Telford College

Consolidated Report and Financial Statements

Year ending 31 July 2019

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KEY MANAGEMENT PERSONNEL, BOARD OF GOVERNORS AND PROFESSIONAL ADVISORS

Board of Governors

A full list of Governors is given on pages 13-14 of these financial statements.

Ms S Morley acted as Clerk to the Corporation throughout the period.

Key management personnel

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

Graham Guest	-	Principal and Accounting Officer
Janet Stephens	-	Deputy Principal, Curriculum & Strategic Growth
Liz Pellowe	-	Vice Principal (part year)

Professional advisers

Financial Statement & Regularity Auditors:	KMPG UK LLP One Snowhill Snowhill, Queensway Birmingham B4 6GH
Internal Auditors:	RSM Risk Assurance Services LLP St Phillips Point Temple Row Birmingham B2 5AF
Bankers:	Barclays Bank plc Barclays Business Centre 23 Church Street Wellington Telford TF1 1DQ

MEMBERS' REPORT

NATURE, OBJECTIVES AND STRATEGIES:

The members of the Corporation of Telford College present the report and the audited financial statements of the College and its subsidiary companies Shropshire College Management Limited, Shropshire College Hotel School Limited and Telford College Enterprises Limited for the year ended 31 July 2019.

Shropshire College Management Limited

The company was formed on 4 September 2013 and is a wholly owned subsidiary of Telford College. The principal activity is managing the use of a property asset (The Telford Whitehouse Hotel) leased to Shropshire College Hotel School Limited.

Shropshire College Hotel School Limited

The company was formed on 4 September 2013 and is a wholly owned subsidiary of Telford College. The principal business activity is the provision goods and services to guests of the Telford Whitehouse Hotel.

Telford College Enterprises Limited

The company was formed in 1992 and is a wholly owned subsidiary of Telford College. Telford College Enterprises Limited is currently not trading.

Telford College

Legal Status

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

Strategic Plan

Telford College is an ambitious college and, as a measure of our determination to make the college a success, we have set ourselves the following seven objectives:

- To become a broad base for the delivery of further and higher education across the region, meet the needs of employers and make a major contribution to the economic success of the Telford and Wrekin Area.
- To maximise opportunities for students to develop their skills and achieve their aspirations
- To ensure a strong student voice.
- Provide staff with the opportunity to develop their skills and the best possible opportunities to develop their careers.
- To develop a physical estate that provides state-of-the-art facilities and maximises the use of new and emerging technology.
- To ensure financial sustainability by taking advantage of new opportunities and by being efficient in the use of our resources.
- To be regarded as a highly valued partner by our stakeholders.

Vision

Our vision is

> *"Students first – a belief that all students can succeed and an unwavering commitment to pursue achievement for all."*

Values

- Integrity
- Transparency
- Honesty
- Equality
- Professional Challenge

Implementing the Strategic Plan

Telford College compiles development plans which identify the management actions required to achieve identified business objectives. These plans include specific actions and agreed outcomes relating to student recruitment, curriculum development and quality improvement. The College also compiles two-year financial plans on an annual basis that fully reflect planned and anticipated developments.

Resources:

Financial
The College has £7.7 million of net liabilities including £21.4 million pension liability (2017/18: £3.7 million of net assets including £10.6 million of pension liability) and bank loans of £5.4 million (2017/18 £6.4 million).

People
The College employed 395 people expressed as full time equivalents (2017/18: 465), of whom 225 are teaching staff (2017/18: 240).

Stakeholders:

The College has many stakeholders including:

- Students
- Parents
- Education sector funding bodies
- FE Commissioner
- Staff
- Local employers (with specific links)
- Local authorities
- Local Enterprise Partnerships (LEPs)
- The local community
- Other FE institutions
- Trade unions
- Professional bodies

DEVELOPMENTS AND PERFORMANCE:

Financial Results

The total comprehensive income of the Group for the year before pension scheme costs was a deficit of £116k (£11.4m deficit after a net actuarial loss of £9.5m, £1.6m FRS17 costs in respect of pension schemes and £0.25m loss in respect of disposal of fixed assets) compared with a surplus of £7.6m in 2017/18 (which included £13.4m of Restructuring Facility funding in support of the merger from the ESFA; £11.2m surplus after actuarial gain of £4.7m and £1.2m FRS 17 costs in respect of pension schemes)

The College continued to incur costs associated with the merger during 2018/19. Some of the restructuring fund grant received from the Transaction Unit within the ESFA was specifically to off-set these one-off costs.

Robust financial planning and processes, linking curriculum delivery to staffing and non-pay costs, have been introduced alongside regular year end out turn forecasts. This, alongside accurate and timely funding forecasting has delivered an outstanding improvement in the College's financial position from a budgeted operating deficit (before pension costs) of £559k to an operating deficit of £22k in 2018-19 – an improvement of £537k.

New, highly effective budgeting, planning and monitoring have enabled the College to respond swiftly and effectively to reductions in funding. The College is now independently financially viable and well placed to face the ongoing financial challenges facing the sector.

Tangible fixed asset additions in the year amounted to £2.570m compared to £1.186m in the previous year. Included in the £2.570m was £1.6m which was the final part of a £2.5m relocation project to consolidate activity onto one site post-merger and £0.5m TU funded improvements to IT infrastructure.

Cash and bank balances amounted to £1.547m (2017/18: £2.988m).

Shropshire College Management Limited realised a deficit of £2,000 (2017/18: £33,000 surplus). Shropshire College Hotel School realised a deficit of £63,000 (2017/18: £52,000 deficit) after management charges. Telford College Enterprises Limited realised a deficit of £4,000 (2017/18: £2,000 deficit)

Developments

At the beginning of the year the College completed an ambitious relocation project to consolidate provision onto one main site following the merger of New College Telford and Telford College of Arts and Technology in December 2017. The project included:

- The creation of a dedicated 7th Form centre for A level students
- Doubling the college's construction centre to meet the local demand for new jobs and skills
- Creating and equipping a brand new studio-quality music suite
- Creating and equipping two new science labs

Sources of Income

The Group has considerable reliance on continued government funding through the further education sector funding bodies and through the Office for Students. In 2018/19, 79% of the Group's revenue was ultimately publicly funded and this level of requirement is expected to continue.

FUTURE PROSPECTS:

Developments

Telford College has an ambitious, aspirational and unique curriculum vision.

We aspire to be a distinctive, high quality College with a broad inclusive curriculum with specialisms in key areas to meet the economic, educational and community needs of the borough and beyond raising the aspirations of its learners through an academic 7th Form offer, careers focused professional and technical provision and work-based apprenticeships enabling clear progression into higher education, jobs and enhanced career opportunities.

Over the next three years our focus will be achieving our Curriculum Growth Strategy which includes:

- Academic excellence through the provision of a high quality 7th Form college offer.
- Career focused professional and technical skills training with easily understood and strong progression pathways for young people.
- The development of the Ambition Centre working in partnership with stakeholders, employers and niche providers.
- More engagement with local secondary schools.
- Expanding opportunities for high level professional and technical education and training in the region's key employment sectors.
- Developing strong links with local organisations that will increase the voice of the community and strengthen local accountability.
- Driving social mobility, inclusion and aspiration through foundation learning, skills engagement and flexible learning opportunities.

Our Curriculum Plan supports the Strategy by:

- Maintaining a broad offer of provision in the region including local access.
- Providing innovative, flexible and responsive delivery.
- Maintaining and, wherever possible, improving our high progression rates to positive destinations such as employment and Higher Education.
- Enabling us to remain responsive to the needs of our stakeholders including local authorities, schools, universities and employers.
- Enhancing skills for those in employment.
- Enabling us to enhance our reputation for excellence and high quality in teaching, learning and College services.

We will also continue to work with small, medium and large employers in the region to ensure that we can help meet the need for them to develop their work forces and contribute to economic prosperity. Our newly developed Curriculum Plan with aligned Career Paths has:

- Enabled us to contribute effectively to the development of the region.
- Ensured that we can contribute effectively to meeting the needs of our partners.

Financial Plan

The College currently has a 'requires improvement' financial health grade (previously known as 'satisfactory'). College Governors have approved a sustainable financial plan that is effective from the 1st August 2019. This financial plan is supported by the ESFA and will deliver a financial improvement to at least a 'Good' financial health in year 2019/20.

Treasury Policies and Objectives

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

The College has a separate treasury management policy in place.
Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation

Cash flows and Liquidity

The College generated an operating cash inflow of £352k (2017/18 inflow: £2.522m).

Reserves Policy

The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation and aims to ensure there are adequate reserves to support the College's core activities. At the balance sheet date the Income and Expenditure reserve excluding the pension liability stands at £11.3m (2017/18: £11.8m). It is the Corporation's intention to increase reserves over the life of the strategic plan through the generation of annual operating surpluses.

Going Concern

After making appropriate enquiries, taking into account the support from the Transaction Unit and the sustainable financial plan the College has in place, the Corporation considers the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements. See note 1 for further details.

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 College Recovery Plan, the Senior Leadership Team undertakes a comprehensive and regular 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 appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the Senior Leadership Team will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

A strategic risk register is maintained which is reviewed at least once per term by the Audit Committee and more frequently where necessary. 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.

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.

1 Failure to improve the financial viability of the College

The College's current financial health grade is classified as "Requires Improvement". The College has approved a sustainable financial plan and repayment of historical debt which will improve the financial health grade to "Good" by the end of 2019/20. Throughout the financial plan period strong cash management will be required to ensure that the College continues to operate within its banking facility and a system of daily monitoring is in place to this end.

This risk is also mitigated in a number of other ways:

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

2 Government funding

The Group has considerable reliance on continued government funding through the further education sector funding bodies and through the Office for Students. In 2018/19, 79% of the Group's revenue was ultimately publicly funded and this level of requirement is expected to continue.

The College is aware of several issues which may impact on future funding, including apprenticeship reforms and further devolution of the adult education budget. The College, in conjunction with its key stakeholders, is developing a strategy for growth in response to the devolution agenda and to the apprenticeships reform.

This risk is mitigated in a number of ways:

- 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.

3 Quality of provision and data quality

The College has continued its rigorous programme of data interrogation and cleansing. The quality of the College's provision remains one of its highest priorities and the College takes seriously the risks which may impact on the quality of provision.

These risks are mitigated by:

- Maintaining rigorous focus on data quality.
- Withdrawal of provision where quality is below acceptable standards.
- Robust QIP Action Plan monitored closely by the College and the Corporation.
- Learning Walks and targeted CPD for teaching staff, designed to raise quality of teaching and learning.

4 Apprenticeships

The College must ensure that it is able to meet the needs of learners who aspire to become apprentices and deliver high-quality frameworks and standards that match local employer demand. Whilst the College has the ability and client base to develop further adult apprenticeship provision in line with Government priorities, there remain significant challenges – namely:

- Meeting the challenge of changes to the funding system whereby funds flow through the employer to the training provider.
- Mitigating timing risks in relation to the introduction of End Point Assessments
- Further improving the quality of provision in delivering full apprenticeship frameworks and standards. Significant improvements were made in 2018/19 with an overall achievement outcome of 70% (previously 53% in 2017/18 and 42% in 2016/17)

These risks will be mitigated by:

- Working closely with employers and establishing clear communication links.
- Robustly forward-planning the end point assessments in line with EPA centre availability.
- Continuing the quality improvement actions.

5 Maintain adequate funding of pension liabilities

The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS 102. Following the triennial revaluation in 2018/19, this has increased to £21.3m from £10.6m in 2017/18.

6 Staffing

The post-merger period had the potential to impact upon staff retention due to differences in contracts and terms and conditions leading to unrest and demotivation.
In some cases the College was unable to recruit permanent staff and maintaining adequate sickness cover was a challenge.

These risks were mitigated by:

- Regular, clear communication with staff.

- Good, open working relationships with staff representatives.
- Recruitment of interim fixed term staff.
- Harmonisation of contract terms and conditions.
- Implementation of wellbeing policy.

KEY PERFORMANCE INDICATORS:

For 2018/19 the college has adopted a range of KPIs as part of its strategic implementation plan. Including:

Key Performance indicator	**Target for 2018/19**	**Actual 2018/19**
16-19 Learner numbers	2,052	1,953
Apprentice learner enrolments	1,148	1,413
Financial health grade	Requires Improvement	Requires Improvement

Student achievements

	2016/17 %	**2017/18 %**	**2018/19 %**	**Improvement %**
Overall Achievement	79.5	87.1	85.6	-1.5
19+	80.9	89.9	89.9	0
16-18	77.4	83.2	78.3	-4.9
Apprenticeships Overall	42.2	60.5	70.7	+10.2
Apprenticeships Timely	30.3	55.9	67.3	+11.4

Public Benefit

Telford College is an exempt charity under the Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Education.

The members of the Governing Body, who are trustees of the charity, are disclosed on page 13.

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

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

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

Equal opportunities and employment of disabled persons

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

The College considers all applications from disabled persons, bearing in mind the aptitudes of the individuals concerned. 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 are, as far as possible, identical to those for other employees. How the College ensures equality and diversity underpins its day-to-day activities and college-wide communication of these priorities is set out in the policy, including action planning and monitoring; staff induction and refresher training; data collection and analysis; and celebration.

Disability statement

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

The College has a comprehensive Equality, Diversity and Inclusion policy which makes reference to persons with disabilities such as learning difficulties, and physical and sensory disabilities.

a) There is a list of specialist equipment, which the College can make available for use by students and a range of assistive technology is available in the Learner Hub.
b) 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.
c) The College has a number of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
d) Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.

Counselling and welfare services are described in the College Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction

Trade union facility time

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

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
16	8.5

Percentage of time	Number of Employees
0%	0
1-50%	16
51-99%	0
100%	0

Total cost of facility time	£8,249.65
Total pay bill	£15,961,000
Percentage of total pay bill spent on facility time	0.05%

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

Payment Performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1st November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is over 95%. The College has a policy of paying all suppliers within the agreed terms of trade, or within 30 days of receipt of invoice where terms are not specified. In the accounting year to 31st July 2019 this policy has been maintained and the College has suffered no interest charge for late payment.

EVENTS AFTER THE REPORTING PERIOD:

On the 18th of November 2019 the College exchanged contracts with a buyer for the sale of the Whitehouse Hotel, with an agreed completion date of the 10th of January 2020.

DISCLOSURE OF INFORMATION TO THE 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 16 December 2019 and signed on its behalf by:

P Hinkins
Chair

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

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

The College endeavours to conduct its business:

i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
ii. in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the Code")

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

The Corporation

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

Name	Date of Appointment	Term of Office length	Date of Resignation	Status of Member	Committees Served	Attendance in 2018/19
Rosie BESWICK	01/12/09	4	N/A	General	Corporation Audit	9/10 3/3
Louise BIFFIN	07/10/19	4	N/A	General	Corporation	N/A
Paul BIRCH	05/11/18	4	N/A	General	Corporation Audit	5/7 2/2
Dan BLASCZYK	20/02/19	4	N/A		Corporation	5/5
Gail BLEASBY (Vice Chair)	19/12/17	4	N/A	General	Corporation Remuneration (Ch) Search	9/10 1/1 1/2
Kerry BOFFEY	05/12/16	4	05/02/19	General	Corporation Audit	2/6 0/1
Anna BRENNAND	19/12/17	4	31/03/19	General	Corporation Audit (Ch) Remuneration Search	3/6 1/1 1/1 1/1
Corin CRANE	09/07/19	4	N/A	General	Corporation	1/1
Lindsey ELLIS	14/11/18	1	31/07/19	Student	Corporation	3/7
Wendy FARRINGTON-CHADD	07/10/19	4	N/A	General	Corporation Audit (Ch)	N/A
Graham GUEST	01/05/17	-	N/A	General	Corporation	10/10
Paul HINKINS (Chair)	01/07/13	4	N/A	General	Corporation (Ch) Remuneration Search (Ch)	10/10 1/1 2/2
Geoff	19/12/17	4	N/A	General	Corporation	5/10

LAYER					Remuneration Search	1/1 1/2
Ruth MATTHEWS	07/10/19	4	N/A	General	Corporation	N/A
Mike MURPHY	19/12/17	4	08/10/18	Staff	Corporation	0/1
Chris PALLETT	01/09/18	4	N/A	General	Corporation Audit	8/10 2/3
Neil PHILLIPS	15/10/16	4	14/11/18	General	Corporation	4/4
Gavin REAL	21/10/19	4	20/10/23	Staff	Corporation	N/A
Manny UPPAL	14/11/18	1	31/07/19	Student	Corporation	4/7
Jim WELCH	01/04/15	4	08/10/19	Staff	Corporation	8/10

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 monthly, with the exception of January and August.

The Corporation conducts its business through a number of committees/groups. Each committee/group has terms of reference, which have been approved by the Corporation. These committees are Audit, Remuneration and Search. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on request from:

The Clerk to the Corporation, Telford College, Haybridge Road, Wellington TF1 2NP

The Clerk to the Corporation maintains a register of financial and personal interests of the governors. The register is available for inspection at the above address and is also published on the College's website (www.telfordcollege.ac.uk/governance).

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. Training and briefings are provided on an ad hoc basis.

The Corporation has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Corporation considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. The Corporation Register of Interests is reviewed on an annual basis (or when changes occur in-year) and declarations of interest are an agenda item at the beginning of every Corporation and committee meeting.

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

Appointments to the Corporation

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

Members of the Corporation are appointed for a term of office not exceeding four years (except in the case of the Principal and student governors).

Corporation performance

The Corporation carried out a self-assessment of its own performance for the year ended 31st July 2019 and graded itself as "Good" on the Ofsted scale based on the Regularity and Self-Assessment Reports.

Remuneration Committee

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

Details of remuneration for the year ended 31 July 2019 are set out in note 8 to the financial statements

Audit Committee

The Audit Committee comprises five members of the Corporation (excluding the Accounting Officer and Chair). The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee meets on a termly basis and provides a forum for reporting by the College's internal, reporting accountants and financial statements auditors, who have access to the Committee for independent discussion, without the presence of College 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 review the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit Committee.

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

The Audit Committee also advises the Corporation on the appointment of internal, reporting accountants and financial statements auditors and

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 he is personally responsible, in accordance with the responsibilities assigned to the Principal in the Funding Agreement between the College and the funding bodies. The Principal is also responsible for reporting to the Corporation any material weaknesses or break-downs in internal control.

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 a 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 the College for the year ended 31 July 2019 and up to the date of approval of the annual report and financial statements

Capacity to handle risk

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

The risk and control framework

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

- Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the governing body.
- Regular reviews by the governing body of periodic and annual financial reports which indicate financial performance againstforecasts.
- Setting targets to measure financial and other performance
- Clearly defined capital investment control guidelines, and
- The adoption of formal project management disciplines, where appropriate.

The College has an internal audit service, which operates in accordance with the requirements of the ESFA's *Post 16 Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the audit committee. At each Audit Committee meeting, the Internal Auditors provide the governing body with a report on internal audit activity in the College. The report includes an independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

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

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

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

The senior leadership team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

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

The Corporation has considered its responsibility to notify the Education & Skills Funding Agency of material irregularity, impropriety and non-compliance with Education & Skills Funding Agency terms and conditions of funding, under the Funding Agreement in place between the College and the Education & Skills Funding Agency. As part of its consideration the Corporation has had due regard to the requirements of the Funding Agreement.

We confirm, on behalf of the Corporation that to the best of its knowledge, the Corporation believes it is able to identify any material irregular or improper use of funds by the College, or material non-compliance with the Education & Skills Funding Agency's terms and conditions of funding under the College's Funding Agreement. We further confirm that any instances of material irregularity, impropriety or funding non-compliance discovered to date have been notified to the Education & Skills Funding Agency.

Approved by order of the members of the Corporation on 16 December 2019 and signed on its behalf by:

G Guest	**P Hinkins**
Accounting Officer	**Chair**

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

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

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.

Approved by order of the members of the Corporation:

Graham Guest	Paul Hinkins
Accounting Officer	Chair of Governors
16 December 2019	16 December 2019

Statement of Responsibilities of the Members of the Corporation

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

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

In preparing the group and parent College financial statements, the Corporation is required to:

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

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

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

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

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the ESFA are used only in accordance with the ESFA's grant funding agreements and contracts and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the group and parent 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 16 December 2019 and signed on its behalf by:

Paul Hinkins

Chair of Governors

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF TELFORD COLLEGE

Opinion

We have audited the financial statements of Telford College ("the College") for the year ended 31 July 2019 which comprise the Consolidated and College Statement of Comprehensive Income and Expenditure, the Consolidated and College Statement of Changes in Reserves, the Consolidated and College Balance Sheets and Consolidated Statement of Cash flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the College's affairs as at 31 July 2019, and of the Group's and the College's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended; and

- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland,* and with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education.*

Basis for opinion

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

Going concern

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

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

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

Other information

The Corporation is responsible for the other information, which comprises the Members' Report and the Corporation's statement of corporate governance and internal control. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Corporation's responsibilities

As explained more fully in their statement set out on page 19, the Corporation is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the parent College or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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

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

Michael Rowley
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
20 December 2019

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

In accordance with the terms of our engagement letter dated 4 September 2017 and further to the requirements and conditions of funding in ESFA grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Telford College during the period 1 August 2018 to 31 July 2019 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

Respective responsibilities of Telford College and the reporting accountant

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

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

Approach

We conducted our engagement in accordance with the Post-16 Audit Code of Practice issued by the ESFA. We performed a limited assurance engagement as defined in that framework.

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

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

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

The work undertaken to draw our conclusion included:

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

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

Conclusion

In the course of our work nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2018 to 31 July 2019 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

M Rowley

Michael Rowley
For and on behalf of KPMG LLP, Reporting Accountant
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
20 **December 2019**

Telford College
Consolidated Statements of Comprehensive Income and Expenditure

	Notes	Year ended 31 July 2019	2019	Year ended 31 July 2018	2018
		Group £'000	College £'000	Group £'000	College £'000
INCOME					
Funding body grants	2	18,353	18,353	20,403	20,403
Restructuring Facility funding from the ESFA	2	764	764	13,373	13,373
Tuition fees and education contracts	3	2,761	2,761	2,464	2,464
Other grants and contracts	4	107	107	282	282
Other income	5	2,174	301	2,234	389
Endowment and investment income	6	7	56	4	4
Donations and Endowments	7	-	-	18	18
Total income		**24,167**	**22,343**	**38,777**	**36,933**
EXPENDITURE					
Staff costs	8	15,962	15,054	16,376	15,521
Other operating expenses	9	7,867	6,922	7,477	6,533
Depreciation	12	1,500	1,437	7,885	7,822
Interest and other finance costs	10	519	517	574	569
Total expenditure		**25,848**	**23,930**	**32,312**	**30,445**
(Deficit)/surplus before other gains and losses		**(1,681)**	**(1,587)**	**6,466**	**6,488**
Gain/(Loss) on disposal of assets	12	(257)	(257)	32	32
(Deficit)/surplus before tax		**(1,938)**	**(1,844)**	**6,498**	**6,520**
Taxation	11	-	-	-	-
(Deficit)/surplus for the year		**(1,938)**	**(1,844)**	**6,498**	**6,520**
Actuarial (loss)/gain in respect of pensions schemes		(9,456)	(9,456)	4,690	4,690
Total Comprehensive Income for the year		**(11,394)**	**(11,300)**	**11,188**	**11,210**

Telford College
Consolidated and College Statement of Changes in Reserves

	Income and Expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Group			
Balance at 1st August 2017	(11,440)	3,920	(7,520)
Surplus/(deficit) from the income and expenditure account	6,498	-	6,498
Other comprehensive income	4,690		4,690
Transfers between revaluation and income and expenditure reserves	1,474	(1,474)	-
	12,662	(1,474)	11,188
Balance at 31st July 2018	1,222	2,446	3,668
Surplus/(deficit) from the income and expenditure account	(1,938)	-	(1,938)
Other comprehensive income	(9,456)	-	(9,456)
Transfers between revaluation and income and expenditure reserves	46	(46)	-
Total comprehensive income for the year	(11,347)	(46)	(11,395)
Balance at 31st July 2019	(10,125)	2,400	(7,727)
College			
Balance at 1st August 2017	(11,285)	3,920	(7,365)
Surplus/(deficit) from the income and expenditure account	6,520	-	6,520
Other comprehensive income	4,690	-	4,690
Transfers between revaluation and income and expenditure reserves	1,474	(1,474)	-
	12,684	(1,474)	11,210
Balance at 31st July 2018	1,399	2,446	3,845
Surplus/(deficit) from the income and expenditure account	(1,844)	-	(1,844)
Other comprehensive income	(9,456)	-	(9,456)
Transfers between revaluation and income and expenditure reserves	46	(46)	-
Total comprehensive income for the year	(11,253)	(46)	(11,300)
Balance at 31st July 2019	(9,854)	2,400	(7,455)

Telford College
Balance sheets as at 31 July

	Notes	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Fixed assets					
Tangible fixed assets	12	34,049	32,303	32,984	31,177
Investments	13	–	1,948	–	1,948
		34,049	**34,251**	**32,984**	**33,126**
Current assets					
Stocks		14	–	11	–
Trade and other receivables	14	981	897	657	596
Asset held for sale	15	–	–	1,000	1,000
Cash and cash equivalents	20	1,547	1,444	2,988	2,834
		2,542	**2,341**	**4,656**	**4,430**
Less: Creditors – amounts falling due within one year	16	(9,570)	(9,300)	(4,459)	(4,201)
Net current (liabilities)/assets		**(7,028)**	**(6,959)**	**197**	**228**
Total assets less current liabilities		**27,021**	**27,292**	**33,181**	**33,354**
Less: Creditors – amounts falling due after more than one year	17	(11,967)	(11,967)	(17,550)	(17,545)
Provisions					
Defined benefit obligations	19	(21,352)	(21,352)	(10,579)	(10,579)
Other provisions	19	(1,427)	(1,427)	(1,385)	(1,385)
Total net (liabilities)/assets		**(7,725)**	**(7,454)**	**3,667**	**3,845**
Unrestricted reserves					
Income and expenditure account		(10,125)	(9,854)	1,221	1,399
Revaluation reserve		2,400	2,400	2,446	2,446
Total unrestricted reserves		**(7,725)**	**(7,454)**	**3,667**	**3,845**
Total reserves		**(7,725)**	**(7,454)**	**3,667**	**3,845**

The financial statements on pages 24 to 48 were approved and authorised for issue by the Corporation on 16 December 2019 and were signed on its behalf on that date by:

Paul Hinkins
Chair

Graham Guest
Accounting Officer

Telford College
Consolidated Statement of Cash Flows

	Notes	2019 £'000	2018 £'000
Cash inflow from operating activities			
Surplus/(deficit) for the year		(1,938)	6,498
Adjustment for non cash items			
Depreciation		1,500	7,885
Decrease/(increase) in stocks		(3)	1
Decrease/(increase) in debtors		(324)	159
Increase/(decrease) in creditors due within one year		5,111	(13,643)
Increase/(decrease) in creditors due after one year		(5,583)	2,758
(Decrease)/increase in provisions (excluding actuarial gain)		42	984
Pensions costs less contributions payable		1,122	636
Taxation		–	–
Adjustment for investing or financing activities			
Deferred capital and revenue grants released to income		(341)	(3,299)
Interest payable		517	574
Interest receivable		(7)	–
Taxation paid		–	–
Loss on sale of fixed assets		257	(32)
Net cash flow from operating activities		**352**	**2,521**
Cash flows from investing activities			
Proceeds from sale of fixed assets		750	32
Disposal of non-current asset investments			
Interest receivable		7	–
Deferred grants received		719	1,086
Payments made to acquire fixed assets		(2,570)	(1,186)
		(1,094)	(68)
Cash flows from financing activities			
Interest paid		(187)	(166)
Interest element of finance lease rental payments		(2)	
New unsecured loans		480	
Repayments of amounts borrowed		(990)	(120)
Capital element of finance lease rental payments		–	
		(699)	(286)
Increase / (decrease) in cash and cash equivalents in the year		**(1,441)**	**2,167**
Cash and cash equivalents at beginning of the year	20	2,988	821
Cash and cash equivalents at end of the year	20	1,547	2,988

Notes to the Accounts

1. Statement of accounting policies and estimation techniques

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

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2018-19* and in accordance with Financial Reporting Standard 102 – *"The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland"* (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Basis of accounting

The financial statements are prepared 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

The consolidated financial statements include the College and its subsidiaries, Telford College Enterprises Limited, Shropshire College Management Limited and Shropshire College Hotel School Limited. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2019.

Going concern

Notwithstanding net current liabilities of £7 million as at 31 July 2019 and a deficit for the year then ended of £1.9 million, the financial statements have been prepared on a going concern basis which the Corporation considers to be appropriate for the following reasons.

The Corporation has prepared cash flow forecasts for a period of 18 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Group and College will have sufficient funds to meet their liabilities as they fall due for that period.

The Group technically breached its loan covenants at 31 July 2019 and accordingly the bank loans have been reclassified as current liabilities in the financial statements. The bank has subsequently issued a covenant waiver. The Corporation monitors its financial position and cash flows on an ongoing basis and reports to both the ESFA and its lenders on a quarterly basis. The College has a loan facility from its bank of £3m which must be repaid by December 2020. At 31 July 2019 the outstanding balance was £2.25m. The College has exchanged contracts to sell its interest in the Whitehouse Hotel which will complete in January 2020 and the £1.7m net proceeds will be used to further reduce this loan. The College's cash flows are sufficient to repay the remaining £550K of this loan before December 2020, although the College is in the process of refinancing both this loan and its other loan with the bank. The College anticipates it will technically breach the same loan covenant as at 31 July 2020 as the terms of the covenant include any repayment of the loan from capital proceeds within the debt service cover. The bank has confirmed that it will address this issue on the refinancing of the loan, or if refinancing is not complete by 31 July 2020 it will issue a loan variation to update this covenant definition to exclude any loan repayments arising from capital disposals. With this adjustment the College will not breach its covenants at 31 July 2020 and will have significant headroom in its loan covenants.

Consequently, the Corporation is confident that the Group and College will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and have prepared the financial statements on a going concern basis.

Recognition of income

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

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

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

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual method as permitted by FRS 102. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

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

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

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.

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

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

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

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.

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 2019 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Land and buildings

Freehold land is not depreciated.

Freehold buildings are depreciated over their expected useful economic life to the College of between 5 and 50 years. 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 income account within creditors, and are released to the income and expenditure account over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

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

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1996, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

Assets under construction

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

Subsequent expenditure on existing fixed assets

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

Equipment

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

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

- motor vehicles and general equipment 3-10 years
- computer equipment 3-5 years
- furniture and fittings 5-10 years
- land and buildings 15-50 years

Borrowing costs

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

Leased assets

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

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

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

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

Investments

Investments in subsidiaries

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

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.

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.

Foreign currency translation

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

Taxation

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

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

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

Provisions and contingent liabilities

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

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

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

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

Agency arrangements

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

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 25, 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 2019 has been used by the actuary in valuing the pensions liability at 31 July 2019. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Telford College
Notes to the Accounts (continued)

2 Funding council grants

	Year ended 31 July 2019 Group £'000	Year ended 31 July 2019 College £'000	Year ended 31 July 2018 Group £'000	Year ended 31 July 2018 College £'000
Recurrent grants				
Education and Skills Funding Agency - adult	6,020	6,020	5,335	5,335
Education and Skills Funding Agency – 16 -18	9,358	9,358	8,969	8,969
Education and Skills Funding Agency - apprenticeships	2,350	2,350	2,393	2,393
Higher Education Funding Council	101	101	141	141
Specific Grants				
Releases of government capital grants	524	524	3,299	3,299
Merger Grant funding from the ESFA	764	764	13,373	13,373
Other	–	–	265	265
Total	19,117	19,117	33,775	33,775

3 Tuition fees and education contracts

	Year ended 31 July 2019 Group £'000	Year ended 31 July 2019 College £'000	Year ended 31 July 2018 Group £'000	Year ended 31 July 2018 College £'000
Adult education fees	828	828	994	994
Fees for FE loan supported courses	590	590	288	288
Fees for HE loan supported courses	309	309	407	407
International students fees	–	–	–	–
Total tuition fees	1,728	1,728	1,689	1,689
Education contracts	1,034	1,034	775	775
Total	2,761	2,761	2,464	2,464

4 Other grants and contracts

	Year ended 31 July 2019 Group 2,019	Year ended 31 July 2019 College £'000	Year ended 31 July 2018 Group £'000	Year ended 31 July 2018 College £'000
Other grants and contracts	107	107	282	282
Total	107	107	282	282

5 Other Income

	Year ended 31 July 2019 Group £'000	Year ended 31 July 2019 College £'000	Year ended 31 July 2018 Group £'000	Year ended 31 July 2018 College £'000
Catering and residences	1,875	–	1,845	–
Other income generating activities	237	237	210	210
Miscellaneous income	64	64	180	180
Total	2,176	301	2,235	390

6 Investment income

	Year ended 31 July 2019 Group £'000	Year ended 31 July 2019 College £'000	Year ended 31 July 2018 Group £'000	Year ended 31 July 2018 College £'000
Other investment income	-	49	-	-
Other interest receivable	7	7	4	4
	7	56	4	4
Net return on pension scheme (note 25)	-	-	-	-
	7	56	4	4

7 Donations - College only

	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Unrestricted donations	-	18
Total	-	18

8 Staff costs - Group and College

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

	Year ended 31 July 2019 Group No.	Year ended 31 July 2019 College No.	Year ended 31 July 2018 Group No.	Year ended 31 July 2018 College No.
Teaching staff	225	225	240	240
Non teaching staff	170	128	225	153
	395	353	465	393

Staff costs for the above persons

	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Wages and salaries	11,390	10,533	12,155	11,356
Social security costs	992	955	1,070	1,021
Other pension costs	2,708	2,699	2,368	2,361
Payroll sub total	**15,090**	**14,187**	**15,593**	**14,738**
Contracted out staffing services	688	683	401	401
	15,778	**14,870**	**15,994**	**15,139**
Restructuring costs - contractual	184	184	382	382
	15,962	15,054	16,376	15,521

Telford College
Notes to the Accounts (continued)

8 Staff costs - Group and College (cont'd)

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Executive Leadership Team which comprises the Principal, Deputy Principal and Vice Principal. Staff costs include compensation paid to key management personnel for loss of office.

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

	2019 No.	2018 No.
The number of key management personnel including the Accounting Officer was:	3	4

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

	Key management		Other staff	
	2019	2018	2019	2018
	No.	No.	No.	No.
£60,001 to £65,000 p.a	1	1	3	1
£65,001 to £70,000 p.a	-	-	-	1
£75,001 to £80,000 p.a	-	-	1	-
£120,001 to £125,000 p.a	1	1	-	-
£145,001 to £150,000 p.a	1	1	-	-
	3	3	4	2

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	2019 £'000	2018 £'000
Basic Salary	333	334
Performance related pay and bonus	-	-
Benefits in kind	-	-
Pension contributions	52	53
Total key management personnel compensation	385	387

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

	2019 £'000	2018 £'000
Basic Salary	150	150
Performance related pay and bonus	-	-
Other including benefits in kind	-	-
Pension contributions	25	25
	175	175

8 Staff costs - Group and College (cont'd)

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

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

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

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

	2019	2018
Principal's basic salary as a multiple of the median of all staff	7.2	7.2
Principal's total remuneration as a multiple of the median of all staff	8.3	8.3

Compensation for loss of office paid to former Key Management personnel and other staff

Severance payments were approved by the College's remuneration committee.

The members of the Corporation other than the Accounting Officer and the staff member did not receive any payment from the

	2019 £	2019 £
Compensation paid to the former Key management personnel and other staff	12,832	30,000

The severance payments were approved by the College's Remuneration Committee

9 Other operating expenses

	Year ended 31 July		Year ended 31 July	
	2019 Group £'000	2019 College £'000	2018 Group £'000	2018 College £'000
Teaching costs	1,647	1,647	1,700	1,700
Non teaching costs	4,654	4,066	4,077	3,551
Premises costs	1,566	1,209	1,700	1,282
Total	7,867	6,922	7,477	6,533

Other operating expenses include:

	2019 Group £'000	2019 College £'000	2018 Group £'000	2018 College £'000
Auditors' remuneration:				
Financial statements audit	81	64	117	98
Internal audit	18	18	22	22
Other services provided by the financial statements auditors	9	5	5	1

10 Interest payable

	2019 Group £'000	2019 College £'000	2018 Group £'000	2018 College £'000
On bank loans, overdrafts and other loans:	187	187	161	161
Finance Lease interest	2	-	5	-
Net interest on defined pension liability and enhanced pension	330	330	408	408
Total	519	517	574	569

11 Taxation - Group only

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

12 Tangible fixed assets (Group)

	Land and buildings	Equipment	Total
	£'000	£'000	£'000
Cost or valuation			
At 1 August 2018	41,738	10,021	51,759
Additions	2,008	562	2,570
Disposals	-	(911)	(911)
At 31 July 2019	**43,746**	**9,672**	**53,418**
Depreciation			
At 1 August 2018	10,326	8,448	18,774
Charge for the year	935	564	1,499
Elimination in respect of disposals	-	(903)	(903)
At 31 July 2019	**11,261**	**8,109**	**19,370**
Net book value at 31 July 2019	**32,485**	**1,563**	**34,048**
Net book value at 31 July 2018	31,412	1,573	32,985

Tangible fixed assets (College only)

	Land and buildings	Equipment	Total
	£'000	£'000	£'000
Cost or valuation			
At 1 August 2018	39,838	9,871	49,709
Additions	2,008	562	2,570
transfer between			-
Disposals		(911)	(911)
At 31 July 2019	**41,846**	**9,522**	**51,368**
Depreciation			
At 1 August 2018	10,160	8,371	18,531
Charge for the year	897	540	1,437
Elimination in respect of disposals	-	(903)	(903)
At 31 July 2019	**11,057**	**8,008**	**19,065**
Net book value at 31 July 2019	**30,789**	**1,514**	**32,303**
Net book value at 31 July 2018	29,678	1,500	31,178

13 Non current Investments

	College 2019 £	College 2018 £
Shropshire College Management Limited	1,948,151	1,948,151
Shropshire College Hotel School Limited	1	1
Telford College Enterprises	2	2
Total	1,948,154	1,948,154

The College owns 100 per cent of the issued ordinary £1 shares of Shropshire College Management Limited, a company incorporated in England and Wales, and 100 per cent of the issued ordinary £1 shares of Shropshire College Hotel School Limited, a company incorporated in England and Wales. The principal activity of Shropshire College Management Limited is the managing of the use of the assets for use by Shropshire College Hotel School Limited. The principal business activity of Shropshire College Hotel School Limited is the provision of goods and services to guests of the hotel.

In November 2013 Shropshire College Management Limited, acquired the freehold and leasehold interests in the Telford Whitehouse Hotel. The acquisition was financed by an investment in the subsidiary by New College Telford who used its own resources and a bank loan facility.

The value as at 31st July 2019 represents the full acquisition costs and working capital.

14 Trade and other receivables

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Amounts falling due within one year:				
Trade receivables	239	135	269	151
Amounts owed by group undertakings:				
Subsidiary undertakings	–	21	–	–
Prepayments and accrued income	184	184	74	131
Amounts owed by the ESFA	557	557	314	314
Total	980	897	657	596

15 Asset held for sale

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
King Street Campus	–	–	1,000	1,000
Total	–	–	1,000	1,000

The King Street Campus was sold for £750k and resulted in a £250k loss on disposal.

16 Creditors: amounts falling due within one year

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Bank loans and overdrafts	5,440	5,440	240	240
Trade payables	1,019	747	755	452
Amounts owed to group undertakings:				
Subsidiary undertakings	–	10	–	–
Other taxation and social security	234	234	291	291
Accruals and deferred income	2,111	2,111	1,418	1,478
Finance lease obligation	8	–	15	–
Deferred income - government capital grants	648	648	753	753
Amounts owed to the ESFA	110	110	987	987
Total	9,570	9,300	4,459	4,201

17 Creditors: amounts falling due after one year

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Finance lease obligation	–	–	5	–
Loans	480	480	6,190	6,190
Deferred income - government capital grants	11,487	11,487	11,355	11,355
Total	11,967	11,967	17,550	17,545

18 Maturity of debt

Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
In one year or less	5,440	5,440	240	240
Between one and two years	320	320	240	240
Between two and five years	160	160	720	720
In five years or more	–	–	5,230	5,230
Total	5,920	5,920	6,430	6,430

ESFA loan facility of £1.5m agreed on 20 December 2017, £480k was drawn down on 18 March 2019. This loan was to support the launch of the College augmented/virtual reality facility and will be repaid by October 2021.

Telford College has two loans with Barclays Bank
Loan A was taken out in December 2017. It is a Floating rate basis Term Loan for £3,550,000. Interest is charged at 2.3% above Libor. The loan must be repaid within 5 years. Loan B was taken out in December 2017. It is a Floating rate basis Term Loan for £3,000,000. Interest is charged at 2.3% above Libor. The loan must be repaid within 3 years. Due to a technical breach of loan covenent at the 31st of July 2019 the full amount of the outstanding loan has been reclassified into creditors<1 year. Barclays bank has issued a covenant waiver to confirm the debt will not be called in outside the terms of the original agreement.

Barclays bank has a legal charge over the following assets as security for both loans: The Telford College campus situated on Haybridge Road in Wellington, Telford. The Freehold and Leasehold properties that make up the Telford Whitehouse hotel owned by Shropshire College Management Limited and operated by Shropshire College Hotel School Limited. Freehold properties owned by Telford College at 48 Bennetts Bank Telford and 166 Haybridge Road Telford.

Telford College
Notes to the Accounts (continued)

19 Provisions

	Group and College		
	Defined benefit obligations £'000	Enhanced pensions £'000	Total £'000
At 1 August 2018	10,579	1,385	11,964
Expenditure in the period	1,416	(94)	1,322
Transferred (to)/from income and expenditure account	9,357	136	9,493
At 31 July 2019	**21,352**	**1,427**	**22,779**

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

The enhanced pension provision relates to the cost of staff who have already left the College's employment and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date.

The principal assumptions for this calculation are:

	2019	2018
Price inflation	2.2%	2.2%
Discount rate	2.0%	2.6%

20 Cash and cash equivalents

	At 1 August 2018 £'000	Cash flows £'000	At 31 July 2019 £'000
Cash and cash equivalents	2,988	(1,441)	1,547
Total	**2,988**	**(1,441)**	**1,547**

21 Capital commitments

The college is not currently committed to any major campus development projects

Telford College
Notes to the Accounts (continued)

22 Lease Obligations

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

	Group and College	
	2019	2018
	£'000	£'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	22	20
Later than one year and not later than five years	88	78
later than five years	989	1009
Total lease payments due	1,099	1,107
Other		
Not later than one year	85	15
Later than one year and not later than five years	158	40
later than 5 years	–	
	243	55
Total lease payments due	1,342	1,162

Lease obligations include £1,000 paid annually as a peppercorn rent for part of the hotel property. The lease started in 2013/14 and is for 999 years.

23 Contingent liabilities

There were no Contingent Liabilities

24 Defined benefit obligations

The College's employees belong to two principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Shropshire County Council. Both are multi-employer defined-benefit plans.
The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2019.

Total pension cost for the year		**2019 £'000**		**2018 £'000**
Teachers Pension Scheme: contributions paid		763		674
Local Government Pension Scheme:				
Contributions paid	840		1,027	
FRS 102 (28) charge	555		636	
Charge to the Statement of Comprehensive Income		1,395		1,663
Enhanced pension charge to Statement of Comprehensive Income		99		31
Total Pension Cost for Year		2,257		2,368

Teachers' Pension Scheme

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

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

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

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

24 Defined benefit obligations (cont'd)

Valuation of the Teachers' Pension Scheme

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

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/9. DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019-20 academic year.

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

The pension costs paid to TPS in the year amounted to £763,171 (2018: £670,677).

Telford College
Notes to the Accounts (continued)

24 Defined benefit obligations (continued)

FRS 102 (28)

Under the definitions set out in FRS 102 (28.11), 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 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The College has set out above the information available on the plan and the implications for the College in terms of the anticipated contribution rates.

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds adminstered by Shropshire Local Authority . The total contribution made for the year ended 31 July 2019 was £1,062,583, of which employer's contributions totalled £741,506 and employees' contributions totalled £321,077. The agreed contribution rates for future years are 14.7 % for employers and range from 5.5% to 7.5% cent for employees, depending on salary.

Principal Actuarial Assumptions

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

	At 31 July 2019	At 31 July 2018
Rate of increase in salaries	3.70%	3.60%
Future pensions increases	2.30%	2.20%
Discount rate for scheme liabilities	2.20%	2.90%
Inflation assumption (CPI)	2.10%	2.10%
Commutation of pensions to lump sums	0%	0%

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

	At 31 July 2019	At 31 July 2018
	years	years
Retiring today		
Males	23.20	23.10
Females	26.40	26.30
Retiring in 20 years		
Males	25.40	25.30
Females	28.70	28.60

24 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

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

	Fair Value at 31 July 2019 £'000	Fair Value at 31 July 2018 £'000
Equities	22,534	21,798
Bonds	9,355	9,569
Property	2,114	2,146
Cash	810	1,030
Other	10,165	8,367
Total market value of assets	44,978	42,910
Actual return on plan assets	1,766	1,817

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

	2019 £'000	2018 £'000
Fair value of plan assets	44,978	42,910
Present value of plan liabilities	(66,076)	(53,475)
Present value of unfunded liabilities	(14)	(15)
Adjustment for GMP ruling 2019	(240)	
Net pensions liability (Note 19)	(21,352)	(10,579)

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

	2019 £'000	2018 £'000
Amounts included in staff costs		
Current service cost	1,395	1,663
Past service cost	537	–
Total	1,932	1,663
Amounts included in investment income		
Net interest income	(294)	359
	(294)	359
Amounts recognised in Other Comprehensive Income		
Return on pension plan assets	518	917
Experience losses arising on defined benefit obligations	(9,635)	3,807
Adjustment for GMP ruling 2019	(240)	-
Amount recognised in Other Comprehensive Income	(9,357)	4,724

24 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

Movement in net defined benefit liability during the year

	2019 £'000	2018 £'000
Deficit in scheme at 1 August	(10,579)	(14,276)
Movement in year:		
Current service cost	(1,395)	(1,663)
Employer contributions	840	1,027
Past service cost	(537)	–
Administration Expenses	(30)	(32)
Net interest on the defined (liability)/asset	(294)	(359)
Actuarial gain or loss	(9,117)	4,724
Adjustment for GMP ruling 2019	(240)	
Net defined benefit liability at 31 July	(21,352)	(10,579)

Asset and Liability Reconciliation

	2019 £'000	2018 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	53,489	55,256
Current Service cost	1,395	1,663
Interest cost	1,543	1,426
Contributions by Scheme participants	315	338
Experience gains and losses on defined benefit obligations	9,635	(3,807)
Estimated benefits paid	(824)	(1,387)
Past Service cost	537	–
Adjustment for GMP ruling 2019	240	–
Defined benefit obligations at end of period	66,330	53,489

Reconciliation of Assets

	2019 £'000	2018 £'000
Fair value of plan assets at start of period	42,910	40,980
Interest on plan assets	1,249	1,067
Return on plan assets	518	917
Employer contributions	840	1,027
Administration Expenses	(30)	(32)
Contributions by Scheme participants	315	338
Estimated benefits paid	(824)	(1,387)
Fair value of plan assets at end of period	44,978	42,910

These accounts show a past service cost of £240 million in respect of the Court of Appeal judgment which ruled that the transitional protection for some members of public service schemes implemented when they were reformed constituted age discrimination. This provision is just over 1% of the total scheme liability as at 31 March 2019.The calculation of adjustment to past service costs, £7 billion, arising from the outcome of the Court of Appeal judgment is based on a number of key assumptions including:

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

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

25 Related party transactions

Owing to the nature of the College's operations and the composition of the Board of Governors (being drawn from local public and private sector organisations) it is possible 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 must be conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures. No transactions were identified which should be disclosed under Financial Reporting Standard 102 - Related Party Disclosures.

The College has three wholly owned subsidiaries in Shropshire College Management Limited,Shropshire College Hotel School Limited and Telford College Enterprises Limited. All transactions are on an arms length basis

Transactions with the funding bodies are detailed in note 2.

The total expenses paid to or on behalf of the Governors during the year was £0 (2018: £467. This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

Principal and Accounting Officer G Guest is also a Governor of TCAT Multi Academy Trust trading as Kickstart Academy. Kickstart Academy operates from premises owned by Telford College. During the year Kickstart Academy paid **£66,880** (2018 £66,880) Telford College in relation to rent and management charges.

Governor Mr G Layer is Vice Chancellor of the University of Wolverhampton. During the year, the College received £260k from the university in respect of a franchise agreement to deliver foundation degrees and £30k in respect of the Aspire to HE initiative; funded through the government's National Collaborative Outreach Programme. The College also paid the University £6k for services.

Chair of Governors, Mr P Hinkins is Managing Director of Business Watch Guarding Ltd which provides security services to the College and were paid £220k for the year.

26 Amounts disbursed as agent

Learner support funds

	2019 £'000	2018 £'000
16 to 18 Bursary grants	300	388
Other Funding body grants	167	75
	467	463
Disbursed to students	(418)	(437)
Administration costs	(14)	(10)
Balance unspent as at 31 July, included in creditors	35	16

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