

Report and Financial Statements Year Ended 31 July 2018

Key Management Personnel, Board of Governors and Professional Advisers

Key management personnel

Key management personnel are defined as members of the College Leadership Team and were represented by the following in 2017/18:

Claire Boliver - Principal and CEO; Accounting Officer (Resigned 28 February 2018)

Kirk Hookham - Vice Principal Curriculum & Quality (Resigned 15 April 2018)

The College Leadership Team now comprises

Malcolm Cowgill –Principal and CEO; Accounting Officer (Appointed 5 March 2018)

Ian Browne – Vice Principal Student Success (Appointed 6 November 2017)

Peter Merry - Vice Principal Business Success (Appointed 30 October 2017)

Louise Fall - Assistant Principal Student Engagement

Karen O'Reilly - Assistant Principal People Engagement

Board of Governors

A full list of Governors is given on pages 18 and 19 of these financial statements.

Ms Sarah Meddings acted as Clerk to the Corporation until 1 August 2018.

Mrs E Ball acted as interim Clerk to the Board of Governors from 25 June 2018 to 31 October 2018 and was appointed as the permanent Clerk on 1 November 2018.

Professional advisers

Financial statements auditors and reporting accountants:

RSM UK Audit LLP
St Philip's Point, Temple Row
Birmingham
B2 5AF

Internal auditors:

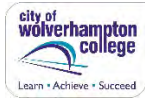
Mazars LLP
45 Church Street
Birmingham
B3 2RT

Bankers:

Barclays Bank Plc
Queens Square
Wolverhampton
WV1 1DS

Solicitors:

FBC Manby Bowdler LLP, George House, St. John's Square, Wolverhampton, WV2 4BZ
Eversheds Sutherland, 115 Colmore Row, Birmingham, B3 3AL
Shakespeare Martineau LLP, 10 Bennetts Hill, Birmingham, B2 5RS
DAC Beachcroft, Tricorn House, 51-53 Hagley Rd, Birmingham, B16 8TP



Contents

Report of the Governing Body	4
Statement of Corporate Governance and Internal Control	17
Governing Body’s Statement on the College’s Regularity, Propriety and Compliance.....	24
Statement of Responsibilities of the Members of the Corporation.....	25
Independent Auditor’s Report to the Corporation of City of Wolverhampton College.....	26
Independent Reporting Accountant’s Report on Regularity.....	28
Statement of Comprehensive Income	29
Statement of Changes in Reserves.....	31
Balance sheet as at 31 July.....	32
Statement of Cash Flows	33
Notes to the Accounts	34

Report of the Governing Body

NATURE, OBJECTIVES AND STRATEGIES

The members present their report and the audited financial statements for the year ended 31 July 2018.

Legal status

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

The Corporation was established as Wulfrun College on 1 April 1993, under the Further and Higher Education Act 1992 for the purpose of conducting Wulfrun College. By order of the Secretary of State for Education, the Corporation changed its name to Wolverhampton College on 1 October 1999, which was subsequently changed to City of Wolverhampton College on 1 June 2001.

Mission, vision and values

During 2017/18 the Corporation reviewed the mission, vision and values looking to simplify the College's approach to enable staff and external stakeholders to have a clear idea of the direction of travel proposed and also to show staff where they fit and how they contribute.

The College has therefore decided to focus on the Purpose and the Values in setting out the direction of travel for the next three years. The strategic framework will be used to order the Values in a simple manner.

Purpose

"Defining Futures"

Values

The review of the strategic plan identified four key areas each with four distinct areas of focus:

- **Student Engagement:** We Value Students
- **Student Success:** We Value Success & Progression
- **Business Success:** We Value our Sustainable Business
- **People Engagement:** We Value Role Models

Student Engagement encompasses Marketing, Student Recruitment, Student Support Services and Quality Assurance and Improvement

Student Success includes Curriculum Development, Right Student -Right Course, Teaching, Learning & Assessment and Progress & Destinations

Business Success covers Financial Management, Estates and Resource Management, Information Technology Strategy and Information Services Strategy

People Engagement incorporates HR: Culture & Change, People Development Strategy, Safety, Fire, Health & Wellbeing Strategy, Reward & Recognition Strategy

Report of the Governing Body (*Continued*)

Public Benefit

City of Wolverhampton College is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 18 and 19.

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

Financial Notices to Improve

In June 2012, the College received Financial Notices to Improve (FNTI) from the SFA. The only remaining FNTI concerns Financial Health and results from the SFA Financial Health Grade of Inadequate for 2010/11 based upon three Key Performance Indicators that are applied to all FE colleges. The College continues to meet with the Education and Skills Funding Agency (ESFA) on a regular basis to review progress against the targets and proposals to address the long term financing and estates issues in collaboration with the Transaction Unit (TU), Wolverhampton City Council, the Local Enterprise Partnership (Black Country LEP) and the West Midlands Pension Fund (WMPF). The College's financial plan approved by the Corporation in July 2018 indicates that financial health will improve which will ultimately result in the FNTI being lifted.

Financial objectives

The College's financial objectives are:

- to maintain long term financial stability
- to successfully resolve all the issues covered by the outstanding Financial Notice to Improve
- to continue to invest in teaching and learning resources, and the College estate to secure that stability

A series of performance indicators have been agreed to monitor the successful implementation of the policies

Performance indicators

The College measures a series of key performance indicators that cover its key strategic objectives. Progress against each of the indicators is provided at the Board of Governors.

The College is committed to observing the importance of sector measures and indicators and use the FE Choices website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the ESFA. The Finance Record produces a financial health grading. The current rating of inadequate is in line with the recovery and financial plan.

Student and employer satisfaction levels are very high. 92% of students would recommend the College to a friend, a maintained position from 16/17 and 89% of Apprentices would recommend their framework.

Report of the Governing Body *(Continued)*

Results from the 2017/18 ESFA Learner Satisfaction survey gave the College a score of 84.3%, which was a decline from 90.1% in 2016/17. All but one College in the Black Country declined in scores in comparison to 2016/17, mirroring the overall rate declining from 83% to 82%. Overall the College ranked 48th out of 170 GFE providers who opted to complete and had returned results.

Results from the 2017/18 ESFA Employer Satisfaction survey gave the College a score of 91.6%, which was a decline from 95.4% in 2016/17 but mirrors the decline in the overall satisfaction levels. However, the College is the second highest scoring in the Black Country and is ranked 27th out of 178 GFE providers (top 15%).

- **Learner numbers and achievement of funding body targets**

Performance against the funding bodies key classroom-based contracts was as follows:

	2017/18		2016/17	
	Contract £'000	Actual £'000	Contract £'000	Actual £'000
16-18 (and 19-24 High Needs)	10,419	10,620	10,655	10,612
Adult Education Budget	5,926	5,749	6,029	5,853

- **Learner Success Rates**

The College Achievement Rates for 2017/18 are 86%, an improvement over the 84.5% reported in 2016/17 and 7% above the national average.

- **Develop a highly engaged and skilled workforce**

In 2017/18 staff turnover was 14.9%, below the College's benchmark of 20.4% and sickness absence days averaged 2.62%, below the targeted 3.4%.

- **Employer Engagement**

The College continues to lead in the engagement of employers in training and has been commended in its drive to shape the curriculum to reflect the changing requirements of employers. This is reflected in the very high employer satisfaction survey results quoted overleaf.

Report of the Governing Body *(Continued)*

Financial Position

The College generated a surplus on continuing operations before other gains and losses in the year of **£412,000** (2017: deficit (£823,000)) before Revaluation Reserve release of **£187,000**, with total comprehensive income of **£5,193,000** (2017: £5,357,000).

	2017/18 £'000	2016/17 £'000
Surplus / (deficit) on continuing operations after depreciation of assets at valuation and tax	412	(823)
Revaluation reserve release	187	187
FRS 102 (28) pension adjustments	1,195	202
Profit on disposal	-	17
Restructuring Costs	168	10
Historical cost surplus / (deficit) before FRS 102 adjustments and restructuring costs	1,962	(407)

As shown above, the College returned a historic cost surplus of £1,962,000 (2017: deficit (£407,000)) which is a considerable increase in comparison to 2016/17. This is driven by Education and Skills Funding Agency specific grants arising through the agreements completed with the Transaction Unit in March 2018.

Within 2017/18, the College incurred staffing restructuring costs of £168k (2017: £10k) relating to a total of 6 leavers. With regard to the FRS 102 valuation of the Local Government Pension Scheme (LGPS), the annual report was received from the Scheme Actuary in September 2018. This resulted in an additional charge to the Statement of Comprehensive Income of £1,195k and actuarial gains of £6,016k, whilst the Balance Sheet net liability decreased by £4.821m from £23.107m to £18.286m.

The Black Country Area Review report was published in January 2017. In respect of City of Wolverhampton College, the report included the following recommendation:

City of Wolverhampton College to undertake further work to explore, identify and commit to a solution that will deliver greater financial resilience and the potential for significant improvement in the College estate, by December 2016, ready to move quickly to implementation after that date.

- ***in terms of meeting current and future needs, working collaboratively with the other Black Country colleges will provide opportunities to deliver savings for the College, support the expansion of apprenticeships taking into account apprenticeship reform and develop progression routes to higher education to meet local skill needs***
- ***with regard to financial sustainability, while the College has made significant strides to improve its financial position, it still faces challenges around this and, in particular, the affordability of improvements needed to the college estate***
- ***in respect of quality of provision, the College is rated good by Ofsted and achievement rates have increased significantly over the past 3 years***
- ***the College offers provision in 14 subject areas including all 5 of the LEP's priority 'transformational sectors' of advanced manufacturing, building technologies, transport technologies, business services and environmental technology.***

Report of the Governing Body (*Continued*)

Following the recommendations outlined above the College worked in collaboration with numerous stakeholders to submit an application to the Transaction Unit in order to access the Restructuring Facility. The resultant agreement, completed in March 2018, aims to:

- Reduce the College's outstanding liabilities in respect of both commercial and government debt, thus improving the College's net assets, reducing the costs of debt service and improving financial health through the Borrowing as a Percentage of Income measure
- Provide security to the West Midlands Pension Fund to maximise the period over which the existing pension deficit will be repaid
- Establish a commitment to the project to create a City Learning Quarter to provide outstanding facilities for learners in a central accessible location

At the start of the year the College's Department of Business, Innovation and Skills (BIS) loan stood at some £6.75m. This debt has now been converted to a Restructuring Fund loan as a component of the financial restructuring agreed with the Transaction Unit, with an outstanding balance of £6.25m on the balance sheet. Whereas the previous loan was not subject to interest charges, this debt now accrues interest at the 1 year fixed Public Loan Works Board rate. Furthermore, the College drew an additional £3.4m of Restructuring Fund Grant, of which £2.4m was received as cash in the period.

At the balance sheet date, the College has accumulated reserves of (£11.743m) (2017: (£16.936m)) and cash and short term investment balances of £1,158k (2017: £527k). The College wishes to accumulate reserves and cash balances in order to create a contingency fund. The current ratio of 0.22 (2017: 0.40) is significantly distorted by the re-categorisation of debt due to the technical breach of loan covenants. Without this adjustment the current ratio would be 0.48 which itself is significantly negatively impacted by the settlement of commercial debt expected in 2018/19. An additional Restructuring Fund Grant will be drawn to contribute towards the settlement of commercial debt.

Tangible fixed asset additions during the year amounted to £614k (2017: £682k). This was split between land and buildings acquired of £289k (2017: £17k) and equipment purchased of £325k (2017: £665k). In the main, this related to the conversion of the former Nursery at Wellington Road into a specialist centre for ISP (Individual Specialist Provider) provision and computer equipment.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants, but additionally due to specific grants received through the Transaction Unit. In 2017/18 the FE funding bodies provided 82.55% of the College's total income (2017: 80.50%).

The College's financial result and cash position have been improved by the positive impact of the Transaction Unit funding that has been received in the period. Before the impact of this funding, the College's operating result would have equated to an overall deficit with a corresponding negative impact on cash. Whilst further Transaction Unit Grant is expected in 2018/19 to finance repayment of commercial debt, continued operating losses would result in an overall negative impact on the College's cash balance, therefore the financial plan for 2018/19 has been developed to rebalance operating income and expenditure with reduced costs and maximised income.

Report of the Governing Body (*Continued*)

Pension Obligations

A key element of the overall financial position of the College is the long-term affordability of its pension obligations to its employees. Successive significant increases in the College's Local Government Pension Scheme deficit have resulted in significant pressure on the College's Balance Sheet giving rise to the overall level of net liabilities. Following the 2016 revaluation the College's contribution rate increased to some 15.40% from April 2017 and rose further from April 2018 to 17.3%. Furthermore, during the 2017/18 year a fixed payment of £669k (2017: £1.154m) was made in order to reduce the liability. Whilst the last two financial years have seen considerable reductions in the deficit of £4.821m (2017/18) and £5.944m (2016/17), the future costs of meeting pension commitments remain an area of focus and sector-wide concern. The College continues to work closely with the West Midlands Pension Fund and Wolverhampton City Council to identify manageable solutions to address the associated risks.

Treasury policies and objectives

Treasury management is the management of the College's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. The College has a separate treasury management policy in place.

Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

Cash flows and liquidity

At £2.046 million (2017 £1.588m), net cash flow from operating activities was improved in comparison to 2016/17 though this was significantly influenced by additional cash drawn down through agreements with the Transaction Unit. The size of the College's total borrowing including the Restructuring Fund loan has placed significant pressure on the College's cashflows and has required a high level of management to ensure all liabilities are met. The commercial loans in place are on fixed interest rates and all planning has been undertaken to ensure a reasonable cushion between the total cost of servicing debt and operating cashflow.

During the year the College maintained the payments on its outstanding loans in accordance with all terms, though at the Balance Sheet date the College incurred a technical breach of loan covenants based on the total cash balance. Barclays Bank have confirmed ongoing support for the College and agreed to re-draft covenants in the 2018/19 year.

Reserves Policy

The College recognises that it is significantly dependent on government funding which is not guaranteed. It is crucial therefore to ensure there are sufficient reserves to support the College while other sources of income are secured, and fundraising is considered to allow the College to wind up while meeting its obligation to staff and service users, if existing sources of income are lost.

To assure ongoing sustainability, if funding difficulties were to occur, the Board of Governors has targeted to keep a certain level of income and expenditure reserves before pension liability to ensure that main operations can continue for a minimum period of 12 months to ensure:

- that staff can continue working
- that there is time to secure new funding
- that students are supported to move on to other providers
- it has sufficient resources to meet its liabilities

The reserves will be built up from the unrestricted (earned) income.

Report of the Governing Body (Continued)

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Curriculum developments

The College continues to plan for ongoing curriculum and funding changes. Investment in the learning environment and IT are essential, and an ongoing commitment sees significant amounts per annum invested in such items. The College has a national reputation for curriculum innovation and change and has shared best practice with numerous other Colleges. It has introduced new courses in many areas of the curriculum in order to meet student needs better with a particular strength in making students ready for the next stage in their lives.

Many of our students have low levels of prior educational achievement. The range of courses offered has been designed to ensure students are able to move securely into the labour market or other positive destinations including progression onto higher levels of education.

Courses have been designed to ensure students are able to move securely into the labour market or further progression within education.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. The College's policy is to pay suppliers on the next purchase ledger run after the debt became due. On the rare occasion where this is not possible the College aims to communicate this with suppliers to arrange a mutually agreeable payment date.

Future prospects

The College's future prospects are very encouraging, owing to the financial backing which has been secured to restructure existing debt and to invest in the City Learning Quarter. This will enhance the facilities available for learners and enable the College to meet the demands of forthcoming demographic growth.

The College considers it is appropriate to use the "going concern" assumption having due regard to best practice developments in the UK Corporate Governance Code 2014 in respect of going concern and risk management reporting. Following the agreement with the Transaction Unit, the College believes it will be able to continue in operation and meet its liabilities, taking account of the current position and principal risks, for a minimum of the next five years.

Report of the Governing Body (*Continued*)

RESOURCES

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

The modernisation of the estate has proven to be a key factor in the development of the College. There is a proven link between the investment and participation levels, evidenced at Wellington Road and Metro 1.

Financial

The College has £11.743 million of net liabilities (including £18.286 million pension liability) and long term liabilities of £14.133 million (including £7.9m of Government capital grants). Without the re-categorisation of £7.266 million of long term commercial debt due to the technical covenant breach, long term debt would be £21.399 million

People

The College employs 438 people (expressed as full time equivalents), of whom 219 are teaching staff.

Reputation

The College has made huge improvements in recent years and has sustained performance levels. During this time the College has been nationally recognised as a leading provider, collecting numerous prestigious awards and achieving high levels of student and employer satisfaction.

No actions were required following the 2016 College Matrix assessment, and the impressive speed to the implementation of improvements was commented upon. In 2016/17 the College won the AoC Beacon Award in Careers and Enterprise after being shortlisted in 2015/16. 90% of learners agreed they were told about the choice of courses and 97% of learners stated that they feel that they are on the right course. In both cases this placed the College in the upper quartile.

These results are also reflected in the feedback from parents/carers during Progress Evenings and triangulate with the high levels of feedback from students and employers. 100% of parents/carers surveyed at events agreed that "I would recommend the college to a friend" (Parents Survey, March 18). The 17/18 ESFA Employer Satisfaction survey gave the College a score of 91.6%, placing the College second highest scoring in the Black Country and ranked 27th out of 178 GFE providers (top 15%) that opted to complete the survey and had returned results.

During March 2017, the College achieved Investors in People Silver status and retained its Gold Accreditation for one year as part of the amnesty arrangements for accredited organisations.

Report of the Governing Body *(Continued)*

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

A risk register is maintained at College level which is reviewed at each scheduled meeting of the Audit Committee which is scheduled termly. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

This is supported by a risk management training programme to raise awareness of risk throughout the College.

Outlined below is a description of the principal risk factors that featured in the risk register presented to the Audit Committee in September 2018. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

1 Recruitment of Learners and Increasing Local Competition

The College has considerable reliance on continued government funding through the further education sector funding bodies and through HEFCE (now the Office for Students). In 2017/18, 82.55% of the College's revenue was ultimately publicly funded and this level of requirement is expected to continue. Competition for learners is fierce not only amongst local FE Colleges but also School Sixth Forms. Maintaining levels of 16-18-year-old and adult learners in the classroom, as well as maximising opportunities for apprenticeships, are critical to the financial outturn of the College.

There remain both opportunities and challenges in respect of apprenticeships. In 2017/18 the College saw significant growth in both the drawdown of apprenticeship funding, bucking the sector trend, and in apprenticeship success rates. However, a very challenging budget was not achieved. Growing apprenticeships in a sustainable manner whilst increasing quality remains a challenge for management.

This risk is mitigated in a number of ways:

- Building and maintaining strong working relationships with key local employers who are investing in growth sectors, most notably engineering and construction. The College is prioritising investment in industry standard facilities that these businesses require to ensure the training delivers the correct level of employment skills
- Funding derived through a number of direct and indirect contractual arrangements
- By ensuring the College is rigorous in delivering high quality education and training
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding

Report of the Governing Body *(Continued)*

2 Going Concern and Financial Sustainability

The challenges of recent financial years have had a significant detrimental impact on the College's balance sheet strength. Successive rounds of restructuring which have been necessary to re-balance the operating financial position have depleted cash reserves markedly. Low interest rates, a diminished overall workforce and the pressure of affordability resulted in exponential increases in the Local Government Pension Scheme liability up to 2016, whilst pension administrators seek enhanced contributions to reduce overall deficits.

The Area Review report concluded that action was needed to improve the College's financial resilience in order to assure its status as a going concern.

During 2017/18 the College worked with partners including the ESFA, the Transaction Unit, Barclays, the West Midlands Pension Fund and Wolverhampton City Council to agree a solution which will establish a financial footing which will provide a platform to support the College in achieving its medium to long term strategic objectives. This solution encompasses a combination of short term support through to longer term campus re-development which underpins future plans to grow.

3 Accuracy of Financial Planning and Financial Health

Given the ongoing fragility of the College's financial position, it is essential that financial planning is accurate and timely in order to facilitate management action.

This risk is mitigated through:

- Routine consideration of financial matters at meetings of the Governing Body
- Financial health measures being calculated on a monthly basis as a part of the routine financial reporting cycle
- The forecast financial results are updated in each set of monthly management accounts
- An internal meeting framework supports the ongoing appraisal of performance for key contracts including 16-18 and adult classroom provision and apprenticeships

4 Ensuring Sufficient Funding and Provision for High Needs Students

The College is the biggest volume of High Needs provision in the Black Country by a significant margin. Supporting learners with, in some cases, complex needs there is a natural requirement for high levels of resources to maintain a high quality of provision. The ongoing security of this activity is dependent on sufficient places being agreed with the local authorities for both Element 2 funding and Element 3 top-up funding which must be agreed on a learner by learner basis.

Council budgets for High Needs provision are in most cases spread thinly which translates into a pressure to minimise costs. The College's provision has also been reviewed in order to balance the efficiency of curriculum design with the needs and expectations of stakeholders.

In order to mitigate this risk, the College continues to work closely with local authorities to ensure that EHCPs (Education, Health and Care Plans) are in place which are supported by dialogue to ensure that any issues are resolved and plans are in place for future requirements. The College has continued to invest in the resources required to meet demand in this area, including conversion of the Nursery at Wellington Road to a new ISP Unit during summer 2017.

5 Inability to recruit and retain high performing staff

The 2017/18 year has seen considerable change in leadership with a change in Principal and new Executive Management Team. Across the wider College, as across the sector, in some areas of curriculum specialism there are considerable challenges to recruit staff, particularly where the industry standard rates of pay exceed the College's pay scales.

The risks around staffing are managed through a College-wide succession planning process which is being complemented by a series of initiatives to recruit and retain talent within the organisation.

Report of the Governing Body *(Continued)*

STAKEHOLDER RELATIONSHIPS

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

- Students
- 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

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

Trade union facility time

Under the provisions of the Trade Union (Facility Time Publication Requirements) Regulations 2017, where a public authority (including FE colleges) has more than 49 full time equivalent employees throughout any 7 months within the reporting period, it must include information included in Schedule 2 of the Regulations.

Relevant union officials

Numbers of employees who were relevant period	FTE employee number
2	2

Percentage of time spent on facility time

Percentage of time	Number of employees
0%	0
1-50%	2
51-99%	0
100%	0

Report of the Governing Body *(Continued)*

Percentage of pay bill spent on facility time

Total cost of facility time	
Total pay bill	£16,665,499.99
Total cost of facility time	£11,281
Percentage of total bill spent on facility time	0.07%

Paid trade union activities

Hours spent on facility time	521.43
Hours spent on paid trade union activities	425.43
Time spent on paid trade union activities as a percentage of total paid facility time	81.59%

Equal opportunities

The College is committed to ensuring that all employees, students and visitors are treated equally regardless of the following protected characteristics of age, gender, disability, gender reassignment, pregnancy or maternity, race (including ethnic or national origins, colour or nationality), religion or belief, sex and sexual orientation, marriage and civil partnership (employment only). The policy also applies to any franchised or subcontracted provision run by the College and to contractors working at the College. This policy is resourced, implemented and monitored on a planned basis. The College's Commitment to Equality in Employment and Equal Opportunities Policy are published on the College's Intranet site.

In line with Chapter 15 of the Equality Act 2010, the Governing Body of the College has a specific responsibility to ensure there is no discrimination, harassment or victimisation against any person in respect of the admissions procedure, enrolment and terms of enrolment, the provision of training, access to College services, facilities and support and exclusion from a course. Consideration will also be given to the prevention of discrimination against a disabled person in respect of the award of their qualification (subsection 3).

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

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

Report of the Governing Body *(Continued)*

The College has committed to the 'Mindful Employer' initiative to assist the mental health wellbeing of staff. The College has also implemented an updated Equality & Diversity training programme which all staff have attended. Refresher training and training for new starters is carried out on an ongoing basis.

Disability statement

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

- a) As part of its accommodation strategy the College engaged with experts to conduct a full access audit, and the results of this formed the basis of funding capital projects aimed at improving access.
- b) The College has appointed an Additional Learning Support and Safeguarding Manager, who provides information, advice and arranges support, where necessary, for students with disabilities.
- c) There is a list of specialist equipment, such as radio aids, which the College can make available for use by students and a range of assistive technology is available in the learning centre.
- d) The admissions policy for all students is described in the College charter. Appeals against a decision not to offer a place are dealt with under the complaints policy.
- e) The College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of student support workers who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
- f) Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.
- g) Counselling and welfare services are described in the Prospectus and Information leaflets which are issued to students, together with the Complaints and Disciplinary Procedure leaflets at induction.

Disclosure of information to auditors

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

Approved by order of the members of the Corporation on 17 December 2018 and signed on its behalf by:



Tim Johnson
Chair of Governors

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 1 August 2017 to 31 July 2018 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”), and
- iii. having due regard to the UK Corporate Governance Code 2014 insofar as it is applicable to the further education sector.

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

In the opinion of the Governors, the Corporation complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2018. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted on 20 July 2015.

Statement of Corporate Governance and Internal Control (*Continued*)

The Corporation

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

	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance 2017/18
Mr T Johnson (Chair from 1/9/18)	21/7/14	31/03/22	-	LA Nominee	Remuneration, Search & Governance	9/14
Mr B Picken (Chair to 31 March 2018)	21/07/14	31/03/18	31/03/18	Independent	Remuneration, Search & Governance	8/9
Mr J Crockett (Vice Chair to 31/03/18; Chair from 01/04/18 to 31/8/18) Chair of the Audit Committee Chair of the Search and Governance Committee from 01/04/18 to 31/8/18	18/05/09	31/03/19	-	Independent	Audit, Remuneration, Search & Governance	13/16
Mrs A Newbold (Vice Chair from 23/07/18)	23/07/18	22/07/22	-	LA Nominee	Remuneration, Search & Governance	1/1
Dr I Gillis (Vice Chair from 01/04/18)	18/07/16	31/03/20	-	Independent	Remuneration, Search and Governance	10/11
Ms C Boliver (Principal to 28/02/18)	01/11/15	-	28/02/18	Principal	Search & Governance	6/7
Mr M Cowgill (Principal)	05/03/18	Tenure		Principal	Search & Governance	7/7
Mrs T Campbell	07/03/11	31/03/18	23/07/18	Independent	Audit	9/11
Ms N Chaudry	06/02/17	31/07/18	30/09/17	Student		0
Mr C Crosdale	23/05/11	31/03/19	-	Independent	Search & Governance	12/14

Statement of Corporate Governance and Internal Control (Continued)

	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance 2017/18
Mr J Dalhouse	01/04/15	31/03/19	31/12/18	Staff		9/9
Dr C Davison	22/07/13	31/03/21	-	Independent	Remuneration	9/9
Ms H Dearn	23/07/18	22/07/22	-	Business		0/1
Mr M Grayson	14/12/15	31/03/19	12/10/17	Independent		0
Mr M Hastings	23/07/18	22/07/22	-	Business	Audit	1/1
Mr C Horwath	18/4/18	31/3/22	-	Co-opted member of the Audit Committee	Audit	1/1
Ms S Kumari	22/10/18	31/7/19	-	Student		N/A
Ms A McKeever	23/07/18	22/07/22	-	LA Nominee		1/1
Mr S McKenna	16/10/17	31/07/18	31/07/18	Student		7/9
Ms S Middleton	23/07/18	22/07/22	20/09/18	Business		1/1
Mrs S Rhodes	19/06/17	31/03/21	-	Independent		6/9
Ms M Sangha	23/07/18	22/07/22	-	Business		0/1
Ms A Shannon	23/07/18	22/07/22	-	LA Nominee	Audit	1/1
Mr S Sharma	23/07/18	22/07/22	08/01/19	Business	Audit	1/1
Ms S Slater	28/01/19	27/01/23	-	Staff		N/A
Mr J Whale	10/04/17	31/03/21	11/06/18	Staff	Audit	9/10
Mr J White	16/10/17	31/07/18	31/07/18	Student		7/9
Ms I Woods	23/07/18	22/07/22	-	LA Nominee		1/1

Ms S Meddings acted as Clerk to the Board of Governors until 1 August 2018.

Mrs E Ball acted as interim Clerk to the Board of Governors from 25 June 2018 to 31 October 2018 and was appointed as the permanent Clerk on 1 November 2018.

Statement of Corporate Governance and Internal Control (*Continued*)

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 operates an approved schedule of regular meetings and conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees during 2017/18 were Audit, Remuneration and Search and Governance. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website www.wolvcoll.ac.uk or from the Clerk to the Corporation at:

City of Wolverhampton College
Paget Road
Wolverhampton
WV6 0DU

The Corporation adopted the Carver model of Governance with effect from August 2015 and the Audit, Remuneration and Search and Governance Committees have remained in place from that date.

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

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

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

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

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

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search and Governance Committee which is comprised of the Chair, Vice Chair, Accounting Officer and two Independent 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.

Statement of Corporate Governance and Internal Control (*Continued*)

Corporation performance

The Board of Governors reviewed its performance for 2017/18 at the Board meeting on 17 December 2018 taking into consideration the annual self-assessment of Governance, the College Self-Assessment Report, external assurances (ESFA, FE Commissioner, External and Internal Audit) and the College's Key Performance Indicators which are reported to each Board meeting. These indicators are derived from the College's Strategic Objectives and cover all aspects of the College's performance including teaching and learning, learner outcomes, learner satisfaction, employer engagement, partnerships, enrolments and financial indicators. The KPIs form a sound basis from which managers and Governors can monitor and judge performance and progress. The annual and three year targets are based on comparative data (where appropriate) and targets are set to be stretching, but achievable.

The Board was able to take considerable assurance that governance arrangements are robust and appropriately structured to support delivery of the strategic plan and continued improvements to the College.

Remuneration Committee

Throughout the year ending 31 July 2018 the College's Remuneration Committee comprised the Chair, Vice Chair, and three independent members of the Corporation. The Committee's responsibilities are to make recommendations to the Board on the remuneration and conditions of service of Senior Post Holders (including the Principal and Chief Executive who is the Accounting Officer) and the Clerk to the Corporation. Details of remuneration for the year ended 31 July 2018 are set out in note 8 to the financial statements.

Audit Committee

The Audit Committee comprises a Chair and three other members of the Corporation (excluding the Accounting Officer and Chair) and a co-optee. 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 Audit Service 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 the internal audit service and the financial statements auditors and their remuneration for audit and non-audit work as well as reporting annually to the Corporation.

Internal control

Scope of responsibility

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

Statement of Corporate Governance and Internal Control (*Continued*)

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 him in the Financial Memorandum between City of Wolverhampton College and the funding bodies. He is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place within City of Wolverhampton College for the year ended 31 July 2018 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2018 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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

- comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the governing body
- regular reviews by the governing body of periodic and annual financial reports which indicate financial performance against forecasts
- setting targets to measure financial and other performance
- clearly defined capital investment control guidelines
- the adoption of formal project management disciplines, where appropriate

City of Wolverhampton College has an internal audit service, which operates in accordance with the requirements of the ESFA's *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 minimum, annually, the Head of Internal Audit (HIA) provides the governing body with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Statement of Corporate Governance and Internal Control (*Continued*)

Review of effectiveness

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

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

The Accounting Officer has been advised on the implications of the result of 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 Executive Management Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Executive 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 an annual item for consideration of risk and control and receives reports thereon from the Executive Management Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2018 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2018 by considering documentation from the Executive Management Team and internal audit, and taking account of events since 31 July 2017.

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

Going concern

The College breached its borrowing covenants with Barclays Bank plc during the year and as a result long term loans were reclassified as short term in these financial statements. Barclays Bank plc have confirmed their continued support to the College and will be agreeing a revised covenant position during the current financial year. After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 17 December 2018 and signed on its behalf by:



Tim Johnson
Chair of Governors



Malcolm Cowgill
Accounting Officer

Governing Body's Statement on the College's Regularity, Propriety and Compliance with Funding Body Terms and Conditions of Funding

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

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 Education and Skills Funding Agency's terms and conditions of funding under the College's grant funding agreement and contracts with the Education and Skills Funding Agency.

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



Tim Johnson
Chair of Governors
5 February 2019



Malcolm Cowgill
Accounting Officer
5 February 2019

Statement of Responsibilities of the Members of the Corporation

The members of the Corporation (who act as trustees for the charitable activities of the College) are required to present audited financial statements for each financial year.

The law applicable to charities in England and the terms and conditions of the Financial Memorandum between the Education and Skills Funding Agency and the Corporation of the College, requires the Corporation of the College to prepare financial statements and the Report of the Governing Body for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions the annual Accounts Direction issued by the Education and Skills Funding Agency, and applicable United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and which give a true and fair view of the state of affairs of the College and of the College's surplus/deficit of income over expenditure for that period.

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

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

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

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

Members of the Corporation are responsible for ensuring that funds from the Education and Skills Funding Agency are used only in accordance with the authorities that govern them as defined by and in accordance with Further & Higher Education Act 1992, subsequent legislation and related regulations and the Financial Memorandum with the Education and Skills Funding Agency and any other conditions that may be prescribed from time to time.

Approved by order of the members of the Corporation on 17 December 2018 and signed on its behalf by:



Tim Johnson
Chair of Governors

Independent Auditor's Report to the Corporation of City of Wolverhampton College

Opinion

We have audited the financial statements of City of Wolverhampton College (the "College") for the year ended 31 July 2018 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Reserves, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the Report and Financial Statements other than the financial statements and our auditor's report thereon. The governors are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Independent Auditor's Report to the Corporation of City of Wolverhampton College (Continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice 2017 to 2018 issued by the Department for Education requires us to report to you if, in our opinion:

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

Responsibilities of the Corporation of City of Wolverhampton College

As explained more fully in the Statement of the Corporation's Responsibilities set out on page 25, the Corporation is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

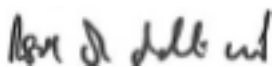
Auditor's responsibilities for the audit of the financial statements

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

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

Use of Our Report

This report is made solely to the Corporation, as a body, in accordance with the Funding Agreement published by the Education and Skills Funding Agency and our engagement letter dated 3 October 2017. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are required under our engagement letter dated 3 October 2017 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 Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.



RSM UK AUDIT LLP

Chartered Accountants
St Philips Point
Temple Row
Birmingham
B2 5AF

Date: 12 February 2019

Independent Reporting Accountant's Report on Regularity to the Corporation of City of Wolverhampton College and the Secretary of State for Education Acting Through the Education and Skills Funding Agency

Conclusion

We have carried out an engagement, in accordance with the terms of our engagement letter dated 3 October 2017 and further to the requirements of the grant funding agreements and contracts with the Education and Skills Funding Agency (the "ESFA"), to obtain limited assurance about whether the expenditure disbursed and income received by City of Wolverhampton College during the period 1 August 2017 to 31 July 2018 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them. In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2017 to 31 July 2018 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Basis for conclusion

The framework that has been applied is set out in the Post-16 Audit Code of Practice (the "ACoP") 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.

We are independent of City of Wolverhampton College in accordance with the ethical requirements that are applicable to this engagement and we have fulfilled our ethical requirements in accordance with these requirements. We believe the assurance evidence we have obtained is sufficient to provide a basis for our conclusion.

Responsibilities of Corporation of City of Wolverhampton College for regularity

The Corporation of City of Wolverhampton College is responsible, under the grant funding agreements and contracts with the ESFA and 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. The corporation of City of Wolverhampton College is also responsible for preparing the Governing Body's Statement of Regularity, Propriety and Compliance.

Reporting accountant's responsibilities for reporting on regularity

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 ACoP.

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 the procedures performed vary in nature and timing from, and are less in extent than for a reasonable assurance engagement; consequently, a limited assurance engagement 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.

Independent Reporting Accountant's Report on Regularity to the Corporation of City of Wolverhampton College and the Secretary of State for Education Acting Through the Department for Education (*Continued*)

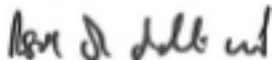
We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2017 to 31 July 2018 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities including the specific requirements of the grant funding agreements and contracts with the ESFA and high level financial control areas where we identified a material irregularity is likely to arise. We undertook detailed testing, on a sample basis, on the identified areas where a material irregularity is likely to arise where such areas are in respect of controls, policies and procedures that apply to classes of transactions.

This work was integrated with our audit of the financial statements and evidence was also derived from the conduct of that audit to the extent it supports the regularity conclusion.

Use of our report

This report is made solely to the Corporation of City of Wolverhampton College and the Secretary of State for Education acting through 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 City of Wolverhampton College and the Secretary of State for Education acting through 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 City of Wolverhampton College and the Secretary of State for Education acting through the ESFA for our work, for this report, or for the conclusion we have formed.



RSM UK AUDIT LLP
Chartered Accountants
St Philips Point
Temple Row
Birmingham
B2 5AF

Date: 12 February 2019

Statement of Comprehensive Income

	Notes	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
INCOME			
Funding body grants	2	24,433	20,733
Tuition fees and education contracts	3	2,642	2,990
Other grants and contracts	4	150	103
Other income	5	2,370	1,928
Investment income	6	2	1
Donations	7	-	-
Total income		29,597	25,755
EXPENDITURE			
Staff costs	8	17,909	16,201
Other operating expenses	9	8,159	7,185
Depreciation	12	1,695	1,703
Interest and other finance costs	10	1,422	1,489
Total expenditure		29,185	26,578
Surplus / (deficit) before other gains and losses		412	(823)
Profit on disposal of assets	9	-	17
Surplus / (deficit) before tax		412	(806)
Taxation	11	-	-
Surplus / (deficit) for the year		412	(806)
Actuarial gain in respect of pensions schemes	17,23	4,781	6,163
Total Comprehensive Income for the year		5,193	5,357

The income and expenditure account is in respect of continuing activities.

Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Balance at 1 August 2016	(28,449)	6,156	(22,293)
Deficit for the year	(806)	-	(806)
Other comprehensive income	6,163	-	6,163
Transfers between revaluation and income and expenditure reserves	187	(187)	-
Total comprehensive Income for the year	5,544	(187)	5,357
Balance at 31 July 2017	(22,905)	5,969	(16,936)
Surplus for the year	412	-	412
Other comprehensive income	4,781	-	4,781
Transfers between revaluation and income and expenditure reserves	187	(187)	-
Total comprehensive income for the year	5,380	(187)	5,193
Balance at 31 July 2018	(17,525)	5,782	(11,743)

Balance sheet as at 31 July

	Notes	2018 £'000	2017 £'000
Fixed assets			
Tangible fixed assets	12	34,870	35,951
		34,870	35,951
Current assets			
Stocks		16	18
Debtors	13	1,773	1,403
Cash at bank and in hand	19	1,158	527
		2,947	1,948
Less: Creditors – amounts falling due within one year	14	(13,374)	(4,838)
Net current liabilities		(10,427)	(2,890)
Total assets less current liabilities			
		24,433	33,061
Creditors – amounts falling due after more than one year	15	(14,133)	(24,192)
Provisions			
Defined benefit pension schemes	17	(18,286)	(23,107)
Other provisions	17	(3,767)	(2,698)
Total net liabilities		(11,743)	(16,936)
Reserves			
Income and expenditure account (including pension scheme deficit of (£18,286k) (2017: (£23,107k)))		(17,525)	(22,905)
Revaluation reserve		5,782	5,969
Total reserves		(11,743)	(16,936)

The financial statements on pages 30 to 54 were approved and authorised for issue by the Corporation on 17 December 2018 and were signed on its behalf on that date by:



Tim Johnson
Chair of Governors
5 February 2019



Malcolm Cowgill
Accounting Officer
5 February 2019

Statement of Cash Flows

	Notes	2018 £'000	2017 £'000
Cash flow from operating activities			
Surplus / (deficit) for the year		412	(806)
Adjustment for non-cash items			
Depreciation		1,695	1,703
Deferred capital grants released to income		(329)	(334)
Decrease in stocks		2	6
(Increase) / decrease in debtors		(370)	432
(Decrease) in payments on account		(536)	(159)
Increase / (decrease) in creditors due in one year		141	(821)
Increase in creditors due after one year		-	721
Decrease in accruals		278	66
(Decrease) in provisions		(259)	(163)
Pensions adjustments		592	(528)
Write off of ESFA loan		(1,000)	-
Adjustment for investing or financing activities			
Investment income		(2)	(1)
Interest payable		1,422	1,489
Profit on sale of fixed assets		-	(17)
Net cash flow from operating activities		2,046	1,588
Cash flows from investing activities			
Proceeds from sale of fixed assets		-	17
Investment income		2	1
Deferred capital grants received		-	-
Payments made to acquire fixed assets		(598)	(680)
		(596)	(662)
Cash flows from financing activities			
Interest paid		(726)	(758)
New loans		500	1,000
Repayments of amounts borrowed		(593)	(526)
		(819)	(284)
Increase in cash and cash equivalents in the year		631	642
Cash and cash equivalents at beginning of the year	19	527	(115)
Cash and cash equivalents at end of the year	19	1,158	527

Notes to the Accounts

1. Accounting policies

General information

City of Wolverhampton College is a corporation established under the Further and Higher Education Act 1992 as an English general college of further education. The address of the College's principal place of business is given on page 20. The nature of the College's operations are set out in the Report of the Governing Body.

Basis of accounting

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (the 2015 FE HE SORP), the College Accounts Direction for 2017 to 2018 and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102) under the historical cost convention modified to include the revaluation of freehold properties. The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

The financial statements are presented in sterling which is also the functional currency of the College.

Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

Going concern

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

At 31 July 2018 the College had £10.654 million of loans outstanding (2017: £11.067 million) with bankers on terms negotiated in 2007 and 2009/10. The terms of the agreement are for up to 25 years. On 29 March 2018 the College entered agreements with the Transaction Unit, Barclays, the West Midlands Pension Fund and City of Wolverhampton Council in order to refinance the organisation. As a part of these agreements two components of the College's commercial debt due to be repaid in July 2020 will be settled in March 2019 with support from the Transaction Unit.

The College breached its borrowing covenants with Barclays Bank plc during the year and as a result long term loans were reclassified as short term in these financial statements. Barclays Bank plc have confirmed their continued support to the College and will be agreeing a revised covenant position during the current financial year. The College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

Notes to the Accounts (*Continued*)

Recognition of income

Revenue grant funding

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

Long funded and ESFA funding for co-investment model apprenticeships income is measured in line with best estimates of the provision delivered in year.

The recurrent grant from HEFCE (Office for Students from 1 April 2018) represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

Where part of a government grant is deferred, the deferred element is recognised as deferred income within creditors and allocated between creditors due within one year and creditors due after more than one year as appropriate.

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

Capital grant funding

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

Fee income

Income from tuition fees including employer funding for co-investment funded apprenticeships is stated gross of any expenditure which is not a discount and is recognised in the period for which it is received.

Investment income

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

Agency arrangements

The College acts as an agent in the collection and payment of certain 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.

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.

Notes to the Accounts (*Continued*)

Teachers' Pension Scheme (TPS)

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

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

West Midlands Local Government Pension Scheme (LGPS)

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

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

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

Short term employment benefits

Short term employment benefits such as salaries and compensated absences (holiday pay) are recognised as an expense in the year in which the employees render service to the College. The cost of any unused holiday entitlement the College expects to pay in future periods is recognised in the period the employees' services are rendered.

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 comprehensive income in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the funding bodies.

Notes to the Accounts (*Continued*)

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Land and buildings

Land and buildings are stated at cost (or deemed cost for land and buildings held at valuation at the date of transition to FRS 102) less accumulated depreciation and accumulated impairment losses.

Properties under construction

Properties in the course of construction are accounted for at cost less any identified impairment loss. Cost includes professional fees and other directly attributable costs that are necessary to bring the property to operating condition. They are not depreciated until they are brought into use.

Equipment

Equipment costing less than £1,000 per individual item or set of items acquired together is recognised as expenditure in the period of acquisition. All other equipment is capitalised and recognised at cost less accumulated depreciation and accumulated impairment losses.

Depreciation and residual values

Freehold land is not depreciated. Depreciation on other assets is calculated, using the straight line basis, to write off the cost of each asset to its estimated residual value over its expected useful lives, as follows:

- Freehold buildings - 50 years
- Major adaptations to buildings - 10 years
- Motor vehicles - 3 years
- Other equipment - 5 years
- Computer equipment - 4 years
- Plant and machinery - 20 years

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

Subsequent costs, including replacement parts, are only capitalised when it is probable that such costs will generate future economic benefits. Any replaced parts are then derecognised. All other costs of repairs and maintenance are expenses as incurred.

Notes to the Accounts (*Continued*)

Impairments of fixed assets

An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, an estimate is made of the recoverable amount of the asset.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use, are recognised as impairment losses. Impairment of revalued assets, are treated as a revaluation loss. All other impairment losses are recognised in comprehensive income.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in comprehensive income or, for revalued assets, as a revaluation gain. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

Borrowing costs

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

Leased assets

Operating leases

All leases are operating leases and annual rents are charged to comprehensive income on a straight line basis over the lease term.

Stock

Stock is valued at the lower of cost and estimated selling price less costs to complete and sell. Where necessary, provision is made for obsolete, slow-moving and defective items.

Financial instruments

The College has chosen to adopt Sections 11 and 12 of FRS 102 in full in respect of financial instruments.

Financial assets and liabilities

Financial assets and financial liabilities are recognised when the College becomes a party to the contractual provisions of the instrument.

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 financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets measured at fair value through the profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. A financial asset or financial liability that is payable or receivable in one year is measured at the undiscounted amount expected to be received or paid net of impairment, unless it is a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Notes to the Accounts (*Continued*)

Financial assets and financial liabilities are offset only when there is a current legally enforceable right to set off the recognised amounts and the intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

De-recognition of financial assets and liabilities

A financial asset is de-recognised only when the contractual rights to cash flows expire or are settled, substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is de-recognised when the obligation specified in the contract is discharged, cancelled or expires.

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 around 5% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

Provisions and contingent liabilities

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

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 that reflects the risks specific to the liability. 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 reliably measured

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 distributing Bursary funds from the funding bodies. Payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the College where the College does not have control of the economic benefit related to the transaction.

Notes to the Accounts (*Continued*)

Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical areas of judgement

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.

Critical accounting estimates and assumptions

Tangible fixed assets

Tangible fixed assets 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, maintenance programmes, economic utilisation and physical condition of the assets are taken into account. Residual value assessments consider issues such as future market conditions and the remaining life of the asset.

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 23, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2018. 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.

Impairment of fixed assets

The College considers whether tangible fixed assets are impaired. Where an indication of impairment is identified the estimation of the recoverable amount of the asset or the recoverable amount of the cash-generating unit is required. These will require an estimation of the future cash flows and selection of an appropriate discount rate in order to calculate the net present value of those cash flows.

Notes to the Accounts (Continued)

2 Funding body grants

	2018	2017
	£'000	£'000
Recurrent grants		
Education and Skills Funding Agency - Adult	5,618	5,771
Education and Skills Funding Agency - Apprenticeships	3,137	2,476
Education and Skills Funding Agency - 16-18	11,168	11,395
Higher Education Funding Council	259	260
Specific grants		
Education and Skills Funding Agency	4,019	594
Releases of funding body capital grants	232	237
Total	24,433	20,733

3 Tuition fees and education contracts

	2018	2017
	£'000	£'000
Adult education fees	553	567
Apprenticeship fees and contracts	43	106
Fees for FE loan supported courses	800	951
Fees for HE loan supported courses	768	873
Total tuition fees	2,164	2,497
Education contracts	478	493
Total	2,642	2,990

4 Other grants and contracts

	2018	2017
	£'000	£'000
Erasmus	150	103
Total	150	103

5 Other income

	2018	2017
	£'000	£'000
Catering and residences	213	235
Other income generating activities	2,060	1,596
Release of non-funding body grants	97	97
Total	2,370	1,928

Notes to the Accounts (Continued)

6 Investment income

	2018	2017
	£'000	£'000
Other interest receivable	2	1
Total	2	1

7 Donations

	2018	2017
	£'000	£'000
Unrestricted donations	-	-
Total	-	-

8 Staff costs

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

	2018	2017
	No.	No.
Teaching staff	219	219
Non-teaching staff	219	212
	438	431

Staff costs for the above persons

Wages and salaries	13,286	12,560
Social security costs	1,231	1,164
Other pension costs	3,224	2,467
Payroll sub total	17,741	16,191
Restructuring costs – Contractual	168	10
Total Staff costs	17,909	16,201

Notes to the Accounts (*Continued*) Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and were represented by the College Leadership Team.

In 2016/17 this comprised the Principal, Vice Principal of Finance & Estates and Vice Principal of Curriculum and Quality.

There have been a number of changes in personnel during 2017/18, including a change in Principal. Key management personnel now includes the Principal, Vice Principal Business Success, Vice Principal Student Success, Assistant Principal Student Engagement and Assistant Principal People Engagement.

Staff costs include compensation paid to key management personnel for loss of office (£nil).

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

	2018	2017
	No.	No.
The number of key management personnel including the Accounting Officer was:*	7	3

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

	Key management personnel*		Other staff	
	2018	2017	2018	2017
	No.	No.	No.	No.
£60,001 to £70,000 p.a.	2	-	2	3
£70,001 to £80,000 p.a.	1	2	-	-
£80,001 to £90,000 p.a.	2	-	-	-
£130,001 to £140,000 p.a.	1	1	-	-
£160,001 to £170,000 p.a.	1	-	-	-
	<u>7</u>	<u>3</u>	<u>2</u>	<u>3</u>

*During the 2017/18 year there were 2 leavers and 3 joiners within key management personnel. The bandings above include the annualised emoluments of all leavers and joiners

Key management personnel compensation is made up as follows:

	2018	2017
	£'000	£'000
Salaries	436	284
Employer's National Insurance	55	36
Benefits in kind	-	-
	<u>491</u>	<u>320</u>
Pension contributions	60	44
Total key management personnel compensation	<u><u>551</u></u>	<u><u>364</u></u>

Notes to the Accounts (*Continued*)

Accounting Officer

During the 2016/17 year, salary of £2k was sacrificed by the Accounting Officer in lieu of additional annual leave. Other than this, there were no amounts due to key management personnel that were waived in the year, nor any salary sacrifice arrangements in place.

The above compensation includes amounts payable (net of salary sacrificed) to the Accounting Officer (who is also the highest paid of key management personnel) of:

C Boliver (resigned 28 February 2018)

	2018	2017
	£'000	£'000
Salaries	82	129
Benefits in kind	-	-
	<hr/>	<hr/>
	82	129
Pension contributions	13	21
	<hr/>	<hr/>
Total	95	150
	<hr/> <hr/>	<hr/> <hr/>

M Cowgill (appointed 5 March 2018)

Salaries	68	-
Benefits in kind	-	-
	<hr/>	<hr/>
	68	-
Pension contributions	-	-
	<hr/>	<hr/>
Total	68	-
	<hr/> <hr/>	<hr/> <hr/>

Governors' remuneration

The Accounting Officer and the staff members only receive remuneration in respect of services they provide undertaking their role of Principal and staff members under contracts of employment and not in respect of their roles as governors. The other members of the Corporation did not receive any payments from the College in respect of their roles as governors.

The total expenses paid to or on behalf of the Governors during the year was £678; 6 governors (2017: £598; 5 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

Notes to the Accounts (Continued)

9 Other operating expenses

	2018	2017
	£'000	£'000
Teaching costs	1,527	1,120
Non-teaching costs	4,549	4,176
Premises costs	2,083	1,889
Total	8,159	7,185

Surplus / (deficit) before taxation stated after charging:

	2018	2017
	£'000	£'000
Auditors' remuneration:		
Financial statements audit	30	32
Internal audit	19	16
Profit on disposal of fixed assets	-	(17)
Hire of assets under operating leases	188	193

10 Interest and other finance costs

	2018	2017
	£'000	£'000
On bank loans, overdrafts and other loans	726	759
Pension finance costs (note 17, 23)	696	730
Total	1,422	1,489

11 Taxation

	2018	2017
	£'000	£'000
United Kingdom corporation tax	-	-
Total	-	-

Notes to the Accounts (Continued)

12 Tangible fixed assets

	Land and buildings		Equipment	Total
	Freehold	Long leasehold		
	£'000	£'000	£'000	£'000
Cost or deemed cost				
At 1 August 2017	40,973	7,639	11,944	60,556
Additions	289	-	325	614
At 31 July 2018	41,262	7,639	12,269	61,170
Depreciation				
At 1 August 2017	11,998	2,179	10,428	24,605
Charge for the year	1,018	147	530	1,695
At 31 July 2018	13,016	2,326	10,958	26,300
Net book value at 31 July 2018	28,246	5,313	1,311	34,870
Net book value at 31 July 2017	28,975	5,460	1,516	35,951

If inherited land and buildings had not been revalued before being deemed as cost on transition they would have been included at the following historical cost amounts:

	£'000
Cost	Nil
Aggregate depreciation based on cost	Nil
Net book value based on cost	Nil

13 Debtors

	2018	2017
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	1,150	936
Other debtors	24	38
Prepayments and accrued income	275	244
Amounts owed by the ESFA	324	185
Total	1,773	1,403

Notes to the Accounts (Continued)

14 Creditors: amounts falling due within one year

	2018	2017
	£'000	£'000
Bank loans and overdrafts	10,654	413
Other loans	105	1,690
Trade creditors	613	455
Other taxation and social security	337	354
Accruals and deferred income	1,336	1,514
Government capital grants	329	348
Amounts owed to the ESFA	-	64
Total	13,374	4,838

15 Creditors: amounts falling due after one year

	2018	2017
	£'000	£'000
Bank loans	0	10,654
Other loans	6,272	5,367
Government capital grants	7,861	8,171
Total	14,133	24,192

16 Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	2018	2017
	£'000	£'000
In one year or less*	10,654	413
Between one and two years	0	436
Between two and five years	0	1,577
In five years or more	0	8,641
Total	10,654	11,067

*The College breached its borrowing covenants with Barclays Bank plc during the year and as a result long term loans have been reclassified as short term in the financial statements.

Notes to the Accounts (Continued)

A loan totalling £12.42m from Barclays Bank was obtained from December 2007, repayable by instalments over 25 years and was set at a fixed rate of interest of 5.84% for 75% of the loan. An additional loan totalling £1.2m was added to the original value during 2009/10. During the year 2009/10 the remaining 25% of the original loan and the new loan of £1.2m have been fixed for a 10-year period at a rate of 5.05% and 5.30% respectively. During 2010/11, there was an increase in margin from 0.30% to 1.35% on the 75% of the loan resulting in an interest rate of 6.89%, and a margin increase from 1.25% to 1.35% on the 25% of the loan, resulting in an interest rate of 5.15%. In 2017/18 two components of the College's commercial debt were re-structured, bringing forward termination dates on loans totalling £3,083k at the balance sheet date forward from July 2020 to February 2019. An agreement is in place with the Transaction Unit to provide a contribution towards the settlement of this debt.

These loans are secured against the Wellington Road, Paget Road and Metro One buildings of the College.

(b) Other loans

Other loans are repayable as follows:

	2018	2017
	£'000	£'000
In one year or less	105	1,690
Between one and two years	32	-
Between two and five years	1,049	5,367
In five years or more	5,191	-
Total	6,377	7,057

There is an inter creditor agreement between Barclays and the Secretary of State for Education relating to loans included above of £6.25m which are also subject to a second charge on Wellington Road. This debt was restructured during 2017/18 to include repayment terms within 10 years from 29 March 2018 and variable interest determined by the Public Works Loan Board Standard 1 Year Fixed Interest Rate each April. The interest rate is currently 1.67%.

17 Provisions

	Defined benefit obligations	Enhanced pensions	Total
	£'000	£'000	£'000
At 1 August 2017	23,107	2,698	25,805
Payments made in the period	(1,576)	(259)	(1,835)
Actuarial gains / (losses)	(6,016)	1,235	(4,781)
Interest	603	93	696
Current service cost	2,143	-	2,143
Administrative charges	25	-	25
At 31 July 2018	18,286	3,767	22,053

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

The enhanced pension provision relates to the cost of staff that have already left the College's employ and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date. This provision has been recalculated in accordance with guidance issued by the funding bodies and includes an actuarial loss for the year.

Notes to the Accounts (Continued)

The principal assumptions for this calculation are:

	2018	2017
Price inflation	1.3%	1.3%
Discount rate	2.3%	2.3%

18 Financial instruments

The College has the following financial instruments:

	2018 £'000	2017 £'000
Financial assets		
Debt instruments measured at amortised cost	1,498	1,159
	<u>1,498</u>	<u>1,159</u>
Financial liabilities		
Financial liabilities measured at amortised cost	18,980	20,153
	<u>18,980</u>	<u>20,153</u>

19 Cash and cash equivalents

	2018 £'000	2017 £'000
Cash at bank and in hand	1,158	527
Overdrafts	-	-
Total cash and cash equivalents	<u>1,158</u>	<u>527</u>

20 Capital and other commitments

	2018 £'000	2017 £'000
Commitments contracted for at 31 July	-	263

Notes to the Accounts (Continued)

21 Commitments under operating leases

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2018 £'000	2017 £'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	81	92
Later than one year and not later than five years	81	309
Later than five years	-	73
	<u>162</u>	<u>474</u>
Other		
Not later than one year	95	72
Later than one year and not later than five years	104	114
Later than five years	-	-
	<u>199</u>	<u>186</u>

22 Contingent liabilities

The College has no contingent liabilities as at 31st July 2018 (2017: *£nil*).

23 Retirement benefits

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 Wolverhampton Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by West Midlands Pension Fund. Both are multi-employer defined-benefit plans.

	2018 £'000	2017 £'000
Total pension cost for the year		
Teachers' Pension Scheme: contributions paid	1,056	1,047
Local Government Pension Scheme:		
Contributions paid	1,576	1,948
FRS 102 (28) charge	592	(528)
Charge to the Statement of Comprehensive Income	<u>2,168</u>	<u>1,420</u>
Total Pension Cost for Year within staff costs	<u><u>3,224</u></u>	<u><u>2,467</u></u>

Notes to the Accounts (*Continued*)

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 2016.

Contributions amounting to £245,986 (2017: £228,535) were payable to the scheme at 31st July 2018 and are included within creditors.

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. 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.

Valuation of the Teachers' Pension Scheme

Not less than every four years the Government Actuary ("GA"), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation was carried out as at 31 March 2012 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014.

The valuation report was published in June 2014. The key results of the valuation and subsequent consultation are:

- Total scheme liabilities for service (pensions currently payable and the estimated cost of future benefits) of £191.5 billion
- Value of notional assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) of £176.6 billion
- Notional past service deficit of £14.9 billion
- Assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings
- Rate of real earnings growth is assumed to be 2.75%
- Assumed nominal rate of return is 5.06%

The TPS valuation for 2012 determined an employer rate of 16.48% (including a 0.08% administration fees), which was payable from September 2015. The next valuation of the TPS is currently underway based on March 2017 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The pension costs paid to TPS in the year amounted to £1,055,102 (2017: £1,022,678).

The TPS is a multi-employer pension plan and there is insufficient information to account for the scheme on as a defined benefit plan so it is accounted for as a defined contribution plan.

Local Government Pension Scheme

The LGPS is a funded defined benefit plan, with the assets held in separate funds administered by Wolverhampton Local Authority. The total contributions made for the year ended 31 July 2018 were £1,934,193 (2017: £2,258,061), of which employer's contributions totalled £1,577,102 (2017: £1,947,888) and employees' contributions totalled £357,092 (2017: £310,173). The agreed contribution rates for future years are 17.3%, rising to 19.2% from April 2019, for employers and range from 5.5% to 12.5% for employees, depending on salary.

Notes to the Accounts (*Continued*)

Principal Actuarial Assumptions

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

	At 31 July 2018	At 31 July 2017
Rate of increase in salaries	2.35%	4.20%
Future pensions increases	2.35%	2.70%
Discount rate for scheme liabilities	2.65%	2.70%
Inflation assumption (CPI)	2.35%	2.70%

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

	At 31 July 2018 years	At 31 July 2017 years
Retiring today		
Males	21.9	21.8
Females	24.4	24.3
Retiring in 20 years		
Males	24.1	23.9
Females	26.7	26.6

	Fair Value at 31 July 2018 £'000	Fair Value at 31 July 2017 £'000
Equity instruments	37,888	35,729
Bonds	6,524	6,307
Property	4,859	4,129
Cash	2,245	2,809
Other Assets	8,359	7,501
Total fair value of plan assets	59,875	56,475
Actual return on plan assets	2,802	8,077

The amount included in the Balance Sheet in respect of the defined benefit pension plan is as follows:

	2018 £'000	2017 £'000
Fair value of plan assets	59,875	56,475
Present value of plan liabilities	(78,161)	(79,582)
Net pensions (liability) (Note 17)	(18,286)	(23,107)

Notes to the Accounts (Continued)

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

	2018	2017
	£'000	£'000
Amounts included in staff costs		
Current service cost	2,143	1,400
Administration expenses	25	20
Total	2,168	1,420
Amounts included in investment (expense)		
Net interest on the net defined benefit pension liability	(603)	(730)
	(603)	(730)
Amount recognised in Other Comprehensive Income		
Return on pension plan assets	1,269	6,904
Changes in assumptions underlying the present value of plan liabilities	4,747	(758)
Amount recognised in Other Comprehensive Income	6,016	6,146

Movement in net defined benefit (liability) during year

	2018	2017
	£'000	£'000
Net defined benefit (liability) in scheme at 1 August	(23,107)	(29,051)
Movement in year:		
Current service cost	(2,143)	(1,400)
Employer contributions	1,576	1,948
Net interest on the defined (liability)/asset	(603)	(730)
Actuarial gain	6,016	6,146
Administration expenses	(25)	(20)
Net defined benefit (liability) at 31 July	(18,286)	(23,107)

Notes to the Accounts (*Continued*)

Asset and Liability Reconciliation

	2018	2017
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	79,582	73,815
Current service cost	2,143	1,400
Interest cost	2,136	1,903
Contributions by Scheme participants	354	307
Changes in financial assumptions	(4,747)	7,941
Changes in demographic assumptions	-	(2,347)
Experience gain on defined benefit obligation	-	(1,860)
Estimated benefits paid	(1,307)	(1,577)
Defined benefit obligations at end of period	78,161	79,582
Changes in fair value of plan assets		
Fair value of plan assets at start of period	56,475	44,764
Interest on plan assets	1,533	1,173
Return on plan assets (excluding net interest on the net defined benefit liability)	1,269	6,904
Other actuarial gains	-	2,976
Employer contributions	1,576	1,948
Contributions by Scheme participants	354	307
Estimated benefits paid	(1,307)	(1,577)
Administration Expenses	(25)	(20)
Fair value of plan assets at end of period	59,875	56,475

24 Related party transactions

The following governors are also employees of City of Wolverhampton Council.

Mr T Johnson	Managing Director	Appointed 21/7/14 (Chair from 1/9/18)
Mrs A Newbold	Head of School Improvement	Appointed 23/07/18 (Vice Chair from 23/07/18)
Ms A McKeever	Head of Skills	Appointed 23/07/18
Ms A Shannon	Chief Accountant	Appointed 23/07/18
Ms I Woods	Head of Enterprise	Appointed 23/07/18

During the year transactions with City of Wolverhampton Council included purchases totalling £57,766 and sales totalling £456,358. At the year-end balances on the sales ledger totalled £174,924 of which a provision for subsequent credit notes totalled £102,666. Balances on the purchase ledger at 31 July 2018 totalled £152.