Reaseheath College

Consolidated Financial Statements for the year to 31 July 2018

Contents

Members' Report

- **NATURE, OBJECTIVES AND STRATEGIES:**

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

a. Legal Status

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

The Corporation was incorporated as Reaseheath College. On 19 December 2013 the College acquired 100% of the share capital of DART Limited, a training provider in the land based sector.

b. Mission

The College's mission as approved by its Members is:

To inspire achievement by delivering outstanding education and skills.

c. Public Benefit

Reaseheath College is an exempt charity, for the purposes 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 in these financial statements.

In considering its vision, mission, values and strategic objectives, Reaseheath College has had due regard to the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The value added to the community served by the College in delivering its mission can be demonstrated and assessed publically throughout this Members' Report. In delivering its mission, the College provides the following identifiable public benefits through the advancement of education:

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

d. Implementation of Strategic Plan

In July 2017 the College approved its strategic plan for the period 1 August 2017 to 31 July 2018. This plan included improvement targets and a summary of the College property strategy and financial forecasts. The Corporation regularly monitors the performance of the College against this plan. A summary of the College's annual corporate objectives are shown below.

Strategic Objectives 17/18

- Objective 1- Employer Engagement and Employability: *Create a Business to Business model that demonstrates a holistic, interdependent offer to raise industry levels of engagement and improve employability of all students*

- Objective 2- Apprenticeships: *Deliver an employer driven, high quality Apprenticeship provision that trains, assesses and enhances industry skills and knowledge ensuring highly engaged and qualified apprentices*

- Objective 3- English and Maths: *Create a positive culture of English and Maths skills development across college to enable students to achieve their career progression goals*

- Objective 4- Higher Education: *In partnership with employers, develop a skills based, teaching-led, research informed, higher education provision that ensures our graduates will be employable, enterprising and entrepreneurial, making a positive contribution to the region's productivity and growth*

Members' Report (continued)

- Objective 5- Quality – Teaching, Learning, Support and Assessment: *Maximise opportunities for our learners and staff to achieve their full potential by providing excellent learning, assessment, care and support*

- *Objective 6- People and Culture: Drive a positive staff culture which empowers all staff to deliver an outstanding customer experience by enhancing staff wellbeing and improving the interaction between academic delivery, college systems and processes and the learner journey*

Financial Objectives

The Governing body along with management have reviewed the financial objectives to ensure they are robust and appropriate for the changing financial environment in which the College operates. These financial objectives are:

- Maintain a minimum of good in respect of the funding body's Financial Health.
- Meet the bank covenants (this ensures the following financial objectives are monitored):
    a. Debt service covenant
    b. Operational gearing
    c. Interest cover

- College surplus to be between 1-3% of Turnover.
- Current ratio to be a minimum of 1·25:1.
- Maintain minimum 25 cash days (to include any debt available for immediate drawdown).
- Deliver a minimum cash inflow of £2m.

These financial objectives are integrated into the College's financial planning and monitoring process, in addition indicators have been agreed to monitor the successful implementation of the policies and to maintain the College's Good or Outstanding Financial Health status as assessed by the Funding Body.

e. Performance Indicators

The Education and Skills Funding Agency (ESFA) is the College's accountable body ensuring that providers are contributing to the National Target.

- The learner allocations target for 16-18 year old learners was 1,865 Learners. The year end funding claim shows that the College has achieved 1,929 Learners for 2017/18.

- Students continue to realise high achievement and grades at the College. Early indications are that success rates for 2017/18 will be in line with the previous year's good performance with an overall success rate around 88% for Long Qualifications (2016/17 – 88%).

- The College continually monitors Performance Indicators and the following table is taken from information included in the Self Assessment Review. All aspects of the College's funded provision are included within the key performance indicators for full and part time learners as well as Work Based Learning.

Performance Indicator	**Score/Grade 2017/18**	**Score/Grade 2016/17**
Overall long qualification success rate	88%	88%
Student satisfaction rate	8.13/10	8.18/10
Progression rate	97%	96%
Percentage of grade 1 and 2 lessons	N/A	81%

Members' Report (continued)

- **FINANCIAL POSITION**

a. Financial results

- The Group generated a loss in the year of £665k (2017 £9,574k profit restated).
- The Group has accumulated reserves of £21,035k (2017 £17,771k restated) increased in year due to actuarial gains in respect of pension schemes of £3,678k (2017 £1,088k).
- The above figures include the impact of Financial Reporting Standard 102 (28.11), formerly FRS17 Accounting for Retirement Benefits. Without the effect of these adjustments, the operating position would be a surplus of £815k (2017 £650k).
- Tangible fixed asset additions during the year amounted to £17,947k. This was split between assets under construction (£15,878k) and equipment (£2,069k). In the main, this related to the College Property Strategy building programme funded through increase in debt, grant funding and investment of College surplus.
- The College has reliance on the Funding Bodies for its principal funding source, largely from recurrent grants. In 2017/18 the Funding Bodies provided 51.77% (2016/17 54.92%) of the College's total income, including release of deferred capital grant.

b. Treasury policies and objectives

- Treasury management is the management of the College's cashflows, its banking, money market and capital market transactions, the effective control of the risks associated with these activities and the pursuit of optimum performance consistent with those risks.
- The College has a separate Investment Policy, and the Policy on Treasury Management is incorporated within the Financial Regulations. All executive decisions concerning borrowing, investment or financing, are delegated to the Chief Finance Officer and Director of Resources, following appropriate approval by the College Executive, the Governing Body or the Funding Bodies.

c. Cash flows

- Net cash inflow from operating activities was £9,265k in year (£4,676k outflow 2016/17). The favourable movement in operating cashflow was due to a large receipt in respect to the longterm debtor for the Kingsley Field sale reported in 2016/17.

d. Liquidity

- During 2017/18 the College utilised £9m of the £13.2m Revolving Facility agreed during 2016/17 in order to support cashflow through the continuing capital programme.
- The size of the College's total borrowing and its approach to interest rates has been calculated to ensure a reasonable margin between the total cost of servicing debt and operating cashflow. During the year this margin was achieved and the college complied with its bank covenants.

- **CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE:**

a. Student numbers

- In 2017/18 the College has delivered activity that has produced £12,774k in Funding Bodies main allocation funding (2016/17 £12,342k). The College had approximately 8,000 learners from Entry Level through to Higher Education.

b. Student Achievements

- Student success has remained broadly in line with last year's good performance with an anticipated overall Long Qualification achievement rate of 88%. The College recognises this as a key area and continues work with staff and students to ensure that every student achieves their full potential from their studies at the College.

Members' Report (continued)

c. Curriculum Developments

- Funding Bodies funded courses recruited particularly well within Further Education and saw an increase in Higher Education recruitment.

- The College has national recognition as a leading Land Based College. It continues to expand its provision at all levels to cater for demand and provide student progression from Entry Level through to Higher Education.

- The Adult and Workforce Development provision provides recognised qualifications to those in work or gaining the skills to enter the job market who have previously not engaged in formal training. The College will be working to increase the apprenticeship route to support government policy with this including higher and degree level apprenticeships.

- The access to Higher Education Provision provides access to level 4 education supporting widening participation from non traditional learners and for those who do not ordinarily meet the entry requirements.

d. 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%. During the accounting period 1 August 2017 to 31 July 2018, the College paid 94.69% of its creditors, on average, within 30 days. This performance is similar to the previous year and is largely attributed to enforcement of a no purchase order no payment policy. The College incurred no interest charges in respect of late payments, under this legislation, for this period.

e. Post Balance Sheet Events

- There are no known events after the reporting period.

f. Future Developments

The College's combined funding allocations for 16-18 and the Adult Education Budget (AEB) for 2018/19 has been confirmed at £13,694k. The College has continued to deliver its capital master plan, and made good progress in year and received practical completion or took poissession of the following projects:

- Project Redkite - Agri-Tech facility which will support the agri engineering, precision farming and the advances in field management using recent technological developments.
- Project Lapwing - Employer Hub and professional development centre to support the requirement at level 4 and above skills in the workforce.
- Project Osprey - Sports science and performance facilities to support the College students, the local community and promote physical activity and health.

The following project is continuing, however, two of the five town houses were handed over on the 31st August 2018 with the remainder on time for a handover on the 20th December 2018.

- Project Toucan - Accommodation facilities, this will support the need for purpose built student accommodation to support the national contracts and students who are required to travel to receive the specialist training provided at the College including apprenticeships delivered through block release.

Members' Report (continued)

RESOURCES:

- The Group has various resources that it can deploy in pursuit of its strategic objectives.
- Tangible resources include the main College site, shown in the balance sheet at £49,944k, together with equipment, fixtures and fittings at a value of £4,769k, and assets under construction of £20,777k.
- Financial Resources - The Group has £27,447k of net assets (including £6,412 Pension liability) and long term debt of £53,135k (Bank Loans & finance leases £23,575k, deferred government capital grants £29,010k, and a creditor in relation to the Kingsley Field sale £549k).
- People - The Group employs 489 (expressed as full time equivalents), of whom 195 are teaching staff, in teaching departments.
- Reputation - The College has an excellent reputation locally, nationally and internationally. Maintaining a quality brand is essential for the College's continuing success.

PRINCIPAL RISKS AND UNCERTAINTIES:

The College continues 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 Executive undertakes a comprehensive review of the risks to which the College is exposed. Systems and procedures are identified including specific actions which should mitigate any potential impact of the risks on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, on a monthly basis each of the Senior Management Team meetings will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

Outlined below is a description of the principal risk factors that may affect the College. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

Government funding

The College has reliance on continued government funding through the Funding Body and HEFCE, including through our HE partners. In 2017/18 51.77% (2016/17 54.92%) of the College's revenue was ultimately public funded and this level of requirement is expected to continue. There can be no 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 affect future funding:-

- The impact of Brexit negotiations
- The direct and indirect impact of the FE Area review that has seen competitor Colleges merge
- The continued impact of the Apprenticeship Levy funding
- Changes to structure of Apprenticeship programme of study
- Delivery of the English and Maths programmes of study
- The continued take up of Advanced Learner Loans for 19+ funding

This risk is mitigated in a number of ways:-

- Funding is derived through a number of direct and indirect contractual arrangements.
- By ensuring the College is rigorous in delivering high quality education and training.
- Considerable focus and investment is placed on maintaining and managing key relationships with funding bodies.
- Ensuring the College is focused on those priority sectors, which will continue to benefit from public funding.
- Regular dialogue with the local ESFA, LEA's and our HE Partners.
- Focus on sustainable Full Cost Recovery work.
- Continue working relationships with the Local Enterprise Partnerships (LEP's), through their funding streams, the European Social Fund (ESF) and the Rural Development Programme for England (RDPE).
- Continue working closely with LANDEX and the AOC to ensure the College contributes to national discussions and receives the latest information on the changing environment.
- Tuition fee policy.

Members' Report (continued)

The funding body intends to maintain individual contributions for tuition fees as follows:

- 16-18 (at the commencement of learning).
- 19 – 24 dependent on prior learning, either fully funded or advanced learning loans.
- 24+ level 3 and above, advanced learning loans.

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.
- Development of strategic partnerships with local and national businesses.
- Close monitoring of the demand for courses as prices change.
- Continually monitoring the market place in order to ensure fees charged are competitive.
- Additionally marketing support to inform learners of support through 24+ loans.

Other risks

The College continues to work effectively within its Federation with the University of Chester which has delivered growth and high quality, sustainable Higher Education which supported the Further Education and apprenticeships in the region. The College is developing its infrastructure to support the HE requirements.

This risk is mitigated in a number of ways:-

- Governor scrutiny of all developments
- Senior management control, planning and forecasting

STAKEHOLDER RELATIONSHIPS:

In line with other Colleges and with Universities, Reaseheath College has many stakeholders. These include:

- Students
- Parents
- Staff
- Education sector funding body
- Sector Skills Councils (Local and Regional)
- National Employers e.g. JCB, Case New Holland, National Trust, Eden
- Local Authorities
- Sub Regional Partnerships e.g. Job Centre Plus, Local Economic Partnerships (LEPs)
- Non Statutory Bodies e.g. EFFP / UKTI
- The local community (SLAPS, LAGS)
- Other FE institutions and schools
- HEFCE
- HE Academic Partners comprising University of Chester (strategic alliance) and Harper Adams University
- Trade Unions
- Professional bodies
- Membership Associations (NFU), (CLA)
- Other Colleges through the Cheshire Consortium, Landex Colleges etc
- National landbased College NLBC

The College recognises the importance of these relationships and engages in regular communication with them through the College internet site, JISC e-mail (college support facility) and by meetings.

Members' Report (continued)

EQUALITY, DIVERSITY AND INCLUSION

Reaseheath is committed to building a diverse, equitable and inclusive College. Reaseheath is committed and accountable for advancing equity, diversity and inclusion in all its forms, and believes that diversity is critical to delivering excellence. Reaseheath is committed to enabling all members of the College community to achieve their full potential in an environment where equality of respect and opportunity are valued. Its EDI Policy sets out this commitment and the EDI Committee and EDI Working Group bring this policy to life. The College's Policy, EDI action plan and key objectives are published on the College's Website and Intranet site.

The College publishes its EDI Report and EDI Objectives annually, and through transparent policies, practices and procedures it has due regard to its duties under the Equality Act 2010. The College undertakes equality impact assessments on all new policies and procedures and publishes the results. The EDI Working Group has an Action Plan which is a dynamic document and evolves throughout the year as the College makes progress against its objectives.

The College is a 'Mindful Employer' and promotes a culture of positive mental health amongst its staff and students. It delivers a range of awareness training and activities around positive mental health, supported by its Wellbeing Team. Wellbeing and mental health is a priority for the College and our Health and Wellbeing Manager is part of the Association of Colleges 'think tank' on the impact of this area within education. The College is also a 'Disability Confident' Employer and is committed to recruiting, retaining and developing disabled people and people with health conditions, based on their skills and talent.

DISABILITY STATEMENT:

- The College seeks to comply with the Equality Act 2010 and this is evident through all the College's Policies and Procedures. As College policies and procedures are being reviewed they are now equality analysis assessed in line with the Equality Act 2010. Particular confirmation of the College's commitment can be seen from the following actions:
- All College capital builds comply with the Building Research Establishment Environmental Assessment Method (BREEAM) standard and Disability Discrimination Act (DDA) requirements.
- The College has an Equality and Diversity Committee that advises on all matters relating to Equal Opportunities, including age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex or sexual orientation. This is chaired by the Principal.
- The College has a Learning Skills Workshop which provides inputs for learners who have learning difficulties and/or other disabilities.
- Specialist equipment is available to support students and staff with learning difficulties and disabilities.
- The admissions policies for all students are available on the College website.
- The College offers bursaries to enable learners with financial difficulties to access learning. Appeals against a decision not to offer a bursary are dealt with under the complaints policy.
- The College has made a significant investment in the appointment of specialist staff to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
- Specialist programmes are described in programme information guides, and achievements and destinations are recorded and published in the standard College format.
- Counselling and welfare services are set out in the Student Handbook which is sent to students with their enrolment information. Students are also issued with information on the College Complaints Policy at induction.

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 13th December 2018 and signed on its behalf on that date by:

Mr D Pearson MBE
Chairman

Key Management Personnel, Board of Governors and Professional advisers

Key Management Personnel

Key management personnel are defined as the Principal, the Vice Principal and the Chief Finance Officer and Director of Resources and were represented by the following in 2017/18:

Mr TEM David OBE, Principal and CEO; Accounting officer
Mr DP Kynaston, Vice Principal
Mr G Lavery, CFO and Director of Resources

Board of Governors

A full list of Governors is given in these financial statements.

Jackie Schillinger acted as Clerk to the Corporation throughout the period.

Professional Advisors –
Financial Statements and Regularity Auditors:
Mazars LLP
Park View House
Nottingham
NG1 5DW

Internal Auditors:
RSM
Festival Way
Festival Park
Stoke-on-Trent
ST1 5BB

Bankers:
Santander UK Plc
Bridle Road
Bootle
Merseyside
L30 4GB

Solicitors:
Excello Law
One City Place
Queens Road
Chester CH1 3BQ

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 1st August 2017 to 31st July 2018 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership); and
ii. in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the Code").

The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. 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 on 1st August 2015 It is satisfied that it has complied with the principles of the Code in relation to Terms of Office of Governors, though it does not follow the precise maximum length of term, which is suggested in the Code. The pro-active Search and Governance Committee ensures that succession planning is very strong and that there is always a good balance between new members with fresh ideas and the organisational memory and experience provided by longer serving members.

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

The Corporation

The Members who served on the Corporation during the year and up to the date of 13 December 2018 are listed below.

Name	***Date Appointed/ reappointed***	***Term of Office***	***Date of resignation***	***Status of Appointment***	***Committees Served and Corporation attendance 2017-18 (not incl. special meetings)***
Mr R Ratcliffe	Sept 2004 Aug 2008 Aug 2011 Aug 2014 Aug 2017	3 Years		Independent	Chair Corporation (100%) Finance and General Purposes (66%) Search and Governance (100%) Remuneration (100%) Quality and Standards (100%) Higher Education (33%)
Mr T E M David OBE	May 2004	Ex officio	31 July 2018	Principal	Corporation (100%) Finance and General Purposes (100%) Quality and Standards (66%) Search and Governance (100%) Higher Education (66%)
Mr M Clinton	Aug 2018	Ex officio		Principal	Attendance will be reported for 2018-19
Mr J Furber	Aug 2008 Aug 2011 Aug 2014 Aug 2017	3 Years		Independent	Corporation (25%) Finance and General Purposes (33%) Remuneration (0%)
Mr C Baxter	Aug 2012 Aug 2015 Aug 2018	3 Years		Independent	Corporation (75%) Audit (66%) Search and Governance (66%)
Mr M Burns	Aug 2012 Aug 2015 Aug 2018	3 Years		Independent	Corporation (75%) Finance and General Purposes (100%)
Dr I Graham	Aug 2012 Aug 2015	3 Years	31 July 2018	Independent	Corporation (75%) Quality and Standards (75%) Audit (100%) Search and Governance (33%) Higher Education (100%)

Mr D Pearson MBE	Aug 2012 Aug 2015 Aug 2018	3 Years		Independent	Corporation (50%) Quality and Standards (100%) Remuneration (100%) Search and Governance (66%)
Dr E Harrison	Aug 2013 Aug 2016	3 Years		Independent	Corporation (100%) Finance and General Purposes (66%) Remuneration (100%) Search and Governance (100%)
Mr A Taylor	May 2014 August 2017	3 Years		Independent	Corporation (50%) Quality and Standards (66%)
Mrs K Bailey	Dec 2014 August 2017	3 Years		Independent	Corporation (100%) Audit (100%) Remuneration (100%)
Ms S Belfield	Dec 2014 August 2017	3 Years	11 Sept 2018	Independent	Corporation (75%) Finance and General Purposes (100%) Remuneration (0%)
Mr A Fletcher	March 2018	3 Years		Independent	Corporation (50%)
Mrs A McKay	Dec 2015 Aug 2018	3 years		Staff	Corporation (75%) Quality and Standards (100%) Higher Education (100%)
Prof C Gaskell	Dec 2017	3 years		Independent	Corporation (100%) HE Committee (50%)
Ms A Potter	Dec 2017	3 years		Independent	Corporation (66%) Finance and General Purposes (50%)
Prof T Wheeler	Oct 2016	3 years		Independent	Corporation (75%)
Mr C Woodcock	Oct 2016	3 years		Independent	Corporation (75%) Quality and Standards (33%)
Mr R Icke	Dec 2016 Dec 2017	1 year		Staff	Corporation (25%) Quality and Standards (66%)
Ms E Thomas	Dec 2017	8 months	31 July 2018	Student	Corporation (100%) Higher Education (100%)
Ms L Newell	Dec 2017	8 months	31 July 2018	Student	Corporation (75%) Quality and Standards (66%)
Ms F Francis	Aug 2018	3 years		Independent	Attendance will be reported for 2018-19
Mrs J Schillinger	1 Jan 2013	-		Clerk	Independent Clerk to the Corporation

Mr Mike Gorton and Ms L Young joined the Corporation as Associate Members in March 2018 and Ms J Cowell OBE joined the Corporation as an Associate Member in August 2018. Associate Members are independent of the College and have the necessary skills and expertise to act as advisers to the Corporation and attend meetings in that capacity. They are not permitted to vote on any decision and are not included as members for the purposes of counting numbers present at a meeting.

Dr K Willis and Ms F Francis served as co-opted members of the Higher Education Committee in 2017-18. Ms F Francis joined the Corporation as a member on 1 August 2018.

Ms E Thrane and Ms F Johnson served as co-opted members of the Audit Committee in 2017-18. Neither is a member of the Corporation. Ms E Davies-Jones was appointed as a co-opted member of the Audit Committee in June 2018. Ms E Davies-Jones is not a member of the Corporation.

It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct. The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues. The Corporation meets each term and holds additional meetings as necessary.

Statement of Corporate Governance and Internal Control (continued)

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Finance and General Purposes, Audit, Remuneration, Search and Governance, Quality and Standards and Higher Education. Full minutes of all meetings, except those deemed to be confidential, are available on the college website at www.reaseheath.ac.uk or from the Clerk to the Corporation at:

Reaseheath College
Reaseheath
Nantwich
Cheshire
CW5 6DF

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

All Members 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 and removal of the Clerk are matters for the Corporation as a whole.

Formal agendas, papers and reports are supplied to Members in a timely manner, prior to Board meetings. Briefings are also provided on an ad-hoc basis.

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 Chairman and Accounting Officer are separate.

Corporation Performance

The Members of the Corporation review Corporation performance every year against the values and principal responsibilities set out in the Code of Good Governance for English Colleges (the Code). The Corporation, through its Chair and its Search and Governance Committee reviews the performance and effectiveness of Members on an on-going basis. Each Committee of the Corporation reviews its own performance against its Terms of Reference on an annual basis and reports to the Corporation. Based on its annual self-assessment, which is available in the December 2018 meeting papers, in the opinion of the Members, the College complies with the values and principal responsibilities of the Code and has complied throughout the year ended 31 July 2018.

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search and Governance Committee consisting of the Members as shown in the table above, which is responsible for the selection and nomination of any new Member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided.

Members of the Corporation are appointed for a term of office not exceeding 4 years.

Remuneration Committee

During the year ending 31 July 2018, the College's Remuneration Committee comprised six members of the Corporation. The Committee's responsibilities are to make recommendations to the Corporation, on the remuneration and benefits of the Accounting Officer and other senior post-holders.

Details of remuneration for the year ended 31 July 2018 are set out in Note 8 to the financial statements.

No payment was made for the fulfilment of the Governors' roles, however, £3,314 (2017 - £506) of expenses incurred were paid.

Statement of Corporate Governance and Internal Control (continued)

Audit Committee

The Audit Committee comprises four members of the Corporation (excluding the Accounting Officer), together with three co-opted external members with the necessary skills and expertise in finance and risk management. The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee meets on a termly basis 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 review 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 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, regulatory and financial statements auditors and their remuneration for both audit and non-audit work, as well as reporting annually to the Corporation.

Internal Control

Scope of responsibility

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

The Corporation has delegated the day to day responsibility to the Principal, as Accounting Officer for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum between the College and the funding bodies. He is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal controls.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Reaseheath College for the year ended 31 July 2018 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the year ending 31 July 2018 and up to the date of approval of the 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 governing body

Statement of Corporate Governance and Internal Control (continued)

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

Reaseheath College has an internal audit service, which operates in accordance with the requirements ESFA's Post 16 Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis.

The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. At minimum annually, the internal audit service provides the governing body with a report on internal audit activity in the College. The report includes their independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. The Principal's review of the effectiveness of the system of internal control is informed by:

- the work of the internal auditors.
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework.
- comments made by the College's financial statements auditors, the regularity auditors, and the appointed funding auditors in their management letters and other reports.

The Accounting Officer has been advised on the implications of the result of his review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditor and other sources of assurance, and a plan to address weaknesses and ensure continuous improvement of the system is in place. The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2018 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2018 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2018.

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

Statement of Corporate Governance and Internal Control (continued)

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

The Corporation has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with ESFA terms and conditions of funding, under the financial memorandum in place between the College and the ESFA. As part of its consideration the Corporation has had due regard to the requirements of the financial memorandum.

We confirm, on behalf of the Corporation, that to the best of its knowledge, the Corporation believes it is able to identify any material irregular or improper use of funds by the College, or material non-compliance with the ESFA's terms and conditions of funding under the College's financial memorandum. We confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the ESFA.

Going Concern

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. The Corporation has considered the detailed financial reporting that it has received during the year, including the college financial objectives, management accounts, the annual budget and an analysis of the College's financial plan against the recommended checklist in the Financial Planning Handbook, including the assumptions underpinning the financial plan. The Corporation is satisfied that a robust financial planning system is in place and that the College budget and the financial plan are aligned and demonstrate the solvency of the college. 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 13th December 2018 and signed on its behalf by:

Mr D Pearson MBE	**Mr M Clinton**
Chair	**Accounting Officer**

Statement of the Responsibilities of the Members of the Corporation

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

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

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

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

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

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

The Corporation is responsible for the maintenance and integrity of the College's website; the work carried out by auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have 12 occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

Approved by order of the Members of the Corporation on 13th December 2018 and signed on its behalf by:

Mr D Pearson MBE
Chair

Independent auditor's report to the Governing Body of Reaseheath College

Opinion

We have audited the Group and College financial statements of Reaseheath College ("the College") for the year ended 31 July 2018 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement and College Statement of Changes in Reserves, the Consolidated and College Balance Sheets, the Consolidated Statement of Cash Flows and the related 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".

In our opinion the financial statements:

- give a true and fair view of the state of the Group and College's affairs as at 31 July 2018 and of the 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.

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 College in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the Governors use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Governors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about 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 Governors are responsible for the other information. The other information comprises the information included in the Strategic Report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- the information given in the report of the Members of the Governing Body, including the operating and financial review and statement of corporate governance, is inconsistent with the financial statements; or
- we have not received all the information and explanations we require for our audit.

Independent auditor's report to the Governing Body of Reaseheath College (continued)

Responsibilities of the Members of the Governing Body

As explained more fully in the Statement of Responsibilities of the Members of the Governing Body set out on page 15 the Governors are 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 Governors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Governors are responsible for assessing 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 Governors intend to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of the audit report

This report is made solely to the Corporation as a body in accordance with Article 22 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation 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 College and the Corporation as a body for our audit work, for this report, or for the opinions we have formed.

Mazars LLP

Mazars LLP

Chartered Accountants and Statutory Auditor

Park View House
58 The Ropewalk
Nottingham
NG1 5DW

Date 20/12/18

Independent Auditor's Report on Regularity to the Members of the Corporation

To: The corporation of Reaseheath College and Secretary of State for Education acting through the Department for Education ("the Department")

In accordance with the terms of our engagement letter dated 30 August 2018 and further to the requirements of the funding agreement with the Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Reaseheath College during the period 1 August 2017 to 31 July 2018 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

Respective responsibilities of Reaseheath College and the reporting accountant

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

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

Approach

We conducted our engagement in accordance with the Code issued by the Department. We performed a limited assurance engagement as defined in that framework.

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

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

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

The work undertaken to draw to our conclusion includes:

- Reviewed the statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding.
- Reviewed the College's completed self-assessment questionnaire on regularity.
- Read the financial memorandum with the ESFA/ funding agreement with the ESFA.
- Tested a sample of expenditure disbursed and income received to consider whether they have been applied to purposes intended by Parliament and in accordance with funding agreements where relevant.
- Reviewed approved policies and procedures operating during the year for each funding stream that has specific terms attached.
- Obtained the policy for personal gifts and/or hospitality.
- Obtained the register of personal interests.

Independent Auditor's Report on Regularity to the Members of the Corporation (continued)

- Obtained the financial regulations/financial procedures.
- Obtained the College's whistleblowing policy.

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2017 to 31 July 2018 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Mazars LLP

2. 1 12 1 18

Mazars LLP
Chartered Accountants and Statutory Auditor
Park View House
58 The Ropewalk
Nottingham
NG1 5DW

Date

Consolidated Statements of Comprehensive Income

	Note	Year ended 31 July 2018 Group £'000	2018 College £'000	Restated Year ended 31 July 2017 Group £'000	Restated 2017 College £'000
INCOME					
Funding body grants	2	17,002	15,986	17,496	15,939
Tuition fees and education contracts	3	9,390	8,778	7,495	7,272
Other grants and contracts	4	107	107	48	48
Other income	5	6,765	6,762	6,815	6,813
Endowment and investment income	6	11	11	1	1
Donations and Endowments	7	-	49	-	-
Total income		**33,275**	**31,693**	**31,855**	**30,073**
EXPENDITURE					
Staff costs*	8	18,957	18,139	17,509	16,704
Fundamental restructuring costs**	9	20	20	270	271
Other operating expenses	10	11,596	10,834	11,270	10,319
Depreciation	13	2,518	2,503	2,476	2,458
Amortisation of goodwill	14	125	-	124	-
Interest and other finance costs***	11	738	738	2,483	2,482
Total expenditure		**33,954**	**32,234**	**34,132**	**32,234**
(Deficit) before other gains and losses******		**(679)**	**(541)**	**(2,277)**	**(2,161)**
Profit on disposal of assets		14	14	11,851	11,859
(Deficit)/surplus before tax		**(665)**	**(527)**	**9,574**	**9,698**
Taxation	12	-	-	-	-
(Deficit)/surplus for the year		**(665)**	**(527)**	**9,574**	**9,698**
Unrealised surplus on revaluation of assets		-	-	-	-
Actuarial gain in respect of pensions schemes	29	3,678	3,678	1,088	1,088
Movement in enhanced pension provision	23	19	19	14	14
Total Comprehensive Income for the year		**3,032**	**3,170**	**10,676**	**10,800**

The below table does not form part of the statutory financial statements

Deficit before other gains and losses	****	(679)	(541)	(2,277)	(2,161)
Add back					
Defined benefit pension obligations FRS102(28)	*	1,494	1,494	933	933
Merger investigation costs	**	-	-	180	180
Debt refinancing costs	***	-	-	1,814	1,814
Adjusted operating surplus		815	953	650	766

Consolidated and College Statement of Changes in Reserves

	Income and Expenditure account	Revaluation reserve	Total excluding Non controlling interest
	£'000	£'000	£'000
Group			
Balance at 1st August 2016	6,865	6,874	13,739
Surplus/(deficit) from the income and expenditure account (as restated)	9,574		9,574
Other comprehensive income	1,102		1,102
Transfers between revaluation and income and expenditure account	230	(230)	-
Total comprehensive income for the year (as restated)	10,906	(230)	10,676
Balance as 31st July 2017 (as restated)	**17,771**	**6,644**	**24,415**
Deficit from the income and expenditure account	(665)	-	(665)
Other comprehensive income	3,697	-	3,697
Transfers between revaluation and income and expenditure reserves	232	(232)	-
Total comprehensive income for the year	3,264	(232)	3,032
Balance at 31st July 2018	**21,035**	**6,412**	**27,447**
College			
Balance at 1st August 2016	7,357	6,874	14,231
Surplus/(deficit) from the income and expenditure account (as restated)	9,698		9,698
Other comprehensive income	1,102		1,102
Transfers between revaluation and income and expenditure account	230	(230)	-
Total comprehensive income for the year (as restated)	11,030	(230)	10,800
Balance as 31st July 2017 (as restated)	**18,387**	**6,644**	**25,031**
Deficit from the income and expenditure account	(527)	-	(527)
Other comprehensive income	3,697	-	3,697
Transfers between revaluation and income and expenditure reserves	232	(232)	-
Total comprehensive income for the year	3,402	(232)	3,170
Balance at 31st July 2018	**21,789**	**6,412**	**28,201**

Balance sheets as at 31 July

	Notes	Group 2018 £'000	College 2018 £'000	Restated Group 2017 £'000	Restated College 2017 £'000
Fixed assets					
Tangible fixed assets	13	75,490	75,466	60,061	60,022
Intangible fixed assets	14	52	-	177	-
Investments	16	-	1,497	-	1,497
		75,542	**76,963**	**60,238**	**61,519**
Debtors: amounts falling due after one year	18	5,494	5,494	9,615	9,615
Current assets					
Stocks	15	870	870	1,060	1,060
Trade and other receivables	17	6,144	6,118	7,215	7,140
Investments	19	79	79	79	79
Cash and cash equivalents	24	3,810	3,725	5,729	5,717
		10,903	**10,792**	**14,083**	**13,996**
Less: Creditors – amounts falling due within one year	20	(6,836)	(7,394)	(8,397)	(8,979)
Net current assets		**4,067**	**3,398**	**5,686**	**5,017**
Total assets less current liabilities		**85,103**	**85,855**	**75,539**	**76,151**
Less: Creditors – amounts falling due after more than one year	21	(53,136)	(53,134)	(44,394)	(44,390)
Provisions					
Defined benefit obligations	23	(4,221)	(4,221)	(6,405)	(6,405)
Other provisions	23	(299)	(299)	(325)	(325)
Total net assets		**27,447**	**28,201**	**24,415**	**25,031**
Unrestricted reserves					
Income and expenditure account		21,035	21,789	17,771	18,387
Revaluation reserve		6,412	6,412	6,644	6,644
Total unrestricted reserves		**27,447**	**28,201**	**24,415**	**25,031**

The financial statements on pages 20 to 48 were approved and authorised for issue by the Corporation on 13th December 2018 and were signed on its behalf on that date by:

Mr D Pearson MBE
Chair

Mr M Clinton
Accounting Officer

Consolidated Statement of Cash Flows

	Notes	2018 Group £'000	2018 College £'000	Restated 2017 Group £'000	Restated 2017 College £'000
Cash inflow from operating activities					
Surplus/(deficit) for the year		(665)	(527)	9,574	9,699
Adjustment for non cash items					
Depreciation	13	2,518	2,503	2,476	2,458
Amortisation of goodwill	14	125	-	124	-
(Increase)/decrease in stocks	15	190	190	(143)	(143)
(Increase)/decrease in debtors due within one year	17	1,071	1,022	(3,901)	(4,008)
(Increase)/decrease in debtors due after one year	18	4,121	4,121	(9,615)	(9,615)
Increase/(decrease) in creditors due within one year	20	(727)	(754)	3,094	3,288
Increase/(decrease in creditors due after one year	21	636	638	2,339	2,339
Increase/(decrease) in provisions	23	(26)	(26)	(21)	(21)
Pensions costs less contributions payable	23	1,323	1,323	766	766
Taxation		-	-	-	-
Adjustment for investing or financing activities					
Investment income		(11)	(11)	(1)	(1)
Interest payable		534	534	490	489
Pension finance costs		190	190	179	179
Loan restructuring costs		-	-	1,814	1,814
Taxation paid		-	-	-	-
Profit on sale of fixed assets		(14)	(14)	(11,851)	(11,859)
Net cash flow from operating activities		9,265	9,190	(4,676)	(4,615)
Cash flows from investing activities					
Proceeds from sale of fixed assets		14	14	14,324	14,317
Disposal of non-current asset investments		-	-	-	-
Investment income		11	11	1	1
Withdrawal of deposits		-	-	-	-
New deposits		-	-	-	-
Payments made to acquire fixed assets		(17,947)	(17,947)	(3,880)	(3,860)
		(17,922)	(17,922)	10,445	10,458
Cash flows from financing activities					
Interest paid		(534)	(534)	(483)	(487)
Interest element of finance lease rental payments		(2)	(2)	(7)	(2)
Loan restructuring costs		-	-	(1,814)	(1,814)
New unsecured loans		8,106	8,106	16,500	16,500
New hire purchase liabilities		-	-	-	-
Repayments of amounts borrowed		(825)	(825)	(14,544)	(14,544)
Repayments of loan notes		-	-	-	-
Capital element of finance lease rental payments		(7)	(4)	(25)	(8)
		6,738	6,741	(373)	(355)
Increase / (decrease) in cash and cash equivalents in the year		(1,919)	(1,992)	5,396	5,488
Cash and cash equivalents at beginning of the year	24	5,729	5,717	333	229
Cash and cash equivalents at end of the year	24	3,810	3,725	5,729	5,717

Notes to the Consolidated Financial Statements

1 Accounting Policies

Statement of accounting policies

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

Basis of preparation

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

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

Basis of accounting

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

Basis of consolidation

The consolidated financial statements include the College and its subsidiary, DART 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 association are included within the College. All financial statements are made up to 31 July 2018.

Going concern

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

The College currently has £24.4m of loans outstanding with bankers on terms negotiated during the financial year 2016/17. The terms of the new agreement are for up to 5 years. The College's forecasts and financial projections indicate that it will require additional debt support during the delivery of the capital projects. This facility has been agreed with the bank and authorised by the governing body.

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.

Notes to the Consolidated Financial Statements (continued)

1 Accounting Policies (continued)

Recognition of income

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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

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

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

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

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

Accounting for post-employment benefits

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

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 29, the TPS is a multi employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is, therefore, treated as a defined contribution scheme and the contributions recognised as they are paid in the year.

The 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 other recognised gains and losses.

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

Notes to the Consolidated Financial Statements (continued)

1 Accounting Policies (continued)

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

Non-current Assets - Tangible fixed assets

Tangible fixed assets are stated at cost / deemed cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Land and buildings

The College's buildings are specialised buildings and therefore it is not appropriate to value them on the basis of open market value.

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated insurance valuation, and inherited land at market value without milk quota. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account reserve on an annual basis. Land and buildings acquired since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of between 20 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 20 and 50 years.

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

Finance costs, which are directly attributable to the construction of land and buildings, are not capitalised as part of the cost of those assets.

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.

Notes to the Consolidated Financial Statements (continued)

1 Accounting Policies (continued)

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1996, 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 project manager completion 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 it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- Market value of the fixed asset has subsequently improved
- Asset capacity increases
- Substantial improvement in the quality of output or reduction in operating costs
- Significant extension of the asset's life beyond that conferred by repairs and maintenance

Equipment

Equipment costing less than £2,000 per individual item is written off to the income and expenditure account in the period of acquisition, except where an asset that forms part of a project is under £2,000 it is capitalised as an asset. All other equipment is capitalised at cost.

Inherited equipment has been depreciated on a straight-line basis over its remaining useful economic life to the College of between three and ten years from incorporation and is now fully depreciated. All other assets are depreciated over their useful economic life as follows:

• Motor vehicles	5 years on a straight-line basis
• Computer equipment	3 years on a straight-line basis
• Plant and Equipment	10 years on a straight-line basis

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

Leased assets

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright and are capitalised at their fair value at the inception of the lease and depreciated over the shorter of the lease term or the useful economic lives of equivalently owned assets. The capital element outstanding is shown as obligations under finance leases.

The finance charges are allocated over the period of the lease in proportion to the capital element outstanding. Where finance lease payments are funded in full from funding council capital equipment grants, the associated assets are designated as grant-funded assets.

Intangible fixed assets and amortisation

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the income and expenditure account over its estimated economic life.

Amortisation is provided at the following rates:

Goodwill - 5 years straight line

Notes to the Consolidated Financial Statements (continued)

1 Accounting Policies (continued)

Inventories

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

Investments

Investments are recognised at cost less any provisions for impairment.

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.

Foreign currency transactions

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction.

Taxation

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

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

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.

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

Agency arrangements

The College acts as an agent in the collection and payment of discretionary support funds. 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 risk or enjoys minimal economic benefit related to the transaction.

Notes to the Consolidated Financial Statements (continued)

1 Accounting Policies (continued)

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, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- Tangible fixed assets

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

- Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 29, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Notes to the Accounts (continued)

2 Funding council grants

	Year ended 31 July 2018 Group £'000	Year ended 31 July 2018 College £'000	Year ended 31 July 2017 Group £'000	Year ended 31 July 2017 College £'000
Recurrent grants				
Education and Skills Funding Agency - adult	1,038	1,038	1,687	1,493
Education and Skills Funding Agency – 16 -18	12,267	12,267	12,623	12,391
Education and Skills Funding Agency - apprenticeships	2,603	1,587	2,176	1,044
Higher Education Funding Council	303	303	402	402
Specific Grants				
Skills Funding Agency	223	223	21	21
Releases of government capital grants	568	568	587	587
Total	**17,002**	**15,986**	**17,496**	**15,938**

3 Tuition fees and education contracts

	Year ended 31 July 2018 Group £'000	Year ended 31 July 2018 College £'000	Year ended 31 July 2017 Group £'000	Year ended 31 July 2017 College £'000
Adult education fees	1,728	1,523	1,410	1,349
Apprenticeship fees and contracts	125	25	257	154
Fees for FE loan supported courses	669	669	435	423
Fees for HE loan supported courses	1,884	1,884	1,390	1,390
Total tuition fees	**4,406**	**4,101**	**3,492**	**3,316**
Education contracts	1,075	768	810	763
Higher Education contract income	3,909	3,909	3,193	3,193
Total	**9,390**	**8,778**	**7,495**	**7,272**

4 Other grants and contracts

	Year ended 31 July 2018 Group £'000	Year ended 31 July 2018 College £'000	Year ended 31 July 2017 Group £'000	Year ended 31 July 2017 College £'000
European Commission	107	107	48	48
Other grants and contracts	-	-	-	-
Total	**107**	**107**	**48**	**48**

Notes to the Accounts (continued)

5 Other income

	Year ended 31 July 2018 Group £'000	Year ended 31 July 2018 College £'000	Year ended 31 July 2017 Group £'000	Year ended 31 July 2017 College £'000
Catering and residences	4,030	4,030	3,885	3,885
Other income generating activities	145	145	143	143
Farming income	1,319	1,319	1,119	1,119
Other grant income	224	224	260	260
Non government capital grants	-	-	-	-
Miscellaneous income	1,047	1,044	1,408	1,406
Total	**6,765**	**6,762**	**6,815**	**6,813**

6 Investment income

	Year ended 31 July 2018 Group £'000	Year ended 31 July 2018 College £'000	Year ended 31 July 2017 Group £'000	Year ended 31 July 2017 College £'000
Other interest receivable	11	11	1	1
Pension finance income (note 29)	-	-	-	-
	11	**11**	**1**	**1**

7 Donations - College only

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Gift Aid covenant - subsidiary	49	-
Total	**49**	-

Notes to the Accounts (continued)

8 Staff costs - Group and College

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

	2018 Group No.	2018 College No.	2017 Group No.	2017 College No.
Teaching staff	216	195	213	194
Non teaching staff	310	294	294	280
	526	**489**	**507**	**474**

Staff costs for the above persons

	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Wages and salaries	15,284	14,539	14,086	13,367
Social security costs	1,202	1,136	1,132	1,075
Other pension costs	2,227	2,220	2,044	2,016
Payroll sub total	**18,713**	**17,895**	**17,262**	**16,458**
Contracted out staffing services	244	244	247	246
Total Staff costs	**18,957**	**18,139**	**17,509**	**16,704**

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 College Leadership Team which comprises the Principal, Vice Principal and the Chief Finance Officer & Director of resource.

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

	2018 No.	2017 No.
The number of key management personnel including the Accounting Officer was:	3	3

Notes to the Accounts (continued)

8 Staff costs - Group and College (Continued)

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

	Key management 2018 No.	Key management 2017 No.	Other staff 2018 No.	Other staff 2017 No.
£ 60,001 to £ 70,000	-	-	2	1
£ 70,001 to £ 80,000	-	-	-	1
£ 80,001 to £ 90,000	1	1	-	-
£ 90,001 to £ 100,000	1	1	-	-
£ 150,001 to £ 160,000	-	-	-	-
£ 170,001 to £ 180,000	1	1	-	-
	3	3	2	2

Key management personnel emoluments are made up as follows:

	2018 £'000	2017 £'000
Salaries	358	346
Employers National Insurance	46	44
Benefits in kind	3	3
	407	**393**
Pension contributions	34	31
Total emoluments	**441**	**424**

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

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

	2018 £'000	2017 £'000
Salaries	172	170
Benefits in kind	2	2
	174	172
Pension contributions	-	-

Compensation for loss of office paid to former key management personnel

	2018 £	2017 £
Compensation paid to the former post-holder - contractual	-	-
Estimated value of other benefits, including provisions for	-	-

The severance payment was approved by the College's remuneration committee.

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

Notes to the Accounts (continued)

9 Fundamental Restructuring Costs

	Year ended 31 July 2018 Group £'000	Year ended 31 July 2018 College £'000	Year ended 31 July 2017 Group £'000	Year ended 31 July 2017 College £'000
Contractual - Staff Costs	20	20	90	90
North Shropshire Merger Costs	-	-	180	180
Total	**20**	**20**	**270**	**270**

On August 25th 2017 the College ended the federation with North Shropshire College as the correct conditions did not exist to move forwards to a full merger.

10 Other operating expenses

	Year ended 31 July 2018 Group £'000	Year ended 31 July 2018 College £'000	Year ended 31 July 2017 Group £'000	Year ended 31 July 2017 College £'000
Teaching costs	1,941	1,771	1,682	1,557
Non teaching costs	6,819	6,267	6,828	6,040
Premises costs	2,836	2,796	2,760	2,722
Total	**11,596**	**10,834**	**11,270**	**10,319**

Other operating expenses include:	2018 Group £'000	2018 College £'000	2017 Group £'000	2017 College £'000
Auditors' remuneration:				
Financial statements audit*	26	20	23	23
Internal audit**	19	19	18	18
Other services provided by the financial statements auditors	1	1	11	11
Other services provided by the internal auditors	2	-	-	-
Losses on disposal of non current assets (where not material)	-	-	-	-
Hire of assets under operating leases	140	99	426	426

* includes £20,000 in respect of the College (2016/17 £23,000)
** includes £19,000 in respect of the College (2016/17 £18,000)

11 Interest payable - Group and College

	2018 Group £'000	2018 College £'000	2017 Group £'000	2017 College £'000
On bank loans, overdrafts and other loans:	534	534	483	487
	534	534	483	487
On finance leases	2	2	7	2
Pension finance costs (note 29)	202	202	179	179
Loan Breakage Costs	-	-	1,732	1,732
Loan Arrangement Fees	-	-	83	83
Total	**738**	**738**	**2,483**	**2,482**

Notes to the Accounts (continued)

12 Taxation - Group only

	2018 £'000	2017 £'000
United Kingdom corporation tax	-	-
Provision for deferred corporation tax in the accounts of the subsidiary company	-	-
Total	-	-

13 Tangible fixed assets (Group)

	Land and buildings		Equipment	Assets in the Course of Construction	Total
	Freehold	Long leasehold			
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2017	64,576	-	11,890	4,899	81,365
Additions	-	-	2,069	15,878	17,947
Transfers	-	-	-	-	-
Disposals	-	-	(61)	-	(61)
At 31 July 2018	**64,576**	-	**13,898**	**20,777**	**99,251**
Depreciation					
At 1 August 2017	13,155	-	8,149	-	21,304
Charge for the year	1,478	-	1,041	-	2,518
Elimination in respect of disposals	-	-	(61)	-	(61)
At 31 July 2018	**14,632**	-	**9,129**	-	**23,761**
Net book value at 31 July 2018	**49,944**	-	**4,769**	**20,777**	**75,490**
Net book value at 31 July 2017	51,421	-	3,741	4,899	60,061

Notes to the Accounts (continued)

13 Tangible fixed assets (College only)

	Land and buildings Freehold	Long leasehold	Equipment	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2017	64,576	-	11,777	4,899	81,252
Additions	-	-	2,069	15,878	17,947
Transfers	-	-	-	-	-
Disposals	-	-	(61)	-	(61)
At 31 July 2018	**64,576**	-	**13,785**	**20,777**	**99,138**
Depreciation					
At 1 August 2017	13,155	-	8,075	-	21,230
Charge for the year	1,478	-	1,025	-	2,503
Elimination in respect of disposals	0	-	(61)	-	(61)
At 31 July 2018	**14,632**	-	**9,039**	-	**23,672**
Net book value at 31 July 2018	**49,944**	-	**4,746**	**20,777**	**75,466**
Net book value at 31 July 2017	51,421	-	3,702	4,899	60,022

Land and buildings valuations were established with the assistance of independent professional advice, on incorporation.

The net book value of equipment includes an amount of £9,730 (2016-17 – £24,359) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £14,629 (2016-17 – £15,761).

14 Intangible fixed assets

	Group
	£'000
Cost or Valuation	
At 1 August 2017	624
Additions	-
At 31 July 2018	**624**
Amortisation	
At 1 August 2017	447
Charge for year	125
At 31 July 2018	**572**
Net book value at 31st July 2018	**52**
Net book value at 31st July 2017	**177**

Notes to the Accounts (continued)

13 Tangible fixed assets (College only)

	Land and buildings		Equipment	Assets in the Course of Construction	Total
	Freehold	Long leasehold			
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2017	64,576	-	11,777	4,899	81,252
Additions	-	-	2,069	15,878	17,947
Transfers	-	-	-	-	-
Disposals	-	-	(61)	-	(61)
At 31 July 2018	**64,576**	-	**13,785**	**20,777**	**99,138**
Depreciation					
At 1 August 2017	13,155	-	8,075	-	21,230
Charge for the year	1,478	-	1,025	-	2,503
Elimination in respect of disposals	0	-	(61)	-	(61)
At 31 July 2018	**14,632**	-	**9,039**	-	**23,672**
Net book value at 31 July 2018	**49,944**	-	**4,746**	**20,777**	**75,466**
Net book value at 31 July 2017	51,421	-	3,702	4,899	60,022

Land and buildings valuations were established with the assistance of independent professional advice, on incorporation.

The net book value of equipment includes an amount of £9,730 (2016-17 – £24,359) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £14,629 (2016-17 – £15,761).

14 Intangible fixed assets

	Group
	£'000
Cost or Valuation	
At 1 August 2017	624
Additions	-
At 31 July 2018	**624**
Amortisation	
At 1 August 2017	447
Charge for year	125
At 31 July 2018	**572**
Net book value at 31st July 2018	**52**
Net book value at 31st July 2017	**177**

Notes to the Accounts (continued)

15 Stocks

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Livestock	734	734	819	842
Other	136	136	241	218
Total	870	870	1,060	1,060

Inventories with the exception of Farm stocks are stated at the lower of their cost and net realisable value.

Farm stock including Livestock has been valued at Market Value by a third party inspection on 27th July 2017, in accordance with the practise statement of the RICS Appraisal and Valuation Manual

16 Non current investments

	College 2018 £'000	College 2017 £'000
Investments in subsidiary companies	1,497	1,497
Total	1,497	1,497

On 19 December 2013 the College acquired 100 per cent of the issued ordinary £1 shares of DART Limited, a company incorporated in England and Wales. The principal business activity of DART Limited is carrying out training of employees on behalf of employers.

17 Debtors: amounts falling due within one year

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Amounts falling due within one year:				
Trade receivables	414	388	1,107	1,094
Other receivables - Kingsley Fields	4,121	4,121	2,060	2,060
Net VAT liability receivable	-	69	-	-
Prepayments and accrued income	1,545	1,540	3,851	3,847
Amounts owed by the Skills Funding Agency	64	-	197	139
Total	6,144	6,118	7,215	7,140

18 Debtors: amounts falling due after one year

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Other receivables - Kingsley Fields	5,494	5,494	9,615	9,615
	5,494	5,494	9,615	9,615

Notes to the Accounts (continued)

19 Current investments

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Investment in UK Arla Farmers Cooperative Limited	79	79	79	79
Total	**79**	**79**	**79**	**79**

Investment in The UK Arla Farmers Cooperative Limited – the UK corporate member of Arla created by the merger of AMCo and AML on 1st January 2016.

20 Creditors: amounts falling due within one year

	Group 2018 £'000	College 2018 £'000	Restated Group 2017 £'000	Restated College 2017 £'000
Bank loans and overdrafts	825	825	825	825
Loan (ARLA investment)	-	-	42	42
Obligations under finance leases	6	2	12	8
Trade payables	2,180	2,162	607	561
Other creditors	450	439	620	604
Amounts owed to group undertakings:	-	-	-	-
Subsidiary undertakings	-	720	-	785
Corporation tax	-	-	-	-
Net VAT Creditor	20	-	2,721	2,631
Other taxation and social security	309	296	286	269
Accruals and deferred income	1,450	1,354	2,110	2,029
Deferred income - government capital grants	983	983	847	847
Deferred income - government revenue grants	-	-	-	-
Amounts owed to the Skills Funding Agency	201	201	121	172
Other creditors - Kingsley Fields	412	412	206	206
Total	**6,836**	**7,394**	**8,397**	**8,979**

21 Creditors: amounts falling due after one year

	Group 2018 £'000	College 2018 £'000	Restated Group 2017 £'000	Restated College 2017 £'000
Bank loans	23,575	23,575	15,469	15,469
Obligations under finance leases	1	-	4	-
Deferred income - government capital grants	29,010	29,010	27,960	27,960
Other creditors - Kingsley Fields	549	549	961	961
Total	**53,135**	**53,134**	**44,394**	**44,390**

Notes to the Accounts (continued)

22 Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
In one year or less	825	825	825	825
Between one and two years	825	825	825	825
Between two and five years	2,475	2,475	2,475	2,475
In five years or more	20,275	20,275	12,169	12,169
Total	**24,400**	**24,400**	**16,294**	**16,294**

Medium Term Loan Facility at LIBOR plus 1.85% repayable in instalments to March 2037.

(b) Finance leases

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

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
In one year or less	6	2	12	8
Between two and five years	1	-	4	-
In five years or more	-	-	-	-
Total	**7**	**2**	**16**	**8**

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

Notes to the Accounts (continued)

23 Provisions

	Group and College			
	Defined benefit Obligations	Enhanced pensions	Other	Total
	£'000	£'000	£'000	£'000
At 1 August 2017	6,405	325	-	6,730
Expenditure in the period	(1,418)	(19)	-	(1,437)
Transferred from income and expenditure account	(766)	(7)	-	(773)
At 31 July 2018	**4,221**	**299**	-	**4,520**

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 29.

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:

	2018	2017
Price inflation	1.30%	1.30%
Discount rate	2.30%	2.30%

24 Cash and cash equivalents

	At 1 August 2017	Cash flows	Other changes	At 31 July 2018
	£'000	£'000	£'000	£'000
Cash and cash equivalents	5,729	(1,919)	-	3,810
Overdrafts	-	-	-	-
Total	**5,729**	**(1,919)**	-	**3,810**

25 Capital commitments

	Group and College	
	2018	2017
	£'000	£'000
Commitments contracted for at 31 July	4,922	7,848
Authorised, but not contracted for at 31 July	-	16,552

The capital commitments relate to the College campus redevelopment.

Notes to the Accounts (continued)

26 Lease Obligations

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

	Group	
	2018	2017
	£'000	£'000
Future minimum lease payments due		
Other		
Not later than one year	126	24
Later than one year and not later than five years	146	263
later than five years	-	-
	272	287

27 Contingent liabilities

There are no known contingent liabilities provided for at the year end.

28 Events after the reporting period

There are no known events after the reporting period

Notes to the Accounts (continued)

29 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 Cheshire Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Cheshire West and Cheshire Council. Both are multi-employer defined-benefit plans.

Total pension cost for the year		**2018 £'000**		**2017 £'000**
Teachers Pension Scheme: contributions paid		823		778
Local Government Pension Scheme:				
Contributions paid	1,397		1,238	
FRS 102 (28) charge	1,304		766	
Charge to the Statement of Comprehensive Income		2,701		2,004
Enhanced pension charge to Statement of Comprehensive Income		(19)		(14)
Total Pension Cost for Year		**3,505**		**2,768**

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

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

On 26 October, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The judgement concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits, ('GMP'). The Government will need to consider this outcome in conjunction with the Government's recent consultation on GMP indexation in public sector schemes before concluding on any changes required to LGPS schemes.

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.

Notes to the Accounts (continued)

29 Defined benefit obligations (continued)

The Teachers' Pension Budgeting and Valuation Account

Although teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay-as-you-go' basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act. 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 pensions' increases). From 1 April 2001, the Account has been credited with a real rate of return which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Valuation of the Teachers' Pension Scheme

The latest actuarial review of the TPS was carried out as at 31 March 2012 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014.

The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation are:

- employer contribution rates were set at 16.48% of pensionable pay;
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay;
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

The new employer contribution rate for the TPS was implemented in September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

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 £823,000 (2017: £778,000).

Notes to the Accounts (continued)

29 Defined benefit obligations (continued)

FRS 102 (28)

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

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

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Cheshire West and Chester Local Authority . The total contribution made for the year ended 31 July 2018 was £1,850,000, of which employer's contributions totalled £1,418,000 and employees' contributions totalled £432,000. The agreed contribution rates for future years are 19.85% (with a further 1.5% paid to separate Ill Health Insurance) for employers and range from 5.5% to 9.9% cent for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2013 updated to 31 July 2018 by a qualified independent actuary

	At 31 July 2018	At 31 July 2017
Rate of increase in salaries	2.70%	2.80%
Future pensions increases	2.40%	2.50%
Discount rate for scheme liabilities	2.80%	2.70%
Inflation assumption (CPI)	2.40%	2.50%
Commutation of pensions to lump sums	75.00%	75.00%

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

	At 31 July 2018	At 31 July 2017
	years	years
Retiring today		
Males	22.30	22.30
Females	24.50	24.50
Retiring in 20 years		
Males	23.90	23.90
Females	26.50	26.50

Notes to the Accounts (continued)

29 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

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

	2018 £'000	2017 £'000
Fair value of plan assets	32,495	28,495
Present value of plan liabilities	(36,716)	(34,900)
Net pensions (liability)/asset (Note 23)	**(4,221)**	**(6,405)**

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

	2018 £'000	2017 £'000
Amounts included in staff costs		
Current service cost	2,722	2,014
Past service cost	-	20
Total	**2,722**	**2,034**
Amounts included in interest payable		
Net interest cost	(190)	(179)
	(190)	**(179)**
Amounts recognised in Other Comprehensive Income		
Return on pension plan assets	1,856	1,714
Experience gains arising on defined benefit obligations	-	1,008
Changes in assumptions underlying the present value of plan liabilities	1,822	(1,634)
Amount recognised in Other Comprehensive Income	**3,678**	**1,088**

Notes to the Accounts (continued)

29 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

Movement in net defined benefit liability during the year

	2018 £'000	2017 £'000
Deficit in scheme at 1 August	(6,405)	(6,560)
Movement in year:		
Current service cost	(2,722)	(2,014)
Employer contributions	1,418	1,268
Past service cost	-	(20)
Net interest on the defined liability	(190)	(167)
Effect of business combinations and disposals	-	-
Actuarial gain or loss	3,678	1,088
Net defined benefit liability at 31 July	**(4,221)**	**(6,405)**

Asset and Liability Reconciliation

Changes in the present value of defined benefit obligations

	2018 £'000	2017 £'000
Defined benefit obligations at start of period	34,900	31,557
Current Service cost	2,722	2,014
Interest cost	977	780
Contributions by Scheme participants	432	402
Experience gains and losses on defined benefit obligations		(1,008)
Changes in financial assumptions	(1,822)	1,634
Estimated benefits paid	(493)	(499)
Past Service cost	-	20
Curtailments and settlements	-	-
Defined benefit obligations at end of period	**36,716**	**34,900**

Reconciliation of Assets

	2018 £'000	2017 £'000
Fair value of plan assets at start of period	28,495	24,997
Interest on plan assets	787	613
Return on plan assets	1,856	1,714
Employer contributions	1,418	1,268
Contributions by Scheme participants	432	402
Estimated benefits paid	(493)	(499)
Assets at end of period	**32,495**	**28,495**

Notes to the Accounts (continued)

30 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 £3,314; 8 governors (2017: £506; 4 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2017: None).

31 Amounts disbursed as agent

Learner support funds

	2018 £'000	2017 £'000
Balance unspent as at 1 August, included in creditors	181	110
Funding body grants – bursary support	130	125
Funding body grants – discretionary learner support	176	181
Funding body grants – residential bursaries	259	239
Other Funding body grants	-	-
Interest earned		
	746	655
Disbursed to students	(505)	(453)
Administration costs	(19)	(21)
Returned to funding bodies	-	-
Amount in financial statements	-	-
Balance unspent as at 31 July, included in creditors	222	181

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

Notes to the Accounts (continued)

32. Prior year adjustment

At 31st July 2017 profit on disposal of assets in relation to the sale of land for the Kingsley Fields development was overstated by £1.1m. This was due to a creditor balance for the reamining fees payable not being accounted for at the same time that the long term debtor for sales receipts was created. As such the disclosure has been taken through the Statement of Comprehensive Income and Expenditure, the Balance Sheet and Statement of Cash Flow and the opening positions have been restated.

The effect on prior years is as follows:

Restated Statement of Comprehensive income and expenditure as at 31st July 2017

	2017 Group £'000	2017 College £'000
Original Surplus as at 1st August 2017	10,741	10,866
Adjustment for opening position for costs in relation to sale of assets	(1,167)	(1,167)
Restated Surplus for the year ended 31st July 2017	**9,574**	**9,699**

Restated reserves as at 31st July 2017

	2017 Group £'000	2017 College £'000
Balance on reserves as previously stated	25,582	26,198
Liability payable on receipt of Sale of Asset Income	(1,167)	(1,167)
Restated reserves for year ended 31st July 2017	**24,415**	**25,031**