

# **NORTH WARWICKSHIRE AND SOUTH LEICESTERSHIRE COLLEGE**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS**

**YEAR ENDING 31<sup>ST</sup> JULY 2019**

<b>Contents</b>	<b>Page</b>
<b>Reference and administrative details</b>	<b>3</b>
<b>Strategic Report</b>	<b>4-12</b>
<b>Statement of Corporate Governance and Internal Control</b>	<b>13-20</b>
<b>Statement of Regularity, Propriety and Compliance</b>	<b>21</b>
<b>Statement of the Responsibilities of the Members of the Corporation</b>	<b>22</b>
<b>Independent Auditor's Report on the Financial Statements</b>	<b>23-24</b>
<b>Independent Reporting Accountant's Report on Regularity</b>	<b>25-26</b>
<b>Consolidated Statement of Comprehensive Income and Expenditure</b>	<b>27</b>
<b>Consolidated and College Statement of Changes in Reserves</b>	<b>28</b>
<b>Balance Sheets</b>	<b>29</b>
<b>Consolidated Statement Cash Flows</b>	<b>30</b>
<b>Notes to the Financial Statements</b>	<b>31-56</b>

## **Reference and Administrative Details**

Key management personnel are defined as members of the College Executive Team and were represented by the following in 2018/19

Marion Plant – Principal and CEO  
Paul Fletton – Deputy Principal  
David Poole – Executive Director Finance and Risk  
Raj Joshi – Executive Director Corporate Services

## **Board of Governors**

A full list of Governors is given on pages 13-14 of these financial statements. Mrs R Marshall acted as Clerk to the Corporation throughout the period.

## **Professional Advisers**

### **Financial statement auditor and reporting accountant**

Grant Thornton UK LLP. The Colmore Building, 20 Colmore Circus, Birmingham B4 6AT

### **Internal auditors**

RSM UK LLP. The Pinnacle, 170 Midsummer Blvd, Milton Keynes MK9 1BP

### **Bankers**

Lloyds TSB Bank Plc. 17-23 Coventry Street, Nuneaton, Warwickshire, CV11 5TD

and

National Westminster Bank/RBS. Leicester Hinckley Road, 7 Hinckley Road, Leicester LE3 0TQ

## **Strategic report**

### **Nature, Objectives and Strategies**

The members present their report and the audited financial statements for the year ended 31<sup>st</sup> July 2019.

### **Legal status**

Following the merger on 1<sup>st</sup> August 2016 between North Warwickshire and Hinckley College and South Leicestershire College The Corporation was established for the purpose of conducting North Warwickshire and South Leicestershire College. The Secretary of State for Business, Innovation and Skills approved the merger effective from 1<sup>st</sup> August 2016.

The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

### **Mission**

The College has developed a strategic plan covering 2017 to 2020. The mission statement of the College in this Plan is "To achieve success through learning".

### **Vision**

The College vision is that "We will be recognised as a high quality learning institution for our students and a great learning partner for individuals and businesses, helping to drive up productivity and growth within the East and West Midlands".

### **Aims**

To deliver the mission and vision within the three year strategic plan covering 2017 to 2020 the College makes commitments in the following key areas:

- Learning, Teaching and Assessment.
- Enterprise and Growth.
- Finance.

The enablers that support these commitments are within the following areas:

- People
- Estates
- Sales and Marketing
- Digital

The agreed values and behaviours that will be displayed underpinning delivery of the mission and aims are:

- To respect and nurture.
- To inspire and aspire.
- To be agile and responsive.
- To be honest and accountable.

The Corporation monitors the performance of the College against the strategic plan throughout the year and the plan itself is reviewed each year.



## **Public Benefit**

North Warwickshire and South Leicestershire College is an exempt charity under Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 13 to 14.

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

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

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

The College provides identifiable public benefits through the advancement of education to thousands of students across varying cohorts each year. These include students with high needs, those that are unemployed and adults taking English and maths courses. The College adjusts to meet the needs of local employers and provides training to apprentices. The College is committed to providing information, advice and guidance to its students as they enrol in order to find suitable courses for as many students as possible regardless of their educational background.

## **Financial Objectives**

The College's key financial objectives and outcomes relating to them for the year 2018-19 were:

- Achieve an operating surplus (pre FRS102 transactions) of £602,000. The actual operating position is a surplus of £525,000. The college has also incurred one off costs relating to Ambertrain of £913,000. There was also a profit on disposal in year of £400,000 relating to Spa Lane. These elements combined result in a full year surplus of £12,000. The FRS102 transaction charges totalled (£1,831,000) which when added to the operating surplus of £12,000 reconcile back to the loss of (£1,819,000) shown in the Statement of Comprehensive Income and Expenditure.
- To comply with its bank covenants. There are three bank covenants relating to gearing, leverage and cashflow cover. The gearing covenant was met. The other two were breached.
- To achieve 'requires improvement' financial health. The College's grading based on ESFA formulae is "inadequate". The College has appealed to moderate this to "requires improvement" based on the impact of Ambertrain. The result of this appeal will not be known until early 2020.

## **FINANCIAL POSITION**

The College group generated an operating deficit after taking into account FRS102 transactions and staff restructuring costs of £1,819,000 (2017-18: deficit of £2,921,000), with total comprehensive income of

(£8,057,000), (2017-18: (£2,700,000)). FRS102 transactions are noncash adjustments posted to the accounts. The entries are based on an independent actuarial review.

The College's overall reported trading position is a loss of £1,819,000. However the following exceptional items should be noted;

- FRS 102 adjustment – £1,831k charge.
- Ambertrain - £913k charge
- Spa Lane disposal - £400k profit

Taking these exceptional items into account the College's underlying trading position was a profit of £12,000.

During the year the College purchased £3,602,000 of tangible fixed assets (£5,772,000 in 2017-18). This included assets under construction in relation to the MIRA Technology Institute project which is a bespoke high level Engineering facility being built in collaboration with three Universities and HORIBA MIRA.

It also incurred £10,000 of one-off costs associated with the restructure of staff which was undertaken in the year (£81,000 in 2017-18).

As at 31<sup>st</sup> July 2019, the College held a general reserve of (£11,079,000) which includes a pension reserve of (£21,296,000). The College had cash reserves of £1,058,000 (2017-18: £1,876,000).

At the end of 2018-19, the College, based on ESFA formulae is in "inadequate" financial health. It has appealed to moderate this grading to "requires improvement".

The College generated a net operating cash outflow in 2018-19 of £818,000 (2017-18: (£1,632,000)). The College held cash totalling £1,058,000 at the year end.

The College has three wholly owned subsidiary companies, NWHC Services Ltd, South Leicestershire College Enterprises Ltd and The Learning Chain Ltd.

NWHC Services was incorporated on 26th July 2013. The company was set up principally to facilitate the billing from North Warwickshire and Hinckley College to South Leicestershire College pre-merger and as such has not traded in 2018-19 although nominal amounts of interest have been received.

South Leicestershire College Enterprises Ltd was set up to supply heating and photocopying services to South Leicestershire College. It has not traded in 2018-19 although nominal amounts of interest have been received. The Learning Chain Ltd is a dormant company.

The College, being an exempt charity, is not liable to corporation tax. The trading activities of the subsidiary companies are subject to corporation tax.

### **Sources of income**

The College has significant reliance on education sector funding bodies for its principal funding source, largely from recurrent grants. In 2018/19 the ESFA funding bodies provided 77% of the College's income.

### **Treasury Policy and Objectives**

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



The College has a separate treasury management policy in place.

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

### **Reserves Policy**

The College has a formal Reserves Policy which recognises the importance of reserves in the financial stability of any organisation, and ensures that there are adequate reserves to support the College's core activities. As at the balance sheet date the Income and Expenditure reserve stands at (£11,079k) although (£21,296k) of this relates to the pension reserve.

### **Future Developments**

The college continues to monitor itself against its forward looking three year plan developed and refreshed each year in line with ESFA guidelines.

The College's bankers Lloyds and Natwest/RBS remain supportive.

The College is working in collaboration with three Universities, HORIBA MIRA and the local LEP (Local Education Partnership) to build a bespoke high level engineering facility in order to better meet the needs of this important part of the regional economy. The facility was opened in the academic year 2018-19.

The college will continue to work with the Midland Academies Trust in improving educational delivery, reducing support costs and increasing the number of partners who can benefit from this arrangement. The Trust is the overarching legal entity which currently houses three Academies in Nuneaton and one in Earl Shilton.

### **Going Concern**

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

The College currently has £11.0m of loans outstanding with a combination of Lloyds (3 loans), Natwest/RBS and the Department for Education. All loans were re-negotiated upon the merger effective from 1st August 2016. Two of the loans with Lloyds were re-negotiated with a payment profile of 20 years. Those loans that had a review date of 31st July 2018 have now been re-negotiated to have a review date of 31st July 2021.

The loans with the Department for Education were agreed in 2015-16 and 2016-17 and will all be repaid by July 2020. Paid in year was £1,533k.

The College has met all repayment deadlines for all loans as they fell due and its cash flow projections confirm that this will continue to be the case.

The College generates a three year plan each year. The latest one extends out to 2021-2022. The forecasts and financial projections within this plan indicate that it will be able to operate within its existing facility for the foreseeable future.

Within the plan a surplus before pension adjustments for FRS102 is forecast to be generated each year. Throughout the plan the College remains in a positive cash balance position and has positive reserves.

Accordingly the Corporation 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.

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

### **Student Achievements**

In September 2019 the College received a full visit from Ofsted under the new Education Inspection Framework. The outcome of the inspection was an "Overall Effectiveness" grade of "Good" with all areas being assessed as "Good", apart from "Behaviours & Attitudes" which was assessed as "Outstanding".

Student success is paramount to the College. This is measured by achievement rates which cover all qualifications offered by the College, including those for learners studying English and Mathematics.

In 2018-19 the overall achievement rate for students aged 16-18 on Education & Training courses was 81% (2017-18: 81%) which is just below the national average of 83%. Most vocational courses saw an increase in achievement and the overall decline is a direct result of the decision to run the GCSE Maths and English courses over two years. However, high grade GCSE results in 2018-19 improved as a consequence, which was the intention of the change. For students aged 19+ the achievement rate increased to 90% (2017-18: 89%) which remains ahead of the national average. This level of performance includes improvements seen in most types of qualification.

Within these headline figures, the results for students studying English & maths remained consistently high with achievement rates for 16-18 year olds studying functional skills continuing to be significantly in excess of the national average. For Apprenticeships, the achievement rates reduced to 69% (2017-18: 73%) compared to a national average of 67%. This was due to a particular cohort of apprentices aged 24+.

The figures quoted above are subject to final confirmation, which will follow the release of the QAR data in January 2020.

The College's bespoke "Gradebook" system helped drive up student progress to national average and increase the number of students working at their target grades from 69% to 73%. Unlike other systems, this covers the full range of classroom based student activity.

### **Curriculum Developments**

The College has an excellent reputation for implementing innovative and relevant curriculum developments, both in subject areas and in modes of delivery. The College continues to offer a wide range of programmes in all subject sector categories and in a broad range of levels, from pre-entry to level 6 (graduate). Recruitment in all cohorts saw increases in 2018-19 compared to 2017-18. This contributed significantly to the transformation of the financial performance of the College.

The launch of the Office for Students (OfS) in Higher Education and the continued roll out of the new funding arrangements for apprentices continued to present challenges in the year. The OfS have introduced a range of fees and the College experienced a cap to its apprenticeship offer for non-levy employers for the first time. Where possible existing apprenticeship "frameworks" have been transferred to the new apprenticeship "standards".

The College introduced a revised planning process to clarify further its curriculum intent and sharpen its focus on progressing students into employment. This resulted in the following initiatives:-



- Introducing the role of Director of Employability to drive work experience and secure more substantial industry placements in preparation for the new "T Levels".
- Run a series of "Quality Monitoring Reviews" to drive improvements in student achievement
- Implement a significantly enhanced staff development strategy to upskill delivery staff and improve pedagogical practice across the College.
- Develop a leading edge digital skills offer to prepare for the launch of the West Midlands Combined Authority and the devolution of the Adult Education Budget
- Greatly increase the engagement of students in skills competitions.

Once again the College exceeded its funding allocation for 16-18 ESFA funded cohort and consequently delivered unfunded provision to the value of approximately £500k in the year. This was as a result of the introduction of a range of new options for students to enrol on to facilitate their progression to higher level study and employment.

Higher level qualifications for the 19+ age cohort continue to flourish with the bulk of this provision being HNCs, Foundation Degrees and Teacher Training qualifications. University links have continued to develop, with locally provided provision catering for full and part-time learners on courses validated through well-established universities, for example, the universities of De Montfort, Leicester, Coventry and Warwick.

### **Workforce Development and Employer Responsive**

The College strategy to meet the skills development needs of local employers continues to focus on the volume growth of both funded apprenticeships and unfunded "full cost recovery" programmes.

In partnership with HORIBA MIRA (Motor Industry Research Association), the local LEP and three universities, the College opened the MIRA Institute of Technology in September 2018 after many years of development. It was opened on time and delivered within budget. Delivery commenced from the building in October 2018.

### **Payment Performance**

The Late Payment of Commercial Debts (Interest) Act 1998, in the absence of agreement to the contrary, requires organisations to make payment to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. During the accounting period 1 August 2018 to 31 July 2019, the College paid 42 per cent of its invoices within 30 days. Allowing for acceptable workflow delays, 76 per cent of invoices were paid within 45 days. The college strives to meet the target set out by the Treasury for the payment to suppliers within 30 days.

### **PRINCIPAL RISKS AND UNCERTAINTIES**

The College continues to develop and embed its risk management arrangements which are designed to protect the College's assets and reputation. This process is managed on behalf of the Corporation by the Audit Committee who receive reports in respect of risk management at each meeting.

The format of the Risk Management Report is in accordance with the ESFA recommended model. Significantly, it includes a risk register that is maintained at the College level which is reviewed at least termly by the Audit Committee.

The risk report identifies the key risks, the cause of the risk and its potential effect. Preventative action is detailed which has a clear target date. Should that action fail further mitigating actions are identified, also with accompanying target dates. Risks are RAG rated with the preventative and mitigating actions being described as "the route to green".



The main items captured in the report relate to solvency, forecasting, student experience, safeguarding, HR, estates, compliance and IT security. Within these broad headers individual risks are identified and allocated to a risk owner.

### **Key Performance Indicators**

The College measures itself and is measured externally by certain key performance indicators.

First and foremost student recruitment, retention and achievement is measured internally and is also scrutinised externally via Ofsted inspections

In September 2019 the College received a full visit from Ofsted under the new Education Inspection Framework. The outcome of the inspection was an "Overall Effectiveness" grade of "Good" with all areas being assessed as "Good", apart from "Behaviours & Attitudes" which was assessed as "Outstanding".

The financial health of the College is assessed via a suite of prescribed ESFA formulae. The College is required to submit a three year plan to the funding body each July which sets out its anticipated performance over the life of the plan. This model includes all the key ratios widely used in the sector to assess performance.

In terms of staffing the College carries out a staff survey each year and the below actions are taken following the staff survey:

- Report to the executive team to summarise key themes, improvements or areas of concern
- Issue results to areas for action plans to be submitted to HR
- Report results and progress to governors.

### **Equality of opportunity and the employment of disabled persons**

North Warwickshire and South Leicestershire College is committed to ensuring equality of opportunity for all who learn and work here. Through its core values it respects and values positively differences in race, gender, sexual orientation, disability, religion or belief and age. The College strives vigorously to remove conditions, which place individuals at a disadvantage. This policy is resourced, implemented and monitored on a planned basis. The College's Equality Policy, is published on the College's website.

The College considers all applications for employment from disabled persons. An applicant who is disabled and satisfies all the essential criteria of the post is guaranteed an interview. Where an existing employee becomes disabled, every effort is made to ensure that their employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion, which are, as far as possible, identical to those for other employees.

### **Disability statement**

The College seeks to achieve the objectives set down in the Equality Act 2010. This has included:

1. The College has installed lifts and ramps so that as at the end of the accounting year 99% of its facilities allowed access to people with a disability;
2. There is a list of specialist equipment, which the College can make available for use by students;
3. The admissions policy for all students is described in the College Charter. Appeals against a decision not to offer a place are dealt with under the complaints policy;

4. The College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of student support assistants 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;
5. Specialist programmes are described in programme information guides, and achievements and destinations are recorded and published in the standard College format; and
6. Counselling and welfare services are described in the College Charter.

### Trade Union facility time

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

The college had five employees that this relates to in 2018-19 with the time being spent and approximate costs shown below.

Percentage of time	Number of employees
0%	0
1-50%	5
51-99%	0
100%	0

Total cost of facility time	£17,747
Total pay bill	£16,286,079
Percentage of total bill spent on facility time	0.11%

### STAKEHOLDER RELATIONSHIPS

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

- Students;
- Staff;
- Funding Agencies and Councils (particularly ESFA, and OfS);
- Local Authorities;
- Government Departments.
- Local Enterprise Partnerships (LEP's);
- Local employers (including via local business organisations e.g. Chambers of Commerce);
- The local community;
- Local schools;
- Other FE and HE institutions;
- Trade unions and professional bodies.

The College recognises the importance of communication in nurturing these relationships. It engages in regular communication with external stakeholders on a number of relevant issues as they emerge and mature. It considers good communication with its staff to be vital. The College reviews its student communication arrangements every year and introduced a "Student Parliament" in 2009. This encourages student involvement through membership of forums, formal committees, Boards of Study and other appropriate mechanisms. Student Governors are welcomed onto the Corporation and are encouraged to be actively involved in its reviews and debates over College direction and performance.



The College has a close relationship with both the Coventry and Warwickshire and Leicester and Leicestershire LEPs. The College and the LEPs benefit from these close relationships through mutual advice and influence.

## **RESOURCES**

The College has various resources that it can deploy in pursuit of its strategic objectives. These include the following:

### **Financial**

At the balance sheet date the College had £1,898,000 of net liability including a £21,296,000 pension liability (£13,227,000 at 31<sup>st</sup> July 2018), and long term debt of £11,077,000 (2017-18; £13,065,000).

### **Property**

The College owns the freehold for its main teaching and learning facilities in Nuneaton, South Wigston and Hinckley along with the long leasehold for its premises in Harrowbrook. The college also owns the MTI centre which is an advanced engineering facility which opened in 2018-19. During 2018-19 the College continued to expend funds to ensure all of its sites remained fit for purpose.

### **People**

During the year the College employed an average of 568 people (expressed as full-time equivalents).

### **Reputation**

The College has an excellent reputation locally and nationally. Maintaining a quality brand is essential for the College's success at attracting students and for sustaining its external relationships with employers, funders, and stakeholders in general.

## **Disclosure of information to auditors**

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

**Approved by order of the members of the Corporation on 12<sup>th</sup> December 2019 and signed on its behalf by:**



**Prof R Linforth  
Chair**

## Statement of Corporate Governance and Internal Control

The Corporation has adopted the Code of Good Governance for English Colleges on the basis it comprehensively reflects the Corporation's legal structure, operations and stakeholders. The Corporation has complied with that Code during 2018/19. Although the Corporation has not adopted the UK Corporate Governance Code 2016, it has due regards to its principles and guidance.

## The Corporation

The Members who served on the Corporation during the year and up to the date of signature of this report were as follows:

Name	Appointment	Term of Office	Resignation / Tenure End	Status	Committees Served 2018/19	Attendance 2018/19
Mrs K Baxter	22.2.19	4 years to 31.7.23	-	Staff	SLQ	80%
Mr C Brewer	1.8.18	4 years to 31.7.22	-	External	Resource	90%
Dr P Cashian	1.8.18 1.8.19	1 year to 31.7.19 1 year to 31.7.20	-	External	SLQ / PSG	58%
Mrs K Chouhan	1.8.18 1.8.19	4 years to 31.7.22 1 year to 31.7.20	Resigned 31.8.19	External Co-optee	SLQ	56%
Mr D Cooper	1.8.18	4 years to 31.7.22	-	External	Resource / PSG / Estates TFG	67%
Mr M Cooke	1.8.18 1.8.19	1 year to 31.7.19 4 years to 31.7.23	-	Co-optee External	Audit	83%
Mrs P Edwards	1.8.16 1.8.19	3 years to 31.7.19 1 year to 31.7.20	Tenure end 31.7.19	External Co-optee	Resource / PSG	85%
Mr J Hutchinson	17.7.14 1.8.19	4 years to 31.7.18 (*31.7.19) 1 year to 31.7.20	-	External	Resource / PSG	100%
Sian John	22.2.19 1.8.19	1 year to 31.7.19 1 year to 31.7.20	-	Co-optee	SLQ	100%
Mrs T Lakhani	1.8.18 1.8.19	1 year to 31.7.19 1 year to 31.7.20	31.7.18	External Co-optee	Audit	80%
Prof R Linforth	1.8.17	4 years to 31.7.21	-	External	Resource / PSG / Estates TFG	93%
Mr A Majithia	1.8.18	4 years to 31.7.22	-	External	Audit / Estates TFG	80%
Mrs M Plant	3.4.04	Ex-officio Principal	-	Principal	SLQ / PSG / Resource / Estates TFG	100%
Mr C Reid	1.8.18	4 years to 31.7.22	-	External	Estates TFG	71%
Tracey Simkins	22.2.19	1 year to 31.7.20	-	External	Resource	80%



Name	Appointment	Term of Office	Resignation / Tenure End	Status	Committees Served 2018/19	Attendance 2018/19
Miss C Walton	27.11.18	1 year to 31.7.19	Tenure end 31.7.19	Student	SLQ	100%
Mrs R Marshall acts as Clerk to the Corporation						

\* Appointment extended for an additional year following appointment to the new Corporation after merger in 2015/16.

<b>Key:</b>	<b>SLQ:</b>	Students Learning & Quality Committee	<b>Resource:</b>	Resource Committee
	<b>PSG:</b>	People, Strategy & Governance Committee	<b>Estates TFG</b>	Estates Task & Finish Group

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 about the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality and curriculum issues and personnel related matters such as staffing and health and safety.

During the academic year 2018/19 the Corporation met on 5 occasions, which included a Strategy Day. The Corporation conducts its business through a number of committees. Committee terms of reference have been developed and approved by the Corporation. The following committees were established in 2018/19: Audit, People Strategy & Governance, Students, Learning & Quality and Resource. A Task and Finish Group established in 2017/18 to have oversight of estate development projects met on 2 occasions in 2019.

Full minutes of all meetings, except those deemed confidential by the Corporation, are available from the Clerk to the Corporation at:

North Warwickshire and South Leicestershire College  
Hinckley Road,  
Nuneaton.  
Warwickshire. CV11 6BH.

The Clerk to the Corporation maintains a register of financial and personal interests of the Members. The register is available for inspection at the address above and can be viewed on the College website.

All Members are able to take independent professional advice in the furtherance of their duties at the College's expense and have access to the Clerk to the Corporation, who is responsible to the Corporation for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Corporation as a whole.

Formal agendas, papers and reports are supplied to Members in a timely manner, prior to meetings. Briefings are also provided to enable a more detailed discussion on key strategic documents 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 are 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 the Principal / Accounting Officer, are separate.



### **Appointments to the Corporation**

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has established a People Strategy & Governance Committee, which is responsible for the selection and nomination of any new Members for the Corporation's consideration. The Corporation (through the People Strategy & Governance Committee) is responsible for ensuring that appropriate training is provided as required.

External Members of the Corporation are appointed for a term of office not exceeding four years, following an initial appointment for a year. The maximum period of appointment for an external member is nine years, subject to caveats set out in the Standing Orders. One staff and one student member are appointed for a period of four years and may be re-appointed at the end of their tenure in accordance with the requirements of the Instrument and Articles of Government.

### **Corporation Performance**

The Corporation carried out a self-assessment of its own performance for the year ended 31<sup>st</sup> July 2019 and graded itself as 'Good' in accordance with the Ofsted grading system. The Corporation commissions a three yearly independent, external review of governance effectiveness. The last such review took place in the autumn term of 2017 and recommendations arising from that review were implemented during 2018-2019. The next review will be commissioned in summer 2021.

### **People Strategy & Governance Committee**

Throughout the year ending 31<sup>st</sup> July 2019, the People Strategy & Governance Committee comprised seven Corporation members. The Principal was a member of the Committee for matters relating to the Committee's people strategy, search and governance functions. The Committee operated in accordance with written terms of reference approved by the Corporation. The Committee met on three occasions and was established to provide assurance to the Corporation that: strategic oversight of College staff was being taken, with a view to achieving high organisational performance; the principles of fair and appropriate remuneration for senior post holders had been applied effectively and consistently; appropriate Corporation recruitment and succession planning processes were in place, and effective, timely and appropriate advice on membership matters had been provided; that the Corporation's governance framework and approach was fit-for-purpose and effective; and strategic risks which related to the Committee's terms of reference, were being effectively managed. Key areas of responsibility included:

- Scrutinising and challenging identified strategic people priorities and supporting strategies to meet those priorities.
- Developing a Remuneration Policy to explain the approach taken to remuneration for senior post holders, for recommendation to the Corporation
- Undertaking an annual review of the salaries of senior post-holders and making salary determinations based on that review, following the commissioning of reviews as appropriate, including benchmarking within and externally to, the FE sector.
- Reviewing and determining the performance management framework to be adopted for senior post-holders.
- Keeping under review the appropriateness of, and gaps in, current membership in the light of College strategic priorities and the expertise within the Corporation, in order to inform selection processes and co-option where relevant and permissible.
- Overseeing annual Corporation self-assessment and quality improvement planning for inclusion in the whole College Self-Assessment Report.
- Considering governance effectiveness, development and improvement and where necessary, making relevant recommendations for change or amendment to the Corporation.



- Reviewing Members' declarations of interest and making a determination on any actual or potential conflicts of interest and how these may be managed.

Details of remuneration for the year ended 31<sup>st</sup> July 2019 are set out in note 7 to the financial statements.

### **Audit Committee**

The Audit Committee comprised two members of the Corporation and one co-optee. The Principal and the Corporation Chair were not members of the Committee. The Committee operated in accordance with written terms of reference approved by the Corporation.

The Audit Committee meet on five occasions during the year and was established to exercise independent scrutiny to enable it to advise the Corporation on the adequacy and effectiveness of its assurance framework and advise and support the Corporation in explaining, in its annual accounts, the measures taken to ensure it has fulfilled its statutory and regulatory responsibilities. Key areas of responsibility included:

- Assessing and providing the Corporation with an opinion on the adequacy and effectiveness of its assurance arrangements, framework of governance, risk management and control processes for the effective and efficient use of resources, solvency of the institution and safeguarding of its assets.
- Ensuring Corporation policies provide for the development and implementation of a robust and embedded risk management strategy and undertaking a regular review of strategic risks, receiving reports on the identification and management of risk, and mitigating actions taken and providing adequate information in a timely manner to the Corporation on the status of risks and controls.
- Considering, and advising the Corporation on an audit needs assessment and recommend the approval of the three year internal audit strategy and annual internal audit plan.
- Producing an annual report for the Corporation, summarising the Committee's activities relating to the financial year under review
- Providing a forum for reporting by the College's internal, reporting accountants and financial statements auditors, who have access to the Committee for independent discussion without the presence of College managers.
- Advising the Corporation on the appointment of internal, reporting accountants and financial statements auditors and their remuneration for audit and financial statement auditors and their remuneration for both audit and non-audit work, as well as reporting annually to the Corporation.
- Considering, and advising the Corporation on any internal audit and assurance provider reports, annual reports and on control issues included within internal audit and assurance provider reports and management's responses to these.

### **Resource Committee**

The Resource Committee comprised five Corporation members. The Committee operated in accordance with written terms of reference approved by the Corporation. The Committee meet on five occasions during the year and was established to provide assurance to the Corporation that: the College's financial strategy and policies were appropriate, within the context of the College's overall strategic plan; College resources were being used effectively and efficiently, the College was solvent and sustainable; College assets were being safeguarded; and strategic risks, which related to the Committee's terms of reference, were being effectively managed.

Key areas of responsibility included:

- The detailed consideration as to the best means of fulfilling the Corporation's responsibility to ensure sound management of the College's finances and resources, including proper planning, monitoring and probity, but not matters relating to the proper remit of the Audit Committee.



- Reviewing, advising on and recommending for approval to the Corporation a three year medium term business plan; an annual income and expenditure budget; a capital expenditure budget, appropriate performance indicators for monitoring performance.
- Reviewing and challenging the monthly financial performance report including; management accounts; cash flow; contract performance; capital expenditure update; balance sheet; income generation report and key performance indicators including financial health.
- Scrutinising forecasting activity and recommending any relevant action.
- Overseeing and monitoring the College's activities in respect of:
  - health and safety;
  - staffing (but not senior post holders) and human resource matters, including performance management, productivity, recruitment, training and development;
  - resource strategies (such as estates and human resources);and advising the Corporation on relevant matters relating to those areas.

### **The Students, Learning & Quality Committee**

The Students, Learning & Quality Committee comprised six Corporation members and a co-optee. The Committee operated in accordance with written terms of reference approved by the Corporation. The Committee meet on four occasions during the year and was established to provide assurance to the Corporation that: the curriculum strategy was relevant, fit for purpose and met the needs of the community the College serves and national priorities; the standards of academic delivery met relevant internal and external expectations; the necessary structures and processes, for the effective provision of a safe and high quality student experience, were in place; and strategic risks, which related to the Committee's terms of reference, were being effectively managed.

Key areas of responsibility included:

- Advising on, and recommending to the Corporation appropriately benchmarked key performance indicators on relevant areas including attendance, retention, achievement, progression, destination and value added, across the full range of the Colleges' provision and scrutinising and challenging performance against key performance indicators.
- Scrutinising, monitoring, evaluating and providing a supportive critical perspective to the development and operation of the College's curriculum strategy.
- Advising on and recommending to the Corporation the annual self-assessment report, and a robust and appropriately focused Quality Improvement Plan.
- Providing assurance to the Corporation as to the extent the College is complying with relevant legislation, regulation, policies, procedures and working practices regarding safeguarding and Prevent.
- Receiving and interrogating the annual EDI Report, for recommendation to the Corporation, monitoring and evaluating performance against EDI objectives and action plans.
- Advising the Corporation as to the extent the College is complying with its funding agreement requirement to provide appropriate careers advice and guidance and monitoring and evaluating the quality and impact of careers advice and guidance provided by students.

### **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 for which she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between North Warwickshire and South Leicestershire College and the funding bodies. She is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

#### *The purpose of the system of internal control*

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in North Warwickshire and South Leicestershire College for the year ended 31st July 2019 and up to the date of approval of the annual report and financial statements. No significant internal control weaknesses or failures have arisen during this period of time.

#### *Capacity to handle risk*

The Corporation has reviewed the key risks to which the College is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal on-going process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31st July 2019 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Corporation.

#### *The risk and control framework*

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

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

The College has an internal audit service, which operates in accordance with requirements of the 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. The College's internal auditors monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan 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.



### *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;
- observation from the College's financial statements auditors, the reporting accountant for regularity assurance, the appointed funding auditors in their management letters and other reports.

The Principal has been advised on the implications of the result of her review of the effectiveness of the system of internal control by the Audit Committee which oversees the work of the internal auditor and 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 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 2019 meeting, the Corporation carried out an assessment for the year ended 31<sup>st</sup> July 2019 by considering documentation from the Executive Team and internal audit, and taking account of events since 31<sup>st</sup> July 2018. Based on the advice of the Audit Committee and the Principal, the Corporation is of the opinion that the College has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for "the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets".

### **Going Concern**

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

The College currently has £11.0m of loans outstanding with a combination of Lloyds (3 loans), Natwest/RBS and the Department for Education. All loans were re-negotiated upon the merger effective from 1st August 2016. Two of the loans with Lloyds were re-negotiated with a payment profile of 20 years. Those loans that had a review date of 31st July 2018 have now been re-negotiated to have a review date of 31st July 2021.

The loans with the Department for Education were agreed in 2015-16 and 2016-17 and will all be repaid by July 2020. Paid in year was £1,533k.

The College has met all repayment deadlines for all loans as they fell due and its cash flow projections confirm that this will continue to be the case.

The College's generates a three year plan each year. The latest one extends out to 2021-2022. The forecasts and financial projections within this plan indicate that it will be able to operate within its existing facility for the foreseeable future.



Within the plan a surplus before pension adjustments for FRS102 is forecast to be generated each year. Throughout the plan the College remains in a positive cash balance position and has positive reserves.

Accordingly the Corporation 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.

Approved by order of the members of the Corporation on 12<sup>th</sup> December 2019 and signed on its behalf by:



Prof. R Linforth  
Chair of Corporation



Mrs M Plant  
Principal and Accounting Officer

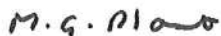
### **Statement of Regularity, Propriety and Compliance**

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

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

We further confirm 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.

Approved by order of the members of the Corporation on 12<sup>th</sup> December 2019 and signed on its behalf by:



Mrs M Plant

Principal and Accounting Officer



Prof. R Linforth

Chair of Corporation

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

The members of the Corporation, as charity trustees, 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.

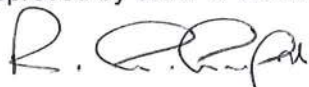
The Corporation is also required to prepare a Members' Report which describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the College.

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

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the 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 the economical, efficient and effective management of the College's resources and expenditure so that the benefits that should be derived from the application of public funds from the ESFA are not put at risk.

Approved by order of the members of the Corporation on 12<sup>th</sup> December 2019 and signed on its behalf by:



Prof. R Linforth  
Chair



## **Independent auditor's report to the Corporation of North Warwickshire and South Leicestershire College**

### **Opinion**

We have audited the financial statements of North Warwickshire and South Leicestershire College (the 'parent' College) and its subsidiaries (the 'group') for the year ended 31 July 2019, which comprise the Consolidated Statement of Comprehensive Income and Expenditure Consolidated and College Statement of Changes in Reserves, Balance Sheets, Consolidated Statement Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the parent College's affairs as at 31 July 2019 and of the Group's deficit of income over expenditure and parent College's deficit of income over expenditure for the year then ended; and
- have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice – Accounting for Further and Higher Education issued in March 2014.

### **Basis for opinion**

We have been appointed as auditor under the College's Articles of Government and report in accordance with regulations made under it. We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and 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 Corporation's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Corporation has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent College's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The Corporation is responsible for the other information. The other information comprises the information included in the annual report, set out on pages 3 to 22 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 by the parent College; or
- the parent College annual accounts are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of the Corporation for the financial statements**

As explained more fully in the Statement of Responsibilities of the Corporation set out on page 22, the College's Corporation is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporation is responsible for assessing the group's and parent College's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Corporation either intend to liquidate the group or parent College or 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Use of our report**

This report is made solely to the College's Corporation, as a body, in accordance with article 19.3 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the College's Corporation those matters we are required to state to it 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 College's Corporation as a body, for our audit work, for this report, or for the opinions we have formed.

*Grant Thornton UK LLP*

Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Birmingham

Date 19 December 2019



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

### **To the corporation of North Warwickshire and South Leicestershire College and Secretary of State for Education acting through Education and Skills Funding Agency ('ESFA')**

In accordance with the terms of our engagement letter dated 30 April 2019 and further to the requirements and conditions of funding in ESFA's grant funding agreements and contracts, or those of any other public funder, 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 North Warwickshire and South Leicestershire College during the period 1 August 2018 to 31 July 2019 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 ESFA. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record returns, for which ESFA has other assurance arrangements in place.

### **Respective responsibilities of North Warwickshire and South Leicestershire College and the reporting accountant**

The corporation of North Warwickshire and South Leicestershire College is responsible, under the requirements of the Further and Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received are 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 2018 to 31 July 2019 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 ESFA. 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 our conclusion includes:

- an assessment of the risk of material irregularity and impropriety across the college's activities;
- evaluation of the processes and controls established and maintained in respect of regularity and propriety for the use of public funds through observation of the arrangements in place and enquiries of management;
- consideration and corroboration of the evidence supporting the Accounting Officer's statement on regularity, propriety and compliance and that included in the self-assessment questionnaire (SAQ); and
- limited testing, on a sample basis, of income and expenditure for the areas identified as high risk and included on the SAQ.

### 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 2018 to 31 July 2019 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

### Use of our report

This report is made solely to the corporation of North Warwickshire and South Leicestershire College and ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of North Warwickshire and South Leicestershire College and ESFA those matters we are required to state in a limited assurance 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 North Warwickshire and South Leicestershire College, as a body, and ESFA, as a body, for our work, for this report, or for the conclusion we have formed.

*Grant Thornton UK LLP*

Grant Thornton UK LLP  
Chartered Accountants  
Birmingham

Date *19 December 2019*



**North Warwickshire and South Leicestershire College**  
**Consolidated Statements of Comprehensive Income and Expenditure**

	Notes	Year ended 31 July 2019 Group £'000	Year ended 31 July 2019 College £'000	Year ended 31 July 2018 Group £'000	Year ended 31 July 2018 College £'000
<b>INCOME</b>					
Funding body grants	2	24,844	24,844	23,236	23,236
Tuition fees and education contracts	3	2,975	2,975	3,078	3,078
Other grants and contracts	4	335	335	196	196
Other income	5	3,037	3,037	3,341	3,341
Investment income	6	10	10	10	10
<b>Total income</b>		<b>31,201</b>	<b>31,201</b>	<b>29,861</b>	<b>29,861</b>
<b>EXPENDITURE</b>					
Staff costs	7	20,342	20,342	20,109	20,109
Other operating expenses	8	10,397	10,397	10,200	10,200
Depreciation	11	1,888	1,888	1,687	1,687
Interest and other finance costs	10	793	793	844	844
<b>Total expenditure</b>		<b>33,420</b>	<b>33,420</b>	<b>32,840</b>	<b>32,840</b>
<b>(Deficit) before other gains and losses</b>		<b>(2,219)</b>	<b>(2,219)</b>	<b>(2,979)</b>	<b>(2,979)</b>
Profit on disposal of assets	11	400	400	58	58
<b>(Deficit) before tax</b>		<b>(1,819)</b>	<b>(1,819)</b>	<b>(2,921)</b>	<b>(2,921)</b>
<b>(Deficit) for the year</b>		<b>(1,819)</b>	<b>(1,819)</b>	<b>(2,921)</b>	<b>(2,921)</b>
Unrealised surplus on revaluation of assets		-	-	-	-
Actuarial loss in respect of pensions schemes	23	(6,238)	(6,238)	5,621	5,621
<b>Total Comprehensive Income for the year</b>		<b>(8,057)</b>	<b>(8,057)</b>	<b>2,700</b>	<b>2,700</b>
<b>Represented by:</b>					
Unrestricted comprehensive income		(8 057)	(8 057)	2 700	2 700
Restricted comprehensive income		(8 057)	(8 057)	-	-
		<b>(8 057)</b>	<b>(8 057)</b>	<b>2 700</b>	<b>2 700</b>

**North Warwickshire and South Leicestershire College**  
**Consolidated and College Statement of Changes in Reserves**

	Income and Expenditure account £'000	Revaluation reserve £'000	Restricted Reserves £'000	Total £'000
<b>Group</b>				
<b>Balance at 1st August 2018</b>	(6,492)	9,951	-	3,459
Surplus/(deficit) from the income and expenditure account	(2,921)	-	-	(2,921)
Other comprehensive income	5,621	-	-	5,621
Transfers between revaluation and income and expenditure reserves	301	(301)	-	-
	<u>3,001</u>	<u>(301)</u>	<u>-</u>	<u>2,700</u>
<b>Balance at 31st July 2019</b>	(3,491)	9,650	-	6,159
Surplus/(deficit) from the income and expenditure account	(1,819)	-	-	(1,819)
Other comprehensive income	(6,238)	-	-	(6,238)
Transfers between revaluation and income and expenditure reserves	517	(517)	-	-
<b>Total comprehensive income for the year</b>	<u>(7,540)</u>	<u>(517)</u>	<u>-</u>	<u>(8,057)</u>
<b>Balance at 31 July 2019</b>	<u><b>(11,031)</b></u>	<u><b>9,133</b></u>	<u><b>-</b></u>	<u><b>(1,898)</b></u>
<b>College</b>				
<b>Balance at 1st August 2018</b>	(6,540)	9,951	-	3,411
Surplus/(deficit) from the income and expenditure account	(2,921)	-	-	(2,921)
Other comprehensive income	5,621	-	-	5,621
Transfers between revaluation and income and expenditure reserves	301	(301)	-	-
	<u>3,001</u>	<u>(301)</u>	<u>-</u>	<u>2,700</u>
<b>Balance at 31st July 2019</b>	(3,539)	9,650	-	6,111
Surplus/(deficit) from the income and expenditure account	(1,819)	-	-	(1,819)
Other comprehensive income	(6,238)	-	-	(6,238)
Transfers between revaluation and income and expenditure reserves	517	(517)	-	-
<b>Total comprehensive income for the year</b>	<u>(7,540)</u>	<u>(517)</u>	<u>-</u>	<u>(8,057)</u>
<b>Balance at 31 July 2019</b>	<u><b>(11,079)</b></u>	<u><b>9,133</b></u>	<u><b>-</b></u>	<u><b>(1,946)</b></u>



**North Warwickshire and South Leicestershire College**  
**Balance sheets as at 31 July**

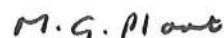
	Notes	Group	College	Group	College
		2019 £'000	2019 £'000	2018 £'000	2018 £'000
<b>Non current assets</b>					
Tangible fixed assets	11	68,955	68,955	68,260	68,260
Investments	12	-	180	-	180
		<b>68,955</b>	<b>69,135</b>	<b>68,260</b>	<b>68,440</b>
<b>Current assets</b>					
Trade and other receivables	13	2,976	2,976	2,226	2,226
Cash and cash equivalents	18	1,058	1,058	1,876	1,808
		<b>4,034</b>	<b>4,034</b>	<b>4,102</b>	<b>4,034</b>
<b>Less: Creditors – amounts falling due within one year</b>	14	(17,052)	(17,280)	(17,845)	(18,005)
<b>Net current liabilities</b>		<b>(13,018)</b>	<b>(13,246)</b>	<b>(13,743)</b>	<b>(13,971)</b>
<b>Total assets less current liabilities</b>		<b>55,937</b>	<b>55,889</b>	<b>54,517</b>	<b>54,469</b>
<b>Less: Creditors – amounts falling due after more than one year</b>	15	(36,303)	(36,303)	(34,900)	(34,900)
<b>Provisions</b>					
Defined benefit obligations	23	(21,296)	(21,296)	(13,227)	(13,227)
Other provisions	17	(236)	(236)	(231)	(231)
<b>Total net assets</b>		<b>(1,898)</b>	<b>(1,946)</b>	<b>6,159</b>	<b>6,111</b>
<b>Unrestricted reserves</b>					
Income and expenditure account		(11,031)	(11,079)	(3,491)	(3,539)
Revaluation reserve		9,133	9,133	9,650	9,650
<b>Total unrestricted reserves</b>		<b>(1,898)</b>	<b>(1,946)</b>	<b>6,159</b>	<b>6,111</b>
<b>Total reserves</b>		<b>(1,898)</b>	<b>(1,946)</b>	<b>6,159</b>	<b>6,111</b>

The financial statements on pages 27 to 58 were approved and authorised for issue by the Corporation on 12th December 2019 and were signed on its behalf on that date by:

**Prof R Linforth**  
**Chair**



**Marion Plant**  
**Accounting Officer**



# **North Warwickshire and South Leicestershire College** **Consolidated Statement of Cash Flows**

	Notes	2019 £'000	2018 £'000
<b>Cash inflow from operating activities</b>			
Surplus/(deficit) for the year		(1,819)	(2,921)
<b>Adjustment for non cash items</b>			
Depreciation	11	1,888	1,681
Deferred Capital grants released to income		(970)	(805)
(Increase)/decrease in debtors		(423)	(110)
Increase/(decrease) in creditors due within one year		506	(922)
Increase/(decrease) in creditors due after one year		768	(41)
Increase/(decrease) in provisions		5	(10)
Pensions costs less contributions payable		1,831	1,762
<b>Adjustment for investing or financing activities</b>			
Investment income	6	(10)	(10)
Interest payable	10	407	366
Profit on sale of fixed assets		(400)	(58)
		<u>1,783</u>	<u>(1,068)</u>
<b>Net cash flow from operating activities</b>			
		<u>1,783</u>	<u>(1,068)</u>
<b>Cash flows from investing activities</b>			
Proceeds from sale of fixed assets		675	473
Investment income		10	10
Payments made to acquire fixed assets		(3,602)	(5,772)
		<u>(2,917)</u>	<u>(5,289)</u>
<b>Cash flows from financing activities</b>			
Interest paid	10	(407)	(366)
Income re MIRA ( New collaborative engineering facility)		2,712	6,259
New unsecured loans		-	119
Repayments of amounts borrowed		(1,989)	(1,287)
		<u>316</u>	<u>4,725</u>
<b>(Decrease) in cash and cash equivalents in the year</b>		<u>(818)</u>	<u>(1,632)</u>
Cash and cash equivalents at beginning of the year	18	1,876	3,508
Cash and cash equivalents at end of the year	18	1,058	1,876



## **Notes to the Financial Statements for the year ended 31 July 2019**

### **Statement of accounting policies and estimation techniques**

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

#### **Basis of preparation**

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (the 2015 FE HE SORP), the College Accounts Direction for 2018-19 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 under the historical cost convention as modified by the use of previous valuations as deemed cost at transition for certain non-current assets.

These accounts are prepared on a going concern basis as The Corporation and its members believe there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the company to continue as a going concern.

#### **Basis of consolidation**

The consolidated financial statements include the College and its subsidiary undertakings, NWHC Services Ltd, South Leicestershire College Enterprises Ltd and The Learning Chain Ltd

South Leicestershire College Enterprises Ltd and The Learning Chain Ltd have not traded for a number of years and did not trade in 2018-19. The Learning Chain Ltd is a dormant company.

NWHC Services was incorporated on 26th July 2013. North Warwickshire and South Leicestershire College owns 100% of NWHC Services. The company was set up principally to facilitate the billing from North Warwickshire College to South Leicestershire College prior to the merger. Consequently, following the merger on 1<sup>st</sup> August 2016 the company has not traded with only nominal interest passing through its books.

In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are made up to 31<sup>st</sup> July 2019.

#### **Going Concern**

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

The College currently has £11.0m of loans outstanding with a combination of Lloyds (3 loans), Natwest/RBS and the Department for Education. All loans were re-negotiated upon the merger effective from 1st August 2016. Two of the loans with Lloyds were re-negotiated with a payment profile of 20 years. Those loans that had a review date of 31st July 2018 have now been re-negotiated to have a review date of 31st July 2021.

The loans with the Department for Education were agreed in 2015-16 and 2016-17 and will all be repaid by July 2020. Paid in year was £1,553k.

The College has met all repayment deadlines for all loans as they fell due and its cash flow projections confirm that this will continue to be the case.

The College's generates a three year plan each year. The latest one extends out to 2021-2022. The forecasts and financial projections within this plan indicate that it will be able to operate within its existing facility for the foreseeable future.

Within the plan a surplus before pension adjustments for FRS102 is forecast to be generated each year. Throughout the plan the College remains in a positive cash balance position and has positive reserves.

Accordingly the Corporation has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

### **Recognition of income**

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding Body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under achievement for the Adult Education Budget is adjusted for and reflected in the level of recurrent grant recognised 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 funding is not subject to reconciliation and is therefore not subject to contract adjustments.

The recurrent grant from Office for Student (OFS) represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

Where part of a government grant is deferred, the deferred element is recognised as deferred income within creditors and allocated between creditors due within one year and creditors due after more than one year as appropriate.

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 recognised as deferred income within creditors on the Balance Sheet and released to income as conditions are met.



### *Fee Income*

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

### *Other Income*

Other income outside of the categories stated above is recognised in the period for which it is receivable.

### *Investment Income*

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

### **Agency Arrangements**

The College acts as an agent in the collection and payment of certain discretionary support funds and any other arrangements. Related payments received from 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.

### **Accounting for post-employment benefits**

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

#### *Teachers' Pension Scheme (TPS)*

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

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

#### *Warwickshire Pension Fund and Leicestershire County Council Pension Fund (LGPS)*

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

Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the

rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in interest and other finance costs.

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

### **Short term Employment benefits**

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

### **Enhanced Pensions**

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

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

Following the merger on 1<sup>st</sup> August 2016 the depreciation basis applicable to the assets of what was formerly North Warwickshire and Hinckley College have been applied to the assets formerly owned by South Leicestershire College (SLC) in order that all assets in the merged entity are depreciated consistently. No historic adjustment was made to the brought forward net book value of the former SLC assets.

#### **a. Land and buildings**

Tangible fixed assets are stated at 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.

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account reserve on an annual basis. Building improvements made since incorporation are included in the balance sheet at cost.

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

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 income account within creditors, and are released to the income and expenditure account over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.



On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1992, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

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

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

#### **b. Equipment**

Equipment costing less than £1,000 per individual item, with the exception of computers, is written off to the statement of comprehensive income in the period of acquisition. Equipment inherited from the Local Education Authority is included in the balance sheet at valuation. All other equipment is capitalised at cost.

Inherited equipment is depreciated on a straight-line basis over its remaining useful life to the College. All other equipment is depreciated on a straight-line basis over its useful life as follows:

General equipment	10% per year
Motor vehicles	20% per year
Computer equipment	33 1/3% per year

#### **Borrowing costs**

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

#### **Leased assets**

Costs in respect of operating leases are charged on a straight-line basis over the lease term to the Statement of Comprehensive Income and Expenditure. Any lease premiums or incentives relating to leases signed after 1<sup>st</sup> August 2014 are spread over the minimum lease term. The College has taken advantage of the transitional exemptions in FRS 102 and has retained the policy of spreading lease premiums and incentives to the date of the first market rent review for leases signed before 1<sup>st</sup> August 2014.

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

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

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

### **Intangible Fixed Assets**

Negative goodwill in excess of the fair value of non-monetary assets acquired is recognised in the income and expenditure account in the periods expected to benefit from the acquisition.

### **Investments**

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

Fixed asset investments are carried at historical cost less any provision for impairment in their value.

Current asset investments are included in the balance sheet at the lower of their original cost and net realisable value.

### **Taxation**

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax, so that it can only recover around 3% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

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

### **Provisions**

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.

### **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.

### **Financial liabilities and equity**

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



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

### **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.

#### **Other key sources of estimation uncertainty**

- 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 23, 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 to the value the pensions liability at 31 July 2019. 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.

**North Warwickshire and South Leicestershire College**  
**Notes to the Accounts (continued)**

**2 Funding council grants**

	Year ended 31 July 2019		Year ended 31 July 2018	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
<b>Recurrent grants</b>				
Education and Skills Funding Agency - adult	6,826	6,826	6,660	6,660
Education and Skills Funding Agency – 16 -18	14,693	14,693	13,195	13,195
Education and Skills Funding Agency - apprenticeships	2,564	2,564	2,532	2,532
Office for Students	126	126	241	241
<b>Specific Grants</b>				
Releases of government capital grants	635	635	608	608
<b>Total</b>	<b>24,844</b>	<b>24,844</b>	<b>23,236</b>	<b>23,236</b>

**3 Tuition fees and education contracts**

	Year ended 31 July 2019		Year ended 31 July 2018	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	244	244	486	486
Fees for FE loan supported courses	880	880	699	699
Total tuition fees	1,124	1,124	1,185	1,185
Education contracts	1,851	1,851	1,893	1,893
<b>Total</b>	<b>2,975</b>	<b>2,975</b>	<b>3,078</b>	<b>3,078</b>

**4 Other grants and contracts**

	Year ended 31 July 2019		Year ended 31 July 2018	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Release from deferred capital grants (non-EFA)	335	335	196	196
<b>Total</b>	<b>335</b>	<b>335</b>	<b>196</b>	<b>196</b>



**North Warwickshire and South Leicestershire College**  
**Notes to the Accounts (continued)**

**5 Other income**

	Year ended 31 July 2019		Year ended 31 July 2018	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering and residences	286	286	254	254
Other income generating activities	930	930	1,068	1,068
Miscellaneous Income	1,484	1,484	1,551	1,551
Other grant income	337	337	462	462
Amortisation of negative goodwill (note 9)	0	0	6	6
	<u>3,037</u>	<u>3,037</u>	<u>3,341</u>	<u>3,341</u>

**Total**

**6 Investment income**

	Year ended 31 July 2019		Year ended 31 July 2018	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other interest receivable	10	10	10	10
	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>
	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>

# **North Warwickshire and South Leicestershire College** **Notes to the Accounts (continued)**

## **7 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:

	2019 No.	2018 No.
Teaching staff	274	248
Non teaching staff	294	301
	<u>568</u>	<u>549</u>
<b>Staff costs for the above persons</b>		
	2019 £'000	2018 £'000
Wages and salaries	14,855	14,757
Social security costs	1,322	1,338
Other pension costs	4,155	3,933
	<u>20,332</u>	<u>20,028</u>
<b>Payroll sub total</b>	0	-
Contracted out staffing services	<u>0</u>	<u>-</u>
	<u>20,332</u>	<u>20,028</u>
Fundamental restructuring costs - contractual	10	81
non contractual	-	-
	<u>20,342</u>	<u>20,109</u>

## **Key management personnel**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Executive Team which comprises the Principal, Deputy Principal, Executive Director Finance & Risk, Executive Director Corporate Services and the Executive Director Business Development. Staff costs include compensation paid to key management personnel for loss of office.

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

	2019 No.	2018 No.
The number of key management personnel including the Accounting Officer was:	4	5
	<u>4</u>	<u>5</u>



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

	Senior post-holders		Other staff	
	2019 No.	2018 No.	2019 No.	2018 No.
£60,001 to £65,000		-	-	1
£65,001 to £70,000			1	-
£70,001 to £75,000				1
£75,001 to £80,000		1		-
£80,001 to £85,000	1	1		-
£85,001 to £90,000	1			-
£90,001 to £95,000	-	1		-
£95,001 to £100,000	1			-
£100,001 to £105,000	-	1		-
£150,001 to £155,000				
£155,001 to £160,000	1	1		
	<u>1</u>	<u>1</u>	<u></u>	<u></u>
	<u>4</u>	<u>5</u>	<u>1</u>	<u>2</u>

**North Warwickshire and South Leicestershire College**  
**Notes to the Accounts (continued)**

**7 Staff costs - Group and College**

Key management personnel compensation is made up as follows:

	2019 £'000	2018 £'000
Basic salary	473	504
Performance related pay and bonus	0	0
Benefits in kind	-	-
Pension contributions	71	78
<b>Total key management personnel compensation</b>	<b>544</b>	<b>582</b>

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

The above compensation includes amounts paid to the Principal and Chief Executive who is the accounting officer and who is also the highest paid member of staff. Their pay and remuneration is as follows:

	2019 £'000	2018 £'000
Basic salary	158	158
Performance related pay and bonus	0	0
Other including benefits in kind	0	0
Pension contributions	25	25
	<b>183</b>	<b>183</b>

The Corporation, on the recommendation of the People Strategy & Governance Committee, approved the adoption of the Senior Post Holder Remuneration Code, at its meeting in July 2019. Work to implement the Code, including the development of a Senior Post Holder Pay Policy, a Policy on Income Derived from External Activities and an Annual Senior Post Holder Remuneration Report took place over the summer 2019.

Relationship of Principal/Chief Executive pay and remuneration expressed as a multiple

	2019 £'000	2018 £'000
Principal's basic salary as a multiple of the median of all staff	6.0	7.0
Principal and CEO's total remuneration as a multiple of the median of all staff	6.0	7.0

**Compensation for loss of office paid to former key management personnel**

	2019 £	2018 £
Compensation paid to the former post-holder - contractual	-	-
Estimated value of other benefits, including provisions for pension benefits	-	-

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.



**North Warwickshire and South Leicestershire College**  
**Notes to the Accounts (continued)**

**8 Other operating expenses**

	Year ended 31 July 2019		Year ended 31 July 2018	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	1,317	1,317	1,200	1,200
Non teaching costs	7,293	7,293	7,235	7,235
Premises costs	1,787	1,787	1,765	1,765
<b>Total</b>	<b>10,397</b>	<b>10,397</b>	<b>10,200</b>	<b>10,200</b>

**Other operating expenses include:**

	2019 £'000	2018 £'000
Auditors' remuneration:		
Financial statements audit*	30	29
Internal audit**	22	17
Other services provided by the financial statements auditors	5	24
Other services provided by the internal auditors		
Losses on disposal of non current assets		
Hire of assets under operating leases	349	365

\* includes £28,200 in respect of the College (2017/18 £27,600)

\*\* includes £21,676 in respect of the College (2017/18 £17,000)

**9 Intangible fixed assets (Group and College)**

	2019 £'000
<b>Negative Goodwill</b>	
<b>Cost</b>	(1,870)
<b>Amortisation</b>	
At 1 August 2017	1,864
Credit for the year	6
Elimination on disposal	-
	<u>1,870</u>
<b>Net book value at 31 July 2019</b>	<u>-</u>

**10 Interest payable - Group and College**

	2019 £'000	2018 £'000
On bank loans, overdrafts and other loans:	<u>407</u>	<u>366</u>
	407	366
On finance leases		-
Net interest on defined pension liability (note 23)	<u>386</u>	<u>478</u>
<b>Total</b>	<b><u>793</u></b>	<b><u>844</u></b>

**North Warwickshire and South Leicestershire College**  
**Notes to the Accounts (continued)**

**11 Tangible fixed assets (Group)**

	Land and buildings	Equipment	Assets in the Course of Construction	Total
	Freehold	Long leasehold		
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At 1 August 2018	78,962	50	10,336	6,665
At 31 July 2019	86,055	50	11,502	553
<b>Depreciation</b>				
At 1 August 2018	17,944	14	9,796	-
Charge for the year	1,576	4	308	-
Elimination in respect of disposals	(410)		(27)	
At 31 July 2019	19,110	18	10,077	-
<b>Net book value at 31 July 2019</b>	<b>66,945</b>	<b>32</b>	<b>1,425</b>	<b>553</b>
Net book value at 31 July 2018	61,018	36	540	6,665



**North Warwickshire and South Leicestershire College**  
**Notes to the Accounts (continued)**

**11 Tangible fixed assets (College only)**

	Land and buildings		Equipment	Assets in the Course of Construction	Total
	Freehold	Long leasehold			
	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>					
At 1 August 2018	78,962	50	10,336	6,665	96,013
Additions	7,743		1,193		8,936
Transfers				(6,112)	(6,112)
Disposals	(650)		(27)		(677)
<b>At 31 July 2019</b>	<b>86,055</b>	<b>50</b>	<b>11,502</b>	<b>553</b>	<b>98,160</b>
<b>Depreciation</b>					
At 1 August 2018	17,944	14	9,796	-	27,754
Charge for the year	1,576	4	308		1,888
Elimination in respect of disposals	(410)		(27)		(437)
<b>At 31 July 2019</b>	<b>19,110</b>	<b>18</b>	<b>10,077</b>	<b>-</b>	<b>29,205</b>
<b>Net book value at 31 July 2019</b>	<b>66,945</b>	<b>32</b>	<b>1,425</b>	<b>553</b>	<b>68,955</b>
Net book value at 31 July 2018	61,018	36	540	6,665	68,259

As stated in the policy note the College carries inherited assets at an inherited valuation of £11,699,000. The assets were valued on incorporation and not updated since. The historic cost of the assets is nil.

Land and buildings were valued in 1992 at depreciated replacement cost by a firm of independent chartered surveyors. Other tangible fixed assets inherited from the LEA at incorporation have been valued by the Corporation on a depreciated replacement cost basis with the assistance of independent professional advice.

Land and buildings with a net book value of £11,699,000 have been financed by exchequer funds. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum with the funding body, to surrender the proceeds.

The net book value of equipment includes an amount of £Nil (2017/18 – £Nil) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £Nil (2017/18 – £Nil).

College Buildings at Spa Lane were disposed of during 2018-2019 with a disposal profit of £400K

**North Warwickshire and South Leicestershire College**  
**Notes to the Accounts (continued)**

**12 Non current Investments**

	College 2019 £'000	College 2018 £'000
Investments in subsidiary companies	180	180
<b>Total</b>	<b>180</b>	<b>180</b>

The College owns 100 per cent of the issued share capital of South Leicestershire College Enterprises Limited, (formerly Wigston College Enterprises Limited), a company incorporated and registered in England and Wales. The total investment consists of 180,000 ordinary shares of £1 purchased at nominal value. The principal activity of the company was the supply of heating. It has not traded during the course of the year. The College also owns 100 per cent of the issued ordinary £1 shares of NWHC Services Ltd, a company registered in England and Wales for which the principal activity was educational services.

**13 Trade and other receivables**

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Amounts falling due within one year:				
Trade receivables	703	703	367	367
Prepayments and accrued income	962	962	643	643
Other debtors	838	838	778	778
Amounts owed by the ESFA	473	473	438	438
<b>Total</b>	<b>2,976</b>	<b>2,976</b>	<b>2,226</b>	<b>2,226</b>



**North Warwickshire and South Leicestershire College**  
**Notes to the Accounts (continued)**

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

	<b>Group</b>	<b>College</b>	<b>Group</b>	<b>College</b>
	<b>2019</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Bank loans and overdrafts	11,077	11,077	13,065	13,065
Obligations under finance leases			-	-
Trade payables	2,158	2,158	1,198	1,198
Amounts owed to group undertakings:				
Subsidiary undertakings		216	-	148
Other Creditors	184	184	91	91
Other taxation and social security	716	716	657	657
Accruals and deferred income	1,839	1,851	2,114	2,126
Deferred income - government capital grants	1,078	1,078	720	720
Deferred income - government revenue grants			-	-
Amounts owed to the ESFA			-	-
<b>Total</b>	<b><u>17,052</u></b>	<b><u>17,280</u></b>	<b><u>17,845</u></b>	<b><u>18,005</u></b>

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

	<b>Group</b>	<b>College</b>	<b>Group</b>	<b>College</b>
	<b>2019</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Bank loans	-	-		
Other creditors	1,183	1,183	415	415
Obligations under finance leases			-	-
Deferred income - government capital grants	35,120	35,120	34,485	34,485
<b>Total</b>	<b><u>36,303</u></b>	<b><u>36,303</u></b>	<b><u>34,900</u></b>	<b><u>34,900</u></b>

# **North Warwickshire and South Leicestershire College** **Notes to the Accounts (continued)**

## **16 Maturity of debt**

### **(a) Bank loans and overdrafts**

Bank loans and overdrafts are repayable as follows:

	<b>Group 2019 £'000</b>	<b>College 2019 £'000</b>	<b>Group 2018 £'000</b>	<b>College 2018 £'000</b>
In one year or less	11,077	11,077	13,065	13,065
Between one and two years	-	-	-	-
Between two and five years	-	-	-	-
In five years or more	-	-	-	-
<b>Total</b>	<b>11,077</b>	<b>11,077</b>	<b>13,065</b>	<b>13,065</b>

The College has several long term loans. The first (Lloyds) of £2,635,000 is repayable at 4.725% by instalments falling between September 2010 and May 2034. The second (Lloyds) is for £2,365,000 and is repayable at 6.23% by instalments between August 2012 and August 2034. The third (Lloyds) is for £1,000,000 repayable over twenty years committed until 31 July 2021 subject to a break clause date of 31 December 2019. The Fourth (RBS) of £5,400,000 is repayable at 2.25% above the banks base rate committed to until 31 July 2021 with a break date of 31 December 2019. The college now also has three BIS loans with £1,284,670 outstanding as at 31 July 2019. All BIS loans will be repaid by 31 July 2020.

Three of the loans are with Lloyds Bank PLC and one with RBS. The College holds the freehold to the following properties. Lower Bond Street, Hinckley which has a carrying value of £10,116,179 and North Warwickshire and Hinckley College, Hinckley Rd, Nuneaton which has a carrying value of £9,203,151. These two properties are detailed as the NWHC property. South Leicestershire College, Blaby Rd, Wigston, LE18 4PH which has a carrying value of £32,465,897. This property is detailed as the SLC property. The security for the loans ranks as follows. In respect of the NWHC Property, First - Lloyds, Second - RBS, Third - Secretary of State for Education. In respect of the SLC property First - RBS, Second - Lloyds, Third - Secretary of State for Education. If the College were to default on loan payments these assets could be taken as a charge. The College has never made such defaults in the past and anticipates being able to make all future payments as they fall due.



**North Warwickshire and South Leicestershire College**  
**Notes to the Accounts (continued)**

**17 Provisions**

	Defined benefit Obligations £'000	Restructuring £'000	Group and College Enhanced pensions £'000	Other £'000	Total £'000
At 1 August 2018			231		231
Expenditure in the period			(21)		(21)
Transferred from income and expenditure account			26		26
<b>At 31 July 2019</b>	<b>0</b>	<b>0</b>	<b>236</b>	<b>-</b>	<b>236</b>

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:

	2019	2018
Price inflation	2.00%	2.30%
Discount rate	2.20%	1.30%

**18 Cash and cash equivalents**

	At 1 August 2018 £'000	Cash flows £'000	Other changes £'000	At 31 July 2019 £'000
Cash and cash equivalents	1,876	(818)	-	1,058
Overdrafts	-	-	-	-
<b>Total</b>	<b>1,876</b>	<b>(818)</b>	<b>-</b>	<b>1,058</b>

**19 Capital commitments**

At 31st July 2019 the College had no material capital commitments

**North Warwickshire and South Leicestershire College**  
**Notes to the Accounts (continued)**

**20 Lease Obligations**

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

	<b>Group and College</b>	
	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
<b>Future minimum lease payments due</b>		
<b>Land and buildings</b>		
Not later than one year	-	-
Later than one year and not later than five years	-	-
later than five years	180	180
	<u>180</u>	<u>180</u>
<b>Other</b>		
Not later than one year	58	88
Later than one year and not later than five years	3	46
later than five years	44	-
	<u>105</u>	<u>134</u>
<b>Total lease payments due</b>	<u>285</u>	<u>314</u>

**21 Contingent liabilities**

There are no material contingent liabilities requiring disclosure as at 31st July 2019

**22 Events after the reporting period**

There are no events after the reporting period requiring disclosure



## North Warwickshire and South Leicestershire College

### Notes to the Accounts (continued)

#### 23 Defined benefit obligations

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

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

Total pension cost for the year	2019 £'000	2018 £'000
Teachers Pension Scheme: contributions paid	1,076	1,035
Local Government Pension Scheme:		
Contributions paid	1,649	1,619
FRS 102 (28) charge	<u>1,445</u>	<u>1,283</u>
Charge to the Statement of Comprehensive Income	3,094	2,902
Enhanced pension charge to Statement of Comprehensive Income	-	-
<b>Total Pension Cost for Year within staff costs</b>	<b><u>4,170</u></b>	<b><u>3,937</u></b>

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

#### Teachers' Pension Scheme

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

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

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

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

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (the Department) in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.

## North Warwickshire and South Leicestershire College Notes to the Accounts (continued)

### 23 Defined benefit obligations (continued)

#### Teachers' Pension Scheme (Continued)

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/19. DFE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019-20 academic year.

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

The pension costs paid to TPS in the year amounted to £1,076,000 (2018: £1,035,000).

#### Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Leicestershire County Council (LCC) and Warwickshire County Council (WCC). The total contribution made for the year ended 31st July 2019 was £2,095,000, of which employer's contributions totalled £1,649,000 and employees' contributions totalled £446,000. The agreed contribution rates for future years are 20.3% (WCC) and 20.09% (LCC) for employers and range from 5.5% to 12.5% cent for employees, depending on salary.

#### Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31st March 2016 updated to 31st July 2019 by a qualified independent actuary. **As two LGPS schemes are being reported on where the figures are not common the WCC figure will be quoted first followed by the LCC equivalent.**

	At 31 July 2019	At 31 July 2018
Rate of increase in salaries	3.0%, 3.4%	3.0%, 3.4%
Future pensions increases	2.40%	2.40%
Discount rate for scheme liabilities	2.10%	2.80%
Inflation assumption (CPI)	2.40%	2.40%
Commutation of pensions to lump sums	50%	50%

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

	At 31 July 2019 years	At 31 July 2018 years
<i>Retiring today</i>		
Males	21.4, 21.2	22.5, 22.1
Females	23.6, 23.4	24.7, 24.3

**North Warwickshire and South Leicestershire College**  
**Notes to the Accounts (continued)**

**23 Defined benefit obligations (continued)**

**Local Government Pension Scheme (Continued)**

<i>Retiring in 20 years</i>		
Males	22.4, 22.2	24.3, 23.8
Females	25.0, 24.7	26.7, 26.2

<b>Sensitivity analysis</b>	<b>At 31 July 2019 £'000</b>	<b>At 31 July 2018 £'000</b>
Discount rate -0.5%	10,091	8,281
Salary Increase Rate +0.5%	1,145	1,005
Pension Increase Rate +0.5%	8,777	7,192

The College's share of the assets in the plan and the expected rates of return were:

	<b>Long-term rate of return expected at 31 July 2019</b>	<b>Fair Value at 31 July 2019 £'000</b>	<b>Long-term rate of return expected at 31 July 2018</b>	<b>Fair Value at 31 July 2018 £'000</b>
Equities	2.10%		2.80%	
Bonds	2.10%		2.80%	
Property	2.10%		2.80%	
Cash	2.10%		2.80%	
<b>Total market value of assets</b>		<b>61,250</b>		<b>56,738</b>
<b>Actual return on plan assets</b>		<b>2,108</b>		<b>2,419</b>

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

	<b>2019 £'000</b>	<b>2018 £'000</b>
Fair value of plan assets	61,250	56,738
Present value of plan liabilities	(82,546)	(69,965)
Present value of unfunded liabilities	-	-
<b>Net pensions (liability) (Note 17)</b>	<b>(21,296)</b>	<b>(13,227)</b>

**Enhanced pension benefits**

	<b>Group and College</b>		
	<b>Enhanced pensions £'000</b>	<b>Other £'000</b>	<b>Total £'000</b>
At 1 August 2018	231		231
Expenditure in the period	(21)		(21)
Transferred from income and	26		26
<b>At 31 July 2019</b>	<b>236</b>	<b>-</b>	<b>236</b>

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.



**North Warwickshire and South Leicestershire College**  
**Notes to the Accounts (continued)**

**23 Defined benefit obligations (continued)**

**Local Government Pension Scheme (Continued)**

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

	2019 £'000	2018 £'000
<b>Amounts included in staff costs</b>		
Current service cost	2,689	2,889
Past service cost	405	13
<b>Total</b>	<b>3,094</b>	<b>2,902</b>
<b>Amounts included in investment income</b>		
Net interest income	386	478
	<b>386</b>	<b>478</b>
<b>Amounts recognised in Other Comprehensive Income</b>		
Changes in demographic assumptions	0	833
Return on pension plan assets	2,419	2,916
Experience losses arising on defined benefit obligations	-	5,435
Changes in assumptions underlying the present value of plan liabilities	3,202	(2,180)
<b>Amount recognised in Other Comprehensive Income</b>	<b>5,621</b>	<b>7,004</b>
<b>Movement in net defined benefit (liability)/asset during the year</b>		
	2019 £'000	2018 £'000
Surplus/(deficit) in scheme at 1 August	(13,227)	(17,087)
Movement in year:		
Current service cost	(2,689)	(2,889)
Employer contributions	1,649	1,619
Past service cost	(405)	(13)
Net interest on the defined (liability)/asset	(386)	(478)
Actuarial gain or loss	(6,238)	5,621
<b>Net defined benefit (liability) at 31 July</b>	<b>(21,296)</b>	<b>(13,227)</b>

# North Warwickshire and South Leicestershire College

## Notes to the Accounts (continued)

### 23 Defined benefit obligations (continued)

#### Local Government Pension Scheme (Continued)

#### Asset and Liability Reconciliation

	2019 £'000	2018 £'000
<b>Changes in the present value of defined benefit obligations</b>		
Defined benefit obligations at start of period	69,965	69,183
Current Service cost	2,689	2,889
Interest cost	1,985	1,894
Contributions by Scheme participants	446	455
Experience gains and losses on defined benefit obligations		-
Changes in financial assumptions	12,710	-
Estimated benefits paid	(1,290)	(3,202)
Past Service cost	(4,364)	(1,267)
Curtailments and settlements	405	13
<b>Defined benefit obligations at end of period</b>	<b>82,546</b>	<b>69,965</b>
<b>Changes in fair value of plan assets</b>		
Fair value of plan assets at start of period	56,738	52,096
Interest on plan assets	1,599	1,416
Return on plan assets	2,108	2,419
Employer contributions	1,649	1,619
Contributions by Scheme participants	446	455
Estimated benefits paid	(1,290)	(1,267)
<b>Fair value of plan assets at end of period</b>	<b>61,250</b>	<b>56,738</b>

These accounts show a past service cost of £405k in respect of the McCloud/Sergeant judgement which ruled that the transitional protection for some members of public service schemes implemented when they were reformed constituted age discrimination. This provision is just under 0.5% of the total scheme liability as at 31 July 2019. The calculation of adjustment to past service costs, arising from the outcome of the Court of Appeal judgement is based on a number of key assumptions including:

- the form of remedy adopted
- how the remedy will be implemented
- which members will be affected by the remedy
- the earning assumptions
- the withdrawal assumption

The other financial and demographic assumptions adopted to calculate the past service cost are the same as those used to calculate the overall scheme liability. Adopting different assumptions, or making other adjustments to reflect behavioural changes stemming from the judgment, would be expected to change the disclosed past service cost. Similarly, allowing for variations in individual members' future service or salary progression is expected to produce higher costs. The past service cost is particularly sensitive to the difference between assumed long term general pay growth and the CPI. If the long term salary growth assumptions were 0.5% pa lower, then the past service cost disclosed here would be expected to reduce by 50% and conversely a 0.5% pa increase would increase the estimated cost by 65%.

## North Warwickshire and South Leicestershire College

### Notes to the Accounts (continued)

#### 24 Related party transactions

Due 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 Governors during the year was £335.70 (2017/18 £207.90). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings.

#### Midland Academies Trust

The College has a formal relationship with the Midland Academies Trust as it's sponsor.

During 2018/19 the Trust comprised four Academies (George Eliot, The Nuneaton Academy, Hartshill, and Heath Lane). Heath Lane was formed following the merger of William Bradford Community College and the Heathfield Academy. The College, as sponsor, supplied support to the Trust on a consultancy basis. Charges for this were as follows;

Finance Support £113,067  
 Clerking, Legal and Sponsor Support £53,004  
 HR and Payroll Support £74,712  
 Estates Support £18,000  
 IT Support (including reprographics) £165,810  
 Chaplaincy Services £6,816  
 Marketing Services £11,904

#### 25 Amounts disbursed as agent

<b>Learner support funds</b>			
		<b>2019</b>	<b>2018</b>
		<b>£'000</b>	<b>£'000</b>
Carried Forward		248	311
Funding body grants – [received from ESFA]		863	873
Other Funding body grants		0	-
Interest earned		0	0
		<u>1,111</u>	<u>1,184</u>
Disbursed to students		(1,077)	(897)
Administration costs		(34)	(39)
		<u>0</u>	<u>248</u>
Balance unspent as at 31 July, included in creditors			

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.