

**Wiltshire College**

**Members' Report and Financial Statements**

for the Year Ended 31 July 2018

## **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 2017/18:

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 - 18 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
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Internal auditors:	BDO LLP 55 Baker Street London W1U 7EU
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Bankers:	Lloyds Banking Group Canons House Canons Way Bristol BS99 7LB
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Solicitors:	Shakespeare Martineau LLP No 1 Colmore Square Birmingham B4 6AA
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## Principal's Review

### Strategic Aims

Wiltshire College'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 2017/18; improving further the outcomes for students and achieving growth in student numbers in both 16-18 year olds and in apprentices. 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. In line with this strategy, the College also launched a new partnership with Oxford Brookes University in 2018. Good progress was made in general against the Strategic Plan.

As part of its continuing investment in new and existing facilities, the College is driving forwards with the redevelopment of its Salisbury and Lackham campuses through the £22m awarded in 2017 via the Swindon and Wiltshire Local Enterprise Partnership (SWLEP) and from Local Growth Fund 3. Work has commenced on these projects and they will be completed by 2021.

### General Further Education at Level 2 and Level 3

This continues to be the core provision delivered by the College and quality continues to improve, as evidenced during the Ofsted inspection in June 2015, in which the College was awarded a 'good' grade. This 'good' grade was confirmed in an Ofsted short inspection in May 2018 in which significant progress in the delivery of English & maths was noted with outcomes being well above national pass rates.

### Adult Education Budget

The College delivered £3.5m of Adult Education Budget provision during 2017/18. The College subcontracted £1.7m of this, an increase from £1.6m in 2016/17. A change of policy, in 2016/17 to more local and sustainable delivery partnerships has resulted in a larger proportion of subcontracting being delivered within Wiltshire, surrounding counties and the South West region.

### Foundation Learning

Foundation Learning is provision for those who have few or no qualifications. Many Foundation students have an uneven profile across the key areas of vocational skills, English, maths and personal/social development. The provision caters for those who demonstrate an emotional, social and behavioural need and has a proportionally higher number of looked after children. Some learners may have specific learning difficulties and other cognitive impairments such as Autistic Spectrum Condition and Attention Deficit and Hyperactivity. In addition, the College offers some vocational part time provision to pre 16 students who remain at school for their GCSEs.

The Foundation Studies curriculum area has provision across the four main sites: Trowbridge, Chippenham, Lackham, and Salisbury with levels of ability ranging from Pre-Entry to Level 1. The core content of the individualised study programmes is built from vocational qualifications with units including: employability, independent living skills and citizenship, functional maths and English, micro-enterprise projects to embed entrepreneurialism and enriching activities in sport, art, and creativity. The provision has a strong record of success in building students' skills, knowledge and confidence enabling successful progression onto higher-level courses or into employment.

## **Principal's Review (cont'd)**

### **Higher Education**

Higher education continues to go through significant change and the removal of student number controls in 2016/17 introduced further uncertainty to the landscape within which the College operates.

Higher Education income totalled £2.8m in 2017/18 and amounted to 7.9% 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 during the life of the plan. The growth will cover the full range of higher education provision models available now to include Higher Apprentices, two-year degrees, and Degree Apprenticeships. 2017/18 saw the successful launch of 6 new Foundation Degrees in Life Sciences to be delivered at the College's Salisbury campus through partnership with Bournemouth University. This is in line with the infrastructure developments on the Salisbury campus and aligned to local economic priorities in terms of skills needs. A new 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 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 1000 employers during 2017/18. 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 2017/18 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.

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 2017/18 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 2017/18 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 2017/18 showed strong growth on the previous year (2016/17) with a further increase targeted for 2018/19.

## **Principal's Review (cont'd)**

### **Improvements in the operations and quality of apprenticeship delivery**

The reporting and analysis of apprenticeship performance in 2017/18 focused on ownership and accountability of the delivery team. Individual performance indicators including achievement rates, caseload and late achievers were published, with staff recognition and reward aligned to success. Robust caseload tracking, and one-to-ones ensured that at risk learners were identified at the earliest stage and appropriate support put in place. In areas of growth, additional management resource was allocated to safeguard quality and ensure successful implementation of new programmes.

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**

A thorough tendering process was conducted in 2017/18 to select suitable subcontractors in line with College priorities. This resulted in contracts being granted to four providers, approved by the Corporation Board. All subcontractors were 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 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.

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.

## **Principal's Review (cont'd)**

### **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.

## **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 2018.

#### **Legal status**

Wiltshire College 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 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 its new 5-year Strategic Plan from 2017 – 2021, with a refreshed mission statement.

#### **Public Benefit**

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

#### **Implementation of the Strategic Plan**

The College launched a new 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



## **Report of the Governing Body (cont'd)**

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

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 and Group's financial objectives are:

- to achieve an agreed annual operating surplus
- to ensure that best value can be demonstrated
- to develop alternative income streams, thereby reducing dependence on any one funding stream or body and increasing financial resilience
- to ensure sufficient cash generation to provide continuity of investment in learners and learning technologies;
- to optimise the College's financial health, consistent with the requirements of a campus redevelopment programme;
- to ensure that all departments are aware of their financial targets and how they relate to the overall College and Group performance.

### **Key Performance Indicators**

A series of Key Performance Indicators (KPIs) have been monitored throughout the year, to improve operational and financial performance. These indicators are used through the organisation spanning Governors, senior and middle managers as well as individual operational staff.

## Report of the Governing Body (cont'd)

### Financial Results

The College's operating deficit for the year was £3,157k (2016/17: operating deficit (£1,396k). When other items relating to FRS 102 (Section 28), restructuring and accelerated depreciation are excluded the College achieved an operating deficit of £1,343k in 2017/18 (2016/17: operating surplus £50k).

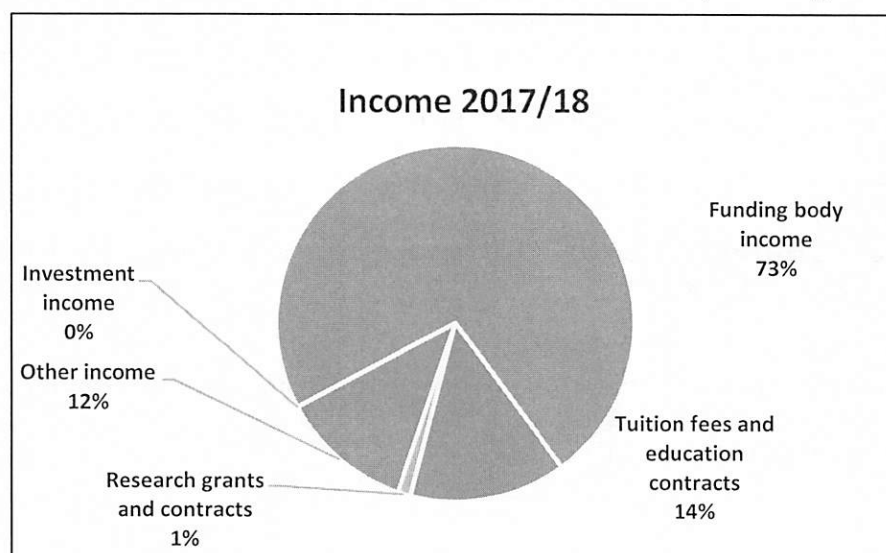
Operating (Deficit)/Surplus	2017/18	2016/17
	£000's	£'000
Income	35,161	34,980
Expenditure	(38,318)	(36,376)
<b>(Deficit) on continuing operations</b>	<b>(3,157)</b>	<b>(1,396)</b>
Share of operating surplus in Joint Venture	13	12
Add back: Restructure costs	86	192
Add back: Wilkes Academy costs not covered by income in year	363	0
Add back: Accelerated depreciation	146	100
Add back: FRS 102 (Section 28) pensions adjustments	1,206	1,142
<b>Adjusted operating (deficit) / surplus</b>	<b>(1,343)</b>	<b>50</b>

Accelerated depreciation relates to the write down of part of the Salisbury campus, in 2017/18 in readiness for the forthcoming campus redevelopment. The Wilkes academy relates to a new sub-contract arrangement with a prominent performing arts training company. The "Lagged funding" methodology dictates that the College does not receive any funding from the funding agency in year 1, but is required to pay the sub-contractor.

The adjusted operating deficit of £1,343k was driven by lower than anticipated income coupled with additional pay associated with agency costs relating to hard to recruit areas. In the year, non-pay costs were controlled to finish below budget levels.

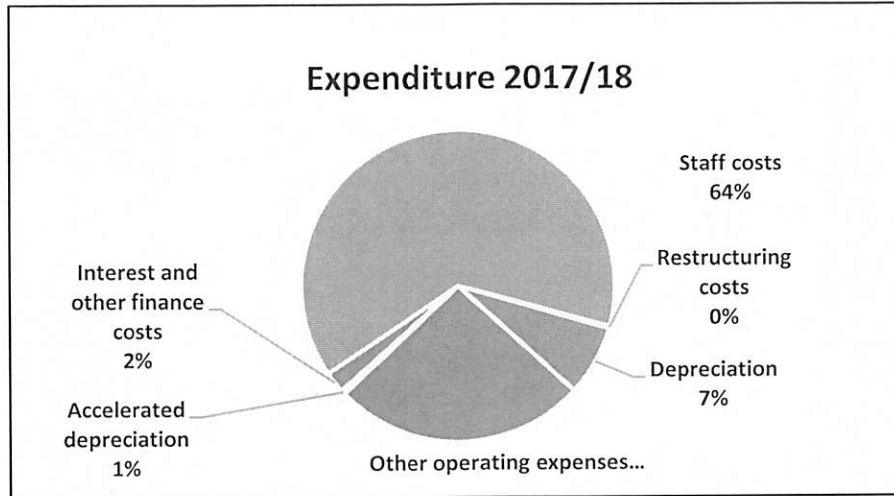
Income grew by £181k year on year to £35,161k, driven mainly by an increase in apprenticeship delivery and additional 16 to 18 student income. However, this fell short of anticipated levels due to reduced income received from The Colleges' Partnership, High Needs Learners and full cost fees.

The pie chart below shows the sources and distribution of income achieved by the College in 2017/18.



## Report of the Governing Body (cont'd)

The pie chart below shows the distribution of operating expenditure incurred by the College in 2017/18.



Total Unrestricted Reserves	2017/18	2016/17
	£'000	£'000
Income and expenditure account surplus	9,990	11,802
Pension Reserve deficit	(13,548)	(15,692)
<b>Unrestricted Reserves</b>	<b>(3,558)</b>	<b>(3,890)</b>
Revaluation reserve	6,929	7,081
<b>Total Unrestricted Reserves</b>	<b>3,371</b>	<b>3,191</b>

The College has one joint venture company:

### *The Colleges' Partnership Ltd*

The company is a joint venture and is governed equally by Wiltshire College 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 Bridgwater and Taunton College. Surpluses are distributed evenly to partner Colleges.

### Treasury policies and objectives

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

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)

### Cash flows

Cash flow was tightly controlled in 2017/18, but due to the operating deficit position, a net cash outflow of £2,674k, (2016/17: cash inflow £1,846k) resulted.

### Liquidity

The size of the College's total borrowing and its approach to interest rates have been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cash flow.

## CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

### Student numbers

In 2017/18, the College delivered activity that has produced £23,974k in funding body main allocation funding (2016/17: £22,194k). The College had approximately 10,008 funded, 2,806 non-funded & 422 HE students in 2017/18, (9,402 funded and 1,495 non-funded students & 461 HE students in 2016/17).

### Outcomes for Student and Success Rates

In 2017/18, 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 level 3 vocational Study Programmes. Adult students are mostly studying vocational and foundation programmes at level 1 and 2. There is an increasing number of high needs students studying both full and part time.

Using the Classroom Learning success rate methodology the overall success rate for 2017/18 increased to 85.9% This shows that continued improvement has been made in the delivery of the vocational curriculum (2016/17 82.6%).

### The College Curriculum

The College curriculum includes courses in most sector subject areas. The largest vocational subject areas are Creative Arts, Health and Social Care, 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 and constantly reviewed. Local and national market intelligence, such as the LEP priorities is used to drive this process, alongside analytical tools and employer engagement 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. Tutors delivering on the HE programmes attend level 3 classes to promote HE and explain the benefits of studying HE locally. This has impacted with an increase of internal students progressing onto Higher Education courses within the College. Work is ongoing to develop a suite of new degree programmes to align with the LEP strategic priorities; these will be delivered in partnership with Oxford Brookes and Bournemouth University.

The Business Development team are working with significant and influential employers across the region. This has led to the College expanding the apprenticeship offer to include new and higher apprenticeships that will further accelerate the growth in student numbers; for example, The College has been selected as a main provider to deliver Apprenticeship training to the following NHS trusts in our region: Avon and Wiltshire Mental Health Partnership NHS Trust, Royal United Hospitals Bath NHS Foundation Trust, Great Western Hospitals NHS Foundation Trust, Salisbury Hospitals NHS Foundation Trust.

## **Report of the Governing Body (cont'd)**

A bespoke Apprenticeship marketing strategy ensures that the College provides the right information 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 & 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 Schools Liaison teams engage individuals.

Adult Community Learning (ACL) provision offers in excess of 200 courses. ACL courses are dedicated to enable adults in the local community access to courses in order for them to develop skills, better personal health and wellbeing, promote learners' self-esteem and to communicate with others.

College managers have overseen a number of employer led curriculum developments to meet the needs of students and local employers. The College has developed innovative ways of working with industry; for example, the creation of a College 'Greenhouse Group' has been developed to encourage and nurture new curriculum ideas as well as provide practical guidance, support and, where necessary, investment. Where ideas are viable, 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; for example, the group is overseeing the introduction and launch of a Healthcare Academy that would mirror the National Healthcare Certificate to support local NHS staffing demands.

The annual curriculum planning process, is focused on maximising progression opportunities for student and has a greater requirement for employer engagement in the curriculum and employers to be 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.

Assistant Principals attend local school partnership meetings across the County, working in collaboration with the head teachers to represent the College, and help influence future curriculum changes. The curriculum offer is reviewed regularly to ensure appropriate progression routes exist and to look at future developments such as 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.

### **Curriculum Quality Assurance**

Quality assurance processes are robust. All teaching staff and managers are clear about areas for improvement. This is evidenced in self-assessment, quality improvement plans, post external verification action plans and the effective use of quality improvement planning and monitoring.

Robust data and management information on all aspects of College operations is used to set and monitor annual improvement targets with appropriate interventions being put in place as required. The in house developed College and department data-dashboard and a range of other live reports are used extensively to regularly review in-year performance through campus-based Course Reviews, termly Quality and Resource Reviews (QRR) to review cross College performance, 'Intensive Care' for underperforming courses, and also inform themes for the Review and Improve Day (RAID) and Internal Inspections.

### **Future developments**

As part of its continuing investment in new and existing facilities, the College has been successful in obtaining a £22m investment 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.

## Report of the Governing Body (cont'd)

### Resources

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

### Financial

As at 31 July 2018, the College Group had net assets of £3,371k (2016/17: (£3,191k)), including the pension liability of £13,548k, (2016/17: £15,692k).

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 2018, 'Creditors falling due after more than one year' include Deferred Capital Grants totalling £25,997k (2016/17: 25,614k); bank loans of £6,400k (2016/17: £7,034k); and obligations under finance leases £2,869k (2016/17: £2,968k).

The College Group has budgeted to deliver an operating surplus of £100k in 2018/19, before applying FRS 102 (Section 28), Defined Benefits Pensions. The budget and the financial plan demonstrate that the College remains firmly focused on achieving its objectives set out in its strategic plan.

Income is expected to increase to £35.2m in 2018/19, reflecting a continued increase in apprenticeship delivery. In August 2018, the College embarked on a major staffing restructure exercise which is on schedule to reduce annualised pay costs by £2m mainly within the business support areas. This significant reduction in staffing costs is planned to improve financial performance to an operating surplus of £100k.

### People

The College employs just under 1,000 people, equating to 662 full time equivalents, of whom 331 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 the College. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

## **Report of the Governing Body (cont'd)**

### **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.

### **4. Failure to maintain the financial viability of the College**

The College's current financial health grade is classified as "Satisfactory". 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. This risk is mitigated in a number of ways:

- By rigorous budget setting procedures and sensitivity analysis
- Regular in year budget monitoring
- Robust financial controls
- Exploring ongoing procurement efficiencies

## Report of the Governing Body (cont'd)

### Stakeholder Relationships

In line with other Colleges and Universities, Wiltshire College 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	5.6

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

Total cost of facility time	£11,829
Percentage of the total pay bill spent on facility time	0.05%

Time spent on paid trade union duties/activities as a percentage of total paid facility time	100%
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### 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 24 December 2018 and signed on its behalf by:



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.
- iii. Having due regard to the UK Corporate Governance Code ("the Code") insofar as it is applicable to the further education sector.

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

In the opinion of the Governors, the College complies with all the provisions of the Code of Good Governance, and it has complied throughout the year ended 31 July 2018. 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 2017/18						
Name	Date of Appointment	Term of Office	Date of Resignation	Status of Appointment	Committees Served	Attendance in 2017/18
Helen Birchenough	Jul 2010 and reappointment Jul 2014  Chair of the Corporation since July 2013 – reappointed Sep 2016 to end of term as Governor	4 years (2 <sup>nd</sup> term)	31 July 2018 (end of second term)	External	Remuneration	100%
Mark Lello	November 2012 and re-appointment November 2016 Vice-Chair	4 years (2 <sup>nd</sup> term)		External	Remuneration	77%

### 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 2017/18
James Hayes	October 2013 and reappointment Nov 2017	4 years	December 2017	External	Audit (Chair, appointed Jan 2016)	0%
Jack Wills	October 2013 and reappointment Nov 2017	4 years		External	Audit (summer 2016)	77%
Carolyn Godfrey	October 2013 and reappointment Nov 2017	4 years		External		77%
Martin Clark	April 2015  (Chair of the Corporation with effect from 1 August 2018)	4 years		External	Audit & Remuneration (prior to taking up the position as Chair of the Corporation)	55%
Harry Adam	Mar 2016	4 years		External	Audit	100%
Karl Simpson	Jan 2016	4 years	November 2017	External		0%
Jon Downing	Nov 2016	4 years		External	Audit	100%
Iain Hutchison	Oct 2017	4 years		External		63%
Amanda Burnside	N/A	Ex-officio		Principal		100%
Venetia Summers	Dec 2014	4 years		Staff		88%
Lawrence Roe	July 2017	4 years		Staff		55%
Debbie Sexton-Dyer	Oct 2017	4 years		Staff		75%
Ben Newbury	Oct 2017	Duration as student or 2 years, whichever is the sooner	July 2018	Student		88%
Alannah Stoker	Oct 2017	Duration as student or 2 years, whichever is the sooner	Jul 2018	Student		14%

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

Members of the Corporation 2017/18						
Name	Date of Appointment	Term of Office	Date of Resignation	Status of Appointment	Committees Served	Attendance in 2017/18
Gennette Fowler	Oct 2017	Duration as student, or 2 years, whichever is the sooner	Jul 2018	Student		14%
Harry Genge	Oct 2017	Duration as student or 2 years, whichever is the sooner	Jul 2018	HE Student		11%
<b>Appointments made after year-end but before Accounts signature – as below</b>						
Becca Thurston	Sep 2018	4 years		External		N/A
Layla Davies	Oct 2018	Duration as student or 2 years, whichever is sooner		HE Student		N/A
Carlton Brand	Oct 2018	4 years		External		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.

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](http://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.

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

### **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 2017/18 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 2018 are set out in note 7 to 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.

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.

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

### **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 for the year ended 31 July 2018 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 2018 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

### **The risk and control framework**

The system of internal control is based on a framework of regular management information, 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;

### **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 her 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 2018 meeting, the Corporation carried out the annual assessment for the year ended

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

31 July 2018 by considering documentation from the Senior Leadership Group and internal audit, and taking account of events since 31 July 2018.

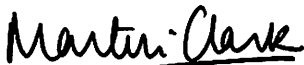
### Going Concern

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

The College currently has £7.0m of loans outstanding with bankers on terms which have been revised in 2018. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future. Accordingly, the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on the 24 December 2018 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, on behalf of the Corporation that after due enquiry, and to the best of our knowledge, we are able to identify any material irregular or improper use of funds by the College, or material non-compliance with the terms and conditions of funding, under the College's grant funding agreements and contracts with the 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

24 December 2018

  
Amanda Burnside  
Accounting Officer

24 December 2018

## 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 24 December 2018 and signed on its behalf by:



Martin Clark  
Chair

## **Independent auditors' report to the Corporation of Wiltshire College (the "institution")**

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion, Wiltshire College'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 2018 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 Consolidate Balance Sheet as at 31 July 2018; the Consolidated Statement of Comprehensive Income and Expenditure; 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.

#### **Conclusions relating to going concern**

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and parent institution's ability 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 set out on page 23, 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](http://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 Audit Code of Practice issued by the Education and Skills Funding Agency***

In our opinion, in all material respects:

- proper accounting records have been kept, and
- the financial statements are in agreement with the accounting records and returns.

*PricewaterhouseCoopers LLP*

*PricewaterhouseCoopers LLP*

*Chartered Accountants and Statutory Auditors*

*Bristol*

*26<sup>th</sup> December 2018*

## **Independent Reporting Accountant's Assurance Report on Regularity to the Corporation of Wiltshire College and the Secretary of State for Education acting through the Department for Education ("the Department")**

In accordance with the terms of our engagement letter dated 5 June 2018 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 during the period 1 August 2017 to 31 July 2018 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

This report is made solely to the corporation of Wiltshire College and Department 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 and the Department those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation of Wiltshire College and the Department for our work, for this report, or for the conclusion we have formed.

### **Respective responsibilities of Wiltshire College and the reporting accountant**

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

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

### **Approach**

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

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

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

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. Obtained an understanding of how the corporation discharges its responsibilities to safeguard the college's assets.
2. Reviewed 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. Reviewed policies and procedures in place which set powers of authorisation and obtained evidence over situations where corporation approval is required.
4. Obtained an understanding of how members of the corporation discharge their responsibilities as charitable trustees.
5. Obtained evidence to demonstrate that members of the corporation are discharging their responsibilities as charitable trustees.
6. Reviewed evidence to demonstrate how the college periodically reviews its activities to ensure they are within its powers.
7. Obtained an understanding of the non-core activities of the College. For non-core activities identified evaluated the controls over the monitoring of financial performance to review whether these activities are being materially subsidised from public funding.
8. Obtained 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:
  - 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:

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

- examined related authorisations, legal and other professional correspondence and Board minutes
- evaluated whether procedures followed and decisions reached are reasonable and consistent with Financial Memorandum requirements
- Obtained evidence to demonstrate these have been brought to the attention of an independent auditor

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

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

### **Use of funds**

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

13. Evaluated 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 performed substantive testing.

14. For funding streams identified evaluated 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. Obtained an understanding of how the College ensures it complies with funding requirements for subcontracted provision and if necessary performed substantive testing to test that the college has complied with related funding requirements.

### **Propriety**

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

17. Understood and evaluated procedures for identifying and recording potential conflicts of interest and related parties for staff in a position of trust and obtained evidence that there is a register of interest to capture these.

18. Obtained evidence that the procurement process is clearly documented in college financial regulations or financial procedures.

19. Obtained an understanding of the access arrangements in place over the register of interests and confirmed this covers all governors and staff with significant financial and decision making powers.



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

20. Obtained an understanding of and evaluated the college's whistle blowing policies and procedures and the impact of any whistle blowing allegations on the financial statements and regularity audit. Obtained evidence that this policy has been approved by the Corporation and the confidentiality arrangements in place.

21. Obtained an understanding of and evaluated the college's controls and procedures for the safeguarding of assets from fire and theft. Inspected minutes and records to identify any occurrences in the year and obtain details of these.

22. Obtained an understanding of the process for regular review of insurance cover in place to ensure these are sufficient and adequate and obtained evidence of insurance cover in place over assets.

23. Obtained an understanding of the college's policies over the appointment of staff and how the college demonstrates even-handedness.

24. Obtained an understanding of if the College has entered into any subsidiary, joint ventures or similar arrangements. Where necessary, ensured a cost/benefit analysis has been prepared and approved by the Corporation.

25. Obtained an understanding of the reporting arrangements to governors on the performance of investments, subsidiaries and joint ventures;

26. Obtained an understanding of the college's policy and procedures for monitoring overseas travel expenses and reporting arrangements to the Corporation. If considered significant, performed substantive testing to evidence that this relates to a strategy for overseas activities approved by the Corporation.

27. Obtained an understanding of policies and where necessary tested the controls over disposals of fixed assets and review whether disposals are authorised in accordance with the financial regulations of the college.

28. Obtained an understanding of the policies in place over personal expense claims and performed substantive testing where necessary to confirm the controls are operating effectively.

29. Obtained an understanding of the reporting process and controls over project appraisal and monitoring from inception to completion and post implementation review. Performed 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.

30. Obtained 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.

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

**Conclusion**

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

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP  
Chartered Accountants  
2 Glass Wharf  
Bristol  
BS2 0FR

24<sup>th</sup> December 2018

## Consolidated Statement of Comprehensive Income and Expenditure

For the year ended 31 July 2018

	Note	2018 £'000	2017 £'000
<b>Income</b>			
Funding body grants	2	25,269	23,474
Tuition fees and education contracts	3	4,959	5,462
Other grants and contracts	4	414	191
Other income	5	4,512	5,846
Investment income	6	7	7
		<hr/>	<hr/>
<b>Total Income</b>		<b>35,161</b>	<b>34,980</b>
		<hr/>	<hr/>
<b>Expenditure</b>			
Staff costs	7	24,434	22,648
Other operating expenses	8	10,086	9,584
Depreciation	11	2,943	3,063
Interest and other finance costs	9	855	1,081
		<hr/>	<hr/>
<b>Total expenditure</b>		<b>38,318</b>	<b>36,376</b>
		<hr/>	<hr/>
<b>Deficit before other gains and losses</b>		<b>(3,157)</b>	<b>(1,396)</b>
		<hr/>	<hr/>
Share of operating surplus in Joint Venture		13	12
(Loss)/gain on disposal of assets	8	(14)	1,200
		<hr/>	<hr/>
<b>Deficit before tax</b>		<b>(3,158)</b>	<b>(184)</b>
Taxation	10	-	-
		<hr/>	<hr/>
<b>Deficit for the year</b>		<b>(3,158)</b>	<b>(184)</b>
Unrealised loss on revaluation of investments	13	(11)	(1)
Actuarial gain in respect of pension scheme	21	3,348	13,282
Transfer from the Revaluation Reserve		152	152
		<hr/>	<hr/>
<b>Total Comprehensive income for the year</b>		<b>332</b>	<b>13,249</b>
		<hr/>	<hr/>

**Consolidated Statement of Changes in Reserves**  
*For the year ended 31 July 2018*

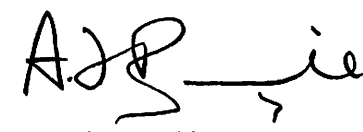
Group	Income and expenditure Account £'000	Revaluation Reserve £'000	Total £'000
<b>Balance at 1 August 2016</b>	<b>(17,139)</b>	<b>7,233</b>	<b>(9,906)</b>
Deficit from the income and expenditure account	(184)	-	(184)
Other comprehensive Income	13,281	-	13,281
Transfers between revaluation and income and expenditure reserves	152	(152)	-
<b>Total comprehensive income for the year</b>	<b>13,249</b>	<b>(152)</b>	<b>13,097</b>
<b>Balance at 31 July 2017</b>	<b>(3,890)</b>	<b>7,081</b>	<b>3,191</b>
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)	0
<b>Total comprehensive income for the year</b>	<b>332</b>	<b>(152)</b>	<b>180</b>
<b>Balance at 31 July 2018</b>	<b>(3,558)</b>	<b>6,929</b>	<b>3,371</b>

## Consolidated Balance sheet as at 31 July 2018

	2018	2017
	£'000	£'000
<b>Non-Current Assets</b>		
Tangible fixed assets	11 53,639	54,747
Biological assets	12 635	618
Investments	13 417	415
	<hr/>	<hr/>
	54,691	55,780
<b>Current assets</b>		
Assets held for resale	11 571	-
Stock	14 438	418
Trade and other receivables	15 1,937	1,534
Cash and cash equivalents	568	3,242
	<hr/>	<hr/>
	3,514	5,194
<b>Creditors: amounts falling due within one year</b>	16 (5,200)	(5,607)
	<hr/>	<hr/>
<b>Net current liabilities</b>	(1,686)	(413)
	<hr/>	<hr/>
<b>Total assets less current liabilities</b>	53,005	55,367
<b>Creditors: Amounts falling due after more than one year</b>	17 (35,265)	(35,616)
<b>Provisions</b>	19 (821)	(868)
	<hr/>	<hr/>
<b>Net assets excluding pension liability</b>	16,919	18,883
<b>Net pension liability</b>	21 (13,548)	(15,692)
	<hr/>	<hr/>
<b>Total net assets including pension liability</b>	3,371	3,191
	<hr/> <hr/>	<hr/> <hr/>
<b>Unrestricted Reserves</b>		
Revaluation reserve	20 6,929	7,081
Income and expenditure account	(3,558)	(3,890)
	<hr/>	<hr/>
<b>TOTAL RESERVES</b>	3,371	3,191
	<hr/> <hr/>	<hr/> <hr/>

The financial statements on pages 33 to 56 were approved and authorised for issue by the Corporation on 24 December 2018 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 2018

	2018	2017
Note	£'000	£'000
<b>Cash flow from operating activities</b>		
Deficit for the year	(3,158)	(184)
<b>Adjustment for non-cash items</b>		
Depreciation	2,943	3,063
Deferred capital grants released to income	2	(977)
(Increase)/decrease in biological assets	(17)	48
(Increase)/decrease in stocks	(20)	41
(Increase)/decrease in debtors	(403)	890
Decrease in creditors due within one year	(407)	(197)
Decrease in provisions	(47)	(79)
Pension costs less contributions payable	772	468
Share of operating surplus in joint venture	(13)	(12)
<b>Cash (outflow)/inflow before use of liquid resources and financing</b>		
Investment Income	(23)	(7)
Interest Payable	855	1,081
Loss / (profit) on sale of Fixed Assets	14	(1,200)
<b>Net cash flow from operating activities</b>	<u>(482)</u>	<u>2,924</u>
<b>Cash flows from investing activities</b>		
Proceeds from sale of fixed assets	63	1,652
Deferred Capital Grants Received	1,360	40
Payments made to acquire Fixed Assets	(2,489)	(1,818)
<b>Net cash flow from investing activities</b>	<u>(1,066)</u>	<u>(126)</u>
<b>Cash flows from financing activities</b>		
Interest paid	(181)	(160)
Interest element of finance lease rental payments	(219)	(227)
Repayments of amounts borrowed	(635)	(454)
Interest Received	7	7
Capital element of finance lease rental payments	(99)	(118)
<b>Net cash flow from financing activities</b>	<u>(1,126)</u>	<u>(952)</u>
<b>(Decrease) / increase in cash and cash equivalents in the year</b>	<u>(2,674)</u>	<u>1,846</u>
Cash and cash equivalents at the beginning of the year	3,242	1,396
Cash and cash equivalents at end of the year	568	3,242
<b>(Decrease) / increase in cash and cash equivalents in the year</b>	<u>(2,674)</u>	<u>1,846</u>

## 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 2017 to 2018* and in accordance with Financial Reporting Standard 102 – *"The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland"* (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102. The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the College's accounting policies.

#### ***Basis of accounting***

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

#### ***Basis of consolidation***

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***

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

The College currently has £7.0m of loans outstanding with bankers on terms which have been revised in 2018. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future. Accordingly, the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

#### ***Recognition of income***

##### **Revenue grant 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.

##### **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.

## Notes to the Accounts (cont'd)

### Fee income

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

### Investment income

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

### **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.

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.



## Notes to the Accounts (cont'd)

### ***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.

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.

## Notes to the Accounts (cont'd)

### ***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.

### ***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.

## Notes to the Accounts (cont'd)

### ***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 2017. 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

	2018 £'000	2017 £'000
<b>Recurrent grants</b>		
Education & Skills Funding Agency – Adult	6,693	6,104
Education & Skills Funding Agency- 16-18	17,281	16,090
Higher Education Funding Council	318	448
<b>Specific grants</b>		
Skills Funding Agency	-	5
Releases of deferred capital grants	977	827
<b>Total</b>	<u>25,269</u>	<u>23,474</u>

### 3 Tuition fees and education contracts

	2018 £'000	2017 £'000
Tuition Fees	4,141	4,521
Education contracts	818	941
<b>Total</b>	<u>4,959</u>	<u>5,462</u>

### 4 Other grants and contracts

	2018 £'000	2017 £'000
Other grants and contracts	414	191
<b>Total</b>	<u>414</u>	<u>191</u>

### 5 Other income

	2018 £'000	2017 £'000
Catering and residences	646	618
Other income generating Activities	1,591	2,668
Farming Income	1,007	1,057
Miscellaneous income	1,268	1,503
<b>Total</b>	<u>4,512</u>	<u>5,846</u>

## Notes to the Accounts (cont'd)

### 6 Investment income

	2018 £'000	2017 £'000
Bank interest receivable	7	7
	7	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:

	2018 Number	2017 Number
Teaching staff	331	337
Non-Teaching staff	332	291
	662	628

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:

	2018 £'000	2017 £'000
Wages and salaries	18,091	17,200
Social security costs	1,501	1,378
Other pension costs, including FRS 102 (s 28) adjustments of £772k; (2016/17: £468k)	4,250	3,651
	23,842	22,229
<b>Payroll sub total</b>	<b>23,842</b>	<b>22,229</b>
Contracted out staffing services	506	227
	24,348	22,456
Restructuring costs – Contractual	86	182
– Non Contractual	-	10
	86	192
<b>Total Staff Costs</b>	<b>24,434</b>	<b>22,648</b>

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 2017/18 comprises the Principal, Vice Principal Curriculum and Quality, and Vice Principal Corporate Resources.

## Notes to the Accounts (cont'd)

	2018 Number	2017 Number
The number of key management personnel including the Accounting Officer was:	3	3
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
	3	3
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>

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:

	2018 Number of senior post holders	2018 Number of other staff	2017 Number of senior post holders	2017 Number of other staff
£60,001 to £70,000	-	-	-	1
£70,001 to £80,000	-	-	-	-
£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:

	2018 £'000	2017 £'000
Salaries - gross of salary sacrificed and waived	353	353
Benefits in kind	2	2
Employers NI	45	45
Pension contributions	64	61
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
	464	461
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>

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:

	2018 £'000	2017 £'000
Salaries	141	141
Benefits in kind	1	1
Employers NI	18	18
Pension contributions	26	25
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
	186	185
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>

## 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 and are paid at the same rate as for other employees.

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

	2018 £'000	2017 £'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

	2018 £'000	2017 £'000
Teaching costs	3,494	3,196
Non-teaching costs	3,687	3,665
Premises costs	2,905	2,723
	10,086	9,584

Other operating expenses include:

Auditors' remuneration:

Financial statements audit: Wiltshire College	48	46
Financial statements audit: Wiltshire Recruitment Services Ltd	-	1
Internal audit	35	36
Profit / (loss) on disposal of tangible fixed assets	(14)	1,200
Land and Buildings – operating leases	279	274
Other – operating leases	166	128
	1,086	1,584

### 9 Interest and other finance costs

	2018 £'000	2017 £'000
On bank loans and overdrafts:		
Repayable within five years, not by instalments	-	-
Repayable within five years, by instalments	172	160
Repayable wholly or partly in more than five years	-	-
	172	160
On finance leases	219	227
Pension finance costs	464	694
	855	1,081

## Notes to the Accounts (cont'd)

### 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		Equipment	Total
	Freehold Land & Buildings	Assets in course of construction		
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At 1 August 2017	62,544	115	15,097	77,756
Additions	41	867	1,580	2,488
Disposals			(139)	(139)
Held for resale	(781)		(20)	(801)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31 July 2018</b>	<b>61,804</b>	<b>982</b>	<b>16,518</b>	<b>79,304</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Accumulated depreciation</b>				
At 1 August 2017	14,711	-	8,298	23,009
Charge for year (inc Accel Depn £146k)	1,289		1,654	2,943
Eliminated in respect of disposals			(55)	(55)
Held for resale	(211)		(19)	(230)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31 July 2018</b>	<b>15,787</b>	<b>-</b>	<b>9,878</b>	<b>25,665</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Net book value</b>				
<b>At 31 July 2018</b>	<b>46,017</b>	<b>982</b>	<b>6,640</b>	<b>53,639</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 July 2017	47,833	115	6,799	54,747
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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.

### 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 are treated as current assets within stock.



## Notes to the Accounts (cont'd)

### 13 Investments

	2018 £'000	2017 £'000
Quoted shares	47	58
Investment in Joint Venture Company	370	357
	417	415
<b>Total</b>	<b>417</b>	<b>415</b>

#### Joint Venture

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

	2018 £'000	£'000	2017 £'000	£'000
Share of assets:				
Share of fixed assets	52		93	
Share of current assets	1,210		1,202	
		1,262		1,295
Share of liabilities:				
Due within one year	(892)		(938)	
Due after one year	-		-	
	(892)		(938)	
		<b>370</b>		<b>357</b>

Wiltshire College 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.

Investments in associated undertakings are as follows:

	£'000
At 1 August 2017	357
Share of associated company profits	13
Less: dividends	
<b>At 31 July 2018</b>	<b>370</b>

## Notes to the Accounts (cont'd)

### 14 Stock

	2018 £'000	2017 £'000
Farm Stock	396	375
Trading Stock	42	43
	<u>438</u>	<u>418</u>

### 15 Trade and other receivables

	2018 £'000	2017 £'000
Amounts falling due within one year:		
Trade debtors	351	419
Amounts owed by Joint Venture Company	50	50
Other debtors	102	10
Prepayments and accrued income	1,433	1,055
	<u>1,937</u>	<u>1,534</u>

### 16 Creditors: Amounts falling due within one year

	2018 £'000	2017 £'000
Bank loans and overdrafts	609	602
Obligations under finance leases	82	119
Payments received on account	63	490
Trade creditors	913	576
Amounts owed to ESFA	-	149
Other taxation and social security	800	703
Accruals and deferred income	1,811	1,996
Deferred Income – Government Capital Grants	922	972
	<u>5,200</u>	<u>5,607</u>

## Notes to the Accounts (cont'd)

### 17 Creditors: Amounts falling due after more than one year

	2018 £'000	2017 £'000
Bank loans	6,400	7,034
Obligations under finance leases	2,869	2,968
Deferred Income – Government Capital Grants	25,996	25,614
	<u>35,265</u>	<u>35,616</u>

### 18 Maturity of debt

#### *Bank loans and overdrafts*

	2018 £'000	2017 £'000
Bank loans and overdrafts are repayable as follows:		
Within one year	609	455
Between one and two years	1,242	609
Between two and five years	2,761	1,828
In five years or more	2,397	4,743
	<u>7,009</u>	<u>7,635</u>

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:

	2018 £'000	2017 £'000
In the next year	82	119
Between one and five years	452	449
After five years	2,417	2,519
	<u>2,951</u>	<u>3,087</u>

This total includes St Mary's Hostel, Salisbury, finance lease obligations are secured on the assets to which they relate.

## Notes to the Accounts (cont'd)

### 19 Provisions

	Enhanced pensions	Other	Total
	£'000	£'000	£'000
At 1 August 2017	868	-	868
Expenditure in the period	(79)	-	(79)
Interest cost	30	-	30
Actuarial loss for the year	2	-	2
	<hr/>	<hr/>	<hr/>
<b>At 31 July 2018</b>	<b>821</b>	<b>-</b>	<b>821</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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.

The principal assumptions for this calculation are:

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

### 20 Revaluation reserve

	£'000
At 1 August 2017	7,081
Transfer from revaluation reserve to income and expenditure account in respect of:	
Disposals	-
Accelerated Depreciation	-
Depreciation on revalued assets	(152)
	<hr/>
<b>At 31 July 2018</b>	<b>6,929</b>
	<hr/> <hr/>

## 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. The total pension cost for the period was £3,912k; (2016/17: £3,651k).

Total pension cost for the year	2018 £000	2017 £000
Teachers' Pension Scheme: contributions paid	1,351	1,353
Local Government Pension Scheme:		
Employer Contributions paid	2,097	1,809
FRS 102 Section 28 charge	772	468
Charge to the Income and Expenditure Account (staff costs)	4,220	2,277
Enhanced pension charge to Income and Expenditure Account (staff costs)	30	21
<b>Total Pension Cost</b>	<b>4,250</b>	<b>3,651</b>

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.

Contributions amounting to £188k were payable to the LGPS scheme at 31 July 2018; (2016/17: £192k) and are included in creditors.

#### 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 £1,351k; (2016/17: £1,353k).

#### **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 2018 was £2,073k of which employer contributions totalled £1,530k and employee contributions totalled £543k.

Employer contribution rates for the next two years have been agreed with Wiltshire Council and contributions will increase on a phased basis, from 18.0% in 2016/17 to 22.0% by 2019/20. Pension deficit repayments have also been agreed and will increase on a phased basis, during the next three years, reaching £805k per annum by 2019/20. 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

	2018	2017
Expected return on assets	2.5%	2.5%
Rate of increase in salaries	2.2%	2.1%
Rate of increase in pensions	2.4%	2.2%
Discount rate for liabilities	2.8%	2.7%

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 2018	At 31 July 2017
<i>Retiring today</i>		
Males	22.5	22.5
Females	24.9	24.9
<i>Retiring in 20 years</i>		
Males	24.1	24.1
Females	26.7	26.9

The assets and liabilities in the scheme (of which the College's share is estimated at 2.44%) and the expected rates of return were:

	Long term rate of return Expected at 31 July 2018	Value at 31 July 2018 £'000	Long term rate of return expected at 31 July 2017	Value at 31 July 2017 £'000
Equities		44,138	3.4%	39,094
Bonds		8,703	3.4%	7,709
Property		8,082	3.4%	7,158
Cash		1,243	3.4%	1,101
		<hr/>		<hr/>
Total market value of assets		62,166		55,062
Present value of scheme liabilities				
Unfunded		-		-
Funded		(75,714)		(70,754)
		<hr/>		<hr/>
(Deficit) in the scheme		(13,548)		(15,692)
		<hr/> <hr/>		<hr/> <hr/>

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

	2018 £'000	2017 £'000
Employer service cost (net of employee contributions)	2,890	2,287
Past service cost	-	-
	<hr/>	<hr/>
Total operating charge	2,890	2,287
	<hr/> <hr/>	<hr/> <hr/>

## Notes to the Accounts (cont'd)

### 21 Pensions and similar obligations (cont'd)

#### Analysis of pension finance (costs) / income

	2018 £'000	2017 £'000
Expected return on pension scheme assets	1,497	1,147
Interest on pension scheme liabilities	(1,931)	(1,821)
	<hr/>	<hr/>
Pension finance (costs)	(434)	(674)
	<hr/> <hr/>	<hr/> <hr/>

#### Amount recognised in Other Comprehensive (Expenditure) / Income

	2018 £'000	2017 £'000
Actuarial loss on pension scheme assets	(1,206)	(1,142)
Actuarial gain on scheme liabilities	3,350	13,313
	<hr/>	<hr/>
Amount recognised in Other Comprehensive Income	2,144	12,171
	<hr/> <hr/>	<hr/> <hr/>

#### Movement in net defined benefit liability during year

	2018 £'000	2017 £'000
Net defined benefit liability in scheme at 1 August	(15,692)	(27,863)
Movement in year:		
Current service charge	(2,890)	(2,287)
Contributions	2,118	1,829
Losses on Curtailments and settlements	-	(10)
Past service costs	-	-
Net interest on assets	(434)	(674)
Actuarial gain	3,350	13,313
	<hr/>	<hr/>
Net defined benefit liability at 31 July	(13,548)	(15,692)
	<hr/> <hr/>	<hr/> <hr/>



## Notes to the Accounts (cont'd)

### 21 Pensions and similar obligations (cont'd)

#### Asset and Liability Reconciliation

	2018	2017
	£'000	£'000
<b>Reconciliation of Liabilities</b>		
<b>Liabilities at start of period</b>	<b>70,754</b>	<b>75,386</b>
Current service cost	2,890	2,287
Interest cost	1,931	1,821
Employee contributions	514	462
Actuarial loss/(gain)	1,419	(7,557)
Benefits paid	(1,794)	(1,655)
Past Service cost	-	-
Losses on curtailments and settlements	-	10
<b>Liabilities at end of period</b>	<b><u>75,714</u></b>	<b><u>70,754</u></b>
<b>Changes in fair value of plan assets</b>		
<b>Fair value of plan assets at start of period</b>	<b>55,062</b>	<b>47,523</b>
Expected return on assets	1,497	1,147
Actuarial gain	4,769	5,756
Employer contributions	2,118	1,829
Employee contributions	514	462
Benefits paid	(1,794)	(1,655)
<b>Fair value of plan assets at end of period</b>	<b><u>62,166</u></b>	<b><u>55,062</u></b>

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

#### Deficit contributions

The College has agreed with Wiltshire Council to make additional contributions to reduce the LGPS pension deficit over the next two years, with repayments reaching £805k per annum by 2019/20. These repayments will be made in addition to the College's normal funding contributions.

### 22 Capital commitments

	2018		2017	
	Group £'000	College £'000	Group £'000	College £'000
Commitments contracted for at 31 July 2018	249	249	535	535
	<u>249</u>	<u>249</u>	<u>535</u>	<u>535</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:

	2018		2017	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiring within one year		53	136	34
Expiring between one and two years	86	72	-	5
Expiring between two and five years inclusive	90	43	108	116
Expiring in over five years	50	-	115	-
	<u>116</u>	<u>        </u>	<u>        </u>	<u>        </u>
	<u>342</u>	<u>168</u>	<u>359</u>	<u>155</u>

### 24 Contingencies

The College had no contingencies as at 31 July 2018; (2016/17: £ 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 2017/18 was £1k, to two governors; (2016/17: £4k, to four governors). 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; (2016/17: None).

### 26 Amounts Disbursed as Agent

	2018 £'000	2017 £'000
<b>Learner support funds</b>		
Funding body grants		
Hardship Support	534	553
Childcare	107	125
Residential bursaries	204	186
Other	131	110
	<u>976</u>	<u>974</u>
Disbursed to students	(915)	(914)
Administration costs	(61)	(49)
	<u>        </u>	<u>        </u>
Balance unspent at 31 July, included in creditors	<u>0</u>	<u>11</u>

Funding body grants are available solely for students. In the majority of instances, the College only acts as a paying agent. In these circumstances, the grants and related disbursements have therefore been excluded from the income and expenditure account, other than when the College has directly incurred expenditure itself.