assets	22,678	21,434
Present value of plan liabilities	(36,308)	(38,508)
<b>Net pensions liability</b>	<b>(13,630)</b>	<b>(17,074)</b>

#### Sensitivity Analysis - Group

	At 31 July 2018	At 31 July 2017
	£'000	£'000
Discount Rate + 0.1%	1,169	1,238
Discount Rate - 0.1%	1,230	1,303
Mortality Assumption - 1 year increase	1,237	1,311
Mortality Assumption - 1 year decrease	1,162	1,231
Long Term Salary Increases + 0.1%	1,200	1,270
Long Term Salary Increases - 0.1%	1,198	1,270
Adjustment to pension increases and deferred revaluation +1.0%	1,229	1,303
Adjustment to pension increases and deferred revaluation -1.0%	1,169	1,238

#### Sensitivity Analysis - College

	At 31 July 2018	At 31 July 2017
	£'000	£'000
Discount Rate + 0.1%	1,114	1,179
Discount Rate - 0.1%	1,171	1,240
Mortality Assumption - 1 year increase	1,178	1,248
Mortality Assumption - 1 year decrease	1,107	1,172
Long Term Salary Increases + 0.1%	1,143	1,209
Long Term Salary Increases - 0.1%	1,141	1,209

Adjustment to pension increases and deferred revaluation +1.0%	1,170	1,240
Adjustment to pension increases and deferred revaluation -1.0%	1,114	1,179

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

	<b>Fair Value at 31 July 2018 £'000</b>	<b>Fair Value at 31 July 2017 £'000</b>
Equity instruments	12,654	12,056
LDI and Other Bonds	4,504	5,386
Property and Infrastructure	3,336	2,885
Cash	217	588
Other	2,459	953
<b>Total fair value of plan assets</b>	<b>23,170</b>	<b>21,868</b>
<b>Actual return on plan assets</b>		<b>1,189,000</b>

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

	<b>Fair Value at 31 July 2018 £'000</b>	<b>Fair Value at 31 July 2017 £'000</b>
Equity instruments	12,386	11,817
LDI and Other Bonds	4,408	5,279
Property and Infrastructure	3,265	2,828
Cash	212	576
Other	2,407	934
<b>Total fair value of plan assets</b>	<b>22,678</b>	<b>21,434</b>
<b>Actual return on plan assets</b>		<b>1,165,000</b>

	2018 £'000	2017 £'000
<b>Amounts included in staff costs - Group</b>		
Current service cost	1,292	926
Administrative expenses	18	15
<b>Total</b>	<b>1,310</b>	<b>941</b>
<b>Amounts included in staff costs - College</b>		
Current service cost	1,229	878
Administrative expenses	18	15
<b>Total</b>	<b>1,247</b>	<b>893</b>
<b>Amounts included in interest and other finance costs</b>		
<b>(note 9) - Group</b>		
Net interest cost	462	387
	<b>462</b>	<b>387</b>
<b>Amounts included in interest and other finance costs</b>		
<b>(note 9) - College</b>		
Net interest cost	448	377
	<b>448</b>	<b>377</b>
<b>Amount recognised in Other Comprehensive Income - Group</b>		
Return on pension plan assets	597	2,361
Experience losses arising on defined benefit obligations	170	(544)
Changes in assumptions underlying the present value of plan liabilities	4,009	(3,470)
<b>Amount recognised in Other Comprehensive Income</b>	<b>4,776</b>	<b>(1,653)</b>
<b>Amount recognised in Other Comprehensive Income - College</b>		
Return on pension plan assets	585	2,312
Experience losses arising on defined benefit obligations	170	(596)
Changes in assumptions underlying the present value of plan liabilities	3,750	(3,284)
<b>Amount recognised in Other Comprehensive Income</b>	<b>4,505</b>	<b>(1,568)</b>

**Movement in net defined benefit liability during year - Group**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Net defined benefit liability in scheme at 1 August	(17,592)	(15,186)
Movement in year:		
Current service cost	(1,292)	(926)
Employer contributions (including unfunded)	659	575
Net interest on the defined liability	(462)	(387)
Actuarial gain or loss	4,606	(1,653)
Administration expenses	(18)	(15)
Experience gains and losses	170	-
<b>Net defined benefit liability at 31 July</b>	<b>(13,929)</b>	<b>(17,592)</b>

**Asset and Liability Reconciliation**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
<b>Changes in the present value of defined benefit obligations</b>		
<b>Defined benefit obligations at start of period</b>	<b>39,460</b>	<b>33,924</b>
Current service cost	1,292	926
Interest cost	1,054	876
Contributions by Scheme participants	189	187
Experience gains and losses on defined benefit obligations	(170)	544
Changes in financial assumptions	(4,009)	3,177
Changes in demographic assumptions	-	446
Estimated benefits paid	(717)	(607)
Unfunded pension payments	-	(13)
<b>Defined benefit obligations at end of period</b>	<b>37,099</b>	<b>39,460</b>

**Changes in fair value of plan assets**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
<b>Fair value of plan assets at start of period</b>	<b>21,868</b>	<b>18,738</b>
Interest on plan assets	592	489
Return on plan assets	597	2,361
Administration expenses	(18)	(15)
Other Actuarial Gains	-	153
Employer contributions	659	575
Contributions by Scheme participants	189	187
Estimated benefits paid	(717)	(620)
<b>Fair value of plan assets at end of period</b>	<b>23,170</b>	<b>21,868</b>

**Movement in net defined benefit liability during year – College**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Net defined benefit liability in scheme at 1 August	(17,074)	(14,788)
Movement in year:		
Current service cost	(1,229)	(878)
Employer contributions (including unfunded)	634	552
Net interest on the defined liability	(448)	(377)
Actuarial gain or loss	4,335	(1,568)
Administration expenses	(18)	(15)
Experience gains and losses	170	-
<b>Net defined benefit liability at 31 July</b>	<b>(13,630)</b>	<b>(17,074)</b>

**Asset and Liability Reconciliation - College**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
<b>Changes in the present value of defined benefit obligations</b>		
<b>Defined benefit obligations at start of period</b>	<b>38,508</b>	<b>33,150</b>
Current service cost	1,229	878
Interest cost	1,028	856
Contributions by Scheme participants	180	179
Experience gains and losses on defined benefit obligations	(170)	596
Changes in financial assumptions	(3,750)	3,045
Changes in demographic assumptions	-	424
Estimated benefits paid	(717)	(607)
Unfunded pension payments	-	(13)
<b>Defined benefit obligations at end of period</b>	<b>36,308</b>	<b>38,508</b>

**Changes in fair value of plan assets**

	<b>2018</b>	<b>2017</b>
	<b>21,434</b>	<b>18,362</b>
<b>Fair value of plan assets at start of period</b>		
Interest on plan assets	580	479
Return on plan assets	585	2,312
Administration expenses	(18)	(15)
Other Actuarial Gains	-	185
Employer contributions	634	552
Contributions by Scheme participants	180	179
Estimated benefits paid	(717)	(620)
<b>Fair value of plan assets at end of period</b>	<b>22,678</b>	<b>21,434</b>

## 20 Related party transactions

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

The total expenses paid to or on behalf of the Governors during the year was £1,718; 5 governors (2016/17: 1,482; 4 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2016/17: None).

## 21 Amounts disbursed as agent

<b>Learner support funds</b>	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Funding body grants – bursary support	280	277
Funding body grants – discretionary learner support	110	116
Other Funding body grants	-	6
	<u>390</u>	<u>399</u>
Disbursed to students	(332)	(321)
Administration costs	(16)	(14)
	<u>42</u>	<u>64</u>
Balance unspent as at 31 July, included in creditors		

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