South Staffordshire College

Members' Report and Financial Statements

For the year ended 31 July 2019

Key Management Personnel, Board of Governors and Professional Advisers

Key Management Personnel

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

C Boliver - Chief Executive and Principal Accounting Officer
K Hookham - Deputy Chief Executive (Curriculum & Quality)
V Howard - Deputy Chief Executive (Finance) – left 30th September 2018
A Clare – Interim Deputy Principal (Finance & Resources) – from 1st September 2018
S Grant – Executive Director of Estates and Commercial Services – left 30th September 2018
Y Akhtar – Assistant Principal Learner Services
D Smith – Assistant Principal of Human Resources
J Price – Assistant Principal Curriculum
J Sizer – Assistant Principal Work Based Learning & Commercial – left 31st March 2019
K Turley – Assistant Principal of Quality

Board of Governors

A full list of Governors is given on pages 15-16 of these financial statements.

Professional Advisers

Financial statements and regularity auditor:	Mazars LLP, Park View House, 58 The Ropewalk, Nottingham, NG1 5DW
Internal auditor:	TIAA, Artillery House, Fort Fareham, Newgate Lane, Fareham, PO14 1AH
Bankers:	Yorkshire Bank plc, 1 Market Place, Cannock, Staffs, WS11 1BT Barclays Bank plc, PO Box 130, Dudley, West Midlands, DY1 1YR Lloyds TSB, 5 Market Square, Stafford, ST16 2JL
Solicitors:	Pickering & Butters 19 Greengate Street Stafford ST16 2LU

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Members' Report

OBJECTIVES AND STRATEGY

The Governing Body present their annual report together with the financial statements and auditor's report for South Staffordshire College 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 South Staffordshire College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011. The nature of the College's operations and its principal activities are set out from page 4.

Mission and Values

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

"To create a single responsive College that will provide improved access to a range of outstanding provision for adults, young people and businesses whilst promoting social inclusion and supporting economic prosperity for stakeholders within Southern Staffordshire and beyond. To create a world-class college based on a federation of campuses to serve their respective local communities".

The College has established a set of values and guiding principles to help achieve the mission. The values are:

- Togetherness
- Standards
- Sustainability
- Customer Care

The guiding principles are:

- Excellence in learning and teaching
- Community contribution
- Entrepreneurial attitude

Implementation of Strategic Plan

In July 2015 South Staffordshire College adopted a ten-year strategic vision taking the College to 2025 with the purpose of "*Transforming the Life Chances of our Communities*" at its heart. This strategy was reviewed and updated in 2019. Critical to the delivery of this vision is the commitment to ensuring we continually improve how we work to remain a sustainable organisation. Students, staff and local employers are at the heart of everything we do. To achieve this, the College has identified five strategic priorities:

The College's **Strategic Priorities** are;

- **Increase Participation** – the College's destination-driven curriculum will provide for the future skills needs of employers, enabling them to prosper.
- **Deliver a highly engaged and skilled workforce** – The College believes future success is reliant upon the creativity, commitment and passion of its staff.
- **Deliver excellence** – The College is committed to pursuing outstanding standards in everything it does.

Members' Report - *Continued*

- **Delivery outstanding teaching, learning, assessment and business services** – The College is committed to providing an outstanding experience for our learners and measure our success through their success.
- **Achieve financial sustainability and improve efficiency** – The College will build on the reputation of South Staffordshire College through growing the talent and creativity of our staff and learners.

The Corporation monitors the performance of the College against these objectives.

Resources

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

The College employs 446 people (as full-time equivalents), of whom 271 are teaching staff.

The College enrolled approximately 5,254 students in 2018/19. The College's student population includes 2,215 16-to-18-year-old students, 986 apprentices, 168 higher education students, and 1,885 adult learners.

The College has £18,722,000 of net assets (including £9,499,000 pension liability) and debt of £5,359,000. Tangible resources include the four main College sites located in Rodbaston, Tamworth, Lichfield and Cannock and also operates on a leased basis at Torc. Torc is a satellite centre based in Tamworth which provides Construction and Futures provision.

The College has a good reputation locally and has been successful in securing investment from the Stoke and Staffordshire Local Enterprise Partnership to improve College facilities to enable growth in key priority skills areas. Maintaining a quality brand is essential for the College's success at attracting students and employers and enhancing external relationships.

STAKEHOLDERS

The College has many stakeholders including:

- its current, future and past students;
- its staff and their trade unions;
- the employers it works with;
- the professional organisations in the sectors where it works;
- its partner schools and universities; the wider College community;
- its local councils, and Local Enterprise Partnerships (LEP).

DEVELOPMENT AND PERFORMANCE

Financial Results

The College made an operating deficit before actuarial losses in respect of pension schemes for the period ended 31 July 2019 of £72,000 (*2017/18: £2,121,000 deficit which included £820,000 in respect of restructuring costs*).

The College has accumulated reserves of £18,723,000 (*2017/18: £22,147,000*) and cash balances of £2,408,000 (*2017/18: £2,301,000*).

Members' Report – *Continued*

Tangible fixed asset additions during the year amounted to £1,646,000 of which £387,000 was invested in equipment and £998,000 was invested in specialised engineering equipment at the Cannock Campus.

Developments

The Cannock Campus was reopened in September 2018 as part of a Skills and Innovation Hub with the intention of working in partnership with other providers to deliver programmes to meet the needs of the local community and employers. Although learner numbers were initially modest, numbers have continued to grow strongly into the 2019/20 academic year.

The majority of capital expenditure for 2018/19 related to the grant funded investment in cutting-edge engineering equipment for the Cannock Campus. There was also a significant investment in the College's IT equipment and systems, including investment in the improvement of the College-wide wifi network across a number of sites.

Financial Reserves

The College has accumulated reserves of £18,723,000 and cash and short-term investment balances of £2,408,000. These reserves enable it to continue to implement its longer-term strategy, deal with unforeseen financial pressures and allows affordable investments to be made. Annually, the College looks to increase its reserves to enable further developments to be implemented particularly in the development of resources for learners.

Sources of Income

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 75.6% of the College's total income.

FUTURE PROSPECTS

Developments

The College was last inspected by Ofsted in May 2018 and was awarded a second 'Requires Improvement' rating. Since the inspection, a comprehensive Quality Improvement Plan has been developed that, with additional funding awarded from the Strategic College Improvement Fund, is underpinned by revised quality structures and processes to address the identified areas for improvement. The College expects that it will have an Ofsted inspection in the next current academic year.

The College would like to reduce dependency on the funding bodies and is seeking opportunities to grow and diversify its income, particularly in the areas where the College currently performs well. An ambitious growth target for Apprenticeships has been set for 2018/19 as the College's presence in this market is underdeveloped. Given the growth in this provision during the 2017/18 financial year, the College has already achieved a good proportion of its 2018/19 funding allocation.

The College has commissioned a review of its Property Strategy which will lead to medium to long term investment in the College's properties. The Property Strategy will take account of the changing curriculum requirements in each of the College's geographical markets and seek to provide outstanding facilities for learners and staff alike.

After reviewing all the assets, the Corporation has agreed to dispose of eight residential properties that are 'non-core' assets, which will be sold during 2019/20 and 2020/21. The proceeds will be reinvested to implement the recommendations as part of the Property Strategy.

Members' Report – *Continued*

Financial Plan

The College governors approved a three-year financial plan in July 2019 which sets objectives for the period to 2022. The forecast is underpinned by a number of financial aims and objectives.

Financial Aims

- To hold a minimum Financial Health grade of 'good' (Education and Skills Funding Agency ("ESFA")
- Ensure pay costs are less than 63% of income
- Comply with all bank loan covenants
- Reduce borrowing and increase cash levels

Financial Objectives

The College's financial objectives are:

- Protect itself from unforeseen changes in enrolment and funding
- Support a modern, high quality, effective learning environment for students and staff
- Continually invest in enhancements for teaching and learning to raise standards to 'Good'
- Maintain the confidence of external stakeholders including Education Skills Funding Agency, suppliers, bankers and auditors
- Raise financial awareness with staff to embed a culture of Value for Money

Treasury Policies and Objectives

The College has treasury management arrangements in place to manage cash flows, banking arrangements and the risks associated with those activities. All borrowing requires the authorisation of the Corporation.

Cash Flows and Liquidity

During the year there was a net cash inflow of £107,000 (*2017/18 cash outflow £103,000*). A significant improvement in the financial operating position has contributed to the upturn in net cash. The College has agreed terms on three new debt facilities with Yorkshire Bank, Lloyds Bank and Barclays Bank.

Reserves

The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation and ensures that there are adequate reserves to support the College's core activities. As at the balance sheet date the Income and Expenditure reserve stands at £12,334,000 (*2017/18: £15,641,000*). It is the Corporation's intention to increase reserves over the life of the strategic plan through the generation of annual operating surpluses.

Going Concern

At 31 July 2018 the College was in breach of the financial covenants that applied to Barclays' and Lloyds' bank loans. As a result of the breaches, the College has been working with the banks to restructure its long-term debt and has agreements in place with all three lenders.

As a result of the breach, the College followed the appropriate accounting treatment and the loans were presented as being repayable within one year at 31 July 2018. This has been reversed as at 31 July 2019.

The new banking arrangements have an extensive range of financial covenants which the College must comply with. These covenants are being monitored in the monthly management accounts along with ESFA financial health. All covenants were met in relation to the 2018/19 financial year.

Members' Report – *Continued*

The College is also monitoring covenants against its forecasts for 2019/20 and 2020/21. The College has updated its forecast as of October 2019 to take account of reductions in income for higher education participation and high needs provision. Testing against these revised forecasts indicates that the College still has sufficient headroom to meet the covenants. The management team will be exploring mitigating options to further reduce expenditure and realign the falling income to improve financial performance.

The Corporation considers that the College has adequate liquid resources and reserves (including property portfolio) to continue operations for the foreseeable future. The Executive Team is acting to improve efficiency by reducing costs but also increasing income in the longer term. The cashflow naturally dips towards the end of the calendar year and into the Spring, but careful management of costs and planning of capital expenditure will mean the College will have sufficient cash to manage through this period based on the latest projections. For these reasons, the College continues to adopt the going concern basis in preparing the financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

Risk Management

The College has well developed strategies for managing risk and strives to embed risk management in all that it does. Risk management processes are designed to protect its assets, reputation and financial stability. The Board has overall responsibility for risk management and its approach to managing risks and internal controls is explained in the Statement on Corporate Governance.

A strategic risk register is maintained at corporate level which is reviewed at each meeting by the Audit Committee and the Board. 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. The College also completes an annual review of risk management and control, which passes through the Audit Committee and Corporation.

The main risk factors affecting the College are outlined below along with the action taken to minimise them. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

1. Government funding

The College has considerable reliance on continued government funding through the ESFA. In 2018/19, 75.6% of the College's revenue was ultimately public funded and this level of contribution is expected to reduce year on year. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels. The reform of apprenticeship practices and funding continues to provide further uncertainty for the College going forward and this along with other funding uncertainties are highlighted as key risks in the College's risk register.

This risk is mitigated in a number of ways:

- Funding is derived through a number of direct and indirect contractual arrangements.
- By ensuring the College is rigorous in delivering high quality education and training to attract increased income from employers and individuals.
- Ensuring the College is focused on priority sectors which continue to benefit from public funding.
- Regular dialogue with the ESFA funding body.
- By reshaping structures and provision to meet changing needs.

Members' Report – *Continued*

2. Tuition fee policy

In line with the majority of other colleges, South Staffordshire College will seek to increase tuition fees in accordance with the fee assumptions. The risk for the College is that demand falls off as fees increase. This will impact on the growth strategy of the College.

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students;
- Regular review of the Curriculum on offer to ensure it meets local demand;
- Close monitoring of the demand for courses as prices change; and
- The introduction of more flexible delivery models.

3. Maintain adequate funding of pension liabilities

The financial statements report the share of the Local Government Pension Scheme (LGPS) deficit on the College's balance sheet in line with the requirements of FRS102.

The College is also a member of the Teachers' Pension Scheme (TPS). The TPS was revalued previously and this has resulted in a substantial increase in the employers' contribution. The LGPS is also undergoing a revaluation and it is expected that employer contributions will also increase in this scheme. This represents a high financial risk.

This risk of employer increases is partially mitigated by an agreed deficit recovery plan with the Staffordshire Pension Fund. This strategy means that the College's share of the scheme is well funded and will not need substantial employer contribution increases. As the TPS is a defined scheme, the College does not have its own share of the scheme and so employer contribution rates are set nationally. The increased contributions of around £375,000 have been underwritten by the ESFA until March 2021, but there is no assurance of financial support after this.

4. Capital Developments

There are no significant capital building programmes in place at present, but the College recognises the need to invest in its properties and has engaged an external firm to review and refresh the College Property Strategy. This will result in several potential projects which will need funding support. The IT Infrastructure requires substantial investment and it will be a key priority of the capital plan for the next three years. The College has invested in wi-fi but needs further investment in network infrastructure and hardware.

5. Employer Engagement and Subcontracted Provision

The College has significantly reduced the volume of its programmes where delivery is in conjunction with a subcontract partner. Where subcontracting arrangements are considered they will be in line with the College's supply chain and fees policy and procedures which includes robust due diligence processes.

The College is predicting growth in apprenticeship provision which is also the driving factor in the growth in turnover at the College.

6. Failure to maintain the financial viability of the College

The College's current financial health grade is classified as *"Requires Improvement"* as described above but is expected to be "Good" during 2019/20 when the final refinancing with Lloyds Bank has been completed.

Members' Report - *Continued*

The continuing challenge to the College's financial position remains the constraint on further education funding arising from the ongoing cuts in public sector spending whilst maintaining the student experience. This risk is mitigated in a number of ways:

- By rigorous budget setting procedures and sensitivity analysis
- Regular in year budget monitoring
- Robust financial controls
- Exploring ongoing efficiencies and review of property needs
- Identification of new markets and opportunities

7. Brexit

The College is preparing for the UK's departure from the European Union by following general government guidance and also taking advice from FE-focussed organisations such as the Association of Colleges. The College does not have a large EU learner population and therefore does not see Brexit as a major risk in terms of learner numbers, and therefore College income. However, the College assesses the main risks to be the recruitment of staff and the supply of certain animal feeds (such as for the fisheries business) which are procured from mainland Europe. Excess animal feeds have been stockpiled at the College to avoid shortages.

KEY PERFORMANCE INDICATORS

Financial Performance Indicators

South Staffordshire College set financial objectives for the year ending 31 July 2019 in its budget and three-year forecast produced in July 2018. A series of performance indicators have been agreed to monitor the implementation of the objectives. These are listed below together with performance for the year up to July 2019:

Income & Expenditure	31 July 2019	Budget
Total income	22,468	23,467
Total expenditure	(22,540)	(23,205)
Operating (deficit)/surplus	**(72)**	**262**
Restructuring costs	(103)	(119)
FRS adjustments	(981)	(500)
Costs associated with refinancing debt	(70)	(747)
Capital grant receipts/gain on sale of assets	998	1,000
Deficit after interest, tax, depreciation and amortisation costs	**(228)**	**(104)**

Members' Report – *Continued*

Performance Indicators	31 July 2019	Budget
Total surplus/(deficit) for the year (£000s) before FRS102	(228)	(104)
Operating (deficit)/surplus	(72)	262
Total surplus/(deficit) as a % of income	-0.97%	0.16%
EBITDA as a % of income – standard	8.15%	7.72%
Cash days in hand	41.4	29.3
Adjusted current ratio	1.01	0.99
Total borrowing as a % of income	23.9%	20.3%
Dependency on ESFA income	75.6%	76.2%
Staff costs (including contracting/excluding restructure) as % of income	68.0%	66.6%

The College is committed to observing the importance of sector measures and indicators including the use of FE Commissioner targets. The College is required to complete the annual Finance Record for the ESFA. The College is assessed by the ESFA as having a "Requires Improvement" financial health grading, which is in line with the College's three-year financial plan.

Financial Results	31 July 2019	Forecast	Variance
EBITDA education specific (before capital grants)	1,473	1,597	(124)
Add: Grants	998	998	0
Less: FRS102 Pension service costs	(821)	(500)	(321)
Add: Bank interest received	11	20	(9)
Earnings before Interest, Tax, Depn & Amortisation	**1,661**	**2,115**	**(454)**
Bank interest	(303)	(282)	(21)
Pension finance interest	(160)	-	(160)
Depreciation	(1,426)	(1,476)	50
(Deficit)/Surplus position	**(228)**	**357**	**(585)**

The table above compares the final actual out-turn published in July 2019 with the final audited financial statements. The reported EBITDA education specific of £2,471,000 consisted of £998,000 of capital grant.

Therefore the true EBITDA education specific was £1,473,000 with earnings before interest, tax, depreciation and amortisation calculated at £1,661,000. The EBITDA position reported in these financial accounts is £454,000 adverse to that forecast, although £321,000 can be attributed to an increase in the actuarial calculated pension service cost. Similarly, when carrying forward the EBITDA position to an overall surplus, the main variance is pension finance interest (£160,000).

Recruitment for 16-18 learner responsive provision was lower than the ESFA target set for 2018/19. Due to the "lagged" nature of this funding stream there is no claw back of funds in 2018/19 but the impact is reflected in the allocation for 2019/20.

Overall delivery against the total Adult Education Budget was £2.1m which equates to 97.8% of the contract allocation. The out-turn performance against the allocation for total apprenticeship delivery was £1.7m against a budget of £1.8m.

Members' Report – *Continued*

The College is committed to observing the importance of sector measures and indicators and uses the data available on the GOV.UK website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the ESFA. The College is assessed by the ESFA as having a "requires improvement" financial health grade. In 2017/18, all loan balances were transferred to short term liabilities due to a breach of covenants. The loans have subsequently been agreed and the College will treat all debt balances as a mixture of short and long term liabilities.

Student Achievements

Headline achievement rates for study programmes, including maths and English, have increased from 82.4% to 82.7% in 2018/19. Achievement for Adult programmes increased to 84.5%, an increase of 0.8% on the previous year. Overall long course achievement has increase by 5.7% to 81.2%. Retention rates declined marginally for Study Programmes to 89.5% (-0.2%) and Adults 91.4% (-1.6%).

For Apprenticeship provision there was a sharp increase in overall achievement rates of 10.6% to 76.9%. Timely achievement rates also increased rapidly to 67.6% from 58.8% in the previous year.

OTHER INFORMATION

Public Benefit

South Staffordshire College is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on page 15 to 16.

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.

In 2018/19 the College delivered to 5,254 students, including 182 students with high needs. The College provides courses without charge to young people, to those who are unemployed and adults taking English and maths course. The College adjusts its courses to meet the needs of local employers and provides training to 986 apprentices. The College is committed to providing information, advice and guidance to the students it enrols and to finding suitable courses for as many students as possible regardless of their educational background.

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

- Widening participation and tackling social exclusion
- Excellent progression and employment record for students
- Very strong student support systems
- Links with employers, industry and commerce
- Links with Local Enterprise Partnerships (LEP's)

Equality

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, ability, class and age. We strive vigorously to remove conditions which place people at a disadvantage, and we will actively combat bigotry. This policy will be resourced, implemented and monitored on a planned basis.

The College's Equal Opportunities Policy is published on the College's internet site. All staff are mandated to undertake equality and diversity training.

Members' Report – *Continued*

The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non-disabled employees.

The College publishes an Annual Equality Report and Equality Objectives to ensure compliance with all relevant equality legislation including the Equality Act 2010. The College undertakes equality impact assessments on all new policies and procedures and publishes the results. Equality impact assessments are also undertaken for existing policies and procedures on a prioritised basis.

Disability Statement

The College seeks to achieve the objectives set down in the Equality Act 2010:

a. As part of its accommodation strategy the College updated its access audit. Disabled facilities, supported by capital grants, have been used to improve access on its sites. In addition, the College successfully secured capital funding to develop the new purpose-built Futures Centre for LDD learners which is located on the Rodbaston Campus.
b. The College has an officer who provides information, advice and arranges support where necessary for students with disabilities.
c. There is a list of specialist equipment, such as radio aids, which the College can make available for use by students and a range of assistive technology is available in the learning centres.
d. The admissions policy for all students is described in the College charter. Appeals against a decision not to offer a place are dealt with under the complaints policy.
e. The College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are several student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
f. Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.
g. Counselling and welfare services are described in the College Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

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.

	Employees
Employees who were relevant union officials during the period	4
FTE employees who were relevant union officials during the period	4

Percentage of time	Employees
0%	1
1-50%	3
51-99%	0
100%	0

Members' Report – *Continued*

Proportion of Pay Bill Spent on Union Time	Employees
Total cost of facility time	£10,000
Total pay bill	£16,070,000
Percentage of total bill spent on facility time	0.062%

Time spent on paid trade union activities as a percentage of total paid facility time	0%

Payment Performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95%. The College is committed to paying all suppliers within the timescales provided it is satisfied that goods and services have been provided in accordance with the agreed terms and conditions. The College incurred no interest charges in respect of late payments during 2018/19.

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 South Staffordshire College Corporation on 11 December 2019 and signed on its behalf by:

S Burgin
Chairman

Statement of Corporate Governance and Internal Control

Governance Statement

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2018 to 31 July 2019 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership) and

ii. in full accordance with the guidance to Colleges from the Association of Colleges in The Code of Good Governance for English Colleges("the Code")

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the Board has adopted and complied with the Code, which it formally adopted from 1 August 2015.

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.

The Corporation

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

Name	Date Appointed to SSC Board	Term of Office	Date Resigned	Status of Appointment	Committees Served	Attendance in 2018/19
Philip Atkins	01/08/08	10/12/22		External	Audit Committee	Board: 33% Audit: 50%
Steve Burgin	1/10/17	30/09/21		External (Chair)	G&S Committee (Chair)	Board: 89% G&S: 100%
Claire Boliver	01/03/18	Whilst in post		Chief Executive Principal	G&S Committee	Board: 100% G&S: 100%
Andrea Chilton	1/08/19	31/07/23		External		Appointed post year end
Michael Edden	16/03/18	15/03/22	22/01/19	Staff		Board: 100%
Andrew Elsby-Smith	1/08/19	31/07/23		External	Audit Committee	Appointed post year end
Cerys Goodwin	11/12/18	31/07/19		Student		Board: 75%
David Isteed	1/08/19	31/07/23		External	Audit Committee	Appointed post year end
Lynne Johnson	30/04/19	29/04/23		Staff		Board: 33%

Statement of Corporate Governance and Internal Control - *continued*

Tony McGovern	11/12/18	Until 10/12/22		External	G&S Committee	Board: 83% G&S: 50%
Tim Legge	01/08/08	31/07/22		External (Vice Chair)	G&S Committee Audit Committee	Board: 89% G&S: 100% Audit:100%
Vicki Mackintosh	01/11/17	31/10/21	25/02/19	External	Audit Committee	Board: 25% Audit: 50%
Mike Rowley	05/06/14	04/06/22		External		Board: 89%
Lauren Rutter	11/12/18	31/07/19		Student		Board: 25%
Gerry Scott	28/09/18	27/09/22	11/07/19	Staff		Board: 88%
Helen Simpson	01/08/19	31/07/23		External	Audit Committee	Appointed post year end
Phil Tapp	01/11/17	31/10/21		External	G&S Committee	Board: 67% G&S 67%
Emily Taylor	24/10/17	23/10/21	28/08/18	Staff	Audit Committee	-
David Tomlinson	05/06/14	04/06/22		External	Audit Committee (Chair)	Board: 67% Audit: 100%
Sara Williams	24/03/15	23/03/19		External	Audit Committee	Board: 60% Audit: 50%

Ian James has acted as the Clerk to the Corporation for South Staffordshire College since 1 January 2009.

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 has met on eight occasions throughout 2018/19.

The Corporation conducts its business through a number of committees following the Carver model (a model of principles for all governing boards that enables them to focus on strategic and policy issues). Each committee has terms of reference, which have been approved by the Corporation. These committees are Governance & Search and Audit. The Board also has two less formal governor groups overseeing the development of the College's financial position and the quality of educational provision. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website at www.southstaffs.ac.uk or from the Clerk to the Corporation at:

South Staffordshire College, Rodbaston Campus, Penkridge, Staffs, ST19 5PH.

Statement of Corporate Governance and Internal Control - *continued*

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 can 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 also provided on an ad-hoc basis.

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

There is a clear division of responsibility in that the roles of the Chair of the Corporation and Chief Executive Principal of the College are separate.

Appointments to the Corporation

There are currently places for 16 members of the Corporation including the Chief Executive Principal, two governors nominated by the College staff and two governors nominated by the students. Any new appointments to the Corporation are made by the Corporation as a whole. The Corporation has a Governance & Search Committee which is responsible for the selection and nomination of any new member for appointment by the Corporation. The Corporation's policy on the selection of members is available on the College website. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding four years in accordance with the recommendations of the Committee on Standards in Public Life. The Corporation maintains a skills audit of members and seeks to ensure that a wide range of skills, expertise and diversity is present amongst governors in order to encourage effective challenge and scrutiny of management plans and actions.

Corporation performance

The Corporation approved a new ten-year strategy document to take the College forward from 2015 to 2025. As part of this, twenty critical success factors have been agreed and progress towards these is monitored on an ongoing basis.

The Corporation regularly assesses its own performance and the self-assessment report year ended 31 July 2019 assesses the performance of the Corporation as "Good".

Governance & Search Committee

The Governance & Search Committee comprises Chair of the Corporation (ex-officio), and five other members of the Corporation. The Committee operates in accordance with written terms of reference approved by the Corporation. Its purpose is to advise the Corporation on how it can improve its efficiency and effectiveness, as well as dealing with the recruitment and succession planning of governors and committee chairs. The Committee also oversees regular self-assessment processes by which the Corporation reviews and improves the effectiveness with which it fulfils its responsibilities.

Statement of Corporate Governance and Internal Control - *continued*

The Committee meets at least twice a year and is also responsible for ensuring that appropriate training is provided for Corporation members. The Committee's responsibilities also include making recommendations to the Board on the remuneration and benefits of the Chief Executive Principal and other senior post-holders. For the year 2019/20 onwards, a separate Remuneration Committee has been established which will take over this function following the Boards adoption of the AoC's Senior Postholder Remuneration Code.

Details of remuneration for the year ended 31 July 2019 are set out in Note 7 to the financial statements.

Audit Committee

The Audit Committee comprises five members of the Corporation (excluding the Chief Executive Principal and Chair), together with an independent, co-opted member who is not a 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 at least three times per year and provides a forum for reporting by the College's internal and financial statement 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 FE funding bodies, as they affect the College's business.

The College's internal auditors review the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit Committee.

Management is responsible for the implementation of agreed audit 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 internal and financial statements auditors and their remuneration for both audit and non-audit work as well as reporting annually to the Corporation.

Internal Control

Scope of responsibility

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

The Corporation has delegated the day-to-day responsibility to the Chief Executive 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 the Chief Executive Principal is personally responsible, in accordance with the assigned responsibilities within the Funding Agreement between South Staffordshire College and the funding bodies. The Chief Executive Principal is also responsible for reporting to the Corporation any material weaknesses or break-downs in internal control.

Statement of Corporate Governance and Internal Control - *continued*

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 South Staffordshire 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 31July 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 Governing Body;
- Regular reviews by the Board of periodic and annual financial reports which indicate financial performance against forecasts;
- Setting targets to measure financial and other performance;
- Clearly defined capital investment control guidelines; and
- The adoption of formal project management disciplines, where appropriate.

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

The Head of Internal Audit (HIA) provides the Governing Body with an annual report on internal audit activity in the College which summarises all internal audits undertaken during the year. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

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

- the work of the internal auditors;
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework; and

Statement of Corporate Governance and Internal Control - *continued*

- comments made by the College's financial statements auditors, the regularity auditors, the appointed funding auditors in their management letters and other reports.

The Chief Executive Principal has been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Audit Committee which oversees the work of the internal auditor and other sources of assurance, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Senior Leadership Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training.

The Senior Leadership Team and Audit Committee also receive regular reports from the Internal Audit Service and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Executive Leadership Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its 11 December 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 and the Chief Executive Principal, the Corporation is of the opinion that the College has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for "*the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets*".

Approved by order of the members of the South Staffordshire College Corporation on 11 December 2019 and signed on its behalf by:

S Burgin
Chairman

C Boliver
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 grant funding agreement and contracts with ESFA. As part of our consideration we have had due regard to the requirements of the grant funding agreements and contracts with ESFA.

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

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

S Burgin
Chairman

C Boliver
Accounting Officer

Statement of the Responsibilities of the Members of the Corporation

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

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

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

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

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

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

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

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

Approved by order of the members of the Corporation on 11 December 2019 and signed on its behalf by:

S Burgin
Chairman

Independent Auditor's Report to the Members of the Corporation of South Staffordshire College

We have audited the financial statements of South Staffordshire College ("the College") for the year ended 31 July 2019 which comprise the Statement of Comprehensive Income and Expenditure, the Balance Sheet, the Statement of Changes in Reserves, the Statement of Cashflows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2018 and of the College's deficit of expenditure over income for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

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

The impact of uncertainties due to Britain exiting the European Union on our audit

The Directors' view on the impact of Brexit is disclosed in the accounts.

The terms on which the United Kingdom may withdraw from the European Union are not clear, and it is therefore not currently possible to evaluate all the potential implications to the College and the wider economy.

We considered the impact of Brexit on the College as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the College's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible implications for the College and this is particularly the case in relation to Brexit.

Conclusions relating to going concern

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

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

Other Information

The Corporations are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of Corporation

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

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

Auditor's Responsibilities for the Audit of the Financial statements

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

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

Use of the Audit Report

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

Mazars LLP

Mazars LLP
Chartered Accountants and Statutory Auditor
Park View House
58 The Ropewalk
Nottingham
NG1 5DW
Date 19/12/19

Reporting Accountant's Assurance Report on Regularity

To: The Corporation of South Staffordshire College and Secretary of State for Education, acting through the Education and Skills Funding Agency (ESFA)

In accordance with the terms of our engagement letter dated 24 July 2019 and further to the requirements and conditions of funding in ESFA's grant funding agreements and contracts 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 South Staffordshire College during the period 1 August 2018 to 31 July 2019 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

This report is made solely to the corporation of South Staffordshire 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 South Staffordshire 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 South Staffordshire College and the ESFA for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of South Staffordshire College and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2018 to 31 July 2019 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

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

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

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

The work undertaken to draw to our conclusion includes:

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

Conclusion

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

Mazars LLP

Mazars LLP
Chartered Accountants and Statutory Auditor
Park View House
58 The Ropewalk
Nottingham
NG1 5DW
Date 19/12/19

Statement of Comprehensive Income

	Notes	2019 £'000	2018 £'000
INCOME			
Funding body grants	2	16,992	16,047
Tuition fees and education contracts	3	3,313	3,259
Other grants and contracts	4	1,011	70
Other income	5	2,139	2,233
Investment income	6	11	7
Total income		**23,466**	**21,616**
EXPENDITURE			
Staff costs	7	16,148	15,089
Fundamental restructuring costs	7	103	820
Other operating expenses	8	5,554	5,680
Depreciation	11	1,426	1,503
Interest and other finance costs	9	463	599
Total expenditure		**23,694**	**23,691**
Deficit before other gains and losses		**(228)**	**(2,075)**
Loss on disposal of assets		-	(50)
Gain on investments		-	4
Deficit before tax		**(228)**	**(2,121)**
Taxation	10	-	-
Deficit for the year		**(228)**	**(2,121)**
Actuarial (loss)/gain in respect of pension schemes	23	(3,196)	4,916
Total Comprehensive Income for the year		**(3,424)**	**2,906**

Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Balance at 31st July 2017	12,735	6,617	19,352
Deficit from the income and expenditure account	(2,121)	-	(2,121)
Other comprehensive income	4,916	-	4,916
Transfers between revaluation and income and expenditure reserves	111	(111)	-
Total comprehensive income for the year	2,906	(111)	2,795
Balance at 31st July 2018	**15,641**	**6,506**	**22,147**
Deficit from the income and expenditure account	(228)	-	(228)
Other comprehensive income	(3,196)	-	(3,424)
Transfers between revaluation and income and expenditure reserves	117	(117)	-
Total comprehensive income for the year	(3,079)	(117)	(3,424)
Balance at 31st July 2019	**12,334**	**6,389**	**18,723**

Balance sheet as at 31 July

	Notes	2019	2018
		£'000	£'000
Fixed assets			
Tangible Fixed assets	11	32,966	32,767
Investments	12	37	71
		33,003	**32,838**
Current assets			
Stocks		187	177
Trade and other receivables	13	834	887
Cash and cash equivalents	18	2,408	2,301
		3,429	**3,365**
Less: creditors – amounts falling due within one year	14	(3,403)	(8,714)
Net current assets/(liabilities)		**26**	**(5,349)**
Total assets less current liabilities		**33,029**	**27,489**
Creditors – amounts falling due after more than one year	15	(4,807)	(20)
Defined benefit obligations	23	(9,499)	(5,322)
Total net assets		**18,723**	**22,147**
Unrestricted Reserves			
Income and expenditure account		12,334	15,641
Revaluation reserve		6,389	6,506
Total unrestricted reserves		**18,723**	**22,147**

The financial statements on pages 28 to 51 were approved and authorised for issue by the Corporation on 11th December 2019 and were signed on its behalf on that date by:

S Burgin
Chair of Governors

C Boliver
Accounting Officer

Statement of Cash Flows

	Notes	2019	2018
		£'000	£'000
Cash flow from operating activities			
Deficit for the year		(228)	(2,121)
Less: capital grants receivable		(998)	-
Adjustment for non-cash items			
Depreciation	11	1,426	1,503
Increase in stocks		(10)	(26)
Decrease/(increase) in debtors		53	(257)
Increase/(decrease) in creditors due within one year		(148)	326
Pensions costs less contributions payable	23	981	901
Taxation		-	-
Adjustment for investing or financing activities			
Investment income	6	(11)	(7)
Interest payable		303	306
Taxation paid		-	-
Loss on sale of fixed assets		20	50
Disposal of investments		-	(9)
Net cash flow from operating activities		1,388	666
Cash flows from investing activities			
Proceeds from sale of fixed assets		-	256
Capital grant receipts		998	-
Disposal of investment		34	-
Investment income		11	7
Payments made to acquire fixed assets	11	(1,646)	(333)
		(603)	(70)
Cash flows from financing activities			
Interest paid		(302)	(301)
Annual repayments of other loans		(7)	-
Annual repayments of amounts borrowed		(369)	(398)
		(678)	(699)
Increase / (decrease) in cash and cash equivalents in the year		**107**	**(103)**
Cash and cash equivalents at beginning of the year	18	2,301	2,404
Cash and cash equivalents at end of the year	18	2,408	2,301

Notes to the Accounts

1. Statement of accounting policies and estimation techniques

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

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 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. The College has prepared the accounts on the basis of going concern.

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 Members Report. The financial position of the College, its cashflow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

The College currently has £5.4m of loans outstanding with bankers on terms negotiated in 2006 onwards. At the 31st July 2019, some loans were secured. The College has agreed new terms with all debt providers and all debt will be secured across the Tamworth, Rodbaston and Lichfield campuses.

The College's forecasts and financial projections, reported in its October 2019 management accounts, indicate that it will be able to operate within this existing facility and covenants for the foreseeable future. The College is forecast to move to "good" and eventually "outstanding" ESFA financial health.

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

Recognition of income

Revenue Grant 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 Education Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

Where the College receives and disburses funds in which it has no direct beneficial interest, such funds are excluded from the income and expenditure account on the grounds that the College does not have direct control over the future economic benefits derived from these funds. The College has applied this policy to certain funds received during the year from the Education and Skills Funding Agency.

Notes to the Accounts – *Continued*

Grant Funding

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

Capital Grant Funding

Government and non-governmental capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the Balance Sheet and released to income as conditions are met.

Fee Income

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

Investment Income

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

Accounting for Post-Employment Benefits

Retirement benefits to employees of the College are principally provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit plans, which are externally funded and contracted out of the State Earnings Related Pension Scheme (SERPS). Contributions to the TPS are charged as incurred.

Teachers' Pension Scheme (TPS)

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

Staffordshire Local Government Pension Scheme (LGPS)

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

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

Notes to the Accounts – *Continued*

Short term Employment benefits

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

Enhanced Pensions

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

Non-current Assets - Tangible fixed assets

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account reserve on an annual basis Land and buildings acquired since incorporation are included in the balance sheet at cost. Freehold land is not depreciated as it is considered to have an infinite useful life. Freehold buildings are depreciated over their expected useful economic life to the College of 40-60 years.

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

On adoption of FRS 15, the College followed the transitional provisions to retain the book value of land and buildings, which were revalued in 1996, but not to adopt a policy of revaluations of these properties in the future. These values are retained subject to the requirement to test assets for impairment in accordance with FRS 11.

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

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

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

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.

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 2019. They are not depreciated until they are brought into use.

Equipment

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

Notes to the Accounts – *Continued*

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

- motor vehicles 7 years
- computer equipment 3 years
- furniture, fixtures and fittings 10 years

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

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 1st August 2014 are spread over the minimum lease term. Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as finance leases.

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

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

Investments

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

Listed investments held as fixed assets or endowment assets are stated at market value. Current asset investments, which may include listed investments, are stated at the lower of their cost and net realisable value.

Stocks

Farm stocks consist of livestock and crops and have been valued by independent valuers using recognised valuation methods and included in the balance sheet at the percentages of market value as recommended by HMRC Business Income Manual (BIM55410 - Farming stock valuation IR232).

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.

Notes to the Accounts – *Continued*

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.

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

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

Provisions and contingent liabilities

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

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

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

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

Agency arrangements

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

Notes to the Accounts – *Continued*

Restructuring costs

Any costs deemed to relate to a fundamental reorganisation or restructuring which has a material effect on the nature and future of the College's operations are disclosed on the face of the Income and Expenditure account after the operating surplus or deficit in accordance with FRS 102.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the group's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 26, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 July 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Notes to the Accounts – *Continued*

2 Funding council grants

	Year ended 2019 £'000	Year ended 2018 £'000
Recurrent grants		
Education and Skills Funding Agency - Adults	2,102	2,122
Education and Skills Funding Agency – 16-18	12,756	12,499
Education and Skills Funding Agency – Apprenticeships	1,733	1,426
Specific grants		
Education and Skills Funding Agency	401	-
Total	**16,992**	**16,047**

3 Tuition fees and education contracts

	Year ended 2019 £'000	Year ended 2018 £'000
Apprenticeship fees and contracts	107	-
Fees for FE loan supported courses	808	1,082
Fees for HE loan supported courses	781	828
Total tuition fees	**1,696**	**1,910**
Education contracts	1,617	1,349
Total	**3,313**	**3,259**

4 Other grants and contracts

	Year ended 2019 £'000	Year ended 2018 £'000
European Commission	13	70
Engineering Academy Funds	998	-
Total	**1,011**	**70**

£500,000 of the Engineering Academy funding was received from Cannock Chase District Council.

Notes to the Accounts – *Continued*

5 Other Income

	Year ended 2019 £'000	Year ended 2018 £'000
Catering and residences	224	183
Other income generating activities	654	755
Miscellaneous income	1,261	1,295
Total	**2,139**	**2,233**

6 Investment Income

	Year ended 2019 £'000	Year ended 2018 £'000
Other interest receivable	11	7
Total	**11**	**7**

7 Staff Costs

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

	Year ended 2019 No.	Year ended 2018 No.
Teaching staff	271	251
Non-teaching staff	175	179
Total Staff	**446**	**430**

Staff costs for the above persons	**2019 £'000**	**2018 £'000**
Wages and salaries	11,779	10,964
Social security costs	1,178	905
Other pension costs*	2,982	2,553
Holiday pay accrual (movement in year)	26	-
Payroll sub total	**15,965**	**14,422**
Contracted out staffing services	183	667
	16,148	**15,089**
Restructuring costs – contractual	103	820
Total staff costs	**16,251**	**15,909**

	2019 £'000s	**2018 £'000s**
*Other pension costs include FRS102	821	608

Notes to the Accounts – *Continued*

7 Staff Costs - ***continued***

Key management personnel

Key management personnel are those persons in Executive Leadership Team having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Executive Leadership Team which currently comprises the Chief Executive Principal, Deputy Chief Executive, Deputy Principal Finance & Resources, Assistant Principal Quality & Curriculum, Assistant Principal Learner Services and Assistant Principal Human Resources. Staff costs include compensation paid to key management personnel for loss of office. Not all of these personnel were in post for the full financial year.

	2019	2018
	No.	No.
The number of key management personnel including the Accounting Officer was:	10	13

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 senior post holders, 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 her performance against the college's overall objectives using both qualitative and quantitative measures of performance.

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	2018	2019	2018
	No.	No.	No.	No.
£40,001 to £45,000 p.a.	1	1	n/a	n/a
£50,001 to £55,000 p.a.	-	1	n/a	n/a
£60,001 to £65,000 p.a.	3	1	n/a	n/a
£65,001 to £70,000 p.a.	3	4	n/a	n/a
£75,001 to £80,000 p.a.	-	2	n/a	n/a
£80,001 to £85,000 p.a.	1	2	n/a	n/a
£85,001 to £90,000 p.a.	1	-	n/a	n/a
£140,001 to £145,000 p.a.	1	1	n/a	n/a
£150,001 to £155,000 p.a.	-	1	n/a	n/a
	10	**13**	**n/a**	**n/a**

Key management personnel compensation is made up as follows:	2019	2018
	£'000	£'000
Salaries	587	829
Employers National Insurance	73	100
Benefits in kind	4	6
	664	**935**
Pension contributions	92	105
Total key management personnel compensation	**756**	**1,040**

Notes to the Accounts – *Continued*

7 Staff Costs - *continued*

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

The above compensation includes amounts payable to the Accounting Officer (who is also the highest paid officer). The salary of the Accounting Officer is set based on available benchmarking data for the FE sector and market rate for the geographical area. Total Accounting Officer pay is summarised below:

	2019	2018
	£'000	£'000
Salaries	146	-
Salaries 01/08/17 – 28/02/18	-	91
Salaries 01/03/18 onwards	-	60
Benefits in kind	1	1
	147	**152**
Pension contributions	24	10

Median Salary

	2019	2018
Accounting Officers basic salary as a multiple of the median of all staff	6.58	6.93
Accounting Officers total remuneration as a multiple of the median of all staff	7.14	7.47

The median calculation is made by taking salary costs in August and September, ranking the costs in value order and then picking a median to compare to the salary of the Principal Chief Executive.

Compensation paid to former key management personnel

	2019	2018
	£'000	£'000
Compensation paid to a former key management personnel	77	299

The three key management personnel receiving compensation for loss of office were not senior post office holders and as such payments were made in line with management policies rather than Corporation policies. As such these compensation awards did not require Corporation approval.

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.

8 Operating costs

	Year ended	
	2019	2018
	£'000	£'000
Teaching costs	2,507	2,158
Non teaching costs	1,478	1,965
Premises costs	1,569	1,557
Total costs	**5,554**	**5,680**

Notes to the Accounts – *Continued*

8 Operating Costs - *continued*

Other operating costs include:

	Year ended 2019	2018
Auditor remuneration	**£'000**	**£'000**
Financial statements audit	27	24
Internal audit	25	27
Other services provided by the external auditors	-	5
Hire of assets under operating leases	129	53

9 Interest and other finance costs – Group and College

	2019	2018
	£'000	**£'000**
On bank loans, overdrafts and other loans:	303	306
Pension finance costs (Note 23)	160	293
Total	**463**	**599**

10 Taxation

The members do not believe that the College was liable for any corporation tax arising out of its activities in either year.

11 Tangible fixed assets

	Land and buildings	Computer Equipment	Other Equipment	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2018	49,858	4,190	8,019	62,067
Additions	-	387	1,259	1,646
Disposals	-	-	(101)	(101)
At 31 July 2019	**49,858**	**4,577**	**9,177**	**63,612**
Depreciation				
At 1 August 2018	19,332	3,990	5,979	29,300
Charge for the year	810	190	426	1,426
Disposals	-	-	(81)	(81)
At 31 July 2019	**20,142**	**4,180**	**6,324**	**30,646**
Net book value at 31 July 2019	**29,716**	**397**	**2,853**	**32,966**
Net book value at 31 July 2018	30,526	200	2,040	32,767

Notes to the Accounts – *Continued*

11 Tangible fixed assets - *continued*

The transitional rules set out in FRS 102 have been applied. Accordingly, the book values at implementation have been retained.

Land and Buildings were valued for the purpose of the 1994 financial statements at depreciated replacement cost by, a firm of independent Chartered Surveyors in accordance with the RICS Statement of Asset Valuation Practice and Guidance notes. Other tangible fixed assets inherited from the local education authority at incorporation have been valued by the Corporation on a depreciated replacement cost basis with the assistance of independent professional advice.

Land and Buildings includes the cost of the Staffordshire University Lichfield Centre Project, which commenced in 1997 and was completed in 2006. The Project spanned a number of phases and was partly grant funded, and partly funded by a loan jointly repayable by the College and Staffordshire University.

Land and buildings includes eight residential properties at the Rodbaston College site which will be marketed for sale during late 2019 and 2020. The College currently rents the properties to members of staff.

12 Investments

	2019	2018
	£'000	£'000
Non-current investments – other	37	71

The College owns shares valued at £37,000 (2018: £71,000). These shares were valued at the closing market price as at 31 July 2019. These shares are not listed and their valuation is based on an annual valuation statement.

13 Trade and other receivables

	2019	2018
Amounts falling due within one year:	£'000	£'000
Trade receivables	267	234
Prepayments and accrued income	408	623
Amounts owed by the ESFA	159	30
Total	**834**	**887**

14 Creditors: amounts falling due within one year

	2019	2018
	£'000	£'000
Bank loans and overdrafts	565	5,728
Other loans	6	6
Trade payables	798	929
Other taxation and social security	475	471
Accruals and deferred income	1,086	1,411
Amounts owed to the ESFA	447	-
Other creditors	26	169
Total	**3,403**	**8,714**

Notes to the Accounts – *Continued*

15 Creditors: amounts falling due after one year

	2019	2018
	£'000	£'000
Bank loans and overdrafts	4,794	-
Other creditors	13	20
Total	**4,807**	**20**

16 Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	2019	2018
	£'000	£'000
In one year or less	565	5,728
Between one and two years	667	-
Between two and five years	2,282	-
In five years or more	1,845	-
Total	**5,359**	**5,728**

Total debt is shared between three providers as detailed below:

Amount (£)	Bank	Start date	Expiry date	Term in years	Rate
1,500,000	Yorkshire Bank	23/07/19	22/07/24	5	3.75%+LIBOR
500,000	Lloyds Bank	31/01/07	31/01/22	15	5.595%
500,000	Lloyds Bank	31/01/07	01/02/27	20	5.595%
2,000,000	Lloyds Bank	31/01/13	30/01/29	16	1.95%+LIBOR
2,000,000	Barclays Bank	30/06/06	28/06/30	25	Variable
1,500,000	Barclays Bank	31/07/08	30/06/30	22	Variable

(b) Other loans

Other loans and overdrafts are repayable as follows:

	2019	2018
	£'000	£'000
In one year or less	6	6
Between one and two years	2	20
Between two and five years	11	-
In five years or more	-	-
Total	**19**	**26**

All other loans are Salix interest free loans to finance energy saving projects.

Notes to the Accounts – *Continued*

17 Provisions

	Defined benefit obligations
	£'000
At 1 August 2018	(5,349)
Expenditure in the period	1,321
Transferred from income and expenditure account	(2,302)
Actuarial loss	(6,283)
At 31 July 2019	**(12,613)**

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 23.

18 Cash and cash equivalents

	At 1 August 2018	Cash flows	Other changes	At 31 July 2019
	£'000	£'000	£'000	£'000
Cash and cash equivalents	2,301	107	-	2,408
Overdrafts	-	-	-	-
Total	**2,301**	**107**	**-**	**2,408**

19 Capital and other commitments

	2019	2018
	£'000	£'000
Commitments contracted for at 31 July	67	67

Committed capital expenditure wholly relates to the retention payment for the refurbishment of the AgriSTEM building at the Rodbaston Campus.

20 Lease obligations

At 31 July the College had one lease relating to the Torc campus under a non-cancellable operating leases as follows:

	2019	2018
Future minimum lease payments due	£'000	£'000
Land and buildings		
Not later than one year	130	130
Later than one year and not later than five years	519	519
Later than five years	11	140
	660	**789**

Notes to the Accounts – *Continued*

21 Contingent liabilities

There are no contingent liabilities

22 Events after the reporting period

There are no significant events after the reporting period end.

23 Defined benefit obligations

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

Total pension cost for the year		**2019**		**2018**
		£000		**£000**
Teachers' Pension Scheme: contributions paid		699		723
Local Government Pension Scheme:				
Contributions paid	596		1,162	
Pension Strain	866		92	
FRS 102 (28) charge	590		576	
Charge to the Statement of Comprehensive Income		2,052		1,830
Enhanced pension charge to Statement of Comprehensive Income		-		-
Total Pension Cost for Year within staff costs		**2,751**		**2,553**

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.

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.

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

Notes to the Accounts – *Continued*

23 Defined benefit obligations - *continued*

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 £699,000 (2018: £723,000)

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Staffordshire County Council Local Authority. The total contributions made for the year ended 31 July 2019 were £1,479,000, of which employer's contributions totalled £1,163,000 and employees' contributions totalled £316,000. The agreed contribution rates for future years are 20.9% for employers and range from 5.5% to 12.5% for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2019 by a qualified independent actuary.

	At 31 July 2019	At 31 July 2018
Rate of increase in salaries	2.4%	2.4%
Future pensions increases	2.8%	2.8%
Discount rate for scheme liabilities	2.8%	2.8%
Inflation assumption (CPI)	2.4%	2.4%
Commutation of pensions to lump sum (pre-April 2008 service)	50%	50%
Commutation of pensions to lump sum (post-April 2008 service)	75%	75%

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	At 31 July 2018
	years	years
Retiring today		
Males	22.1	22.1
Females	24.4	24.4
Retiring in 20 years		
Males	24.1	24.1
Females	26.4	26.4

Notes to the Accounts – *Continued*

23 Defined benefit obligations - *continued*

Sensitivity analysis

	Approximate increase to defined benefit obligation	Approximate Monetary increase £'000
0.5% decrease in Real Discount rate	11%	5,795
0.5% increase in the Salary Increase rate	1%	691
0.5% increase in the Pension Increase rate	10%	5,049

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

	Long-term rate of return expected at 31 July 2019	Fair Value at 31 July 2019	Long-term rate of return expected at 31 July 2018	Fair Value at 31 July 2018
		£'000		£'000
Equity instruments	2.8%	37,970	2.8%	34,448
Bonds	2.8%	5,995	2.8%	5,439
Property	2.8%	3,997	2.8%	3,626
Cash	2.8%	1,998	2.8%	1,813
Total		**49,960**		**45,236**

Weighted average expected long term rate of return at 31 July 2019	**79,405**	**63,696**

	2019	2018
	£'000	£'000
Actual return on plan assets	**3,956**	**3,773**

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

	2019	2018
	£'000	£'000
Fair value of plan assets	49,961	45,236
Present value of plan liabilities	(59,011)	(50,234)
Present value of unfunded liabilities	(449)	(414)
Net pensions (liability)/asset	**(9,499)**	**(5,322)**

Notes to the Accounts – *Continued*

23 Defined benefit obligations - *continued*

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

	2019	2018
	£'000	£'000
Amounts included in staff costs		
Current service cost	1,911	1,702
Past service cost	231	32
Total	**2,142**	**1,734**
Amounts included in investment income		
Net interest cost	(160)	(261)
	(160)	**(261)**
Amount recognised in Other Comprehensive Income		
Return on pension plan assets	2,679	2,648
Experience losses arising on defined benefit obligations	(16)	16
Changes in assumptions underlying the present value of plan liabilities	(5,859)	2.242
Amount recognised in Other Comprehensive Income	**(3,196)**	**4.916**

These accounts show a past service cost of £230 million 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 2% of the total scheme liability as at 31 March 2019.The calculation of adjustment to past service costs, £7 billion, arising from the outcome of the Court of Appeal judgment is based on a number of key assumptions including:

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

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

The past service cost includes £152,000 (*2018: £Nil*) for the estimated impact of the recent McCloud ruling.

Notes to the Accounts – *Continued*

23 Defined benefit obligations - *continued*

Movement in net defined benefit liability during the year:

	2019 £'000	2018 £'000
Deficit in scheme at 1st August	**(5,322)**	**(9,369)**
Movement in year:		
Current service cost	(1,911)	(1,702)
Employer contributions	1,294	1,126
Past service cost	(231)	(32)
Net interest on the defined liability	(160)	(261)
Actuarial gain/(loss)	(3,169)	4,916
Net pensions (liability)/asset (Note 19)	**(9,499)**	**(5,322)**

Asset and Liability Reconciliation

	2019 £'000	2018 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	**50,648**	**50,452**
Current service cost	1,911	1,729
Interest cost	1,437	1,376
Contributions by Scheme participants	318	316
Experience gains and losses on defined benefit obligations	16	(16)
Changes in financial assumptions	8,946	(2,242)
Estimated benefits paid	(960)	(972)
Past Service cost	231	32
Unfunded pension payments	-	(27)
Changes to demographic assumptions	(3,087)	-
Defined benefit obligations at end of period	**59,460**	**50,648**

Changes in fair value of plan assets

	2019 £'000	2018 £'000
Fair value of plan assets at start of period	**45,326**	**41,083**
Interest on plan assets	1,277	1,115
Return on plan assets	2,679	2,658
Employer contributions	1,321	1,126
Contributions by Scheme participants	318	316
Estimated benefits paid	(960)	(972)
Fair value of plan assets at end of period	**49,961**	**45,326**

Notes to the Accounts – *Continued*

24 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.

During the 2018/19 financial year, the College received a capital grant amounting to £500,000 from Cannock Chase District Council relating to the purchase and operation of engineering equipment. Tony McGovern, Managing Director of Cannock Chase District Council, became a College governor later in the financial year and his appointment was not linked to the award or receipt of the capital grant.

The total expenses paid to or on behalf of the Governors during the year was £1,721 (*2018: £2,234*). 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: £Nil*).

25 Amounts disbursed as agent

Learner support funds

	2019 £'000	**2018 £'000**
Funding body grants – bursary support	69	64
Funding body grants – discretionary learner support	699	422
Funding body grants – residential bursaries	-	-
Other Funding body grants	-	-
Interest earned	-	-
	768	486
Disbursed to students	(495)	(471)
Administration costs	(27)	(26)
Funds balance b/f	120	131
Balance unspent as at 31 July, included in creditors	**366**	**120**

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.