

Wiltshire College & University Centre

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's Senior Leadership Group and were represented by the following in 2018/19:

Amanda Burnside	Principal and CEO; Accounting Officer
Iain Hatt	Deputy Principal Curriculum and Quality
Adrian Ford	Deputy Principal Corporate Resources

Board of Governors

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

Mrs H Cross acted as Clerk to the Corporation throughout the period.

Professional advisers

Financial statements and regularity auditors:	PricewaterhouseCoopers LLP 2 Glass Wharf Bristol BS2 0FR
Internal auditors:	BDO LLP 55 Baker Street London W1U 7EU
Bankers:	Lloyds Banking Group Canons House Canons Way Bristol BS99 7LB
Solicitors:	Shakespeare Martineau LLP No 1 Colmore Square Birmingham B4 6AA

Contents

Principal's Review	1 - 3
Report of the Governing Body	4 - 14
Statement of Corporate Governance and Internal Control	15 - 19
Statement of Regularity, Propriety and Compliance	20
Statement of Responsibilities of the Members of the Corporation	21
Independent Auditors' Report to the Corporation of Wiltshire College & University Centre	22 - 24
Independent Reporting Accountant's Assurance Report on Regularity	25 - 29
Consolidated Statement of Comprehensive Income and Expenditure	30
Consolidated Statement of Changes in Reserves	31
Consolidated Balance Sheet as at 31 July 2019	32
Consolidated Statement of Cash Flows	33
Notes to the Accounts	34 - 53

Principal's Review

Strategic Aims

Wiltshire College & University Centre's strategic aims are:

- To be a beacon of excellence in education and training
- To drive economic growth in our region through the delivery of skills aligned to local economic priorities and employer needs
- To lead the sector in innovation in teaching and learning and curriculum offer and delivery
- To recruit, retain, develop, and reward the best staff who will take the College forward
- To be a future proofed, financially viable organisation, able to invest for growth and sustainability

The College continued to make good progress during the academic year of 2018/19; improving further the outcomes for students and achieving significant growth in apprentices and continued to maintain market share in 16 -18 year olds. The College achieved a 'Good' Ofsted grade for its provision in May 2018 and was granted University Centre status in line with its HE Strategy. During the year good progress was made in general against the Strategic Plan and the quality of provision continues to improve.

As part of its continuing investment in the estate, the College is driving forwards with the £24m redevelopment of its Salisbury and Lackham campuses with £22m Local Growth Fund 3 awarded in 2017 via the Swindon and Wiltshire Local Enterprise Partnership (SWLEP). Work has commenced on these projects and they will be completed throughout 2020 and early 2021. Good progress is being made on all the construction projects.

Adult Education Budget

The College delivered £3.5m of Adult Education Budget provision during 2018/19. The College sub-contracted £1.8m of this, The College continues to minimise subcontracting to local and sustainable delivery partnerships resulting in a larger proportion of subcontracting being delivered within Wiltshire, surrounding counties and the South West region.

Higher Education

Higher Education income totalled £2.2m in 2018/19 and amounted to 6.2% of the College's total.

The College Curriculum Strategy is tied very closely to the College's Strategic Plan priorities and there is considerable growth in higher education planned for the future. The growth will cover the full range of higher education provision models available now to include Higher Apprentices, two-year degrees, and Degree Apprenticeships. The College is to launch five new Foundation Degrees in Life Sciences to be delivered at the College's Salisbury campus through partnership with Bournemouth University. This is line with the infrastructure developments on the Salisbury campus and aligned to local economic priorities in terms of skills needs. The College's partnership with Oxford Brookes is also enabling new curriculum development in flexible study patterns and in new apprenticeship degree programmes.

Work with Employers

Wiltshire College & University Centre has a strategic aim to 'drive economic growth in our region through the delivery of skills aligned to local economic priorities and employer needs.'

The College worked with over 2000 employers during 2018/19. The College operates much of its outward-facing work with employers through its Business Development department. The remit of the Business Development department includes apprenticeships, work-based learning, commercial full cost training and commercial projects. Good progress was made in 2018/19 in securing contracts to work with significant employers in the region, such as the NHS.

The College's joint venture company with Bridgwater and Taunton College, The Colleges' Partnership Ltd, specialises in the delivery of apprenticeships in the armed forces around the UK and overseas.

Principal's Review (cont'd)

The College has excellent engagement with the Military, a significant presence in Wiltshire and is the preferred educational provider for the Army's rebasing programme which will see 25% of the British Army located in Wiltshire by 2020.

Apprenticeships

The Apprenticeship provision is delivered to learners at ages 16-18, 19-24, and 25+ across a broad range of subject areas.

In 2018/19 the College continued to grow and improve the Apprenticeship programme. Employer satisfaction and achievement rates grew for the second year running and new apprenticeship programmes were developed in a range of subject areas including at higher and degree level. All programmes were clearly planned based on target student numbers, duration, content and resources, to provide certainty of income and cost, as well as clear expectations for learners and employers. An Apprenticeship Manager Group met monthly to oversee the roll out of changes, share best practice and manage consistency across all subject areas.

Employer engagement is strong. In 2018/19 several large employers have chosen the College as their training provider for the first time following a competitive selection process. A focus on account management has resulted in regular repeat business and the Training Consultant (sales team) are highly productive. Apprenticeship starts in 2018/19 showed strong growth on the previous year with a further increase targeted for 2019/20. The portfolio of Apprenticeships offered is closely aligned to skills shortages, job growth and Local Enterprise Partnership (LEP) priorities. Employer engagement is excellent, with a dedicated employer facing team feeding employer intelligence directly into curriculum departments.

Partnership subcontracting programme

All subcontractors are awarded a standard contract with schedules containing the quality, audit, monitoring and payment arrangements. Support provided by the College is detailed in the published Subcontractor Policy.

Contract management of subcontractors is good. A dedicated team undertake the effective management of subcontractors and there are strong links to the College's quality team. All providers receive regular contract meetings, quality audit (including teaching observation) and attend partnership events. RSM, an independent audit firm, confirmed full compliance of subcontractor management controls.

Audit and payment mechanisms are comprehensive and robust. Outcomes for all subcontracted provision is very high and above national average achievement rates. A 100% audit policy ensures that funding claimed is accurate and supported by the necessary evidence. A dedicated Partnership Coordinator oversees all transactions.

Foundations for growth

Wiltshire College & University Centre is a large provider of Further and Higher Education in Wiltshire with its four main campuses across the county at Chippenham, Trowbridge, Lackham, and Salisbury, as well as two smaller sites in Castle Combe and Corsham. The main campuses are spread geographically with over 50 miles between Chippenham and Salisbury. The Lackham campus includes an estate of around 224 hectares and a range of land-based enterprises including a farm and a specialist animal centre. The specialist centre based at Castle Combe race circuit offers a motorsport engineering degree.

Employment Growth

There are strong prospects for employment growth in the area. According to econometric forecasts in the 2013 Economic Assessment, 30,000 additional jobs are forecast between 2010 and 2020 across Swindon and Wiltshire, twice the rate of growth predicted nationally owing to good representation in sectors predicted to perform well, such as professional services. This forecast is consistent with the rate of growth being planned for in Local Plans.

Principal's Review (cont'd)

The employment projections indicate that the occupational profile of the area is predicted to continue to shift towards higher-level occupations, with the greatest levels of growth expected among managers, professionals and associated professionals.

Swindon and Wiltshire Local Enterprise Partnership (LEP) Strategic Economic Plan

The Strategic Economic Plan identifies the following priority actions and acknowledges the role of Further Education in delivering them:

Skills system

- Ensure there is a robust and responsive post-16 education and skills sector operating to meet the needs of learners and employers which is financially efficient, sustainable and operates from campuses which are fit for purpose;
- Improve progression routes to employment in the post-16 education sector, with strong employer involvement in the curriculum to ensure improved employability;
- **Adult Learner Responsive**
- Deliver options to enhance higher education participation across Swindon and Wiltshire meeting the demand for higher level and degree-level qualified employees locally; and
- Ensure that the learning and skills offer reflects the needs of the area, including the priority sectors, providing effective Science Technology Engineering and Maths (STEM) skills.

Skills for growth:

- Develop a skilled and competitive workforce meeting the needs of employers;
- Develop higher level skills provision through smarter engagement between the higher and further education sectors and business;
- Achieve a higher proportion of individuals employed in higher skilled and higher value-added roles (Level 4 and above) in priority sectors; and
- Embed apprenticeships as an established route to employment and maximise the opportunities to grow higher and degree apprenticeships.

Skills for inclusion:

- Improve educational attainment, exceeding the national average, at age 16 (including English and Maths) and at age 19;
- Realise the potential of residents with barriers to employment, including young people and older workers and develop innovative approaches to providing support; and
- Ensure impartial and independent professional careers advice and guidance is operating across schools and colleges.

Enabler of other priorities:

- Ensure military service leavers and existing employees have clear pathways to new skills and flexible learning.

The College's Strategic Plan is fully aligned to the SWLEP Strategic Economic Plan and curriculum growth strategies are in line with the growth sectors identified in the plan as outlined as above. (NB The SWLEP Economic Plan is due to be replaced by the Local Industrial Strategy in 2020. The College has been fully engaged in the development of the Local Industrial Strategy and this is closely aligned to the College's own growth strategy.)

Report of the Governing Body

NATURE, OBJECTIVES AND STRATEGIES

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

Legal status

Wiltshire College & University Centre Corporation has its powers from the Further and Higher Education Act, with its principal powers being to provide further and higher education, to provide specified secondary education and to supply goods or services in connection with providing education. The College is a charity within the meaning of Part 3 of the Charities Act 2011.

Vision

Our vision is to be an outstanding College of Further and Higher Education, learning and training.

Mission

The College's mission as approved by its members is to be a vital player in Wiltshire's economic growth, raising skills and attainment, delivering excellence and innovation; inspiring people to achieve.

The core purpose of Wiltshire College & University Centre is to provide high quality, flexible learning, and training opportunities that enable our learners to succeed.

In setting the College's mission and objectives, the Corporation is mindful of its responsibility to ensure public value and benefit and has considered the advice of the Association of Colleges and the Charity Commission when reviewing this. The College's values are founded on a purpose to meet the needs of its learners and the community. Governors are aware of their duties to deploy public money for the benefit of all who may wish to take up the opportunities the College offers. Throughout this report, there is strong evidence of the College's successes in providing value to its community. In 2016 the College launched a 5-year Strategic Plan from 2016 – 2021.

Public Benefit

Wiltshire College & University Centre 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 pages 16 to 17. In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit.

Transparency arrangements

The Governing Body's arrangements are such that monthly meetings of the Corporation are held where all key strategic matters are considered by the whole governing body and there is minimal use of committees as a result. An Audit Committee, which is a requirement, and a Remuneration Committee only are retained. To provide further opportunity for scrutiny a finance working group meets prior to each governing body meeting.

Implementation of the Strategic Plan

The College launched a 5-year Strategic Plan during 2016 which is underpinned by a 5-year curriculum growth strategy and a 5 year Estates masterplan which will continue to address legacy issues on 3 of the 4 campuses (Chippenham being a new build) and enable infrastructure development to facilitate the growth identified on all 4 campuses.

During the new Strategic Plan period, the College anticipates growth in Apprenticeships, Higher Level provision including degrees, HNDs and Higher Apprenticeships, full time 16 – 18 year-old learners, adults, pre-16 learners and full cost provision. A strategy focussed on engagement with the military, as a part of the Strategic Plan, is already generating new joint projects and initiatives

Report of the Governing Body (cont'd)

Equally, the College's new Strategic Plan and growth strategy is aligned to the Swindon and Wiltshire Local Enterprise Partnership's (SWLEP) Strategic Plan and delivers provision to meet local economic growth priorities in higher-level skills in areas such as engineering, construction and health and life sciences.

Performance Indicators

The Board receives monthly updates from the Senior Leadership Group in the form of a 'Balanced Score Card' against the objectives and agreed Key Performance Indicators, which measure progress against the key targets identified on the strategic plan. These include, but are not restricted to, the following areas:

- Curriculum: staff utilisation; attendance; class sizes
- Quality: recruitment and retention
- Financial: contract performance for 16-18, Adults and Apprenticeships, financial projects, cash generation, capital spend;

The Board also receives and reviews information on the following key areas of performance:

- Employer: market penetration, engagement levels, full cost performance & contribution rates, contract performance, employer satisfaction and timely success rates;
- Economic Growth: Apprenticeship starts, Higher Education enrolments;
- Human Resources: establishment full time equivalent staff (FTE), diversity, sickness absence, staff turnover, part time staffing and appraisal completion
- General: Satisfaction for learners and staff, feedback, exclusions, learner diversity (ethnicity and disability), room utilisation and accident statistics.

FINANCIAL POSITION

Financial objectives

The College's financial objectives set for 2018/19 were

- To achieve an operating surplus before exceptional items
- To achieve an ESFA financial health grade of "Good"
- To manage cash reserves within an agreed overdraft profile
- To meet the Colleges bank loan covenants
- Deliver savings to improve financial resilience enabling staff pay award and incremental pay for teaching staff
- Improve college income and cash generation driven by growth in all areas

Report of the Governing Body (cont'd)

Financial results

The College's operating surplus for 2018/19 was £19k, an improvement of £1,362k on 2017/18, this improvement has been delivered through a significant reduction to pay costs whilst growing income from apprenticeships. Pay as a % of income (excluding capital grants) was 64.1% in 2018/19 an improvement of 4.9 percentage points from the previous year despite an increase in LGPS pension contributions. Income grew by £482k, 1.3%, mainly driven through the increased recruitment of apprentices, slightly offset by a reduction in income from higher education courses. The table below reconciles the financial statements to the operating surplus for the year.

Restated operating financial performance		
£000's	2018/19	2017/18
Income	35,643	35,161
Expenditure	(37,977)	(38,318)
Statement of comprehensive income and expenditure reported deficit	(2,334)	(3,157)
Adjustment items		
Share of joint venture operating surplus	13	13
Add Back: Restructure Costs	489	86
Add Back: exceptional one off items in year	330	363
Add Back: Accelerated depreciation	146	146
Add back FRS 102 (Section 28) pensions adjustments	1,375	1,206
Adjusted operating surplus / (deficit)	19	(1,343)

Cash flow and treasury

Cashflow from operating activities improved in 2018/19 by 730k to an inflow of £249k from an outflow of £481k in 2017/18. Cash generation from the improved operating surplus of the college was the main cause, resulting in a year end balance of £927k. Loan debts continue to be repaid throughout the year, an annual cost of £1,189k in 2018/19, with gearing reducing as a result. Staff cost savings and income growth delivered in 2018/19 will enable the College to continue to meet the cost of these debts.

Capital investment in 2018/19 amounted to £5.7m, with significant funding received from the local enterprise partnership (LEP) for campus development work at the Lackham and Salisbury campuses. The total investment for this project will be £24m, with £22m being received from the LEP.

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

Short-term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum between the College and the ESFA and in accordance with the College's policies and restrictions.

Report of the Governing Body (cont'd)

Joint venture company

The Colleges' Partnership Ltd

The company is a joint venture and is governed equally by Wiltshire College & University Centre and Bridgewater & Taunton College

<i>Name</i>	<i>Nature of business</i>	<i>Surplus generated</i>
The Colleges' Partnership Ltd	Company limited by guarantee. Independent training provider.	Joint Venture company with Bridgewater and Taunton College. Surpluses are distributed evenly to partner Colleges.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2018/19, the College delivered activity that has produced £24,684k in funding body main allocation funding (2017/18: £23,974k). The College had approximately 10,790 funded, 2,994 non-funded & 358 HE students in 2018/19, (10,008 funded and 2,806 non-funded students & 422 HE students in 2017/18).

Outcomes for Student and Success Rates

The impact of the curriculum successfully supports a high level of well rounded, knowledgeable and appropriately skilled students who are able to progress onto further study and employment.

In 2018/19, the College offered courses in most subject sector areas, with most students attending the main four campuses. The majority of students are aged 16-18 and enrolled on education and training vocational study programmes. Adult students are mostly studying vocational and foundation programmes at level 1 and 2. The College has seen a consistent number of High Needs students studying full time and part time.

Using the education and training achievement rate methodology (including English and maths), the overall headline qualification achievement rate for Young People has improved 0.7% to 81.5%, adult provision has declined by 0.8% to 88.7%, and High Needs student achievement has improved significantly by 2.8% to 85.1%. Apprenticeships have improved 0.9% to 71.4%.

The College Curriculum

The curriculum intent delivers the skills, knowledge and behaviours required by students to successfully prepare them for their next stage in education, training or employment. The curriculum reflects the national, regional and local context and has been reviewed and shaped to deliver our mission statement, which is; to be a vital player in Wiltshire's economic growth, raising skills and attainment, delivering excellence and innovation; inspiring people to achieve.

The College has an extensive curriculum offer, both in terms of subject choice and level and includes courses in most sector subject areas. The largest vocational subject areas are Creative Arts, Health and Life Sciences, Construction and Animal Care and Management. Apprenticeships and workplace learning are offered in ten sector subject areas, the largest being Engineering and Construction.

Suitable progression routes and appropriate career opportunities are at the centre of the College curriculum offer. Innovative full and part time curriculum planning is ongoing throughout the academic year. Local and national market intelligence, such as the SWLEP priorities are used to drive this process, alongside key feedback from

Report of the Governing Body (cont'd)

Wiltshire Council on local employment demands as new businesses move to the area, and College led employer engagement forums to identify current and future job opportunities.

Progression onto higher-level courses at the College is very good in all curriculum areas. Students are supported to identify appropriate progression onto a higher-level course or into related employment from their first tutorial. This is reviewed during the year and forms a key focus of the tutorial programme. Tutors delivering on higher education programmes attend level 3 classes to promote HE and explain the benefits of studying HE locally. Work is ongoing to develop a suite of new higher national and foundation degree programmes aligned with the SWLEP strategic priorities which will be delivered in partnership with Pearson, Oxford Brookes University and Bournemouth University.

The College marketing strategy ensures that the College provides the right information (intent) in the preferred format to as many people as possible. This includes tangible marketing materials (fliers, posters and booklets), a high-profile digital presence, planned events for employers and individuals and joint marketing campaigns with employers. Our core marketing presence is supported by a proactive Business Development team, who generate new and repeat employer business, whilst student recruitment and school liaison teams engage individuals, parents and education providers.

During 2018/19, the Business Development team has grown apprenticeship starts by 20% which is the third consecutive year of growth. This growth has been fuelled by the development and launch of new apprenticeship standards, particularly at a higher level, including Project Management Level 4 and Department Manager Level 5. Increasingly the College has adopted an account management approach; supporting businesses to identify their training needs and designing appropriate solutions. This has resulted in an increasing number of local and national employers working with the College including Hobbycraft, Lister Wilder, Wiltshire Police, Comdata and Kohler Mira.

The College offers a broad apprenticeship programme with students at each of the four campuses undertaking a diverse range of programmes in engineering, plumbing, construction, automotive, health and social care, childcare, horticulture, agriculture, hairdressing, business administration, customer service and creative industries. The portfolio of apprenticeships offered is closely aligned to fill skills shortages, encourage job growth and meet local enterprise priorities.

Adult learning delivery offers a range of courses suited to meet the requirements of adult students who are looking to improve their current employment situation, gain valuable skills and self-confidence, which helps them find work or to be successful in their current job.

These courses also improve their health and wellbeing. Community learning is non accredited part-time learning, but the majority of the courses are progressive, which enables the learners to work their way up to more challenging levels of ability, allowing them to achieve the skills they require for further study or employment.

During 2018/19, College managers have overseen several employer led curriculum developments to meet the needs of students and local employers. The College has further developed innovative ways of working with industry; for example, the College 'Greenhouse Group' is used to encourage and nurture new curriculum ideas as well as provide practical guidance, support and, where necessary, investment. For viable ideas, additional time and space is needed outside SMT to appropriately plan and monitor projects to ensure that they are fully developed and achieve the desired outcome e.g. the group has overseen the introduction and launch of the Duke of Edinburgh Award to support student with gaining essential skills, experience, confidence and resilience alongside their qualification requirements.

The annual curriculum planning process is focused on the curriculum intent and maximising progression opportunities for all students and has a greater requirement for employer engagement in the curriculum. Employers are actively engaged in curriculum development and the evaluation of skills being delivered. Improved consideration is also given to employers' views and employment trends. This will further ensure that the provision meets the needs of the employment market and that students are well equipped for progression into employment. In addition to the curriculum planning process, cross College systems have been developed to ensure the strong curriculum intent of the College is maintained;

Report of the Governing Body (cont'd)

- Course approvals and amendment procedures (FE, Apprenticeships & HE) ensure that all programmes are in line with the College's overall strategic direction.
- Ambitious future plans including expanding agricultural technology and agricultural engineering provision at Lackham, as well as introducing advanced engineering provision at the Salisbury campus in line with employer demand.
- Investment in technology and infrastructure/staff skills to deliver innovation and growth.
- A staffing structure that enables innovation, growth and sustainability.
- Investment in market research and new product development.
- A curriculum strategy linked to local economic growth priorities (SWLEP) and employer demand and engagement and which addresses the key areas for growth in apprenticeships, Higher Education and military resettlement.

College senior managers attend local school partnership meetings across Wiltshire, working in collaboration with Headteachers to represent the College and influence future curriculum changes. The curriculum offer is reviewed regularly to ensure appropriate progression routes exist and to look at future developments such as T-Levels, the new technical qualifications, the implications of the new linear outcomes for entry criteria onto College courses and possible shared delivery of post 16 provision.

Comprehensive and effective 14-16 provision offers clear progression routes onto College programmes (as evidenced through 63% of 2018/19 pre-16 students progressing onto College courses for September 2019).

The Performance and Quality group weekly management meeting attended by Assistant Principals and Executive Director of Business Development is chaired by the Deputy Principal Curriculum and Quality addresses both strategic and operational issues across the curriculum with College oversight of curriculum developments, strong curriculum leadership and curriculum performance through review of key performance indicators, new course approvals and quality of education agenda items. These frequently review aspects of teaching, learning and assessment including observation themes, progress monitoring, staff development, employability, personal development, behaviour and attitudes.

Curriculum Quality Assurance

The College has established a clear culture of critical self-assessment through highly effective leadership and management, a rigorous approach to quality enhancement and employs a range of well-established processes and opportunities to capture and record student feedback over time.

The College's approach has been to support reflective enquiry and practice, embedded through robust self-assessment and quality improvement processes. College-wide commitment to quality assurance continues to be an integral element of performance management.

Self-assessment is very well established and highly effective. It involves all staff and governors in a staged process throughout the academic year and takes account of a variety of stakeholder views as an integral part of the College's quality cycle. Comprehensive moderation ensures that self-assessment remains rigorous and robust.

Following self-assessment, quality improvement plans (QIP) are produced, outlining challenging targets and key actions which are closely monitored throughout the year. Governors have a firm grasp of the College's strengths and areas for improvement as a result of their participation in the SAR process and subsequent regular monitoring of the College QIP.

A comprehensive strategic planning process takes place annually which includes governors, the senior leadership team and key managers, and focuses on outcomes of self-assessment, analysis of legislative frameworks and national trends, which supports the update and identification of key strategic aims. The setting of demanding targets across the College, together with an expectation of high standards, is a priority for all.

Report of the Governing Body (cont'd)

Future developments

As part of its continuing investment in new and existing facilities, the College has been successful in obtaining a £22m investment over three years from the SWLEP, to significantly improve facilities and learner resources at its Salisbury and Lackham campuses. The College will match fund £2m of its own resources to the development, meaning an overall investment of £24m. The project is now underway and is focussed on meeting the skills agenda of the SWLEP predominantly around higher level skills, Life Sciences, Advanced Engineering and Land Based Agritech.

Resources

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

Financial

As at 31 July 2019, the College Group had net assets of £16,621k (2017/18: £16,919k) excluding a pension liability of £21,539k (2017/18: £13,548k)

The implementation of the FE HE SORP 2015 and FRS 102 in 2016/17 required that 'Deferred Capital Grants' are shown as creditors in the balance sheet, and as at 31 July 2019, 'Creditors falling due after more than one year' include Deferred Capital Grants totalling £31,394k (2017/18: £25,996k); bank loans of £5,783k (2017/18: £6,400k); and obligations under finance leases £3,064k (2017/18: £2,869k).

The College Group has budgeted to deliver an adjusted operating surplus of £217k in 2019/20. The budget and the financial plan demonstrate that the College remains firmly focused on achieving its objectives set out in its strategic plan.

People

The College employs just under 1,000 people, equating to 628 full time equivalents, of whom 325 are teaching staff. It should be noted that many of the non-teaching staff perform significant roles closely connected to teaching and learning such as Additional Learner Support, technicians, salon managers etc. These employees support lecturers and trainer assessors and they have a considerable positive impact on the learning environment.

Reputation

The College has a good reputation locally and nationally, which continues to develop and improve. Maintaining a quality brand is essential for the College's success in attracting students and external relationships.

PRINCIPAL RISKS AND UNCERTAINTIES

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

Based on the Strategic Plan, the Risk and Audit Review Team undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the Risk and Audit Review Team will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

A risk register is maintained at College level which is reviewed at all meetings of the Audit Committee and alternate meetings of the full Corporation. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system. This is supported by a risk management training programme to raise awareness of risk throughout the College. Outlined below is a description of the principal risk factors that may affect

Report of the Governing Body (cont'd)

the College. 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 education sector funding bodies and HEFCE. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The College is aware of two issues which may impact on future funding:

- The funding methodology applies a series of factors such as guided learning hours and success rates to calculate an amount of funding to be received for each learner.
- A government review of its priorities for the adult skills sector would affect future funding.

This risk is mitigated in a number of ways:

- By ensuring that best value can be demonstrated.
- By developing alternative income streams, thereby reducing dependence on any one funding stream or body.
- Funding is derived through a number of direct and indirect contractual arrangements.
- By ensuring the College is rigorous in delivering high quality education and training.
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies.
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding.
- Regular dialogue with funding bodies.

2. Tuition Fees policy

The College operates in a competitive sector and it mitigates its risk by ensuring that it is rigorous in monitoring of the demand for courses as prices change. It sets its Fees Policy to ensure that:

- The College complies with current legislation.
- Each fee is fair compared to other fees in the College.
- Fees are competitive when compared with fees in other, similar organisations.

Fees are usually set before the start of each academic year. Occasionally, this may not be possible in certain areas, however, the College will never increase a course fee, for that academic year, after a student has enrolled on their course.

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 FRS 102 (Section 28).

The risk is mitigated by the College working closely with Wiltshire Council, who administer the LGPS, to negotiate mutually acceptable employer's contribution rates for the next three years, and to agree a long-term strategy to manage the repayment of pension scheme deficit.

The College is confident that the improving financial robustness can withstand increased pension contributions, and the ability to repay the pension deficit over an appropriate period.

Report of the Governing Body (cont'd)

4. Failure to maintain the financial viability of the College

The College's current financial health grade is classified as "Good". Notwithstanding that, 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. These risks are mitigated in a number of ways:

- By rigorous budget setting procedures and sensitivity analysis
- Regular in year budget monitoring
- Robust financial controls
- Forecasting 24 months cash flow and covenant compliance to ensure early mitigations can be put in place with key stakeholders.
- Exploring ongoing procurement efficiencies

Stakeholder Relationships

In line with other Colleges and Universities, Wiltshire College & University Centre has many stakeholders. These include:

- Learners;
- Education Sector Funding bodies;
- Staff;
- Local employers (with specific links);
- Local Authorities;
- Government Offices/LEPs;
- The local community;
- Other FE institutions;
- Trade unions;
- Professional bodies.

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

The Clerk to the Corporation maintains a register of financial and personal interests of the governors. The register is available for inspection by making contact with the Clerk, contact details on the College website.

Report of the Governing Body (cont'd)

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, disability, religion or belief and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. The College's Equality Policy is resourced, implemented, and monitored on a planned basis and published on the College's Intranet site.

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.

The College is a 'Disability Confident' employer recently migrating from 'two ticks' in October 2016 and has committed to the principles and objectives of the Disability Confident scheme and standard. 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 has committed to the 'Mindful Employer' initiative to assist the mental health wellbeing of staff. The College has also implemented an updated Equality & Diversity online training programme.

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, provision is regularly reviewed by Disabled Go <http://www.wiltshire.ac.uk/accessibility/disabledgo/>.
- b The College has a team of specialist staff who provide information, advice and arranges support where necessary for learners with disabilities. Each campus has an Additional Learning Support (ALS) Manager who works closely with local authority Special Educational Needs and Disability (SEND) professionals and schools to support timely assessments and help learners with their transition to College.
- c Wherever possible specialist equipment, such as radio aids, will be made available for use by learners and a range of assistive technology is available in the learning centre.
- 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 teams to support students with learning difficulties and/or disabilities, including specialist support workers who work with learners with sensory impairment and Autism Spectrum Conditions. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for learners 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.

Report of the Governing Body (cont'd)

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.

Number of employees who were trade union officials during the relevant period	Full time equivalent employee number
6	5.46

Percentage of time	Number of employees
0%	0
1% - 50%	6
51% - 99%	0
100%	0

Total cost of facility time	£10,318
Percentage of the total pay bill spent on facility time	0.04%

Time spent on paid trade union duties/activities as a percentage of total paid facility time	100%
--	------

Disclosure of Information to Auditors

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

Approved by order of the members of the Corporation on the *20* December 2019 and signed on its behalf by:

Martin Clark
Martin Clark
 Chair

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the Members' Report and Financial Statements of the College to obtain a better understanding of its governance and legal structure.

The College endeavours to conduct its business:

- i. In accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii. In full accordance with the Code of Good Governance for English Colleges, which the Corporation has adopted.

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

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

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

The Corporation

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

Members of Corporation 2018/19						
Name	Date of Appointment	Term of Office	Date of Resignation	Status of Appointment	Committees Served	Attendance in 2018/19
Martin Clark	April 2015 and re-appointment April 2019 Chair from 1 August 2018	4 years (2 nd term)		External	Remuneration	100%
Mark Lello	November 2012 and re-appointment November 2016 Vice-Chair	4 years (2 nd term)		External	Remuneration	88%

Statement of Corporate Governance and Internal Control (cont'd)

Members of Corporation 2017/18						
Name	Date of Appointment	Term of Office	Date of Resignation	Status of Appointment	Committees Served	Attendance in 2018/19
Jack Wills	October 2013 and reappointment Nov 2017	4 years		External	Audit	72%
Carolyn Godfrey	October 2013 and reappointment Nov 2017	4 years (2 nd term)	Feb 2019	External		80%
Harry Adam	Mar 2016	4 years		External	Audit	81%
Jon Downing	Nov 2016	4 years		External	Audit	90%
Iain Hutchison	Oct 2017	4 years		External		50%
Amanda Burnside	N/A	Ex-officio		Principal		100%
Venetia Summers	Dec 2014 and re-appointment Dec 2018	4 years		Staff		88%
Lawrence Roe	July 2017	4 years	Dec 2018	Staff		33%
Debbie Sexton-Dyer	Oct 2017	4 years	June 2019	Staff		57%
Layla Davies	Oct 2018	Duration as student, or 2 years, whichever is the sooner		HE Student		29%
Becca Thurston	Sep 2018	4 years			Audit (from March 2019)	77%
Carlton Brand	Oct 2018	4 years		External		100%
Mags Patten	Jan 2019	4 years		External		100%
Appointments made after year-end but before Accounts signature – as below						
Clive Barker	Sep 2019	4 years		External		N/A
Ronan Mulcahy	Sep 2019	4 years		Staff		N/A
Ruth Greening	Nov 2019	Duration as student		Student		N/A

Heather Cross FCIS acts as the Clerk to the Corporation.

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

Statement of Corporate Governance and Internal Control (cont'd)

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters, and personnel related matters such as health and safety and environmental issues. The Corporation meets up to 10 times in the year. Minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website at www.wiltshire.ac.uk, or from the Clerk to the Corporation (contact details also on the website).

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

Formal agendas, papers, and reports are supplied to governors in a timely manner, prior to Board meetings. Briefings are also provided as required.

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 Accounting Officer of the College are separate.

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding 4 years, renewable once to the maximum of 8 years, other than students, whose appointments are of a shorter duration.

Remuneration Committee

The committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other senior post holders. No meetings were held during the 2018/19 year as no changes to remuneration and benefits for senior post holders were proposed during the year.

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

Audit Committee

The Audit Committee comprises four members of the Corporation (who exclude the Accounting Officer and Chair). 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 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

The Audit Committee meets on a termly basis 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 main FE funding bodies, as they affect the College's business.

Statement of Corporate Governance and Internal Control (cont'd)

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

control, risk management controls, and governance processes in accordance with the agreed plan and reports its findings to management and the Audit Committee.

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

INTERNAL CONTROL

Scope of responsibility

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

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims, and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an 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 Wiltshire College & University Centre for the year ended 31 July 2019 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

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

The risk and control framework

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

- Comprehensive budgeting systems with an annual budget and annual financial reports which indicate financial performance against targets;
- Regular reviews by the Corporation of periodic and annual financial reports which indicate financial performance against forecasts;
- Setting targets to measure financial and other performance;
- Clearly defined capital investment control guidelines;
- The adoption of formal project management disciplines, where appropriate;

Statement of Corporate Governance and Internal Control (cont'd)

Review of effectiveness

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

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

The Accounting Officer 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 a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Senior Leadership Group 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 Group and Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Senior Leadership Group and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2019 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2019 by considering documentation from the Senior Leadership Group and internal audit, and taking account of events since 31 July 2019.

Going Concern

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

Although the College did not breach any of its loan covenants during the year ending 31 July 2019, the College has £6.4m of loans outstanding with Lloyds bank on terms which were revised in 2018. The College cashflow in the next 12 months is dependent on a loan with Wiltshire Council to part fund the development work at the Salisbury and Lackham campuses. The Council and College are committed to agreeing this loan, suitable security and terms have been agreed and drawdown of funds is expected in January 2020. In the event of any delay in drawing down this loan, the College would work with Lloyds bank to agree a suitable overdraft to manage any short-term cash requirements.

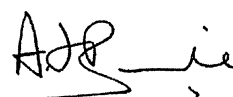
The College's financial forecasts for the year ending on 31 July 2020, which include the new Council loan, result in a breach of one covenant set in 2018. Accordingly, a revised loan agreement incorporating new covenants has been agreed with Lloyds which are subject to the Council loan being drawn down. The College forecasts to operate within these new covenants which will come into effect once the Council loan has been signed in January 2020. When the revised covenants are in place the College would no longer be forecasting any breaches. The Board of Governors believe that the agreement with the bank over the revised loan arrangements mean that the College and Group are able to continue as a going concern.

However, the legal agreements with both Wiltshire Council and the bank, upon whose successful completion the College's and Group's ability to continue as a going concern depends, are not signed at the date of approval of these financial statements. These legal documents are at an advanced stage of review and as such are expected to be signed in January 2020. These conditions indicate the existence of a material uncertainty which may cast doubt on the College's and Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the College and Group were unable to continue as a going concern.

Approved by order of the members of the Corporation on the 20 December 2019 and signed on its behalf by:



Martin Clark
Chair



Amanda Burnside
Accounting Officer


Statement of Regularity, Propriety and Compliance

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

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.


Martin Clark
Chair

20 December 2019


Amanda Burnside
Accounting Officer

20 December 2019

Statement of the responsibilities of the members of the Corporation

The members of the Corporation of the College 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 EFSA, 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 the result for that year.

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK 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 to enable it to ensure that the financial statements are prepared in accordance with the 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 assets of the College and to prevent and detect fraud and other irregularities.

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

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

Approved by order of the members of the Corporation on 20 December 2019 and signed on its behalf by:


Martin Clark
Chair

Independent auditors' report to the Corporation of Wiltshire College & University Centre (the "institution")

Report on the audit of the financial statements

Opinion

In our opinion, Wiltshire College and University Centre's group financial statements and parent institution financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent institution's affairs as at 31 July 2019 and of the group's income and expenditure and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

We have audited the financial statements, included within the Members' Report and Financial Statements (the "Annual Report"), which comprise the Consolidated Balance Sheet as at 31 July 2019; the Consolidated Statement of Comprehensive Income and Expenditure for the year then ended; the Consolidated Statement of Changes in Reserves for the year then ended; the Consolidated Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty in relation to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the College's and Group's ability to continue as a going concern. Although the College did not breach any of its loan covenants during the year ending 31 July 2019, based on their current forecasts, they are forecasting to breach one of their loan covenants during the year ending 31 July 2020. The College and the bank have been working towards revised covenants, which have now been agreed but the new loan agreement is not expected to be signed until early January 2020. When the revised loan agreement is in place the College would no longer be forecasting any loan covenant breaches.

The College is also in the process of agreeing a loan with Wiltshire Council. However, the legal agreements with both Wiltshire Council and the bank, upon whose successful conclusion of the College's and Group's ability to continue as a going concern depends, are not signed at the date of approval of these financial statements. These legal documents are at an advanced stage of review and as such are expected to be signed in January 2020. These conditions, along with the other matters disclosed in note 1 to the financial statements indicate the existence of a material uncertainty which may cast doubt on the College's and Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the College and Group were unable to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Corporation is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the Corporation for the financial statements

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

In preparing the financial statements, the Corporation is responsible for assessing the group's and parent institution's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporation either intends to liquidate the group and parent institution or to cease operations, or has no realistic alternative but to do so.

Auditors' 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 auditors' 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 auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Corporation as a body in accordance with Article 22 of the institution's Articles of Government and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other Required Reporting

Opinions on other matters prescribed in the Post-16 Audit Code of Practice issued by the Education and Skills Funding Agency

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

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

We have no exceptions to report arising from this responsibility.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol

20 December 2019

Independent Reporting Accountant's Assurance Report on Regularity to the Corporation of Wiltshire College & University Centre and the Secretary of State for Education acting through the Education and Skills Funding Agency

In accordance with the terms of our engagement letter dated 17 July 2019 and further to the requirements of the financial memorandum with the Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Wiltshire College & University Centre 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 issued by the Education and Skills Funding Agency. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which Education and Skills Funding Agency has other assurance arrangements in place.

This report is made solely to the corporation of Wiltshire College & University Centre and the Education and Skills Funding Agency in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of Wiltshire College & University Centre and Education and Skills Funding Agency 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 Wiltshire College & University Centre and Education and Skills Funding Agency for our work, for this report, or for the conclusion we have formed, save where expressly agreed in writing.

Respective responsibilities of Wiltshire College & University Centre and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Post-16 Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2018 to 31 July 2019 have not been applied

Independent Reporting Accountant's Assurance Report on Regularity to the Corporation of Wiltshire College & University Centre and the Secretary of State for Education acting through the Education and Skills Funding Agency (cont)

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 Post-16 Audit Code of Practice issued by the Education and Skills Funding Agency. 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:

Regularity

1. Obtain an understanding of how the corporation discharges its responsibilities to safeguard the college's assets.
2. Review Corporation minutes to confirm there are reporting arrangements in place to regularly inform the college's Governing Body / Corporation of the financial health of the college.
3. Review policies and procedures in place which set powers of authorisation and obtain evidence over situations where corporation approval is required.
4. Obtain an understanding of how members of the corporation discharge their responsibilities as charitable trustees.
5. Obtain evidence to demonstrate that members of the corporation are discharging their responsibilities as charitable trustees.
6. Review evidence to demonstrate how the college periodically reviews its activities to ensure they are within its powers.
7. Obtain an understanding of the non-core activities of the College. For non-core activities identified evaluate the controls over the monitoring of financial performance to review whether these activities are being materially subsidised from public funding.
8. Obtain an understanding of how the college established appropriate arrangements for each subsidiary and/or associate and/or joint venture to enable governors to discharge their accountability responsibilities which include:

Independent Reporting Accountant's Assurance Report on Regularity to the Corporation of Wiltshire College & University Centre and the Secretary of State for Education acting through the Education and Skills Funding Agency (cont)

- appropriate representation by governors on the boards
- arrangements for regular reporting of performance to the corporation
- a clear memorandum of understanding in place
- coverage of activities within the internal audit plan

9. Where the college is considering or has made settlements or employment claims by a senior post holder:

- examine related authorisations, legal and other professional correspondence and Board minutes
- evaluate whether procedures followed and decisions reached are reasonable and consistent with funding requirements
- Obtain evidence to demonstrate these have been brought to the attention of an independent auditor

10. Review the College's property strategy and confirm whether this has been developed in line with good practice guidance in the further education sector.

11. Where property has been disposed of, obtain evidence to demonstrate that the funding body has been notified.

Use of funds

12. Examine policies and procedures in operation during the year for each funding stream where there are specific conditions attached.

13. Evaluate the control environment for approval, administering, monitoring and applying funds in accordance with the terms and conditions attached to the funding. Where it is considered necessary to gain further assurance over the application of these funds perform substantive testing.

14. For funding streams identified evaluate the controls over the completion of funding claims and returns and obtain evidence that all necessary returns have been completed and returned and that these have been reconciled to the specific eligible costs/activities incurred/delivered.

15. Obtain an understanding of how the College ensures it complies with funding requirements for subcontracted provision and if necessary perform substantive testing to test that the college has complied with related funding requirements.

Propriety

16. Obtain policies on acceptance of gifts and/or hospitality and other relevant policies and evaluate whether the college has put reasonable procedures in place to mitigate against corruption.

Independent Reporting Accountant's Assurance Report on Regularity to the Corporation of Wiltshire College & University Centre and the Secretary of State for Education acting through the Education and Skills Funding Agency (cont)

17. Understand and evaluate procedures for identifying and recording potential conflicts of interest and related parties for staff in a position of trust and obtain evidence that there is a register of interest to capture these.
18. Obtain evidence that the procurement process is clearly documented in college financial regulations or financial procedures.
19. Obtain an understanding of the access arrangements in place over the register of interests and confirm this covers all governors and staff with significant financial and decision making powers.
20. Obtain an understanding of and evaluate the college's whistle blowing policies and procedures and the impact of any whistle blowing allegations on the financial statements and regularity audit. Obtain evidence that this policy has been approved by the Corporation and the confidentiality arrangements in place.
21. Obtain an understanding of and evaluate the college's controls and procedures for the safeguarding of assets from fire and theft. Inspect minutes and records to identify any occurrences in the year and obtain details of these.
22. Obtain an understanding of the process for regular review of insurance cover in place to ensure these are sufficient and adequate and obtain evidence of insurance cover in place over assets.
23. Obtain an understanding of the college's policies over the appointment of staff and how the college demonstrates even-handedness.
24. Obtain an understanding of if the College has entered into any subsidiary, joint ventures or similar arrangements. Where necessary, ensure a cost/benefit analysis has been prepared and approved by the Corporation.
25. Obtain an understanding of the reporting arrangements to governors on the performance of investments, subsidiaries and joint ventures;
26. Obtain an understanding of the college's policy and procedures for monitoring overseas travel expenses and reporting arrangements to the Corporation. If considered significant, perform substantive testing to evidence that this relates to a strategy for overseas activities approved by the Corporation.
27. Obtain an understanding of policies and where necessary test the controls over disposals of fixed assets and review whether disposals are authorised in accordance with the financial regulations of the college.
28. Obtain an understanding of the policies in place over personal expense claims and perform substantive testing where necessary to confirm the controls are operating effectively.
29. Obtain an understanding of the reporting process and controls over project appraisal and monitoring from inception to completion and post implementation review. Perform substantive testing of these processes where necessary to gain assurance over the procedures in place for significant capital and revenue projects and these are in accordance with the financial regulations

Independent Reporting Accountant's Assurance Report on Regularity to the Corporation of Wiltshire College & University Centre and the Secretary of State for Education acting through the Education and Skills Funding Agency (cont)

30. Obtain evidence that the Corporation has approved expenditure levels above which formal quotations are required and that further approval levels are in place in the procurement process and documented in the financial regulations.

31. Obtain an understanding of and evaluate the college's controls and procedures for the safeguarding of assets from cyber security breaches. Inspect minutes and records to identify any occurrences in the year and obtain details of these.

32. Obtain an understanding of the policies in place over the authorisation of the use of college credit cards and perform substantive testing where necessary to confirm the controls are operating effectively.

33. Obtain an understanding of the policies in place over ex-gratia payments and perform substantive testing where necessary to confirm the controls are operating effectively.

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.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
2 Glass Wharf
Bristol
BS2 OFR

20 December 2019

Consolidated Statement of Comprehensive Income and Expenditure

For the year ended 31 July 2019

	Note	2019 £'000	2018 £'000
Income			
Funding body grants	2	26,630	25,269
Tuition fees and education contracts	3	4,040	4,959
Other grants and contracts	4	364	414
Other income	5	4,604	4,512
Investment income	6	5	7
Total income		35,643	35,161
Expenditure			
Staff costs	7	23,248	24,348
Other operating expenses	8	10,328	10,086
Fundamental restructuring costs	7	489	86
Depreciation	11	3,074	2,943
Interest and other finance costs	9	838	855
Total expenditure		37,977	38,318
Deficit before other gains and losses		(2,334)	(3,157)
Share of operating surplus in joint venture		13	13
Gain/(loss) on disposal of assets	8	648	(14)
Deficit before tax		(1,673)	(3,158)
Taxation	10	-	-
Deficit for the year		(1,673)	(3,158)
Unrealised loss on revaluation of investments	13	-	(11)
Actuarial gain/(loss) in respect of pension scheme		(6,616)	3,348
Transfer from the revaluation reserve		153	152
Total comprehensive (expense)/income for the year		(8,136)	332

Consolidated Statement of Changes in Reserves

For the year ended 31 July 2019


Group	Income and expenditure account £'000	Revaluation reserve £'000	Total £'000
Balance at 1 August 2017	(3,890)	7,081	3,191
Deficit from the income and expenditure account	(3,158)	-	(3,158)
Other comprehensive Income	3,338	-	3,338
Transfers between revaluation and income and expenditure reserves	152	(152)	-
Total comprehensive income for the year	332	(152)	180
Balance at 31 July 2018	(3,558)	6,929	3,371
Deficit from the income and expenditure account	(1,673)	-	(1,673)
Actuarial loss in respect of pension scheme	(6,616)	-	(6,616)
Transfers between revaluation and income and expenditure reserves	153	(153)	-
Total comprehensive income for the year	(8,136)	(153)	(8,289)
Balance at 31 July 2019	(11,694)	6,776	(4,918)

Consolidated Balance Sheet as at 31 July 2019

		2019	2018
	Note	£'000	£'000
Non-Current assets			
Tangible fixed assets	11	56,682	53,639
Biological assets	12	309	635
Investments	13	384	417
		<hr/>	<hr/>
		57,375	54,691
Current assets			
Assets held for resale		-	571
Stock	14	729	438
Trade and other receivables	15	2,805	1,937
Cash and cash equivalents		927	568
		<hr/>	<hr/>
		4,461	3,514
Creditors: amounts falling due within one year	16	(4,219)	(5,200)
		<hr/>	<hr/>
Net current assets/(liabilities)		242	(1,686)
		<hr/>	<hr/>
Total assets less current liabilities		57,617	53,005
Creditors: Amounts falling due after more than one year	17	(40,241)	(35,265)
Provisions	19	(755)	(821)
		<hr/>	<hr/>
Net assets excluding pension liability		16,621	16,919
Net pension liability	21	(21,539)	(13,548)
		<hr/>	<hr/>
Total net assets including pension liability		(4,918)	3,371
		<hr/> <hr/>	<hr/> <hr/>
Unrestricted reserves			
Revaluation reserve	20	6,776	6,929
Income and expenditure account		(11,694)	(3,558)
		<hr/>	<hr/>
Total reserves		(4,918)	3,371
		<hr/> <hr/>	<hr/> <hr/>

The financial statements on pages 34 to 57 were approved and authorised for issue by the Corporation on 20 December 2019 and were signed on its behalf on that date by:


Martin Clark
 Chair


Amanda Burnside
 Accounting Officer

Consolidated Statement of Cash Flows

for the year ended 31 July 2019

		2019	2018
	<i>Note</i>	£'000	£'000
Cash flow from operating activities			
Deficit for the year		(1,673)	(3,158)
Adjustment for non-cash items			
Depreciation	11	3,074	2,943
Deferred capital grants released to income	2	(995)	(977)
(Increase)/decrease in biological assets		325	(17)
Increase in stocks		(291)	(20)
Increase in debtors		(298)	(403)
Decrease in creditors due within one year		(980)	(407)
Decrease in provisions		(67)	(47)
Pension costs less contributions payable	7	982	772
Share of operating surplus in joint venture		(13)	(12)
Cash (outflow)/inflow before use of liquid resources and financing			
Investment income	6	(5)	(23)
Interest payable	9	838	855
(Profit)/loss on sale of fixed assets	8	(648)	14
Net cash flow from operating activities		249	(481)
Cash flows from investing activities			
Proceeds from sale of fixed assets		604	63
Deferred capital grants received		6,392	1,360
Payments made to acquire fixed assets		(5,697)	(2,489)
Net cash flow from investing activities		1,299	(1,066)
Cash flows from financing activities			
Interest paid		(178)	(181)
Interest element of finance lease rental payments		(266)	(219)
Repayments of amounts borrowed		(609)	(635)
Interest received		5	7
Capital element of finance lease rental payments		(141)	(99)
Net cash flow from financing activities		(1,189)	(1,127)
Increase/(Decrease) in cash and cash equivalents in the year		359	(2,674)
Cash and cash equivalents at the beginning of the year		568	3,242
Cash and cash equivalents at end of the year		927	568
Increase / (decrease) in cash and cash equivalents in the year		359	(2,674)

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.

Basis of accounting

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

Basis of consolidation

In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities.

Going concern

Although the College did not breach any of its loan covenants during the year ending 31 July 2019, the College has £6.4m of loans outstanding with Lloyds bank on terms which were revised in 2018. The College cashflow in the next 12 months is dependent on a loan with Wiltshire Council to part fund the development work at the Salisbury and Lackham campuses. The Council and College are committed to agreeing this loan, suitable security and terms have been agreed and drawdown of funds is expected in January 2020. In the event of any delay in drawing down this loan, the College would work with Lloyds bank to agree a suitable overdraft to manage any short-term cash requirements.

The College's financial forecasts for the year ending on 31 July 2020, which include the new Council loan, result in a breach of one covenant set in 2018. Accordingly, a revised loan agreement incorporating new covenants has been agreed with Lloyds which are subject to the Council loan being drawn down. The College forecasts to operate within these new covenants which will come into effect once the Council loan has been signed in January 2020. When the revised covenants are in place the College would no longer be forecasting any breaches. The Board of Governors believe that the agreement with the bank over the revised loan arrangements mean that the College and Group are able to continue as a going concern.

However, the legal agreements with both Wiltshire Council and the bank, upon whose successful completion the College's and Group's ability to continue as a going concern depends, are not signed at the date of approval of these financial statements. These legal documents are at an advanced stage of review and as such are expected to be signed in January 2020. These conditions indicate the existence of a material uncertainty which may cast doubt on the College's and Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the College and Group were unable to continue as a going concern.

Recognition of income

Revenue grant funding

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

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

Where part of a government grant is deferred, the deferred element is recognised as deferred income within creditors and allocated between creditors due within one year and creditors due after more than one year as appropriate. Grants (including research grants) from non-government sources are recognised in income when the College is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Notes to the Accounts (cont'd)

Capital grant funding

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

Fee income

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

Apprenticeship Income

Apprenticeship income is recognised as it is earned by apprentices on programme as per reports provided by the government funding portal, income coming from levy and non levy funds.

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.

Non-Current Assets - Tangible fixed assets

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

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. 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 50 years. Leasehold land and buildings are amortised over 50 years or, if shorter, the period of the lease. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life.

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(s) 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 it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

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

Assets under construction

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

Current Assets Held For Resale

When assets are actively marketed and vacated, they are transferred to current asset investments and held at lower of net book value and anticipated net realisable value.

Equipment

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

Notes to the Accounts (cont'd)

Motor vehicles	-	4 years
Computer equipment	-	4 years
Furniture and fittings	-	10 years
Plant & Equipment	-	10 years
Technological Equipment	-	4 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.

Leased assets

Costs in respect of operating leases are charged on a straight line basis over the lease term to the Statement of Comprehensive Income and Expenditure.

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 an obligation under finance leases. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

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

Investments

Investments in subsidiaries

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

Investments in joint ventures

The College accounts for its share of joint ventures using the equity method within the group financial statements. Under the equity method in group financial statements, if an investor's share of losses in a joint venture equals or exceeds the carrying amount of its investment, the investor shall discontinue recognising its share of further losses, unless it has incurred legal or constructive obligations or has made payments on behalf of the joint venture, in which case provision is required.

Other investments

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

Inventories

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

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.

Notes to the Accounts (cont'd)

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

Agency arrangements

The College acts as an agent in the collection and payment of Learner Support Funds. Related payments received from the main funding body and subsequent disbursements to students are excluded from the Income and Expenditure account except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant. Customer Services Managers on each of the four main campuses administer the Learner Support Fund applications and payments.

Accounting for post-employment benefits

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

Teachers' Pension Scheme (TPS)

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

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

Local Government Pension Scheme (LGPS)

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

Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in interest and other finance costs.

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

Short term Employment benefits

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

Enhanced Pensions

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

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.

Notes to the Accounts (cont'd)

Financial liabilities and equity

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

Provisions and contingent liabilities

Provisions are recognised when

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

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

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

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether 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 21, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2019. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Notes to the Accounts (cont'd)

2 Funding body grants

	2019 £'000	2018 £'000
Recurrent grants		
Education & Skills Funding Agency – Adult	8,260	6,693
Education & Skills Funding Agency- 16-18	17,128	17,281
Higher Education Funding Council	247	318
Specific grants		
Releases of deferred capital grants	995	977
	<u>26,630</u>	<u>25,269</u>

3 Tuition fees and education contracts

	2019 £'000	2018 £'000
Tuition fees	3,207	4,141
Education contracts	833	818
	<u>4,040</u>	<u>4,959</u>

4 Other grants and contracts

	2019 £'000	2018 £'000
Other grants and contracts	364	414
	<u>364</u>	<u>414</u>

5 Other income

	2019 £'000	2018 £'000
Catering and residences	561	646
Other income generating activities	1,403	1,591
Farming Income	1,118	1,007
Miscellaneous income	1,522	1,268
	<u>4,604</u>	<u>4,512</u>

Notes to the Accounts (cont'd)

6 Investment income

	2019 £'000	2018 £'000
Bank interest receivable	5	7

7 Staff costs

The average number of persons employed by the college (including senior post holders) during the year, expressed as full-time equivalents, was as follows:

	2019 FTE Number	2018 FTE Number
Teaching staff	325	331
Non-teaching staff	303	332
	<u>628</u>	<u>662</u>

The numbers above do not include estimates of the staff numbers employed through contracting out arrangements

Staff costs for the above persons were as follows:

	2019 £'000	2018 £'000
Wages and salaries	17,011	18,091
Social security costs	1,395	1,501
Other pension costs, including FRS 102 (s 28) adjustments of £982k; (2017/18: £772k)	4,396	4,250
Payroll sub total	22,802	23,842
Contracted out staffing services	446	506
	<u>23,248</u>	<u>24,348</u>
Restructuring costs	489	86
	<u>23,737</u>	<u>24,434</u>

Each of the restructurings and the individual staff packages were approved by the College's Senior Leadership Group. All restructuring costs had been incurred and paid by the year-end.

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

Key Management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Senior Leadership Group, which in 2018/19 comprises the Principal, Vice Principal Curriculum and Quality, and Vice Principal Corporate Resources.

Notes to the Accounts (cont'd)

	2019 Number	2018 Number
The number of key management personnel including the Accounting Officer was:	3	3
	<u>3</u>	<u>3</u>

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

	2019 Number of senior post holders	2019 Number of other staff	2018 Number of senior post holders	2018 Number of other staff
£60,001 to £70,000	-	3	-	1
£70,001 to £80,000	-	1	-	-
£80,001 to £90,000	-	-	-	-
£90,001 to £100,000	-	-	-	-
£100,001 to £110,000	1	-	1	-
£110,001 to £120,000	1	-	1	-
£120,001 to £130,000	-	-	-	-
£130,001 to £140,000	-	-	-	-
£140,001 to £150,000	1	-	1	-

Key management personnel emoluments are made up as follows:

	2019 £'000	2018 £'000
Salaries - gross of salary sacrificed and waived	353	353
Benefits in kind	2	2
Employers NI	45	45
Pension contributions	69	64
	<u>469</u>	<u>464</u>

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

The above emoluments include amounts payable to the Accounting Officer (who is also the highest paid senior post holder and principal) of:

	2019 £'000	2018 £'000
Salaries	141	141
Benefits in kind	1	1
Employers NI	18	18
Pension contributions	29	26
	<u>189</u>	<u>186</u>

Notes to the Accounts (cont'd)

The pension contributions in respect of the Accounting Officer and senior post holders are in respect of employer's contributions to the Teachers' Pension Scheme or Local Government Pension Scheme and are paid at the same rate as for other employees.

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

	2019	2018
Principal's basic salary as a multiple of the median of all staff	5.45	5.82
Principal and CEO's total remuneration as a multiple of the median of all staff	7.31	7.69

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

Compensation for loss of office paid to a former senior post holder

	2019 £'000	2018 £'000
Compensation paid and payable	-	-

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

8 Other operating expenses

	2019 £'000	2018 £'000
Teaching costs	3,639	3,494
Non-teaching costs	3,820	3,687
Premises costs	2,869	2,905
	<u>10,328</u>	<u>10,086</u>
Other operating expenses include:		
Auditors' remuneration:		
Financial statements audit: Wiltshire College & University Centre	40	48
Internal audit	31	35
Profit / (loss) on disposal of tangible fixed assets	648	(14)
Land and Buildings – operating leases	267	279
Other – operating leases	160	166

Notes to the Accounts (cont'd)

9 Interest and other finance costs

	2019 £'000	2018 £'000
On bank loans and overdrafts:		
Repayable within five years, not by instalments	-	-
Repayable within five years, by instalments	179	172
Repayable wholly or partly in more than five years	-	-
	<u>179</u>	<u>172</u>
On finance leases	266	219
Pension finance costs	393	464
	<u>838</u>	<u>855</u>

10 Taxation

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

11 Tangible Fixed Assets

	Land and Buildings Freehold Land & Buildings £'000	Assets in course of construction £'000	Equipment £'000	Total £'000
Cost or valuation				
At 1 August 2018	61,762	982	16,562	79,306
Additions	-	4,758	1,347	6,105
Disposals	(734)	-	(44)	(778)
	<u>61,028</u>	<u>5,740</u>	<u>17,865</u>	<u>84,633</u>
At 31 July 2019				
Accumulated depreciation				
At 1 August 2018	15,791	-	9,876	25,667
Charge for year (inc Accel Depn £146k)	1,476	-	1,598	3,074
Eliminated in respect of disposals	(752)	-	(38)	(790)
	<u>16,515</u>	<u>-</u>	<u>11,436</u>	<u>27,951</u>
At 31 July 2019				
Net book value				
At 31 July 2019	44,513	5,740	6,429	56,682
	<u>45,971</u>	<u>982</u>	<u>6,686</u>	<u>53,639</u>
At 31 July 2018				

Land and buildings were valued for the purpose of the 1994 financial statements at depreciated replacement cost for the four main sites and open market value for alternative use for two of the centres by King Sturge & Co, Grimley JR Ewe, and Chesterton International Property Consultants firms 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.

Notes to the Accounts (cont'd)

12 Biological Assets

Biological assets are living animals or plants held as non-current assets from which economic benefits flow to the College. Agricultural produce is the harvested product of a biological asset. The College's farming operations include dairy cattle which are classified as biological assets. Dairy cattle are stated at fair value less costs to sell.

All stock (including biological assets) is counted and valued once a year by an independent qualified valuer (Fellow of the Association of Agricultural Valuers - FAAV). Changes in fair value less costs to sell are recognised in the statement of comprehensive income / (expenditure). The associated agricultural produce, milk, is stored only for a short time before onward sale and hence the value held is not considered material and is not included on the balance sheet.

The College's operations also include arable farming from which economic benefits are derived. The plants and their harvested crops and are livestock which will be slaughtered within 12 months are treated as current assets within stock.

13 Investments

	2019 £'000	2018 £'000
Quoted shares	2	47
Investment in Joint Venture Company	382	370
	<hr/>	<hr/>
Total	384	417
	<hr/> <hr/>	<hr/> <hr/>
Joint Venture		

The amounts held in respect of the joint venture comprise the following:

	2019 £'000	2018 £'000
Share of assets:		
Share of fixed assets	18	52
Share of current assets	1,021	1,210
	<hr/>	<hr/>
	1,039	1,262
Share of liabilities:		
Due within one year	(657)	(892)
Due after one year	-	-
	<hr/>	<hr/>
	(657)	(892)
	<hr/> <hr/>	<hr/> <hr/>
	382	370
	<hr/> <hr/>	<hr/> <hr/>

Wiltshire College & University Centre in partnership with the then Somerset College set up a joint venture company in November 2005 called the Wiltshire and Somerset Colleges' Partnership Ltd, to run a contract for the delivery of qualifications to the Royal Signals and Royal Armoured Corps. These two contracts were due for renewal in 2009, but were extended and re-tendered in 2010. The JVC bid for both the existing contracts mentioned above and was successful in retaining them both.

Following the merger of Somerset College and Bridgwater College (to become Bridgwater and Taunton College) the JV changed its name to The College's Partnership on 2 April 2016.

The JVC is equally owned and makes charitable donations to each College during the year. The Principals and Deputy Principals Corporate Resources from each College comprise the Board of Directors and in 2009/10 the Colleges established an executive team comprising the Vice-Principals responsible for Corporate Resources and Business Development from both Colleges to support the JVC CEO and the Board.

Notes to the Accounts (cont'd)

Investments in associated undertakings are as follows:

	£'000
At 1 August 2018	370
Share of associated company profits	12
	<hr/>
At 31 July 2019	382
	<hr/> <hr/>

14 Stock

	2019 £'000	2018 £'000
Farm stock	689	396
Trading stock	40	42
	<hr/>	<hr/>
	729	438
	<hr/> <hr/>	<hr/> <hr/>

15 Trade and other receivables

	2019 £'000	2018 £'000
Amounts falling due within one year:		
Trade debtors	347	351
Amounts owed by joint venture company	-	50
Other debtors	1,262	102
Prepayments and accrued income	1,196	1,433
	<hr/>	<hr/>
	2,805	1,937
	<hr/> <hr/>	<hr/> <hr/>

16 Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Bank loans and overdrafts	617	609
Obligations under finance leases	174	82
Payments received on account	89	63
Trade creditors	693	913
Other taxation and social security	789	800
Accruals and deferred income	935	1,811
Deferred Income – Government Capital Grants	922	922
	<hr/>	<hr/>
	4,219	5,200
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Accounts (cont'd)

17 Creditors: amounts falling due after more than one year

	2019 £'000	2018 £'000
Bank loans	5,783	6,400
Obligations under finance leases	3,064	2,869
Deferred income – Government capital grants	31,394	25,996
	<hr/> 40,241 <hr/>	<hr/> 35,265 <hr/>

18 Maturity of debt

Bank loans and overdrafts

	2019 £'000	2018 £'000
Bank loans and overdrafts are repayable as follows:		
Within one year	617	609
Between one and two years	1,258	1,242
Between three and five years	2,402	2,761
In five years or more	2,123	2,397
	<hr/> 6,400 <hr/>	<hr/> 7,009 <hr/>

Variable loans	Original amount	Rate	Maturity
Loan A - Fixed Annuity	£1,972	Fixed 3.232%	31/03/2025
Loan B - Libor loan	£1,500k	Libor + 1.75%	31/12/2024
Loan C	£5,000k	3 month Libor + 1.50%	27/03/2035

Finance leases

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

	2019 £'000	2018 £'000
In the next year	174	82
Between one and five years	797	452
After five years	2,267	2,417
	<hr/> 3,238 <hr/>	<hr/> 2,951 <hr/>

Notes to the Accounts (cont'd)

19 Provisions

	2019
	£'000
At 1 August 2018	821
Expenditure in the period	(66)
At 31 July 2019	755

The enhanced pension provision relates to the cost of staff who have already left the College's employ and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date. This provision has been recalculated in accordance with guidance issued by the SFA and its successor organisations.

20 Revaluation reserve

	2019
	£'000
At 1 August 2018	6,929
Transfer from revaluation reserve to income and expenditure account in respect of:	
Depreciation on revalued assets	(153)
At 31 July 2019	6,776

Notes to the Accounts (cont'd)

21 Pensions and similar obligations

The College's employees belong to two principal pension schemes, the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). Both are defined-benefit schemes.

Total pension cost for the year	2019 £000	2018 £000
Teachers' Pension Scheme: employer contributions paid	1,282	1,351
Local Government Pension Scheme:		
Employer Contributions paid	2,133	2,097
FRS 102 Section 28 charge	982	772
Charge to the Income and Expenditure Account (staff costs)	3,115	4,220
Enhanced pension charge to Income and Expenditure Account (staff costs)	0	30
Total Pension Cost	4,397	4,250

Pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS and the LGPS were 31 March 2004 and 31 March 2016 respectively.

Teachers' Pension Scheme

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

The Teachers' Pension Budgeting and Valuation Account

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

Notes to the Accounts (cont'd)

21 Pensions and similar obligations (cont'd)

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

Valuation of the Teachers' Pension Scheme

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

- Employer contribution rates were set at 16.48% of pensionable pay;
- Total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- An employer cost cap of 10.9% of pensionable pay.

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

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

Scheme Changes

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

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

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

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

The pension costs paid to TPS in the year amounted to £1,282k; (2017/18: £1,351k).

FRS 102 (Section 28)

Under the definitions set out in Financial Reporting Standard Section 28 Employee Benefits, the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme.

Accordingly, the College has taken advantage of the exemption in FRS 102 (Section 28) and has accounted for its contributions to the scheme as if it were a defined-contribution scheme. The College has set out above the information available on the scheme and the implications for the College in terms of the anticipated contribution rates.

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate funds administered by Wiltshire Council. The total contribution made for the year ended 31 July 2019 was £2,171k of which employer contributions totalled £1,666k and employee contributions totalled £505 k.

Employer contribution rates are known until March 2020 (22.0%), the triennial valuation process will establish new rates for three years commencing 2020/21. Contribution rates range from 5.50% to 8.50% for employees, depending on salary.

Notes to the Accounts (cont'd)

21 Pensions and similar obligations (cont'd)

Principal Actuarial Assumptions

	2019	2018
Expected return on assets	2.5%	2.5%
Rate of increase in salaries	2.7%	2.2%
Rate of increase in pensions	2.4%	2.4%
Discount rate for liabilities	2.1%	2.8%

On advice from our actuaries we have assumed that 75% of employees retiring after 6 April 2007 will take advantage of the option to commute part of their future annual pension to a lump sum payment on retirement.

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
<i>Retiring today</i>		
Males	21.4	22.5
Females	23.7	24.9
<i>Retiring in 20 years</i>		
Males	22.3	24.1
Females	25.1	26.9

The assets and liabilities in the scheme (of which the College's share is estimated at 2.4%) and the expected rates of return were:

	Long term rate of return Expected at 31 July 2019	Value at 31 July 2019 £'000	Long term rate of return expected at 31 July 2018	Value at 31 July 2018 £'000
Equities		46,657	3.4%	44,138
Bonds		9,200	3.4%	8,703
Property		8,543	3.4%	8,082
Cash		1,314	3.4%	1,243
		<hr/>		<hr/>
Total market value of assets		65,714		62,166
Present value of scheme liabilities				
Unfunded		-		-
Funded		87,253		(75,714)
		<hr/>		<hr/>
(Deficit) in the scheme		(21,539)		(13,548)
		<hr/>		<hr/>

Amounts Recognised in the Statement of Comprehensive Income and Expenditure in respect of the plan are as follows:

	2019 £'000	2018 £'000
Employer service cost (net of employee contributions)	2,970	2,890
Past service cost	168	-
	<hr/>	<hr/>
Total operating charge	3,138	2,890
	<hr/>	<hr/>

Notes to the Accounts (cont'd)

21 Pensions and similar obligations (cont'd)

Analysis of pension finance (costs) / income

	2019 £'000	2018 £'000
Expected return on pension scheme assets	1,739	1,497
Interest on pension scheme liabilities	(2,132)	(1,931)
	<hr/>	<hr/>
Pension finance (costs)	(393)	(434)
	<hr/> <hr/>	<hr/> <hr/>

Amount recognised in Other Comprehensive (Expenditure) / Income

	2019 £'000	2018 £'000
Actuarial loss on pension scheme assets	(1,375)	(1,206)
Actuarial (loss) / gain on scheme liabilities	(6,166)	3,350
	<hr/>	<hr/>
Amount recognised in Other Comprehensive Income	(7,541)	2,144
	<hr/> <hr/>	<hr/> <hr/>

Movement in net defined benefit liability during year

	2019 £'000	2018 £'000
Net defined benefit liability in scheme at 1 August	(13,548)	(15,692)
Movement in year:		
Current service charge	(2,970)	(2,890)
Contributions	2,156	2,118
Losses on Curtailments and settlements	-	-
Past service costs	(168)	-
Net interest on assets	(393)	(434)
Actuarial gain	(6,616)	3,350
	<hr/>	<hr/>
Net defined benefit liability at 31 July	(21,539)	(13,548)
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Accounts (cont'd)

21 Pensions and similar obligations (cont'd)

Asset and Liability Reconciliation

	2019 £'000	2018 £'000
Reconciliation of Liabilities		
Liabilities at start of period	75,714	70,754
Current service cost	2,970	2,890
Interest cost	2,132	1,931
Employee contributions	509	514
Actuarial loss/(gain)	8,436	1,419
Benefits paid	(2,676)	(1,794)
Past Service cost	168	-
Losses on curtailments and settlements	-	-
Liabilities at end of period	87,253	75,714
Changes in fair value of plan assets		
Fair value of plan assets at start of period	62,166	55,062
Expected return on assets	1,739	1,497
Actuarial gain	1,820	4,769
Employer contributions	2,156	2,118
Employee contributions	509	514
Benefits paid	(2,676)	(1,794)
Fair value of plan assets at end of period	65,714	62,166

The estimated value of employer contributions for the year ended 31 July 2018 is £2,403k.

22 Capital commitments

	2019 £'000	2018 £'000
Commitments contracted for at 31 July	7,579	249
	<u>7,579</u>	<u>249</u>

Notes to the Accounts (cont'd)

23 Lease Obligations

At 31 July, the College had annual commitments under non-cancellable operating leases as follows:

	2019		2018	
	Land and buildings	Other	Land and buildings	Other
	£'000	£'000	£'000	£'000
Expiring within one year	176	36	86	53
Expiring between one and two years	50	79	90	72
Expiring between two and five years inclusive	-	-	50	43
Expiring in over five years	116	-	116	-
	<hr/>	<hr/>	<hr/>	<hr/>
	342	115	342	168
	<hr/>	<hr/>	<hr/>	<hr/>

24 Contingencies

The College had no contingencies as at 31 July 2019; (2017/18: £ Nil).

25 Related Party Transactions

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

The total expenses paid to or on behalf of the Governors during 2018/19 was £1k, (2017/18: £1k). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governors' 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.

26 Amounts Disbursed as Agent

Learner support funds	2019 £'000	2018 £'000
Funding body grants		
Hardship Support	612	534
Childcare	75	107
Residential bursaries	146	204
Other	61	131
	<hr/>	<hr/>
	894	976
	<hr/>	<hr/>

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 have therefore been excluded from the income and expenditure account, other than when the College has directly incurred expenditure itself.