Annual Report And Financial Statements 2016-17

Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

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

Nigel Evans, Principal and CEO; Accounting officer
Ben Lane, Vice Principal Finance & Business Planning – left 15 March 2017
Phil Templeton, Assistant Principal Funding & Operations
Kelly Bush, Assistant Principal Curriculum
Julia Rogerson, Assistant Principal Performance & Delivery
Sarah Drew, Assistant Principal Higher Education - until 4 August 2017
Liz Hurst, Director of Finance
Tania Carlow, Director of Human Resources
Sue Ratcliffe, Clerk to the Corporation

Board of Governors

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

Mrs S Ratcliffe acted as Clerk to the Corporation throughout the period.

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

Contents

Strategic Report

NATURE, OBJECTIVES AND STRATEGIES

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

Legal status

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

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"

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 16 and 17.

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

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.

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 2016/17 budget was compiled in accordance with the financial objectives set out in the College's financial strategy and Finance Plan. The five core priorities and progress against them is summarised below:

Priority 1: Achievement of Annual Operating Surpluses >£400,000

The Group made a deficit on operating activities of £335,000 in 2016/17, including a FRS102 (28) charge in respect of the defined benefit pension obligations of £366,000 (note 19) and an interest charge on the liability of £387,000 (note 9). Whilst the College aims to achieve a surplus each year, the unpredictability of these charges, which are not known until after the year end, makes this difficult to plan for.

Priority 2: Strengthening of Cash Balances / Target 30 Cash Days in Hand

2016/17 has once again generated a positive cash inflow from operations. The cashflow statement shows that of the £1.6m generated, £1.4m has been used to repay and service debt, with the £800,000 repayment of the loan to the Department of Business, Innovation and Skills (BIS Loan) being the largest element. The College had a slight reduction in cash during the year, to a balance of £483,000, approximately equivalent to 13 cash days. In view of the College's requirement to repay a further £2.689m of BIS Loan in the next 3 years, it is unlikely that this level of cash balances can be met. Clearly careful cashflow monitoring remains a high priority for the College.

Priority 3: Reducing Pay Costs to less than 63% of Turnover

Significant progress has been made to reduce pay costs through the curriculum efficiency review and management restructure. However pressure on pay levels, including through the defined benefit pension charge mentioned above; the impact of the National and Minimum Living Wage increases and one-off costs, has meant that pay costs have increased to 65% of turnover in the year.

Priority 4: Reduced Reliance on ESFA Funding / Target <60% of Turnover

ESFA Funding as a percentage of turnover was 64% in 2016/17. However this is as a result of the achievement of additional learner numbers and expanding apprenticeship income, which must be regarded as a significant success for the College. Furthermore, fee income and other income has increased in terms of volume and this is also to be welcomed.

Priority 5: Achievement of Good Financial Health

The College's automated financial health score is calculated as 'Satisfactory' for 2016/17. By 2019/20, when the BIS loan is fully repaid, the self-assessed financial health grade will be 'Good'.

In view of the performance against the financial objectives above, the Board has approved a revised set of objectives for 2017/18, which better reflect the College's current circumstances, but which do not deviate from the Boards explicit objective of improving the College's financial health to "Good".

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.

FINANCIAL POSITION

Financial results

The Group generated a deficit before other gains and losses in the year of £335,000 (2015/16 – deficit of £41,000), with total comprehensive expense of £1,988,000, (2015/16 - total comprehensive expense of £4,848,000). This result is after charging:

Results before other gains and losses		(£335,000)
Net interest on defined pension liability	£387,000	
FRS 102 (28) charge	£366,000	
Enhanced pension charge	£21,000	
Total defined pension charges		£774,000
Result excluding defined pension charges		£439,000

The Group has negative accumulated reserves of £12,051,000 and cash balances of £483,000. 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 £236,000. The College has kept capital expenditure to a minimum reflecting the need to strengthen cash balances.

The Group has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2016/17 the FE funding bodies provided 64% of the Group's total income.

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 surpluses/deficits generated were therefore £74,585 deficit and £124,507 surplus for Weyco Services Limited and Redlands Community Sports Hub Limited respectively.

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 £1,618,000 net cash inflow from operating activities was positive (2015/16: £1,402,000 net cash inflow).

During the year the College made the second repayment of £800,000 of the BIS loan. The College also made repayments of its AIB loans, according to the agreed schedule.

The College's total borrowing relative to its turnover remains high at 44%. The College's financial strategy is governed by the need to repay in full the BIS loan by 2020 and to strengthen the College's financial health. Based on the 2016/17 financial performance, this objective remains on track.

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. 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 £2,569,000 (2016: £2,034,000). It is the Board's intention to increase reserves over the life of the Strategic Plan, by the generation of annual operating surpluses.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Financial Health

The College continues to improve its overall financial health through the repayment of the BIS Loan (£800,000 in 2016/17) and the meeting of obligations under bank and lease arrangements. The BIS Loan repayments in 2017/18 and 2018/19 are £1m each year and therefore the cash flow challenges for the College remain during that period. Having reviewed the College's most recent financial planning submission, the ESFA has recently graded the College as having "satisfactory" financial health. Whilst acknowledging the ESFA's judgement, the Board continues to support a self-assessment grade of "inadequate", reflecting the outstanding balance on the BIS loan, which will not be fully repaid until 2020.

Student numbers

In 2016/17 the College has delivered activity that has produced £8,570,000 in funding body main allocation funding (2015/16 – £8,695,000). The College had approximately 2322 funded and 286 non-funded students.

Student achievements

Students continue to prosper at the College. Success rates rose again in 2016/17: from 86% in 2014/15 to 88% in 2015/16 to stand at 90% in 2016/17.

Whilst the College's financial position has continued to be a strong focus for the Board during the year 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 2016/17, 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 90% across College. In addition, the College reports Outstanding functional skills achievement rates and GCSE A-C grades 9% above national averages.

In May 2017, the College re-paid the second part of its BIS loan of £800,000. This represented Year 2 of a planned 5-year repayment schedule agreed with the government department and the College is on track to deliver the Year 3 repayment of £1m in 2017/18. The College feels strongly that it continues to demonstrate both the ability to maintain and further improve quality to the highest FE sector levels whilst financially performing strongly including retaining the ability to repay its BIS loan.

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.

2016/17 UCAS applications were high at 256, with 249 being offered a place (97%) and 221 placed (89%). In addition, 55 College students progressed onto College HE courses, the highest level of progression over the past 5 years, and a direct result of a Higher education strategy aimed at targeting HE provision at progression from highly performing and successful level 3 curriculum.

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.

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 2016 to 31 July 2017, the College paid 73% per cent of its invoices within 30 days (2016: 85%). The College incurred no interest charges in respect of late payment for this period.

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 budget for 2017/18 and forward financial plans show strong operating surpluses in the next two years which will enable the College to service its debt and maintain sufficient working capital to continue as a going concern. 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 2016/17. The College's cashflow forecasts demonstrate that the College is confident it can meet is liabilities.

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 £12,051,000 of net liabilities (including £17,592,000 pension liability) and debt of £5,390,000, the profile of which is shown in note 15.

People

The Group employs 282 people (expressed as full time equivalents) (2016: 276) and remains one of the largest employers in the local area. 119 are teaching staff (2016: 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.

Apprenticeship have increased over the past 2 years 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.

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 2016/17 together with an analysis of how effective the implementation of mitigating controls has been in reducing risk.

Risk register 2016/17

Ref	Risk Description	Performance in 2016/17
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 for. Success rates 90% for 2016/17.
2	Maximisation of Student Recruitment	Detailed curriculum planning is undertaken to improve efficiencies:16 -18 target exceeded; adult apprenticeships target exceeded; HE and 16 – 18 Apprenticeship show growth.
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 2016/17. The College did not achieve its financial budget due to high income targets (HE & other fees) and one – off costs. However cash generation is strong and EBITDA remains good.
5	Safety and Wellbeing of Students and Staff	Learner surveys have indicated that 98% 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 2016/17, 64% of the College's revenue was ultimately publicly funded and this level of requirement is expected to continue. There are 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:

- Apprenticeship reform and introduction of the employer levy from April 2017
- Changes to the funding methodology and/or funding rates (although the December 2016 Comprehensive Spending Review offered the welcome prospect of a degree of stability)
- Implementation of devolution deals and the potential transfer of responsibilities for adult skills funding to combined authorities (as yet still to be confirmed for Dorset)
- 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.

Maintain 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 loss of £1,653,000 (2016: £4,807,000 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.

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 (re Dorset Area Based Review)
- 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.

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 of 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.

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 12 December 2017 and signed on its behalf by:

……………………………………………………………………………………..

Mr Richard Noah

Chair

Statement of Corporate Governance and Internal Control

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 2016 to 31 July 2017 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:
i) in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
ii) In full accordance with the guidance to colleges from the Association of Colleges in The English Colleges' Foundation Code of Governance ("the Foundation Code"); and
iii) 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 2017.

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

Public Benefit Statement

"Weymouth College exists so that students, employers and local communities are equipped for the futures to which they aspire at a cost that represents excellent value for money"*

for our Students…..
Students have the skills, confidence and knowledge to make a successful transition into work or the next stage of their career or education.

for Employers….
Employers have the skilled people they need to create and develop a prosperous and sustainable economy.

for Communities ……
The College contributes to the economic and social regeneration of the communities it serves.

**The overall primary beneficiaries of the work of Weymouth College is intended to be all those who live and work in Weymouth and Portland and the surrounding South and West Dorset area. However, The College welcomes and seeks to provide excellent education for all students who choose to access its services.*

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.

	Date of Appointment	**Term of office**	**Date of resignation**	**Status of appointment**	**Committees served**	**Attendance**
David Fallows	9/07/2013 To 8/07/2017	4 years	*11/07/2017*	Independent Member	Chair: Corporation (from 1/2/15)	Corporation 7/7
Richard Dimbleby	25/3/2014 24/03/2018	4 years	*10/10/2017*	Independent Member	Finance	Corporation 5/7 Finance: 5/6
Jane Nicklen	25/3/2014 24/03/2018	4 years		Independent Member	Audit	Corporation 6/7 Audit: 3/3
Nigel Evans	26/11/2014			Principal	Search & Governance Finance	Corporation 7/7 Finance: 6/6
Stephen Webb	2/10/2016 1/10/2020	4 years		Independent Member	Audit Finance	Corporation 7/7 Audit: 2/3 Finance: 5/6
Stephen Prewett	9/07/2017 8/07/2021	4 years		Independent Member	Finance Search & Governance	Corporation 6/7 Finance: 5/6
Ian Hollows	8/7/2014 07/08/2018	4 years		Independent Member	Chair: Finance from 11/7/2017 Audit	Corporation 6/7 Finance: 6/6 Audit: 3/3
Peter Vowles	19/05/2014 18/05/2018	4 years		Staff Member		Corporation 6/7

	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance
Richard Noah	10/2/2015 9/2/2019	4 years		Independent Member	Chair Corporation (from 11/07/2017)	Corporation 7/7
Ben Hindley	07/02/2017	2 years	11/07/2017	Student		Corporation 2/4
Robyn Parkin	12/07/16	2 years	11/07/2017	Student		Corporation 5/7
Michaela Siemen-Howat	1/11/2015 31/10/2019	4 years	7/11/2017	Independent Member	Finance	Corporation 4/7 Finance 3/6
Michael Byatt	1/11/2015 31/10/2019	4 years		Independent Member		Corporation 3/7
Rosie Darkin-Miller	1/11/2015 31/10/2019	4 years		Independent Member	Vice-Chair Corporation and Chair Audit (from 11/7/2017)	Corporation 5/7 Audit: 3/3
Andrew Matthews	1/11/2015 31/10/2019	4 years		Independent Member	Audit	Corporation 7/7 Audit 3/3
Lynda Bourne	7/11/2017 6/11/2021	4 years		Independent Member		N/A
Rodney Davis	7/11/2017 6/11/2021	4 years		Independent Member		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 July						7/7

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, safeguarding and environmental issues.

The Corporation operates the Policy Governance model, and uses Audit, Finance and Search & Governance Committees, to help it conduct its business. The Corporation met on 7 occasions during 2016/17 with an average attendance of 76%. The Committees each have their own terms of reference approved by the Corporation. Average attendance across all committee meetings is 73%.

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 no new appointments to the Corporation during 2016/17, however, two members were re-appointed for a second term of office and following the retirement of the Chair and resignation of one other member, the Search and Governance Committee met on 10 October 2017 to consider two applications for membership, which were recommended for approval by the Board and two new members were appointed on 7 November 2017.

New appointments are a matter for the consideration of the Corporation as a whole. The Corporation's Search & 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.

On behalf of the Corporation, the Search Committee will carry out a self assessment of its own performance for the year ended 31st July 2017 against the Code of Governance for English Colleges.

Audit committee

The Audit Committee comprises five members of the Corporation (excluding the Principal and Chair). The Committee operates in accordance with written terms of reference approved by the Corporation.

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

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

The Audit Committee also advises the Corporation on the appointment of internal, 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 4 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 comprises 5 members who operate within specific terms of reference relating to the financial recovery of the College. The Committee met 6 times during the year.

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 2017 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 2017 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 Committee and the Accounting Officer, the Corporation is of the opinion that the College has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for "the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets".

Going concern

In order to continue as a going concern, the College remains reliant on the support of the Education and Skills Funding Agency, through its Facilities Agreement with BIS. However, the College remains committed to continue to work closely with the Education and Skills Funding Agency, following the removal of "Administered Status" by the Minister; successful conclusion to the structure and prospects appraisal; and conclusion of the Area Review process, to secure the long term sustainability of the College's provision. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 12 December 2017 and signed on its behalf by:

Richard Noah	**Nigel Evans**
Chair	**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 financial memorandum. As part of our consideration we have had due regard to the requirements of the financial memorandum.

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 Education and Skills Funding Agency's terms and conditions under the College's financial memorandum.

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 Education and Skills Funding Agency.

Nigel Evans	**Richard Noah**
Principal	**Chair of Governors**
12 December 2017	**12 December 2017**

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the Financial Memorandum between the Education and Skills Funding Agency and the Corporation of the College, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the *2015 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *College Accounts Direction 2016 to 2017* issued jointly by the Education and Skills Funding Agency, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

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

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

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

Members of the Corporation are responsible for ensuring that expenditure and income 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 the Education and Skills Funding Agency are used only in accordance with the Financial Memorandum with the Education and Skills Funding Agency and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the Education and Skills Funding Agency are not put at risk.

Approved by order of the members of the Corporation on 12 December 2017 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 2017 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 and 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).

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 2017 and of the Group's and College's deficit of income over expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including the Statement of Recommended Practice: Accounting for Further and Higher Education 2015.

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.

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 2016 to 2017 requires us to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- all the information and explanations required for the audit were not received.

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 23, 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. This description forms part of our auditor's report.

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

.... Date: ....

Consolidated Statements of Comprehensive Income

	Notes	Year ended 31 July 2017		Year ended 31 July 2016	
		Group £'000	College £'000	Group £'000	College £'000
INCOME					
Funding body grants	2	8,570	8,551	8,695	8,676
Tuition fees and education contracts	3	1,228	1,228	1,104	1,104
Other grants and contracts	4	994	994	1,011	1,011
Other income	5	2,430	1,597	1,849	895
Investment income	6	-	-	2	2
Total income		**13,222**	**12,370**	**12,661**	**11,688**
EXPENDITURE					
Staff costs	7	8,503	7,831	7,728	7,095
Other operating expenses	8	3,531	3,309	3,301	2,962
Depreciation	10	1,009	1,009	1,159	1,159
Interest and other finance costs	9	514	504	514	507
Total expenditure		**13,557**	**12,653**	**12,702**	**11,723**
Deficit before other gains and losses		**(335)**	**(283)**	**(41)**	**(35)**
Deficit before tax		**(335)**	**(283)**	**(41)**	**(35)**
Taxation		-	-	-	-
Deficit for the year		**(335)**	**(283)**	**(41)**	**(35)**
Actuarial loss in respect of pensions schemes	19	(1,653)	(1,568)	(4,807)	(4,644)
Total Comprehensive Expense for the year		**(1,988)**	**(1,851)**	**(4,848)**	**(4,679)**

Consolidated and College Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Total
	£'000	**£'000**	**£'000**
Group			
Balance at 1 August 2015	**(8,421)**	**3,206**	**(5,215)**
Deficit from the income and expenditure account	(41)	-	(41)
Other comprehensive income	(4,807)	-	(4,807)
Transfers between revaluation and income and expenditure reserves	117	(117)	-
Total comprehensive expense for the year	(4,731)	(117)	(4,848)
Balance at 31 July 2016	**(13,152)**	**3,089**	**(10,063)**
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)	-
Total comprehensive expense for the year	**(1,871)**	**(117)**	**(1,988)**
Balance at 31 July 2017	**(15,023)**	**2,972**	**(12,051)**
College			
Balance at 1 August 2015	**(8,129)**	**3,206**	**(4,923)**
Deficit from the income and expenditure account	(35)	-	(35)
Other comprehensive income	(4,644)	-	(4,644)
Transfers between revaluation and income and expenditure reserves	117	(117)	-
Total comprehensive expense for the year	**(4,562)**	**(117)**	**(4,679)**
Balance at 31 July 2016	**(12,691)**	**3,089**	**(9,602)**
Deficit from the income and expenditure account	(283)	-	(283)
Other comprehensive income	(1,568)	-	(1,568)
Transfers between revaluation and income and expenditure reserves	117	(117)	-
Total comprehensive expense for the year	**(17,34)**	**(117)**	**(1,851)**
Balance at 31 July 2017	**(14,425)**	**2,972**	**(11,453)**

Balance Sheets as at 31 July

	Notes	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Non-current assets					
Tangible Fixed assets	10	16,374	16,374	17,217	17,217
Investments	11	-	-	-	-
		16,374	16,374	17,217	17,217
Current assets					
Stocks		30	15	28	11
Trade and other receivables	12	812	821	689	727
Cash and cash equivalents	17	483	387	527	443
		1,325	**1,223**	**1,244**	**1,181**
Less: Creditors – amounts falling due within one year	13	(3,336)	(3,267)	(2,955)	(2,904)
Net current liabilities		**(2,011)**	**(2,044)**	**(1,711)**	**(1,723)**
Total assets less current liabilities		**14,363**	**14,330**	**15,506**	**15,494**
Creditors – amounts falling due after more than one year	14	(8,556)	(8,556)	(10,165)	(10,165)
Provisions					
Defined benefit obligations	19	(17,592)	(17,074)	(15,186)	(14,788)
Other provisions	16	(266)	(153)	(218)	(143)
Total net liabilities		**(12,051)**	**(11,453)**	**(10,063)**	**(9,602)**
Unrestricted Reserves					
Income and expenditure account		(15,023)	(14,425)	(13,152)	(12,691)
Revaluation reserve		2,972	2,972	3,089	3,089
Total unrestricted reserves		**(12,051)**	**(11,453)**	**(10,063)**	**(9,602)**
Total reserves		**(12,051)**	**(11,453)**	**(10,063)**	**(9,602)**

The report and financial statements were approved and authorised for issue by the Corporation on 12 December 2017 and were signed on its behalf on that date by:

Richard Noah	**Nigel Evans**
Chair	**Accounting Officer**

Consolidated Statement of Cash Flows

	Notes	2017 £'000	2016 £'000
Cash flow from operating activities			
Deficit for the year		(335)	(41)
Adjustment for non-cash items			
Depreciation		1,054	1,159
Increase in stocks		(2)	(6)
Increase in debtors	13	(123)	(162)
Increase/(decrease) in creditors due within one year	14	301	(11)
Decrease in creditors due after one year	15	(230)	(239)
Increase in provisions	17	48	36
Pensions costs less contributions payable	22	753	518
Taxation	10	-	-
Adjustment for investing or financing activities			
Investment income	6	-	(2)
Interest payable	9	127	149
Adjustment to fixed assets	10	25	-
Net cash flow from operating activities		**1,618**	**1,402**
Cash flows from investing activities			
Investment income	6	-	2
Receipt of capital grant		2	-
Payments made to acquire fixed assets	11	(236)	(146)
		(234)	(144)
Cash flows from financing activities			
Interest paid	9	(110)	(122)
Interest element of finance lease rental payments	9	(17)	(27)
New unsecured loans		-	49
Repayments of amounts borrowed	16	(1,114)	(617)
Capital element of finance lease rental payments	16	(187)	(211)
		(1,428)	(928)
(Decrease)/Increase in cash and cash equivalents		**(44)**	**330**
Cash and cash equivalents at beginning of the year	18	527	197
Cash and cash equivalents at end of the year	18	483	527
Change in cash and cash equivalents in the year		**(44)**	**330**

Notes to the Accounts

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 2016 to 2017* and in accordance with Financial Reporting Standard 102 – *"The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland"* (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

The 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 2017.

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 £2.66m of loans outstanding with bankers on terms negotiated in 2010, repayable under terms outlined in Note 15. The College also has a £2.69m interest free loan from the Department for Business, Innovation and Skills (BIS) repayable by 2020. The College's forecasts and financial projections indicate that it will be able to operate within these existing facilities. Notwithstanding this, the College is in a continuing dialogue with the ESFA to request to reschedule loan repayments, should the need arise. Whilst the College has breached existing covenants on the bank loans, a waiver letter has been issued for the financial year and a reservation of rights letter has been issued in respect of future forecasted breaches.

Accordingly the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its 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 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 Funding body grants

	Year Ended 31 July		Year Ended 31 July	
	2017 Group £'000	2017 College £'000	2016 Group £'000	2016 College £'000
Recurrent grants				
Education and Skills Funding Agency – adult	801	801	785	785
Education and Skills Funding Agency – 16-18	6,159	6,140	6,315	6,296
Education and Skills Funding Agency - apprenticeships	1,282	1,282	1,258	1,258
Higher Education Funding Council	96	96	87	87
Specific grants				
Education and Skills Funding Agency	25	25	40	40
Releases of government capital grants	207	207	210	210
Total	**8,570**	**8,551**	**8,695**	**8,676**

3 Tuition fees and education contracts

	Year Ended 31 July		Year Ended 31 July	
	2017 Group £'000	2017 College £'000	2016 Group £'000	2016 College £'000
Adult education fees	224	224	261	261
Fees for FE loan supported courses	363	363	246	246
Fees for HE loan supported courses	627	627	529	529
International students fees	14	14	68	68
Total	**1,228**	**1,228**	**1,104**	**1,104**

4 Other grants and contracts

	Year Ended 31 July		Year Ended 31 July	
	2017 Group £'000	2017 College £'000	2016 Group £'000	2016 College £'000
European Commission	289	289	-	-
Other grants and contracts	705	705	1,011	1,011
Total	**994**	**994**	**1,011**	**1,011**

5 Other income

	Year Ended 31 July		Year Ended 31 July	
	2017 Group £'000	2017 College £'000	2016 Group £'000	2016 College £'000
Catering and residences	771	55	768	44
Other income generating activities	1,098	727	622	229
Non-government capital grants	33	33	37	37
Miscellaneous income	528	782	422	585
Total	**2,430**	**1,597**	**1,849**	**895**

6 Investment income

	Year Ended 31 July		Year Ended 31 July	
	2017 Group £'000	2017 College £'000	2016 Group £'000	2016 College £'000
Interest receivable	-	-	2	2

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:

	2017 Group No.	2017 College No.	2016 Group No.	2016 College No.
Teaching staff	119	119	119	119
Non-teaching staff	163	128	157	121
	282	**247**	**276**	**240**

Staff costs for the above persons

	2017 Group £'000	2017 College £'000	2016 Group £'000	2016 College £'000
Wages and salaries	7,050	6,420	6,292	5,720
Social security costs	506	479	410	387
Other pension costs	947	922	1,026	988
Total Staff costs	**8,503**	**7,831**	**7,728**	**7,095**

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

	2017	2016
	No.	No.
The number of key management personnel including the Accounting Officer was:	**9**	**7**

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:

	Key management personnel	
	2017	2016
	No.	No.
£10,001 to £20,000 p.a	1	-
£20,001 to £30,000 p.a	1	1
£30,001 to £40,000 p.a	1	-
£50,001 to £60,000 p.a	4	4
£60,001 to £70,000 p.a.	1	1
£90,001 to £100,000 p.a.	1	1
	9	**7**

There are no other higher paid staff requiring disclosure.

Key management personnel compensation is made up as follows:

	2017	2016
	£'000	£'000
Salaries – gross of salary sacrifice and waived emoluments	417	385
Employers' National Insurance	48	40
Benefits in kind	2	2
	467	**427**
Pension contributions	52	51
Total key management personnel compensation	**519**	**478**

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:

	2017	2016
	£'000	£'000
Salaries	95	90
Benefits in kind	2	1
	97	**91**
Pension contributions	12	11

8 Other operating expenses

	2017 Group	2017 College	2016 Group	2016 College
Teaching costs	645	639	621	615
Non-teaching costs	2,049	1,882	1,680	1,393
Premises costs	837	788	1,000	954
Total	**3,531**	**3,309**	**3,301**	**2,962**

Other operating expenses include:	2017 £'000	2016 £'000
Auditors' remuneration:		
Financial statements audit	30	28
Internal audit	10	16
Other services provided by the financial statements auditor - taxation compliance	1	1
Hire of assets under operating leases	226	278

9 Interest and other finance costs

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
On bank loans, overdrafts and other	110	110	122	122
On finance leases	17	17	27	27
Net interest on defined pension liability (note 19)	387	377	365	358
Total	**514**	**504**	**514**	**507**

10 Tangible fixed assets Group and College

	Freehold Land and buildings	Equipment	Total
	£'000	£'000	£'000
Cost or valuation			
At 1 August 2016	24,320	9,285	33,605
Additions	-	236	236
Adjustments	-	(70)	(70)
At 31 July 2017	**24,320**	**9,451**	**33,771**
Depreciation			
At 1 August 2016	8,689	7,699	16,388
Charge for the year	533	521	1,054
Adjustments		(45)	(45)
At 31 July 2017	**9,222**	**8,175**	**17,397**
Net book value at 31 July 2017	**15,098**	**1,276**	**16,374**
Net book value at 31 July 2016	15,631	1,586	17,217

The adjustment to assets at cost is in respect of 3 assets which have been treated as an operating lease and expensed in previous years, but also depreciated. The asset at cost and the depreciation have been removed from the accounts.

Land and buildings with a net book value of £4,340,000 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 £394,000 (2015/16: £556,000) in respect of assets under finance leases. The depreciation charge on these assets for the year was £119,000 (2015/16:£161,000).

11 Non-current investments

	College 2017	College 2016
	£	£
Investments in subsidiary companies	110	110
Total	**110**	**110**

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

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Amounts falling due within one year:				
Trade receivables	248	210	263	181
Amounts owed by group undertakings:				
Subsidiary undertakings	-	52	-	124
Prepayments and accrued income	430	425	426	422
Amounts owed by ESFA	134	134	-	-
Total	**812**	**821**	**689**	**727**

13 Creditors: amounts falling due within one year

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Bank and other loans	353	353	476	476
BIS Loan	1,000	1,000	800	800
Obligations under finance leases	190	190	187	187
Trade payables	334	303	112	107
Other taxation and social security	290	281	274	265
Accruals and deferred income	551	545	458	445
Accruals – holiday pay	307	284	338	314
Deferred income - government capital	231	231	239	239
Amounts owed to the ESFA	80	80	71	71
Total	**3,336**	**3,267**	**2,955**	**2,904**

14 Creditors: amounts falling due after one year

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Bank and other loans	2,350	2,350	2,539	2,539
BIS Loan	1,689	1,689	2,689	2,689
Obligations under finance leases	84	84	274	274
Deferred income - government capital	4,433	4,433	4,663	4,663
Total	**8,556**	**8,556**	**10,165**	**10,165**

15 Maturity of debt

a) Bank loans and other loans

Bank loans and other loans are repayable as follows:

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
In one year or less	1,353	1,353	1,276	1,276
Between one and two years	1,413	1,413	1,287	1,287
Between two and five years	1,771	1,771	2,583	2,583
In five years or more	853	853	1,358	1,358
Total	**5,390**	**5,390**	**6,504**	**6,504**

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 2017 and 31 July 2026 of £2,660,000. They are secured on the freehold land and buildings of the College.

The loan from the Department of Innovation, Business and Skills is repayable in agreed instalments falling due between 15 April 2018 and 15 May 2020 totalling £2,689,000. Other loans of £41k represent Salix loans.

b) Finance leases

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

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
In one year or less	189	189	187	187
Between two and five years	84	84	274	274
In five years or more	-	-	-	-
Total	**272**	**272**	**459**	**459**

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

16 Provisions - Group

	Defined benefit obligations £'000	Sinking fund £'000	Enhanced pensions £'000	Total £'000
At 1 August 2016	15,186	75	143	15,404
Expenditure in the period	(575)	-	(13)	(588)
Additions in period	2,981	38	23	3,042
At 31 July 2017	**17,592**	**113**	**153**	**17,858**

Provisions - College

	Defined benefit obligations	Enhanced pensions	Total
	£'000	**£'000**	**£'000**
At 1 August 2016	14,788	143	14,931
Expenditure in the period	(552)	(13)	(565)
Additions in period	2,838	23	2,861
At 31 July 2017	**17,074**	**153**	**17,227**

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:

	2017	2016
Price inflation	3.1%	3.1%
Discount rate	2.7%	2.6%

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

	At 1 August 2016	Cash flows	Other changes	At 31 July 2017
	£'000	**£'000**	**£'000**	**£'000**
Cash and cash equivalents	527	(44)	-	483
Total	**527**	**(44)**	**-**	**483**

18 Lease obligations

At 31 July the College had minimum lease payments under non-cancellable operating

	Group and College	
	2017	2016
	£'000	£'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	157	193
Later than one year and not later than five years	81	149
	238	342
Other		
Not later than one year	30	59
Later than one year and not later than five years	5	112
	35	171
Total Lease Payments Due	273	513

19 Defined benefit obligations

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

Total pension cost for the year		**2017**		**2016**
		£000		**£000**
Teachers' Pension Scheme: contributions paid		382		379
Local Government Pension Scheme:				
Contributions paid	575		506	
FRS 102 (28) charge	366		153	
Charge to the Statement of Comprehensive Income		941		659
Enhanced pension charge to Statement of Comprehensive Income		21		11
Total Pension Cost for Year		**1,344**		**1,049**

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

The Teachers' Pension Budgeting and Valuation Account

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

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

Valuation of the Teachers' Pension Scheme

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

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

The new employer contribution rate for the TPS was implemented in September 2015.

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

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

Scheme Changes

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

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

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

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

The pension costs paid to TPS in the year amounted to £383,000 (2016: £379,000)

FRS 102 (28)

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.

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 2017 were £749,487, of which employer's contributions totalled £562,575 and employees' contributions totalled £186,912. 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

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

	At 31 July 2017	At 31 July 2016
Rate of increase in salaries	4.2%	3.7%
Future pensions increases	2.7%	2.2%
Discount rate for scheme liabilities	2.7%	2.6%
Inflation assumption (CPI)	2.7%	2.2%
Commutation of pensions to lump sums	50%	50%

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

	2017	2016
	£'000	£'000
Fair value of plan assets	21,868	18,738
Present value of plan liabilities	(39,460)	(33,924)
Net pensions liability	**(17,592)**	**(15,186)**

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 2017	At 31 July 2016
	years	years
Retiring today		
Males	23.9	22.9
Females	26.0	25.3
Retiring in 20 years		
Males	26.1	25.2
Females	28.3	27.7

Sensitivity Analysis

	At 31 July 2017	At 31 July 2016
	£'000	£'000
Discount Rate + 0.1%	1,238	789
Discount Rate - 0.1%	1,303	826
Mortality Assumption - 1 year increase	1,311	827
Mortality Assumption - 1 year decrease	1,231	787
Long Term Salary Increases +/- 0.1%	1,270	807
Adjustment to pension increases and deferred revaluation +1.0%	1,303	825
Adjustment to pension increases and deferred revaluation -1.0%	1,238	789

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

	Fair Value at 31 July 2017 £'000	**Fair Value at 31 July 2016 £'000**
Equity instruments	12,056	10,820
Gilts/LDI and Other Bonds	5,386	4,453
Property and Infrastructure	2,885	2,384
Cash	588	196
Other	953	885
Total fair value of plan assets	**21,868**	**18,738**
Actual return on plan assets	**2,850,000**	**740,000**

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

	2017 £'000	**2016 £'000**
Amounts included in staff costs		
Current service cost	926	645
Administrative expenses	15	14
Total	**941**	**659**
Amounts included in interest and other finance costs (note 9)		
Net interest cost	387	365
	387	**365**

Amount recognised in Other Comprehensive Income

Return on pension plan assets	2,361	56
Experience losses arising on defined benefit obligations	(544)	(1)
Changes in assumptions underlying the present value of plan liabilities	(3,470)	(4,862)
Amount recognised in Other Comprehensive Income	**(1,653)**	**(4,807)**

Movement in net defined benefit liability during year

	2017 £'000	2016 £'000
Net defined benefit liability in scheme at 1 August	(15,186)	(9,861)
Movement in year:		
Current service cost	(926)	(645)
Employer contributions (including unfunded)	575	506
Net interest on the defined liability	(387)	(365)
Actuarial gain or loss	(1,653)	(4,807)
Administration expenses	(15)	(14)
Net defined benefit liability at 31 July	**(17,592)**	**(15,186)**

Asset and Liability Reconciliation

	2017 £'000	2016 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	**33,924**	**27,818**
Current service cost	926	645
Interest cost	876	1,049
Contributions by Scheme participants	187	176
Experience gains and losses on defined benefit obligations	544	1
Changes in financial assumptions	3,177	4,862
Changes in demographic assumptions	446	-
Estimated benefits paid	(607)	(614)
Unfunded pension payments	(13)	(13)
Defined benefit obligations at end of period	**39,460**	**33,924**

Changes in fair value of plan assets

	2017 £'000	2016 £'000
Fair value of plan assets at start of period	**18,738**	**17,957**
Interest on plan assets	489	684
Return on plan assets	2,361	56
Administration expenses	(15)	(14)
Other Actuarial Gains	153	-
Employer contributions	575	506
Contributions by Scheme participants	187	176
Estimated benefits paid	(620)	(627)
Fair value of plan assets at end of period	**21,868**	**18,738**

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 £1,482; 4 governors (2016: £1,644; 5 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

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

21 Amounts disbursed as agent

Learner support funds	**2017**	**2016**
	£'000	**£'000**
Funding body grants – bursary support	277	274
Funding body grants – discretionary learner support	116	117
Other Funding body grants	6	34
	399	425
Disbursed to students	(321)	(326)
Administration costs	(14)	(15)
Balance unspent as at 31 July, included in creditors	64	84

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.