

# SECURING OUR FUTURE

Report and Financial Statements for the year ended 31 July 2019



Bringing talent to life...

 Walsall College

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## Key Management Personnel, Board of Governors and Professional advisers

### Key management personnel

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

Jatinder Sharma	Principal and CEO; Accounting Officer
Fazal Dad	Deputy Principal – Delivery and Success (resigned 31 December 2018)
James Norris	Assistant Principal – Commercial Development
Richard Brenan	Assistant Principal – Curriculum (appointed 17 December 2018)
Jayne Holt	Assistant Principal – Workforce Development & Learner Services (appointed 01 October 2018)
David Turner	Assistant Principal – Quality & HE (appointed 01 October 2018)
Matthew Brown	Director of Finance & MIS
Deb Rajania	Director of Operations & Resources

### Board of Governors

A full list of Governors is given on page 15 of these financial statements. Alison Buick acted as Clerk to the Corporation throughout the period.

### Professional advisers

Financial statements and reporting accountants:	KPMG LLP, One Snowhill, Snow Hill Queensway, Birmingham, B4 6GH.
Internal auditor:	RSM UK, St Philips Point, Temple Row, Birmingham, B2 5AF
Funding Assurance Provider:	KPMG LLP, One Snowhill, Snow Hill Queensway, Birmingham, B4 6GH.
Banker:	Barclays Bank plc., PO Box 3333, One Snowhill, Snow Hill Queensway, Birmingham, B3 2WN.
Solicitors:	Pinsent Masons, 3 Colmore Circus Birmingham B4 6BH Enoch Evans LLP, St Paul's Chambers, 6-9 Hatherton Road, Walsall, WS1 1XS Eversheds Sutherland (international) LLP, One Wood Street, London, EC2V 7WS
VAT Advisor:	Davies Mayers Tax Advisors LLP, Pillar House, 113/115 Bath Road, Cheltenham, GL53 7LS

# Report of the Governing Body

## NATURE, OBJECTIVES AND STRATEGIES

The members present their report and the audited financial statements for the year ended 31 July 2019.

### Legal status

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

The Corporation was incorporated as Walsall College of Arts and Technology. On 1 October 2001, the Secretary of State granted consent to the Corporation to change the College's name to Walsall College.

### Mission

Walsall College's mission statement is as follows:

*Walsall College is uniquely and proudly vocational. Our greatest passion is unleashing the potential of individuals, communities and businesses; our greatest legacy is the talent of our students: skilled, professional and enterprising.*

### Implementation of strategic plan

The College adopted a Strategic Plan for the period 2017 through 2020. The College's continuing strategic objectives are to:

- Ambition 1: Outstanding Provision and Services
- Ambition 2: Maximise Staff Potential and Performance
- Ambition 3: Innovate and Transform
- Ambition 4: Energise our Communities and Partners
- Ambition 5: Secure and Transform our Future

The College's specific objectives for 2018/19 included:

- Excellent Careers Education Initial Advice & guidance
- Further support the mental wellbeing of staff as outlined in the Mindful Employer Charter
- West Midlands Combined Authority
  - Work with and meet the needs of emerging devolution and combined authority agenda.
- Good financial health, generating operating surplus to reinvest in facilities for the benefit of students and the communities we serve.
- Implementation of student work placements in preparation for the introduction of T-Level qualification reforms.

Management are pleased with the performance against all of these objectives, which predominantly carry forward into the 2019/20 academic year.

The College is one of the early adopters of the new T-Level qualification so the College is developing its approach and readying itself for delivery of these from September 2020.

## Report of the Governing Body *(continued)*

The College is located within the West Midlands Combined Authority which has devolved authority from government for the Adult Education Budget from 1 August 2019. The College is working to ensure alignment of our post 19 curriculum with the developing initiatives of the Combined Authority.

The College is a major apprenticeship provider and following the acquisition of Walsall Adult and Community College from Walsall Metropolitan Borough Council in April 2018 has a significant and growing community-learning offer working closely again with the West Midlands Combined Authority, Walsall and Cannock Local Authorities as well as other national and regional funders.

### Financial objectives

The College's financial objectives are to remain financially sound and improve financial returns in terms of reserves and liquidity so as to protect itself from unforeseen adverse changes in enrolments and generate sufficient income to enable continued improvements to its accommodation, equipment and the resources made available to learners.

## RESOURCES

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

### *Financial*

The College has £38,020,000 of net assets (including Pension Liability of £19,260,000) and long term debt of £5,696,000

### *People*

The College employs 640 people (expressed as full time equivalents), of whom 371 are teaching related staff. This excludes assessors who are largely involved in the delivery of apprenticeships.

### *Reputation*

The College has a very good reputation locally and nationally. Maintaining a quality brand is essential for the College's success at attracting students and external relationships.

## PERFORMANCE

The College's performance is appraised against its strategic ambitions through a series of key performance indicators, giving a clear line of sight from the Board of Governors through to operational level. Each of these were reviewed in turn and rated. The key elements were as follows

### Outstanding Provision and Services

- The College achieved success rates of 90% for Young People, 94% for Adults and 67% for Apprentices.
- The College has self-assessed as **Outstanding**, maintaining the standard achieved in February 2013 when Ofsted last inspected the College.

### Maximise Staff Potential and Performance

- 57% of staff partook in upskilling activities during the year
- Average sickness days lost per person were 7.24 days an increase with the previous year.



## Report of the Governing Body *(continued)*

### Innovate and Transform

- The College successfully applied to become a T-Level early adopter and is now preparing to deliver the new qualifications from September 2020.

### Energise our Communities and Partners

- In 2018/19 the College engaged with 1,743 community learners with 51% progressing onto Adult Education Budget (AEB) funded programmes.
- 77% of the College's learner recruitment was from disadvantaged postcodes.

### Secure our Future

- It is expected that the College's financial health as appraised by the Education Skills Funding Agency will be confirmed as 'Good' for 2018/19.
- The College has exceeded the budgeted surplus for the year, generating **£2,553,000** positive operating cash, the College's cash and cash equivalents were **£9,917,000** at 31 July.

### Financial results

The College made a deficit before other gains and losses in the year of £1,056,000 (2017/18- deficit of £3,425,000) with total comprehensive expenditure of £(2,869,000), (2017/18- income £4,313,000).

There is an actuarial loss of £(1,813,000) in respect of Pension Schemes (2017/18- Gain £4,815,000),

The College has accumulated reserves of £38,020,000 and cash and short term investment balances of £9,917,000. The College wishes to continue to accumulate reserves and cash balances in order to maintain working capital and to facilitate future re-investment.

Tangible fixed asset additions during the year amounted to £1,034,000 . This included land and buildings acquired of £365,000 and equipment purchased of £669,000.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2018/19 the FE funding bodies provided 78% of the College's total income.

The College has the following subsidiary company:

Name	Nature of business	Surplus generated
Broadway Training Limited	Training Provider	This company was non trading throughout the year ended 31 July 2019

Walsall College Students' Trust Limited (independent of the College) did not trade during 2018/19 and is in the process of being dissolved.

## Report of the Governing Body *(continued)*

### Financial Plan

The College Corporation approves an annual budget and future financial plan in line with ESFA guidelines. This plan does not raise any material concerns with regard to the College's financial outlook.

### Treasury policies and objectives

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

The College has a separate treasury management policy in place.

Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum. The College is not expecting to utilise any short term borrowing in its current financial plans.

### Cash flows and liquidity

The College generated net cash flow from operating activities of some £4,235k (2017/18 £3,406 k). Accordingly, the College's overall cash and cash equivalents increased by £2,553k from £7,364k at 31 July 2018 to £9,917k at 31 July 2019.

### Reserves Policy

The College has no formal Reserves Policy, but recognises the importance of reserves in the financial stability of an organisation, and ensures that there are adequate reserves to support the College's core activities. The College currently holds £63,000 in restricted reserves in relation to endowment funds and £199,000 in the revaluation reserve with the remaining £37,758,000 in the income and expenditure account (2017/18 - £40,620,000). In accordance with the strategic ambition to Secure Our Future it is the Corporation's intention to generate annual operating surpluses and associated net positive cash inflow in order to fund re-investment back into the College for the benefit of staff, students and the local community.

### Financial Health

The College has self assessed as having a "Good" financial health grading based on the results for 2018/19. In the Financial Plan for 2019/20 it is anticipated that the College will increase by 10 points to "Outstanding". The College is on the cusp between "Good" and "Outstanding" financial health with a relatively small variation in EBITDA causing the College to fall either side.

## Report of the Governing Body *(continued)*

### CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

#### Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The College's policy is to pay suppliers on the next purchase ledger run after the debt became due. On the rare occasion where this is not possible the College aims to communicate this with suppliers to arrange a mutually agreeable payment date.

#### Events after the end of the reporting period

Since the year end the College has given two charges as follows:

- Black Country Local Enterprise Partnership: Charge over Portland Street Campus
- West Midlands Local Government Pension Scheme: Charge over The Hub

### PRINCIPAL RISKS AND UNCERTAINTIES

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

Based on the strategic plan, the Corporation undertakes a comprehensive review of the risks to which the College is exposed which is underpinned by an overall Board Assurance Framework. They identify systems and procedures, including specific preventative actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the Corporation also consider any risks which may arise as a result of any new area of work being undertaken by the College.

A Risk Register is maintained at the College level which is reviewed termly at each meeting of the Audit Committee and annually by the College Corporation. The Risk Register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system. This is supported by a Risk Management training programme to raise awareness of risk throughout the College.

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



## Report of the Governing Body *(continued)*

### PRINCIPAL RISKS AND UNCERTAINTIES *(continued)*

#### Government funding:

The College has a considerable reliance on continued government funding, through the further education sector funding bodies, and through the Office for Students (formerly HEFCE). In 2018/19, 78% of the College's revenue was ultimately publicly funded and this level of requirement is expected to continue. There can be no assurance that government policy or practise will remain the same or that public funding will continue at the same levels or on the same terms.

The College is aware of several issues, which may affect future funding, including the transitional apprenticeship market following reforms, devolution of the Adult Education Budget and the transition to T-Levels. The College is working closely with its key stakeholders including the West Midlands Combined Authority to ensure it can support the regional skills agenda for growth.

#### Maths and English

Government policy clearly identifies the responsibility on colleges to progress young people towards the achievement of grade 9 to 4 (formerly A\*-C) in Maths and English at GCSE level. This is reflected in the expectation of Ofsted and is evident in the outcomes of inspections sector wide. Whilst many students achieve a GCSE pass the key milestone of grade 9 to 4 (formerly A\*-C) remains a significant challenge. Further improvement remains critical to the lifelong success of our learners and the College continues to prioritise resourcing and focus in this area.

#### Safeguarding and Wellbeing

The College gives safeguarding and the wellbeing of staff and students the very highest priority. Whilst the College has been commended by Ofsted for best practice for safeguarding, there remain high inherent risks in and around the local communities that the College serves in respect of PREVENT and Child Sexual Exploitation. The College also is responsible for an ever growing number of apprentices and students undertaking external work experience in accordance with the objectives of the Study Programme and as such it is paramount that the employer workplaces are a safe environment for our students.

#### Maintain adequate funding of pension liabilities

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

The College is awaiting the outcome of the last triennial revaluation (March 2019). The College is required to reach agreement of a new deficit recovery plan and ongoing contribution rates with the West Midlands Pension Fund. The College has granted security over one of its buildings to the Pension fund to lower its risk rating and minimise recovery payments as much as possible. The College believes it has sufficient available resources to cover these liabilities in the short to medium term.

## Report of the Governing Body *(continued)*

### STAKEHOLDER RELATIONSHIPS

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

- Students;
- Education sector funding bodies, including the Office for Students;
- FE Commissioner;
- Staff;
- Local employers (with specific links);
- Local authorities; including the West Midlands Combined Authority
- Local Enterprise Partnerships (LEPs);
- The local community;
- Other FE institutions;
- Trade unions;
- Professional bodies.

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

### Public Benefit

Walsall 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 page 15.

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

### Equal opportunities

We are building a College community that through its leadership, recruitment, teaching and learning is free from discrimination and secure and confident in its diversity. The College is committed to ensuring that every individual learner and employee is valued, supported and respected. We welcome and celebrate the unique talent and experience of each individual learner and employee.

Effective teaching and learning require a safe environment, free from prejudice and discrimination, where the values and ethos of quality and diversity inform all College activity. Walsall College



## Report of the Governing Body *(continued)*

### Equal opportunities *(continued)*

therefore has zero tolerance of discrimination on grounds of age, disability, gender reassignment, race, religion or belief, sex, sexual orientation, marriage and civil partnership, and pregnancy and maternity. In common with the national picture, the College is seeing an increase in numbers of students with both short term and chronic mental health conditions. The College is continuing to develop ways to support staff and students alike in preventing barriers to learning and to minimise any impacts associated with this increase. These values apply equally to staff and governors, as well as students.

Our Single Equality Scheme and associated policies outline how we seek to ensure that the College is free from unlawful discrimination, and strives constantly to move beyond legal compliance towards excellence and best practice in promoting and celebrating equality and diversity.

The College considers all applications fairly. Where an existing employee becomes disabled, every effort is made to ensure that employment 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. An equalities action plan is published as part of the Single Equality Scheme each year and monitored by managers and governors.

### Disability statement

Learners with learning difficulties and/or disabilities are well supported and thrive at Walsall College. We are committed to the development of new and better opportunities for disabled people and aim to develop both practice and delivery options to ensure their success. We operate a social disability model, where the College is proactive in removing barriers to participation and success for learners and employees with a learning difficulty or disability. We will assist disabled staff to succeed in their employment at Walsall College.

The legislative framework is The Equalities Act 2010 which consolidated the rights of people with disabilities. We recognise that it covers a broad spectrum of requirements, including:

- Sensory impairment
- Restrictions to mobility
- Mental ill-health
- Long-term debilitating illnesses

The College has maintained comprehensive data on the disabilities of learners collected through the enrolment process and has a planned response to their needs. Although opportunities are available for staff to declare disabilities we feel that some may choose not to do so. We will encourage staff to disclose by increasing the opportunities that they have to do so which will enable us to respond more effectively to their needs. We will work to dismantle any barriers to career progression and self-fulfilment for both staff and students.

We will continue to:

- Support staff and students to feel confident to declare any disability or learning difficulty, particularly "hidden" disability issues, such as mental health and developmental disorders through training and awareness raising campaigns.
- Celebrate the success of those students who have overcome disadvantage to succeed in our College.
- Focus support to ensure retention, success and satisfaction remain high for students and staff with disabilities or learning difficulties



## Report of the Governing Body *(continued)*

### Disability statement *(continued)*

- Extend our forum for students with learning difficulties or disabilities to include staff.
- Monitor the impact of our activity in improving the conditions and success of disabled staff and students within the College.
- Where appropriate, enhance learners' ability to live independently by reducing their dependency on additional learning support.
- Conduct reasonable adjustments for both staff and students where needed.

Support services for learners are widely publicised in student literature, available on the intranet and consolidated during induction. Information is readily available to support learners in raising any concerns concerning their wellbeing or fair treatment.

### Trade Union Facility Time

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

Numbers of employees who were trade union officials during the year ended 31 July 2019	6
FTE employee number	6

Percentage of time	Number of employees
1-50%	6

Total cost of facility time	£29,674
Total pay bill	£26,377,000
Percentage of total bill spent on facility time	0.11%

### Modern Slavery Act 2015

Slavery and human trafficking are abuses of a person's freedoms and rights. The College is totally opposed to such abuses in our engagements with students and other partners, our indirect operations and our supply chain as a whole.

The College operates exclusively within the United Kingdom. Foreign trips do take place from time to time to explore future avenues of business and the majority of Walsall College activity and students are from the Midlands.

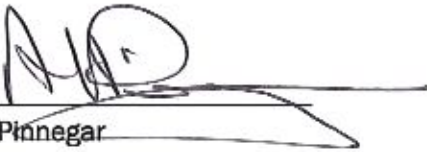
The College takes this issue very seriously and has developed a policy which can be viewed in full on the College Web-Site.

## Report of the Governing Body *(continued)*

### 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 10 December 2019 and signed on its behalf by:



Alan Pinnegar  
Chair

# Statement of Corporate Governance and Internal Control

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The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure.

The College endeavours to conduct its business:

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

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the College has adopted and complied with the Code. We have not adopted and therefore do not apply the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.

In the opinion of the Governors, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2019. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted in July 2015.

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



## Statement of Corporate Governance and Internal Control *(continued)*

### The Corporation

The members who served on the Corporation during the year and up to the date of signature of this report were as listed in the table below.

Name	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance *
Jatinder Sharma	9 December 2011	Ex Officio		Governor	Finance & Resources Search & Governance Standards	100%
Paul Averis	5 July 2018	3 years		Governor	Learning & Quality	100%
Charlotte Bosworth	5 July 2018	3 years		Governor	Student Voice Finance & Resources	33%
Jaswinder Dhillon	10 July 2017	3 years		Governor	Learning & Quality	67%
Carol Flood	25 March 2014	3 years		Governor	Learning & Quality Audit Student Voice Search & Governance Standards Remuneration	83%
Jo Hughes	13 Dec 2018	3 years		Staff Governor	Learning & Quality Student Voice	100%
Stuart Pedley-Smith	22 October 2015	3 years		Governor	Finance & Resources Remuneration	100%
Allan Pinnegar	25 March 2017	3 years		Vice Chair of Corporation	Finance & Resources Search & Governance Standards Remuneration	83%
Alastair Scales	2 February 2015	3 years		Governor	Audit Search & Governance Standards Remuneration	100%

Name	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance *
Graham Ward	19 Oct 2017	3 years		Governor	Audit Search & Governance Standards	50%
David Wheeler	21 March 2019	3 years		Governor	Finance & Resources	100%
Alan Woods	19 May 2016	3 years		Governor	Finance & Resources Remuneration Search & Governance Standards	83%
Charlotte White	4 July 2019	1 year		Student Governor	Student Voice	
Richard Arnold	5 July 2018	1 year	4 July 2019	Student Governor	Student Voice Learning & Quality	100%
Stefan Bargan	5 July 2018	1 year	4 July 2019	Student Governor	Student Voice	50%
Steve Bingham	6 July 2017	3 years	18 Sept 2018	Governor	Student Voice Learning & Quality	60%
Jaswant Sembhi	15 March 2018	3 years	27 Sept 2019	Staff Governor	Audit	83%
Jaswinder Singh	5 July 2018	3 years	2 July 2019	Governor	Audit	75%

Alison Buick acts as the Clerk to the Corporation.

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

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

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These Committees are:

- Audit;
- Finance and Resources;
- Learning and Quality;
- Remuneration;
- Search and Governance Standards; and
- Student Voice.

## Statement of Corporate Governance and Internal Control *(continued)*

Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website at [walsallcollege.ac.uk](http://walsallcollege.ac.uk) or from the Clerk to the Corporation at:

Walsall College  
Wisemore Campus  
Littleton Street West  
Walsall  
WS2 8ES

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

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

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

The Corporation has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Corporation considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

There is a clear division of responsibility in that the roles of the Chair and Accounting Officer are separate.

### Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search and Governance Standards Committee, consisting of six members of the Corporation, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Other than the Principal who is appointed ex officio, members of the Corporation are appointed for a term of office not exceeding three years.

### Corporation Performance

The Corporation carried out a self-assessment of its own performance for the year ended 31 July and graded itself as "Outstanding" on the Ofsted scale. External governors have continued to bring a breadth of relevant corporate knowledge and skills, such as financial management, manufacturing and engineering, as well as a very sharp focus on the priorities of employers.

The existing governance framework is well established and operates well, meeting the needs of the College and the Governors and reflects outstanding practise.



## Statement of Corporate Governance and Internal Control *(continued)*

### Remuneration Committee

Throughout the year ending 31 July 2019 the College's Remuneration Committee comprised five members of the Corporation. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other designated postholders.

The College adopted the AOC's Senior Staff Remuneration Code at the Corporation meeting on 21 March 2019. There is a requirement that the College must publish a readily accessible annual statement, based on an annual report to the Governing Body. This annual report was presented to Corporation on 10 December 2019.

Details of remuneration for the year ended 31 July 2019 are set out in the notes to the financial statements.

### Audit Committee

The Audit Committee comprises four members of the Corporation (excluding the Accounting Officer and Chair) and one associate governor. The Committee operates in accordance with written terms of reference approved by the Corporation. Its purpose is to advise the Corporation on the adequacy and effectiveness of the College's system of internal control and its arrangements for risk management, control and governance processes.

The Audit Committee meets on at least a termly basis and provides a forum for reporting by the College's internal, financial statement and funding assurance auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the main FE funding bodies, as they affect the College's business.

The College's internal auditors monitor the systems of internal control, risk management controls and governance processes. Under a separate engagement, the College's financial statements audit firm delivers a programme of funding assurance. Internal audit and funding assurance services are provided in accordance with an agreed plan and their findings are reported to management and the Audit Committee.

Management is responsible for the implementation of agreed recommendations and internal audit undertake periodic follow up reviews to ensure such recommendations have been implemented. The Audit Committee also advises the Corporation on the appointment of auditors and their remuneration for both audit and non-audit work.

### Internal control

#### *Scope of responsibility*

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

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which they are

## Statement of Corporate Governance and Internal Control *(continued)*

### Internal control *(continued)*

#### *Scope of responsibility (continued)*

personally responsible, in accordance with the responsibilities assigned to them in the Financial Memorandum between Walsall College and the funding bodies. They are also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The College maintains a Board Assurance Framework (BAF) that provides a framework of key risks and management responses to them. This document gives the Board the assurance that the College understands the operating environment it works in and the preventative measures in place to mitigate these risks.

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

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Walsall College for the year ended 31 July 2019 and up to the date of approval of the annual report and accounts.

#### *Capacity to handle risk*

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

#### *The risk and control framework*

The system of internal control is based on a framework of regular management information, 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 budgets
- 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 and funding assurance service. 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 appraisal. The analysis of risks and the internal audit plans



## Statement of Corporate Governance and Internal Control *(continued)*

### *The risk and control framework (continued)*

are endorsed by the Corporation on the recommendation of the Audit Committee. The funding assurance service annually tests compliance with the funding rules for core income streams.

As a minimum, the internal auditor annually provides the Corporation with a summary report on its activity in the College. The Internal Audit Annual Report includes the auditor's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

### *Review of effectiveness*

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


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

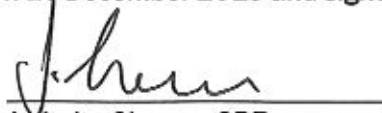
The Accounting Officer has been advised on the implications of the result of their review of the effectiveness of the system of internal control by the Audit Committee which oversees the work of the internal auditor, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Senior 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 the internal auditor, 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 the annual assessment for the year ended 31 July 2019 by considering documentation from the Senior Management Team and internal audit, and taking account of events since 31 July 2019.

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

Approved by order of the members of the Corporation on 10 December 2019 and signed on its behalf by:

  
Allan Pinnegar  
Chair

  
Jatinder Sharma OBE  
Accounting Officer



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

---

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

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

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



Allan Pinnegar  
Chair  
10 December 2019



Jatinder Sharma OBE  
Accounting Officer  
10 December 2019

## Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the College's grant funding agreements with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the *2015 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *College Accounts Direction 2018 to 2019* issued by the ESFA, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- assess the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the College or to cease operations, or have no realistic alternative but to do so.

The Corporation is also required to prepare a Report of the Governing Body 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.

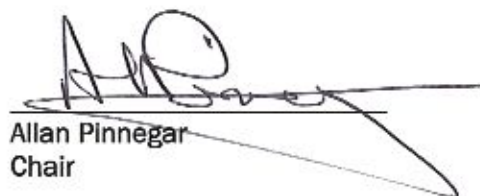
The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the College, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for taking steps that are reasonably open to it in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

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

## Statement of responsibilities of the Members of the Corporation *(continued)*

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 in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the ESFA are not put at risk.

Approved by order of the members of the Corporation on 10 December 2019 and signed on its behalf by:



Allan Pinnegar  
Chair



# Independent auditor's report to the Corporation of Walsall College

## KPMG LLP

One Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH

### Opinion

We have audited the financial statements of Walsall College ("the College") for the year ended 31<sup>st</sup> of July 2019 which comprise the Statement of Comprehensive Income and Expenditure, Statement of Changes in Reserves, Balance sheet, Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2019, and of the College's income and expenditure, gains and losses, changes in reserves, and cash flows, for the year then ended; and
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education*.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the College in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### Going concern

The Corporation has prepared the financial statements on the going concern basis as they do not intend to liquidate the College or to cease its operations, and as they have concluded that the College's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over the College's ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Corporation's conclusions, we considered the inherent risks to the College's business model, including the impact of Brexit, and analysed how those risks might affect the College's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

## Independent auditor's report to the Corporation of Walsall College *(continued)*

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the College will continue in operation.

### Other information

The Corporation is responsible for the other information, which comprises the Report of the Governing Body and the Statement of Corporate Governance and Internal Control and Statement of Responsibilities of the Members of the Corporation. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

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

Under the Post-16 Audit Code of Practice 2018 to 2019 (February 2019) issued by the Education and Skills Funding Agency we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

### Corporation's responsibilities

As explained more fully in their statement set out on page 22 the Corporation is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the College or to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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,

## Independent auditor's report to the Corporation of Walsall College *(continued)*

individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Corporation, in accordance with Article 22 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the Corporation for our audit work, for this report, or for the opinions we have formed.



Mark Dawson

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

One Snowhill

Snow Hill Queensway

Birmingham

B4 6GH

17 December 2019



# Reporting Accountant's Report on Regularity to the Corporation of Walsall College and the Secretary of State for Education acting through the Education and Skills Funding Agency (ESFA)

KPMG LLP

One Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH

In accordance with the terms of our engagement letter dated 1<sup>st</sup> of October 2015 and further to the requirements and conditions of funding in ESFA 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 Walsall College during the period 1<sup>st</sup> of 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 issued by the 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 (ILR) returns, for which the ESFA has other assurance arrangements in place.

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

## Respective responsibilities of Walsall College and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Post-16 Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1<sup>st</sup> of August 2019 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.

## Reporting Accountant's Report on Regularity *(continued)*

### Approach

We conducted our engagement in accordance with the Post-16 Audit Code of Practice issued by the 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.

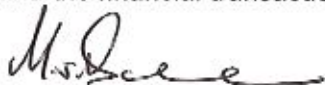
The work undertaken to draw our conclusion included:

- Documenting the framework of authorities which govern the activities of the College;
- Undertaking a risk assessment based on our understanding of the general control environment and any weaknesses in internal controls identified by our audit of the financial statements;
- Reviewing the self-assessment questionnaire which supports the representations included in the Chair of Governors and Accounting Officer's statement on regularity, propriety and compliance with the framework of authorities;
- Testing transactions with related parties;
- Confirming through enquiry and sample testing that the College has complied with its procurement policies and that these policies comply with delegated authorities; and
- Reviewing any evidence of impropriety resulting from our work and determining whether it was significant enough to be referred to in our regularity report.

This list is not exhaustive and we performed additional procedures designed to provide us with sufficient appropriate evidence to express a limited assurance conclusion on regularity consistent with the requirements of the Post-16 Audit Code of Practice.

### Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1<sup>st</sup> of 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.



Mark Dawson  
For and on behalf of KPMG LLP, Reporting Accountant  
Chartered Accountants  
One Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH

17 December 2019



## Statement of Comprehensive Income and Expenditure

	Notes	Year ended 31 July 2019	Year ended 31 July 2018
		£'000	£'000
<b>INCOME</b>			
Funding body grants	2	31,484	28,569
Tuition fees and education contracts	3	4,480	4,463
Other grants and contracts	4	819	406
Other income	5	3,609	2,449
Investment income	6	37	13
<b>Total income</b>		<b>40,429</b>	<b>35,900</b>
<b>EXPENDITURE</b>			
Staff costs	8	27,139	25,171
Other operating expenses	9	10,679	10,497
Depreciation	12	2,931	2,830
Interest and other finance costs	10	736	827
<b>Total expenditure</b>		<b>41,485</b>	<b>39,325</b>
<b>(Deficit) before other gains and losses before tax</b>		<b>(1,056)</b>	<b>(3,425)</b>
Profit or loss on disposal of assets	12	-	-
<b>(Deficit) before tax</b>		<b>(1,056)</b>	<b>(3,425)</b>
Taxation	11	-	-
<b>(Deficit) for the year after tax</b>		<b>(1,056)</b>	<b>(3,425)</b>
Gain on the fair valuation of assets and liabilities acquired from Walsall Adult and Community College	28	-	2,923
Actuarial (loss)/gain in respect of pension schemes	25	(1,813)	4,815
<b>Total Comprehensive income &amp; expenditure for the year</b>		<b>(2,869)</b>	<b>4,313</b>
<b>Represented by:</b>			
Restricted comprehensive income & expenditure		-	-
Unrestricted comprehensive income & expenditure		(2,869)	4,313
		<b>(2,869)</b>	<b>4,313</b>

The notes on pages 33 to 58 form an integral part of these financial statements.



## Statement of Changes in Reserves


	Income and expenditure account	Revaluation reserve	Restricted Endowment	Total
	£'000	£'000	£'000	£'000
<b>Balance at 31 July 2017</b>	<b>36,300</b>	<b>213</b>	<b>61</b>	<b>36,574</b>
(Deficit) / surplus from the income and expenditure account	(3,425)	-	-	(3,425)
Other comprehensive income and expenditure	7,738	-	4	7,742
Transfers between revaluation and income and expenditure reserves	7	(7)	-	-
	<b>4,320</b>	<b>(7)</b>	<b>4</b>	<b>4,317</b>
<b>Balance at 31 July 2018</b>	<b>40,620</b>	<b>206</b>	<b>65</b>	<b>40,891</b>
Surplus / (deficit) from the income and expenditure account	(1,056)	-	-	(1,056)
Other comprehensive income and expenditure	(1,813)	-	(2)	(1,815)
Transfers between revaluation and income and expenditure reserves	7	(7)	-	-
<b>Total comprehensive income and expenditure for the year</b>	<b>(2,862)</b>	<b>(7)</b>	<b>(2)</b>	<b>(2,871)</b>
<b>Balance at 31 July 2019</b>	<b>37,758</b>	<b>199</b>	<b>63</b>	<b>38,020</b>

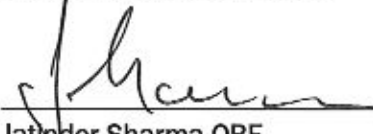
The notes on pages 33 to 58 form an integral part of these financial statements.

## Balance sheet as at 31 July

	Notes	2019 £'000	2018 £'000
<b>Non current assets</b>			
Tangible Fixed assets	12	57,883	59,780
Investments	13	-	-
		<u>57,883</u>	<u>59,780</u>
<b>Current assets</b>			
Stocks		26	22
Trade and other receivables	14	3,633	4,522
Investments	15	13	15
Cash and cash equivalents	20	9,917	7,364
		<u>13,589</u>	<u>11,923</u>
Less: Creditors – amounts falling due within one year	16	(8,155)	(9,149)
Net current assets		<u>5,434</u>	<u>2,774</u>
<b>Total assets less current liabilities</b>		<b>63,317</b>	<b>62,554</b>
Creditors – amounts falling due after more than one year	17	(5,696)	(6,138)
<b>Provisions</b>			
Defined benefit obligations	19	(19,260)	(15,176)
Other provisions	19	(341)	(349)
<b>Total net assets</b>		<u><b>38,020</b></u>	<u><b>40,891</b></u>
<b>Restricted reserves</b>			
Expendable endowments		63	65
<b>Unrestricted Reserves</b>			
Income and expenditure account		37,758	40,620
Revaluation reserve		199	206
<b>Total unrestricted reserves</b>		<u><b>38,020</b></u>	<u><b>40,891</b></u>

The financial statements on pages 33 to 58 were approved and authorised for issue by the Corporation on 10 December 2019 and were signed on its behalf on that date by:

  
Allan Pinnegar  
Chair

  
Jatinder Sharma OBE  
Accounting Officer

The notes on pages 33 to 58 form an integral part of these financial statements.

## Statement of Cash Flows

	Notes	2019 £'000	2018 £'000
<b>Cash flow from operating activities</b>			
Surplus/(deficit) for the year		(1,056)	(3,425)
<b>Adjustment for non-cash items</b>			
Depreciation		2,931	2,830
Increase in stocks		(4)	(1)
Decrease/(increase) in debtors		893	(1,934)
(Decrease)/increase in creditors due within one year		(1,115)	2,188
Increase/(decrease) in creditors due after one year		8	(878)
(Decrease) in provisions		(8)	(17)
Pensions costs less contributions payable		1,887	2,399
Increase in endowments		-	1
Gain on the fair valuation of assets and liabilities acquired from Walsall Adult and Community College		-	1,429
Taxation		-	-
<b>Adjustment for investing or financing activities</b>			
Investment income		(37)	(13)
Interest payable		736	827
<b>Net cash flow from operating activities</b>		<b>4,235</b>	<b>3,406</b>
<b>Cash flows from investing activities</b>			
Investment income		33	11
Withdrawal of deposits		-	-
New deposits		-	-
Payments made to acquire fixed assets		(925)	(1,444)
		<b>(892)</b>	<b>(1,433)</b>
<b>Cash flows from financing activities</b>			
Interest paid		(352)	(371)
New unsecured loans		-	-
Repayments of amounts borrowed		(438)	(420)
		<b>(790)</b>	<b>(791)</b>
<b>(Decrease) / increase in cash and cash equivalents in</b>		<b>2,553</b>	<b>1,182</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>7,364</b>	<b>6,182</b>
<b>Cash and cash equivalents at end of the year</b>		<b>9,917</b>	<b>7,364</b>

The notes on pages 33 to 58 form an integral part of these financial statements.



# Notes to the Accounts

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## 1 Statement of accounting policies and estimation techniques

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

### Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (the 2015 FE HE SORP), the College Accounts Direction for 2018 to 2019 and in accordance with Financial Reporting Standard 102 – “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

### Basis of accounting

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

### Going concern

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

The College currently has £6.0m of loans outstanding with bankers on terms negotiated in 2007. The terms of the existing agreement are for up to another 16 years. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future. The College also has a £173k loan arrangement under the Lennartz ruling which is repayable by 2019/20.

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

## Notes (continued)

### 1 Statement of accounting policies and estimation techniques (continued)

#### Recognition of income

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

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

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

Government and other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

Income from tuition fees is stated gross of any expenditure which is not a discount and is recognised in the period for which it is received. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned on a receivable basis.

#### Agency arrangements

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



## Notes (continued)

### 1 Statement of accounting policies and estimation techniques (continued)

#### Accounting for post-employment benefits

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

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method. The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

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 gain/loss in respect of pension schemes.

#### Short term Employment benefits

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

#### Enhanced Pensions

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



## Notes (continued)

### 1 Statement of accounting policies and estimation techniques (continued)

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

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

##### *Land and buildings*

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

Freehold buildings are depreciated on a straight line basis over their expected useful lives as follows:

- Buildings 50 years
- Refurbishments 10 years

Land is not depreciated.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above.

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

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, certain of which were revalued in 1994, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

##### *Assets under construction*

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

##### *Subsequent expenditure on existing fixed assets*

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

## Notes (continued)

### 1 Statement of accounting policies and estimation techniques (continued)

#### Equipment

Equipment costing less than £1,000 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost.

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

- |  |               |
|--|---------------|
| • motor vehicles and general equipment | 4 years       |
| • computer equipment                   | 2 to 4 years  |
| • furniture, fixtures and fittings     | 5 to 10 years |

#### 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. Any lease premiums or incentives relating to leases signed after 1 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 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 depreciated and assessed for impairment losses in the same way as owned assets.

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

#### Investments

##### Investments in subsidiaries

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

## Notes (continued)

### 1 Statement of accounting policies and estimation techniques (continued)

#### Other investments

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

#### Stock

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

#### Cash and cash equivalents

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

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

#### Financial liabilities and equity

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

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

#### Foreign currency translation

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

#### Taxation

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



## Notes (continued)

### 1 Statement of accounting policies and estimation techniques (continued)

The College is partially exempt in respect of Value Added Tax, so that it can only recover around 1.71% 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.

#### Provisions and contingent liabilities

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

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

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

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

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

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

- Determine whether there are indicators of impairment of the College's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

## Notes (continued)

### 1 Statement of accounting policies and estimation techniques (continued)

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

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

- Determine whether there are indicators of impairment of the College's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

#### Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

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

### 2 Funding body grants

	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
<b>Recurrent grants</b>		
Education and Skills Funding Agency - Adult	6,956	4,973
Education and Skills Funding Agency - 16-18	19,515	17,749
Education and Skills Funding Agency - Appre'tiship	4,307	5,466
Additional Learner Support	-	8
Office for Students	346	319
<b>Specific grants</b>		
Release of Capital Grants	-	26
Education and Skills Funding Agency	360	28
<b>Total</b>	<b>31,484</b>	<b>28,569</b>

## Notes (continued)

### 3 Tuition fees and education contracts

	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Adult education fees	605	667
Apprenticeship fees and contracts	57	211
Fees for FE loan supported courses	787	804
Fees for HE loan supported courses	2770	2,619
International students fees	-	(17)
Total tuition fees	<u>4,219</u>	<u>4,284</u>
Education contracts	<u>261</u>	<u>179</u>
<b>Total</b>	<b><u>4,480</u></b>	<b><u>4,463</u></b>

### 4 Other grants and contracts

	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Other grants and contracts	<u>819</u>	<u>406</u>

### 5 Other income

	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Catering and residences	481	343
Other income generating activities	996	985
Exams	34	33
High Needs Funding (Element 2&3)	959	924
Non-government capital grants	1,034	-
Miscellaneous income	<u>105</u>	<u>164</u>
<b>Total</b>	<b><u>3,609</u></b>	<b><u>2,449</u></b>

In 2018/19 we received a grant from the Black Country Local Enterprise Partnership (BC LEP) enabling us to expand our Portland Street Campus. The release of this grant forms the majority of the Non-government capital grants in the note above.



## Notes (continued)

### 6 Investment income

	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Other interest receivable	<u>37</u>	<u>13</u>

### 7 Donations and endowments

	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Unrestricted donations	<u>-</u>	<u>-</u>
<b>Total</b>	<u><u>-</u></u>	<u><u>-</u></u>

### 8 Staff costs

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

	2019 No.	2018 No.
Teaching staff	371	291
Non-teaching staff	<u>269</u>	<u>287</u>
	<u><b>640</b></u>	<u><b>578</b></u>
<b>Staff costs for the above persons</b>		
	2019	2018
	£'000	£'000
Wages and salaries	19,693	18,124
Social security costs	1,844	1,678
Other pension costs	4,755	4,803
Apprenticeship Levy	85	75
<b>Payroll sub total</b>	<u><b>26,377</b></u>	<u><b>24,680</b></u>
Contracted out staffing services	<u>526</u>	<u>341</u>
	<u><b>26,903</b></u>	<u><b>25,021</b></u>
Contractual restructuring costs	<u>236</u>	<u>150</u>
<b>Total Staff costs</b>	<u><u><b>27,139</b></u></u>	<u><u><b>25,171</b></u></u>

## Notes (continued)

### 8 Staff costs (continued)

#### Key management personnel

Key management personnel are defined as members of the College Executive Team with significant financial responsibility.

#### 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:	<u>8</u>	<u>5</u>

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

	Key management personnel		Other staff	
	2019 No.	2018 No.	2019 No.	2018 No.
£35,001 to £40,000 p.a.	-	1	-	-
£40,001 to £45,000 p.a.	2	-	-	-
£45,001 to £50,000 p.a.	1	-	-	-
£55,001 to £60,000 p.a.	-	-	1	1
£60,001 to £65,000 p.a.	-	-	-	1
£65,001 to £70,000 p.a.	-	-	-	1
£70,001 to £75,000 p.a.	2	-	1	1
£75,001 to £80,000 p.a.	1	-	-	1
£80,001 to £85,000 p.a.	1	-	-	-
£85,001 to £90,000 p.a.	-	1	-	-
£90,001 to £95,000 p.a.	-	1	-	-
£100,001 to £105,000 p.a.	-	1	-	-
£155,001 to £160,000 p.a.	-	1	-	-
£160,001 to £165,000 p.a.	1	-	-	-
	<u>8</u>	<u>5</u>	<u>2</u>	<u>5</u>

The change from 5 to 8 key management personnel reflects the change in the executive structure at the end of 2018. The Deputy principal role was removed and split between two Assistant Principal roles. At the same time the Director of Resources was also reclassified as key management personnel.

## Notes (continued)

### 8 Staff costs (continued)

Key management personnel emoluments are made up as follows:

	2019	2018
	£'000	£'000
Salaries	596	470
Benefits in kind	4	4
	<hr/> 600	<hr/> 474
Pension contributions	93	45
<b>Total emoluments</b>	<hr/> <b>693</b>	<hr/> <b>519</b>

The above emoluments include 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	2018
	£'000	£'000
Salaries	157	155
Benefits in kind	4	3
	<hr/> 161	<hr/> 158
Pension contributions	<hr/> 24	<hr/> 21

The governing body has adopted AoC's Senior Staff Remuneration Code in July 2019 and will assess pay in line with its principles in future.

The remuneration package of Key management staff, including the Principal and Chief Executive, is subject to annual review by the Remuneration Committee of the governing body who use benchmarking information to provide objective guidance.

The Principal and Chief Executive reports to the Chair of Governing Council, who undertakes an annual review of his performance against the college's overall objectives using both qualitative and quantitative measures of performance.

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

	2019	2018
Principal's basic salary as a multiple of the median of all staff	6.46	6.45
Principal and CEO's total remuneration as a multiple of the median of all staff	6.95	6.70

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



## Notes (continued)

### 9 Other operating expenses

	2019	2018
	£'000	£'000
Teaching costs	3,307	3,255
Non-teaching costs	4,622	4,937
Premises costs	2,750	2,305
<b>Total</b>	<b>10,679</b>	<b>10,497</b>

#### Other operating expenses include:

	2019	2018
	£'000	£'000
Auditors' remuneration:		
Financial statements audit	30	30
Internal audit	20	20
Other services provided by the financial statements auditor	12	27
Other services provided by the internal auditors	6	-
Losses on disposal of non-current assets	-	-
Hire of assets under operating leases	60	94

### 10 Interest and other finance costs

	2019	2018
	£'000	£'000
On bank loans, overdrafts and other loans:	352	371
Other interest	-	-
	<u>352</u>	<u>371</u>
Pension finance costs (note 25)	<u>384</u>	<u>456</u>
<b>Total</b>	<b><u>736</u></b>	<b><u>827</u></b>

### 11 Taxation

	2019	2018
	£'000	£'000
The governors do not believe the College was liable for any Corporation Tax arising out of the activities during the period.	-	-
	<u>-</u>	<u>-</u>
<b>Total</b>	<b><u>-</u></b>	<b><u>-</u></b>

Notes (continued)

12 Tangible fixed assets

	Land and buildings	Equipment	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At 1 August 2018	79,398	10,815	-	90,213
Additions	365	669	-	1,034
Disposal	-	(6)	-	(6)
At 31 July 2019	<u>79,763</u>	<u>11,478</u>	-	<u>91,241</u>
<b>Depreciation</b>				
At 1 August 2018	21,033	9,400	-	30,433
Charge for the year	2,307	624	-	2,931
Disposal	-	(6)	-	(6)
At 31 July 2019	<u>23,340</u>	<u>10,018</u>	-	<u>33,358</u>
<b>Net book value at 31 July 2019</b>	<u>56,423</u>	<u>1,460</u>	-	<u>57,883</u>
<b>Net book value at 31 July 2018</b>	<u>58,365</u>	<u>1,415</u>	-	<u>59,780</u>

Land and buildings inherited from the LEA at incorporation were valued in 1994 at depreciated replacement cost by Fraser Wood Mayo and Pinsent a firm of independent chartered surveyors.

If fixed assets had not been revalued before being deemed as cost on transition they would have been included at the following historical cost amounts:

	£'000
Cost	Nil
Aggregate depreciation based on cost	Nil
<b>Net book value based on cost</b>	<u>Nil</u>

## Notes (continued)

### 13 Non-current investments

	2019	2018
	£	£
Investments in subsidiary companies	2	2
<b>Total</b>	<b>2</b>	<b>2</b>

The College owns 100 per cent of the issued ordinary £1 shares of Broadway Training Limited, a company incorporated in England and Wales. The Company has not traded during 2018/19 and 2017/18.

### 14 Debtors

	2019	2018
	£'000	£'000
Amounts falling due within one year:		
Trade receivables	1,824	1,741
Prepayments and accrued income	657	1,824
Amounts owed by the ESFA	1,152	792
Other debtors	-	165
<b>Total</b>	<b>3,633</b>	<b>4,522</b>

### 15 Current investments

	2019	2018
	£'000	£'000
Bank treasury deposit	-	-
Endowment investments	13	15
<b>Total</b>	<b>13</b>	<b>15</b>

Treasury deposits are held with banks and building societies operating in the London market and licensed by the Financial Conduct Authority with more than three months' maturity at the balance sheet date. The interest rates for these deposits are fixed for the duration of the deposit at time of placement.

Endowment investments are represented by:

	2019	2018
	£'000	£'000
Fixed interest stock	7	7
Equities	6	8
	<b>13</b>	<b>15</b>



**Notes** *(continued)*

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

	2019	2018
	£'000	£'000
Bank loans and overdrafts	442	422
Other loan	8	16
Payments received in advance	760	1,101
Trade payables	299	447
Corporation tax	-	-
Other taxation and social security	685	707
Accruals and deferred income	3,946	2,947
Other creditors	421	358
Short term employment benefits	762	830
Deferred income - government capital grants	7	837
Deferred income - government revenue grants	-	-
Payment received on account - Lennartz	173	880
Amounts owed to the ESFA	652	604
<b>Total</b>	<b>8,155</b>	<b>9,149</b>

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

	2019	2018
	£'000	£'000
Bank loans	5,515	5,957
Other loan	-	8
Other creditors	181	173
<b>Total</b>	<b>5,696</b>	<b>6,138</b>

**Notes** (continued)

**18 Maturity of debt**

**(a) Bank loans and overdrafts**

Bank loans and overdrafts are repayable as follows:

	2019 £'000	2018 £'000
In one year or less	442	422
Between one and two years	364	442
Between two and five years	491	603
In five years or more	4,660	4,912
<b>Total</b>	<b>5,957</b>	<b>6,379</b>

The bank loan from Barclays Bank plc is secured on the Wisemore campus. £7m bears a fixed interest of 5.5% (excluding lending margin) and is repayable by instalments over twenty-five years until 2035. The remaining £2m is on a fixed interest rate of 3.41% (excluding lending margin) and is repayable by instalments over ten years until 2021.

**(b) Other unsecured loan**

	2019 £'000	2018 £'000
In one year or less	8	16
Between one and two years	-	8
Between two and five years	-	-
<b>Total</b>	<b>8</b>	<b>24</b>

The loan is a public benefit entity concessionary loan, which is unsecured, interest free and is repayable in equal instalments over the next four years.

## Notes (continued)

### 19 Provisions

	Defined benefit obligations	Enhanced pensions	Other	Total
	£'000	£'000	£'000	£'000
At 31 July 2018	15,176	188	161	15,525
Expenditure in the period	-	-	-	-
Additions in period	4,084	(8)	-	4,076
At 31 July 2019	<u>19,260</u>	<u>180</u>	<u>161</u>	<u>19,601</u>

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

Other provisions relate to specific projects where there is a potential for clawback of funds.

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	2.2%	1.3%
Discount rate	2.0%	2.3%

### 20 Cash and cash equivalents

	At 1 August 2018	Cash flows	Other changes	At 31 July 2019
	£'000	£'000	£'000	£'000
Cash and cash equivalents	7,364	2,553	-	9,917
Treasury Deposits	-	-	-	-
Total	<u>7,364</u>	<u>2,553</u>	<u>-</u>	<u>9,917</u>



## Notes (continued)

### 21 Capital and other commitments

	2019 £'000	2018 £'000
Commitments contracted for at 31 July	<u>226</u>	<u>240</u>

### 22 Lease obligations

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

	2019 £'000	2018 £'000
<b>Future minimum lease payments due</b>		
<b>Land and buildings</b>		
Not later than one year	24	-
Later than one year and not later than five years	84	-
Later than five years	-	-
	<u>108</u>	<u>-</u>
<b>Other</b>		
Not later than one year	78	82
Later than one year and not later than five years	70	92
Later than five years	-	-
	<u>148</u>	<u>174</u>

### 23 Contingent liabilities

The College had no contingent liabilities as at 31 July 2019 (2018: nil).

### 24 Events after the reporting period

Since the year end the College has given two charges as follows:

- Black Country Local Enterprise Partnership: Charge over Portland Street Campus
- West Midlands Local Government Pension Scheme: Charge over The Hub

## Notes (continued)

### 25 Defined benefit obligations

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

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

Total pension cost for the year	2019 £000	2018 £000
Teachers' Pension Scheme: contributions	1,373	1,218
Local Government Pension Scheme:		
Contributions paid	1,493	1,199
FRS 102 (28) charge	1,866	2,383
Charge to the Statement of Comprehensive Income	3,359	3,582
Enhanced pension charge to Statement of Comprehensive Income	23	3
<b>Total Pension Cost for Year within staff costs</b>	<b>4,755</b>	<b>4,803</b>

Contributions amounting to £328k (2018:£314k ) were payable to the scheme and are included in creditors.

### Teachers' Pension Scheme

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

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

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

## Notes (continued)

### 25 Defined benefit obligations (continued)

#### Teachers' Pension Scheme (continued)

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.

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 2018/9. 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 £1,373k (2018: £1,218k)



## Notes (continued)

### 25 Defined benefit obligations (continued)

#### Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Wolverhampton City Council. The total contributions made for the year ended 31 July 2019 were £1,978k, of which employer's contributions totalled £1,479k and employees' contributions totalled £499k. The agreed contribution rates for future years are 11.5% for employers plus a past service lump sum of £230k and range from 5.5% to 12.5% for employees, depending on salary.

#### Principal Actuarial Assumptions

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

	At 31 July 2019	At 31 July 2018
Rate of increase in salaries	3.85%	3.85%
Future pensions increases	2.35%	2.35%
Discount rate for scheme liabilities	2.15%	2.65%
Inflation assumption (CPI)	2.35%	2.35%
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
<b>Retiring today</b>		
Males	20.9	21.9
Females	23.2	24.4
<b>Retiring in 20 years</b>		
Males	22.6	24.1
Females	25.0	26.7

**Notes** (continued)

**25 Defined benefit obligations** (continued)

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

		Fair Value at 31 July 2019 £'000		Fair Value at 31 July 2018 £'000
Equities	60%	26,754	63%	25,969
Government bonds	9%	4,214	7%	2,952
Other bonds	4%	1,684	4%	1,520
Property	8%	3,633	8%	3,330
Cash	4%	1,607	4%	1,539
Other	15%	6,609	14%	5,729
<b>Total fair value of plan assets</b>		<b><u>44,501</u></b>		<b><u>41,039</u></b>
 Weighted average expected long term rate of return	 6.0%		 2.7%	
<b>Actual return on plan assets</b>		<b><u>2,620</u></b>		<b><u>1,862</u></b>

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

	2019 £'000	2018 £'000
Fair value of plan assets	44,501	41,039
Present value of plan liabilities	(63,730)	(56,178)
Present value of unfunded liabilities	(31)	(37)
<b>Net pensions (liability) (Note 19)</b>	<b><u>(19,260)</u></b>	<b><u>(15,176)</u></b>

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	3,345	3,321
Past service cost	-	-
<b>Total</b>	<b><u>3,345</u></b>	<b><u>3,321</u></b>
 <b>Amounts included in investment income</b>		
Net interest income	(384)	(456)
	<b><u>(384)</u></b>	<b><u>(456)</u></b>

**Notes** *(continued)*

**25 Defined benefit obligations** *(continued)*

Amount recognised in other comprehensive income:

	2019	2018
Return on pension plan assets	1,521	855
Experience losses arising on defined benefit obligations	-	-
Changes in assumptions underlying the present value of plan	(6,771)	3,960
Change in demographic assumptions	3,437	-
<b>Amount recognised in Other Comprehensive Income</b>	<b>(1,813)</b>	<b>4,815</b>

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

	2019 £'000	2018 £'000
Net defined benefit (liability)/asset in scheme at 1 August	(15,176)	(17,136)
Movement in year:		
Current service cost	(2,751)	(2,634)
Employer contributions	1,479	938
Past Service Costs	(594)	-
Net interest on the defined (liability)	(384)	(456)
Actuarial gain or loss	(1,813)	4,815
Liabilities assumed on Settlement (transfer from Walsall Adult and Community College)	-	(3,097)
Settlement Prices Received (transfer from Walsall Adult and Community College)	-	2,410
Administration costs	(21)	(16)
<b>Net defined (liability) at 31 July</b>	<b>(19,260)</b>	<b>(15,176)</b>

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	56,215	53,382
Current service cost	2,751	2,634
Interest cost	1,483	1,463
Contributions by scheme participants	499	447
Experience gains and losses on defined benefit obligations	-	-
Changes in financial assumptions	6,771	(3,960)
Changes in Demographic assumptions	(3,437)	-
Estimated benefits paid	(1,109)	(843)
Past service cost	594	-
Liabilities Assumed on Settlement (transfer from Walsall	-	3,097
Curtailments and Settlements	(6)	(5)
<b>Defined benefit obligations at end of period</b>	<b>63,761</b>	<b>56,215</b>



**Notes** (continued)

**25 Defined benefit obligations** (continued)

	2019 £'000	2018 £,000
<b>Changes in fair value of plan assets:</b>		
Fair value of plan assets at start of period	41,039	36,246
Interest on plan assets	1,099	1,007
Return on plan assets	1,521	855
Other actuarial gains/(losses)	-	-
Employer contributions	1,479	938
Contributions by scheme participants	499	447
Estimated benefits paid	(1,115)	(848)
Settlement Prices Received (transfer from Walsall Adult and Community College)	-	2,410
Administration costs	(21)	(16)
<b>Fair value of plan assets at end of period</b>	<b>44,501</b>	<b>41,039</b>

These accounts show a past service cost of £527k in respect of the McCloud / Sergeant judgment, 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 0.8% of the total scheme liability as at 31 March 2019. The Fund actuaries (Barnett Waddingham) have calculated the adjustment to past service costs arising from the outcome of the Court of Appeal judgment based on all members who were active at 31 March 2012 until their retirement together with 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.

## Notes (continued)

### 26 Related party transactions

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

The total expenses paid to or on behalf of the Governors during the year was £1,962 that was paid to 4 governors (2018: £992; 4 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2018: None).

### 27 Amounts disbursed as agent

#### Learner support funds

	2019 £'000	2018 £'000
Funding body grants	648	727
	<u>648</u>	<u>727</u>
Disbursed to students	(587)	(583)
Administration costs	(43)	(23)
Balance unspent as at 31 July, included in creditors	<u>18</u>	<u>121</u>

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

### 28 Gain on fair valuation of assets and liabilities acquired from Walsall Adult and Community College

On 1 April 2018, the College acquired the assets and liabilities from Walsall Adult Community College. The net assets acquired as at 1 April 2018 totalled £2,923k.