CITY OF
WOLVERHAMPTON
COLLEGE

Report and Financial Statements

Year Ended 31 July 2019

Key Management Personnel, Board of Governors and Professional Advisers

Key management personnel

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

Malcolm Cowgill –Principal and CEO; Accounting Officer
Ian Browne – Vice Principal Student Success
Peter Merry - Vice Principal Business Success
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 19 to 21 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

NATURE, OBJECTIVES AND STRATEGIES

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

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting 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. This was further refreshed during 2018/19.

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, Campus Transformation, Information Technology Strategy and Information Services Strategy

People Engagement incorporates Culture, Change and Wellbeing, People Development, Health, Safety and Environment, Reward & Recognition.

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 19 to 21.

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 Barclays Bank, 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 2019further reflects efforts to improve financial health with the ultimate objective being for the FNTI to be 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 financial plan.

Student and employer satisfaction levels are very high. 94.1% of students would recommend the College to a friend, improved from 92% in 2017/18 and 92% of Apprentices would recommend their framework or standard in comparison to 89% last year.

Report of the Governing Body *(Continued)*

Results from the 2018/19 ESFA Learner Satisfaction survey gave the College a score of 84.4%, which is consistent with 84.3% in 2017/18. Overall the College ranked 17th out of 167 General FE and Tertiary Colleges which is a significant improvement to 2017/18 (48th out of 170), placing the College in the top 10% of providers.

Results from the 2018/19 ESFA Employer Satisfaction survey gave the College a score of 92.1%, which was an increase of 0.5% compared to 2017/18 and enough to secure 28th out of 170 General FE and Tertiary Colleges.

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

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

	2018/19		2017/18	
	Contract £'000	**Actual £'000**	**Contract £'000**	**Actual £'000**
16-18 (and 19-24 High Needs)	10,781*	11,048	10,419	10,620
Adult Education Budget	5,884	5,826	5,926	5,749

  **Original contract value as included in the College's budget*

- **Learner Success Rates**

  The College Achievement Rates for 2018/19 are 87%, another improvement over the 86% reported in 2017/18 and 3.5% above the national average.

- **Develop a Highly Engaged and Skilled Workforce**

  In 2018/19 staff turnover was 15.5%, below the College's benchmark of 16% (a 4% reduction on the previous year) and annualised sickness absence was 2.56% against an annual target of 3%.

- **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 above.

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 **£444,000** *(2018: £412,000)* before Revaluation Reserve release of **£187,000**, with total comprehensive income of **(£2,849,000)** (deficit) *(2018: £5,193,000 surplus)*.

	2018/19	2017/18
	£'000	£'000
Surplus / (deficit) on continuing operations after depreciation of assets at valuation and tax	444	412
Revaluation reserve release	187	187
FRS 102 (28) pension adjustments	1,887	1,195
Profit on disposal	-	-
Restructuring Costs	133	168
Historical cost surplus / (deficit) before FRS 102 adjustments and restructuring costs	**2,651**	1,962

As shown above, the College returned a historic cost surplus of £2,651,000 *(2018: £1,962,000)* which is a second successive considerable increase. This has been subsidised by Education and Skills Funding Agency specific grants arising through the agreements completed with the Transaction Unit in March 2018.

Within 2018/19, the College incurred staffing restructuring costs of £133k *(2018: £168k)* relating to a total of 19 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 October 2019. This resulted in an additional charge to the Statement of Comprehensive Income of £1,887k and actuarial losses of £2,806k, whilst the Balance Sheet net liability increased by £4.693m from £18.286m to £22.979m.

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, aimed 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

The College has retained the Restructuring Fund Loan on the balance sheet at the same level as in 2017/18 at £6.25m in accordance with the agreed repayment schedule. This debt now accrues interest at the 1 year fixed Public Loan Works Board rate. In the year, the College drew an additional £2.8m of Restructuring Fund Grant, all of which was directed to the repayment of commercial debt.

At the balance sheet date, the College has accumulated reserves of (£14.592m) *(2018: (£11.743m))* and cash and short term investment balances of £1,150k *(2018: £1,158k)*. The College wishes to accumulate reserves and cash balances in order to create a contingency fund. The current ratio of 0.27 *(2018: 0.22)* 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 0.93.

Tangible fixed asset additions during the year amounted to £181k *(2018: £614k)*. This was split between land and buildings acquired of £25k *(2018: £289k)* and equipment purchased of £156k *(2018: £325k)*. This related to a wide range of small projects whilst the overall Campus Transformation ambitions are progressed. The College is working closely in partnership with colleagues at Wolverhampton City Council to deliver the vision for the City Learning Quarter. A full funding submission was made to the Black Country LEP in June 2019 to facilitate this initiative with the outcome expected early in 2020.

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 ESFA as a function of the Transaction Unit agreement. In 2018/19 FE funding bodies provided 84.7% of the College's total income *(2017: 82.6%)*.

The College's financial result has been benefitted from 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. This reflected the final funding received from the ESFA as a part of the agreement which facilitated a contribution towards the significant pay down of commercial debt in the period.

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% and from April 2019 to 19.2%. Furthermore, the College made additional fixed payments during the 2017/18 year of £669k and 2016/17 year of £1.154m. A further £151k was paid to the fund in August 2019. 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 £4.501 million *(2018 £2.046m)*, net cash flow from operating activities was significantly improved in comparison to 2017/18 which reflects efforts to drive top-line income and overall operating efficiency. 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 with forward plans incorporating repayments of capital and interest to the agreed loan repayment profiles.

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. The College has jointly commissioned an Independent Business Review with Barclays and whilst this process is ongoing, the Bank has written to the College to confirm its ongoing support for at least 12 months from the date of approval of these accounts.

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 encouraging, owing to the financial backing which has been secured to restructure existing debt and to invest in the City Learning Quarter comprised with strong success in the classroom and growing learner numbers. Enhanced facilities available for learners will 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. Considering the confirmation of support from the Bank and the collective ongoing support of stakeholders, including Wolverhampton City Council, West Midlands Pension Fund and the ESFA, 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 £14.592 million of net liabilities (including £22.979 million pension liability) and long term liabilities of £13.820 million (including £7.5m of Government capital grants). Without the re-categorisation of £6.943 million of long term commercial debt due to the technical covenant breach, long term debt would be £20.763 million

People

The College employs 442 people (expressed as full time equivalents), of whom 215 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 2019 College Matrix assessment, and the impressive speed to the implementation of improvements was commented upon. 91% of learners agreed they were told about the choice of courses and 95% of learners stated that they feel that they are on the right course.

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. The 2018/19 ESFA Employer Satisfaction survey gave the College a score of 92.1%, and the Learner Satisfaction Survey 88.4%, both firmly placing the College amongst the highest rated General FE and Tertiary colleges in the country.

The Investors in People 24-month review in March 2019 confirmed that the College continues to be accredited as an Investors in People organisation at the Gold award level, having continued to demonstrate the requirements of the Investors in People framework.

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 July 2019. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

1 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 have resulted in exponential increases in the Local Government Pension Scheme liability, 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 aimed to provide a platform to support the College in achieving its medium to long term strategic objectives. This encompassed a combination of short term support through to longer term campus re-development which underpins future plans to grow. Whilst the College's profitability and pay as a percentage of income metrics are not out of kilter with the sector standards, the significant impact of pension and loan finance payments on the College's financial position continue to challenge the College's solvency.

Report of the Governing Body *(Continued)*

2 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 the Office for Students. In 2018/19, 85% 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 2018/19 the College consolidated the previous significant growth in both the drawdown of apprenticeship funding, bucking the sector trend, and in apprenticeship success rates. Growing apprenticeships in a sustainable manner whilst increasing quality remains a challenge for management.

2019/20 presents additional challenges with the separation of the Adult Education Budget (AEB) into devolved and non-devolved budgets as the West Midlands Combined Authority picks up responsibility for funding within its region. Given the College's proximity to the South Staffordshire border and delivery location in Shropshire this presents additional challenges in terms of understanding recruitment patterns, assuring meeting contract targets and managing external stakeholders.

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.
- Maintaining regular dialogue with key stakeholders that is underpinned by timely and accurate management information.

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

Report of the Governing Body *(Continued)*

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.

5 Securing Campus Transformation

The College has ambitious plans to secure Campus Transformation, with new and sector leading facilities in the heart of the City being supplemented by first class vocational facilities at the City of Wolverhampton Technology Centre (CowTechC), the College's current site at Wellington Road, Bilston. Securing the funding to deliver the project is challenging given the complex nature of the project and longevity of the programme which does not always align to funding in discrete years for projects. A funding bid was submitted to the Black Country LEP in June 2019 with the outcome currently being awaited.

The project is overseen by a detailed oversight structure both with stakeholders and through the Governing Body.

STAKEHOLDER RELATIONSHIPS

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

- Students
- Education sector funding bodies
- Staff
- Local employers (with specific links)
- Local authorities and the West Midlands Combined Authority
- 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.

Report of the Governing Body *(Continued)*

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 offers a guaranteed interview scheme for disabled applicants who meet the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non-disabled employees.

The College has committed to the 'Mindful Employer' initiative to assist the mental health wellbeing of staff.

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.

Report of the Governing Body *(Continued)*

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 employed in the 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

Percentage of pay bill spent on facility time

Total cost of facility time	
Total pay bill	£16,244,511.30
Total cost of facility time	£7,928.57
Percentage of total bill spent on facility time	0.04%

Paid trade union activities

Hours spent on facility time	391
Hours spent on paid trade union activities	300
Time spent on paid trade union activities as a percentage of total paid facility time	76.73%

Report of the Governing Body *(Continued)*

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 16 December 2019 and signed on its behalf by:

M. Taylor

Mark Taylor

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 2018 to 31 July 2019 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership)
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 2018 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 2019. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015 (as amended), 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.

The Corporation	Date of appointment	Term of Office	Date of resignation	Status of appointment	Committees served	Attendance 2018/19
Ms E Bull	01/08/19	31/07/23	-	LA Nominee	-	N/A
Mr M Cowgill (Principal)	05/03/18	Tenure	-	Principal	Search and Governance Campus Transformation Oversight Group	21/22
Mr J Crockett (Chair from 01/04/18 to 31/8/18) Chair of the Audit Committee to 31 July 2019 Chair of the Search and Governance Committee from 01/04/18 to 31/8/18	18/05/09	31/07/19	31/07/19	Independent	Audit Remuneration Search and Governance	11/19
Mr C Crosdale	23/05/11	31/07/20	-	Independent	Search and Governance Remuneration from 01/08/19	14/15
Mr J Dalhouse	01/04/15	31/03/19	31/12/18	Staff		2/3
Dr C Davison Chair of Remuneration to 10/07/19	22/07/13	31/03/21	09/08/19	Independent	Remuneration to 10/07/19	9/10
Ms H Dearn	23/07/18	22/07/22	13/09/19	Business	Campus Transformation Oversight Group	11/15

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

The Corporation	Date of appointment	Term of Office	Date of resignation	Status of appointment	Committees served	Attendance 2018/19
Mr T Dutton	01/08/19	31/07/23	-	Independent	Audit	N/A
Mr I Fegan	01/08/19	31/07/23	-	LA Nominee	-	N/A
Dr I Gillis Vice Chair from 01/04/18 to 31/07/19 Chair of Remuneration from 01/08/19	18/07/16	31/07/20	-	Independent	Remuneration Search and Governance	14/16
Mr J Gough	20/05/19		-	Associate member of the Campus Transformation Oversight Group	Campus Transformation Oversight Group	N/A
Mr M Hastings Chair of the Campus Transformation Oversight Group from 26 November 2018	23/07/18	31/07/22	-	Business	Audit Campus Transformation Oversight Group	17/19
Mr C Horwath	18/04/18	31/3/22	-	Associate member of the Audit Committee		4/4
Mr T Johnson Chair and Chair of Search and Governance to 06/02/19	21/07/14	31/03/22	06/02/19	LA Nominee	Remuneration Search and Governance	5/5
Ms A McKeever	23/07/18	22/07/22	31/07/19	LA Nominee	-	7/9
Ms S Kumari	22/10/18	31/07/19	31/07/19	Student	-	2/8
Ms S Middleton	23/07/18	22/07/22	20/09/18	Business (LEP Nominee)	-	0/0

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

The Corporation	Date of appointment	Term of Office	Date of resignation	Status of appointment	Committees served	Attendance 2018/19
Mrs A Newbold Vice Chair from 23/07/18	23/07/18	31/07/22	-	LA Nominee	Remuneration Search and Governance	10/16
Ms S Rhodes	19/06/17	31/07/21	21/10/19	Independent	-	5/9
Ms M Sangha	23/07/18	31/07/22	03/12/19	Business LEP nominee	-	4/9
Ms A Shannon Chair of Audit Committee from 01/08/19	23/07/18	31/07/22	-	LA Nominee	Audit	10/13
Mr S Sharma	23/07/19	22/07/22	08/01/19	Business	Audit	2/5
Ms S Slater	28/01/19	27/01/23	-	Staff	-	5/5
Mr M Taylor Chair and Chair of Search and Governance from 25/02/19	25/02/19	31/07/23		LA Nominee	Remuneration Search and Governance	8/10
Ms I Woods	23/07/18	22/07/18	31/07/19	LA Nominee	-	7/9

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 2018/19 were Audit, Remuneration, Search and Governance and the Campus Transformation Oversight Group, a task and finish group to oversee the Campus Transformation projects. 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. The Corporation is the appointing authority for all its non-executive members and Governors who are nominated by an organisation are not subject to any mandate and act independently declaring conflicts of interest as appropriate.

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

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 Chairs, 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 2018/19 at the Board meeting on 21 October 2019 taking into consideration the annual self-assessment of Governance, the role of the Committees and a review of performance against the Code of Good Governance for English Colleges. The College's Key Performance Indicators are reported to the Board on a quarterly basis. 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

The City of Wolverhampton College has established a Remuneration Committee with responsibility to undertake an annual review of, and advise the Corporation on, the level of remuneration including basic salary, benefits in kind, annual bonus/performance related elements and pension provisions. Details of remuneration for the year ended 31 July 2019 are set out in note 8 to the financial statements.

The Remuneration Committee recommended the adoption of the College's Senior Staff Remuneration Code to the Corporation for approval at its meeting held on 25 November 2019.

The membership of the Remuneration Committee for the 2018/19 academic year was:

Colin Davison	Chair to 10 July 2019
Tim Johnson	to 6 February 2019 (Chair of the Board of Governors)
Mark Taylor	from 25 February 2019 (Chair of the Board of Governors)
Isabel Gillis	(Vice Chair)
Amanda Newbold	(Vice Chair)

Senior Post Holders

The roles designated as Senior Post Holders and within the Remit of the Remuneration Committee are the Principal and the Vice Principal Business Success. The Remuneration Committee also advises on the terms and conditions of service and the level of remuneration of the Clerk to the Board of Governors but this post is not formally designated as a Senior Post.

Remuneration Committee

In 2018/19 the Remuneration Committee met on one occasion on 4 March 2019 and reviewed the remuneration of those staff within its remit. The Committee met in private without staff members in attendance.

The Clerk to the Board of Governors acted as Clerk to the Committee.

There are five members of the Remuneration Committee including the Chair of the Board of Governors and the two Vice Chairs. The Chair of the Board of Governors is not the Chair of the Remuneration Committee.

The Principal is not a member of the Remuneration Committee.

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

Senior Post Holder Remuneration

There has not been any increase in the salary of the Principal during the 2018/19 academic year.

The national increase awarded to all staff was also awarded to the Vice Principal Business Success who is a Senior Post Holder.

The City of Wolverhampton College does not operate a bonus scheme for Senior Post Holders nor does it offer any additional benefits e.g. lease cars.

Senior Post Holders are entitled to participate in the Local Government/Teachers Pension Scheme.

Senior Post Holders expenses are paid in accordance with the College's expenses policy.

Choice of comparator college(s)/organisation(s)

In considering salary increases, the Remuneration Committee has regard to the latest benchmarking information available in the AoC Senior Pay Survey which is published on an annual basis.

The Committee will also have regard to market conditions and the skills and experience required to fulfil the role, particularly in the context of the current difficulties being faced by the College and the significant developments in relation to the Campus Transformation.

As appropriate the Remuneration Committee would also have regard to benchmarking data provided by other organisations e.g. CIPFA

Pay Multiple of the Chief Executive/Principal and the median earnings of the institution's whole workforce

Details of the pay multiple of the Chief Executive/Principal are set out in note 8 to the financial statements. In 2018/19 the Chief Executive/Principal pay was 5.6 times the pay of the median employee.

Significant changes

The changes during the year have mainly been to reflect upon the appraisal process for the Principal, Senior Post Holders and the Clerk.

The Committee has also given consideration to the Senior Post Holder Disciplinary and Grievance procedures in addition to considering adoption of the Remuneration Code.

Severance arrangements

During the period covered by the report the Remuneration Committee was not asked to consider any such arrangement.

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

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.

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 2019 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

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

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

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 Post 16 *Audit Code of Practice.* The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. At 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.

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 2019 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2019 by considering documentation from the Executive Management Team and internal audit, and taking account of events since 31 July 2019.

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

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 for at least 12 months from the date of approval of these accounts.

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 16 December 2019 and signed on its behalf by:

M. Taylor

Mark Taylor

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 (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the College's grant funding agreement and contracts with ESFA. As part of our consideration we have had due regard to the requirements of the grant funding agreements and contracts with ESFA.

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

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

Mark Taylor	**Malcolm Cowgill**
Chair of Governors	**Accounting Officer**
16 December 2019	**16 December 2019**

Statement of Responsibilities of the Members of the Corporation

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

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

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

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

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

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

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

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

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

M. Taylor

Mark Taylor
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 2019 which comprise the college statement of comprehensive income, the college balance sheet, the college statement of changes in reserves, the college 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, 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 2019 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.

We have nothing to report in this regard.

RSM

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 2018 to 2019 issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

- adequate accounting records have not been kept;
- 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 29, 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. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are engaged 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

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

Date: 23 December 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 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 2018 to 31 July 2019 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 2018 to 31 July 2019 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

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 the 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.

RSM

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 2018 to 31 July 2019 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

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

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

Date: 23 December 2019

Statement of Comprehensive Income

	Notes	Year ended 31 July 2019	Year ended 31 July 2018
		£'000	£'000
INCOME			
Funding body grants	2	24,690	24,433
Tuition fees and education contracts	3	2,520	2,642
Other grants and contracts	4	185	150
Other income	5	1,750	2,370
Investment income	6	6	2
Donations	7	-	-
Total income		**29,151**	**29,597**
EXPENDITURE			
Staff costs	8	17,705	17,909
Other operating expenses	9	8,075	8,159
Depreciation	12	1,611	1,695
Interest and other finance costs	10	1,316	1,422
Total expenditure		**28,707**	**29,185**
Surplus before other gains and losses		**444**	**412**
Profit on disposal of assets	9	-	-
Surplus before tax		**444**	**412**
Taxation	11	-	-
Surplus for the year		**444**	**412**
Actuarial (loss) /gain in respect of pensions	17,23	(3,293)	4,781
Total Comprehensive Income for the year		**(2,849)**	**5,193**

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 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)**
Surplus for the year	444	-	444
Other comprehensive income	(3,293)	-	(3,293)
Transfers between revaluation and income and expenditure reserves	187	(187)	-
Total comprehensive income for the year	(2,662)	(187)	(2,849)
Balance at 31 July 2019	**(20,187)**	**5,595**	**(14,592)**

Balance sheet as at 31 July

	Notes	2019	2018
		£'000	£'000
Fixed assets			
Tangible fixed assets	12	33,440	34,870
		33,440	**34,870**
Current assets			
Stocks		6	16
Debtors	13	1,522	1,773
Cash at bank and in hand	19	1,150	1,158
		2,678	**2,947**
Less: Creditors – amounts falling due within one year	14	(9,833)	(13,374)
Net current liabilities		**(7,155)**	**(10,427)**
Total assets less current liabilities		**26,285**	**24,443**
Creditors – amounts falling due after more than one year	15	(13,820)	(14,133)
Provisions			
Defined benefit pension schemes	17	(22,979)	(18,286)
Other provisions	17	(4,078)	(3,767)
Total net liabilities		**(14,592)**	**(11,743)**
Reserves			
Income and expenditure account (including pension scheme deficit of (£22,979k) *(2018: (£18,286k))*		(20,187)	(17,525)
Revaluation reserve		5,595	5,782
Total reserves		**(14,592)**	**(11,743)**

The financial statements on pages 34 to 59 were approved and authorised for issue by the Corporation on 16 December 2019 and were signed on its behalf on that date by:

Mark Taylor

Chair of Governors

16 December 2019

Malcolm Cowgill

Accounting Officer

16 December 2019

Statement of Cash Flows

	Notes	2019	2018
		£'000	**£'000**
Cash flow from operating activities			
Surplus / (deficit) for the year		444	412
Adjustment for non-cash items			
Depreciation		1,611	1,695
Deferred capital grants released to income		(326)	(329)
Decrease in stocks		10	2
Decrease / (Increase) in debtors		251	(370)
(Decrease) in payments on account		(26)	(536)
Increase in creditors due in one year		10	141
Increase in creditors due after one year		-	-
Increase / (Decrease) in accruals		(40)	278
(Decrease) in provisions		(263)	(259)
Pensions adjustments		1,415	592
Write off of ESFA loan		-	(1,000)
Adjustment for investing or financing activities			
Investment income		(6)	(2)
Interest payable		1,316	1,422
Profit on sale of fixed assets		-	-
Net cash flow from operating activities		**4,396**	**2,046**
Cash flows from investing activities			
Proceeds from sale of fixed assets		-	-
Investment income		6	2
Deferred capital grants received		-	-
Payments made to acquire fixed assets		(181)	(598)
		(175)	**(596)**
Cash flows from financing activities			
Interest paid		(757)	(726)
New loans		26	500
Repayments of amounts borrowed		(3,498)	(593)
		(4,229)	**(819)**
Decrease / (Increase) in cash and cash equivalents in the year		**(8)**	**631**
Cash and cash equivalents at beginning of the year	19	1,158	527
Cash and cash equivalents at end of the year	19	**1,150**	**1,158**

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 22. 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 2019 the College had £7.265 million of loans outstanding (*2018: £10.654 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 were 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 for at least 12 months from the date of approval of these accounts.

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 Office for Students (HEFCE prior to 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
- Plant and machinery - 20 years
- Football pitches - 15 years
- Major adaptations to buildings - 10 to 15 years
- Other equipment - 5 years
- Computer equipment - 4 years
- Motor vehicles - 3 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 2019. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

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

	2019 £'000	2018 £'000
Recurrent grants		
Education and Skills Funding Agency - Adult	5,679	5,618
Education and Skills Funding Agency - Apprenticeships	3,268	3,137
Education and Skills Funding Agency - 16-18	11,569	11,168
Higher Education Funding Council	247	259
Specific grants		
Education and Skills Funding Agency	3,698	4,019
Releases of funding body capital grants	229	232
Total	**24,690**	**24,433**

3 Tuition fees and education contracts

	2019 £'000	2018 £'000
Adult education fees	548	553
Apprenticeship fees and contracts	81	43
Fees for FE loan supported courses	732	800
Fees for HE loan supported courses	797	768
Total tuition fees	**2,158**	**2,164**
Education contracts	362	478
Total	**2,520**	**2,642**

4 Other grants and contracts

	2019 £'000	2018 £'000
Erasmus	185	150
Total	**185**	**150**

5 Other income

	2019 £'000	2018 £'000
Catering and residences	123	213
Other income generating activities	1,530	2,060
Release of non-funding body grants	97	97
Total	**1,750**	**2,370**

Notes to the Accounts *(Continued)*

6 Investment income

	2019	2018
	£'000	£'000
Other interest receivable	6	2
Total	**6**	**2**

7 Donations

	2019	2018
	£'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:

	2019	2018
	No.	No.
Teaching staff	215	219
Non-teaching staff	227	219
	442	**438**

Staff costs for the above persons

	2019	2018
Wages and salaries	12,949	13,286
Social security costs	1,196	1,231
Other pension costs	3,427	3,224
Payroll sub total	**17,572**	**17,741**
Restructuring costs – Contractual	133	168
Total Staff costs	**17,705**	**17,909**

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.

There were a number of changes in personnel during 2017/18, including a change in Principal.

In 2018/19 key management personnel comprised 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

	2019	2018
	No.	No.
The number of key management personnel including the Accounting Officer was:*	5	7

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

	Key management personnel*		Other staff	
	2019	2018	2019	2018
	No.	No.	No.	No.
£60,001 to £70,000 p.a.	-	2	2	2
£70,001 to £80,000 p.a.	-	1	1	-
£80,001 to £90,000 p.a.	2	2	-	-
£90,001 to £100,000 p.a.	1	-	-	-
£100,001 to £110,000 p.a.	1	-	-	-
£130,001 to £140,000 p.a.	-	1	-	-
£160,001 to £170,000 p.a.	1	1	-	-
	5	**7**	**3**	**2**

*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:

	2019	2018
	£'000	£'000
Salaries	480	436
Employer's National Insurance	60	55
Benefits in kind	-	-
	540	**491**
Pension contributions	54	60
Total key management personnel compensation	**594**	**551**

Notes to the Accounts *(Continued)*

Accounting Officer

M Cowgill (appointed 5 March 2018)

	2019	2018
	£'000	£'000
Salaries	168	68
Benefits in kind	-	-
	168	**68**
Pension contributions	-	-
Total	**168**	**68**

C Boliver (resigned 28 February 2018)

	2019	2018
Salaries	-	82
Benefits in kind	-	-
	-	82
Pension contributions	-	13
Total	**-**	**95**

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

	2019	2018
Principal's basic salary as a multiple of the median of all staff (M Cowgill)	5.6	5.0
Principal and CEO's total remuneration as a multiple of the median of all staff (M Cowgill)	5.6	5.0
Principal's basic salary as a multiple of the median of all staff (C Boliver)	-	4.9
Principal and CEO's total remuneration as a multiple of the median of all staff (C Boliver)	-	4.9

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 £219; 2 governors *(2018: £678; 6 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

	2019	2018
	£'000	£'000
Teaching costs	1,429	1,527
Non-teaching costs	4,629	4,549
Premises costs	2,017	2,083
Total	**8,075**	**8,159**

Surplus / (deficit) before taxation stated after charging:	2019	2018
	£'000	£'000
Auditors' remuneration:		
Financial statements audit	28	30
Internal audit	18	19
Profit on disposal of fixed assets	-	-
Hire of assets under operating leases	182	188

10 Interest and other finance costs

	2019	2018
	£'000	£'000
On bank loans, overdrafts and other loans	757	726
Pension finance costs (note 17, 23)	559	696
Total	**1,316**	**1,422**

11 Taxation

	2019	2018
	£'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 2018	40,955	7,639	8,415	57,009
Additions	25	-	156	181
At 31 July 2019	**40,980**	**7,639**	**8,571**	**57,190**
Depreciation				
At 1 August 2018	12,709	2,326	7,104	22,139
Charge for the year	1,032	148	431	1,611
At 31 July 2019	**13,741**	**2,474**	**7,535**	**23,750**
Net book value at 31 July 2019	**27,239**	**5,165**	**1,036**	**33,440**
Net book value at 31 July 2018	28,246	5,313	1,311	34,870

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

	2019	2018
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	762	1,150
Other debtors	91	24
Prepayments and accrued income	346	275
Amounts owed by the ESFA	323	324
Total	**1,522**	**1,773**

Notes to the Accounts *(Continued)*

14 Creditors: amounts falling due within one year

	2019	2018
	£'000	£'000
Bank loans and overdrafts	7,265	10,654
Other loans	12	105
Trade creditors	397	613
Other taxation and social security	563	337
Accruals and deferred income	1,016	1,336
Government capital grants	326	329
Amounts owed to the ESFA	254	-
Total	**9,833**	**13,374**

15 Creditors: amounts falling due after one year

	2019	2018
	£'000	£'000
Bank loans	-	-
Other loans	6,282	6,272
Government capital grants	7,538	7,861
Total	**13,820**	**14,133**

16 Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	2019	2018
	£'000	£'000
In one year or less*	7,265	10,654
Between one and two years	-	-
Between two and five years	-	-
In five years or more	-	-
Total	**7,265**	**10,654**

*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 were 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 from July 2020 to February 2019. Funding received in year from the ESFA as a part of the Transaction Unit agreement was provided as 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:

	2019	2018
	£'000	£'000
In one year or less	12	105
Between one and two years	12	32
Between two and five years	2,050	1,049
In five years or more	4,220	5,191
Total	**6,294**	**6,377**

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 1.66%.

17 Provisions

	Defined benefit obligations	Enhanced pensions	Total
	£'000	£'000	£'000
At 1 August 2018	**18,286**	**3,767**	**22,053**
Payments made in the period	(1,010)	(263)	**(1,273)**
Actuarial gains / (losses)	2,806	487	**3,293**
Interest	472	87	**559**
Current service cost	2,004	-	**2,004**
Past Service Cost	390	-	**390**
Administrative charges	31	-	**31**
At 31 July 2019	**22,979**	**4,078**	**27,057**

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:

	2019	2018
Price inflation	2.2%	1.3%
Discount rate	2.0%	2.3%

18 Financial instruments

The College has the following financial instruments:

	2019	2018
	£'000	£'000
Financial assets		
Debt instruments measured at amortised cost	1,176	1,498
	1,176	**1,498**
Financial liabilities		
Financial liabilities measured at amortised cost	**15,255**	**18,980**
	15,255	**18,980**

19 Cash and cash equivalents

	2019	2018
	£'000	£'000
Cash at bank and in hand	1,150	1,158
Overdrafts	-	-
Total cash and cash equivalents	**1,150**	**1,158**

20 Capital and other commitments

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

Notes to the Accounts *(Continued)*

21 Commitments under operating leases

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

	2019	2018
	£'000	**£'000**
Future minimum lease payments due		
Land and buildings		
Not later than one year	81	81
Later than one year and not later than five years	326	327
Later than five years	-	82
	407	**490**
Other		
Not later than one year	100	95
Later than one year and not later than five years	76	109
Later than five years	-	-
	176	**204**

22 Contingent liabilities

The College has no contingent liabilities as at 31st July 2019 *(2018: £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 Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by West Midlands Pension Fund. Both are multi-employer defined-benefit plans.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was as at 31 March 2016 and of the LGPS 31 March 2016.

Total pension cost for the year		**2019**		**2018**
		£'000		**£'000**
Teachers' Pension Scheme: contributions paid		992		1,056
Local Government Pension Scheme:				
Contributions paid	1,020		1,576	
FRS 102 (28) charge	1,415		592	
Charge to the Statement of Comprehensive Income		2,435		2,168
Total Pension Cost for Year within staff costs		**3,427**		**3,224**

Notes to the Accounts *(Continued)*

Teachers' Pension Scheme

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

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

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

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

The valuation of the TPS is carried out in line with regulations made under the Public Service Pension Act 2013. Valuations credit the teachers' pension account with a real rate of return assuming funds are invested in notional investments that produce that real rate of return.

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

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/19. DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019/20 academic year.

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

The pension costs paid to TPS in the year amounted to £992,737 (*2018: £1,055,102*).

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by City of Wolverhampton Council. The total contributions made for the year ended 31 July 2019 were £1,377,225 *(2018: £1,934,193)*, of which employer's contributions totalled £1,020,661 *(2018: £1,577,102)* and employees' contributions totalled £356,563 *(2018: £357,092)*. The agreed contribution rates for future years are 19.2% for the College and range from 5.5% to 12.5% for employees, depending on salary according to a national scale.

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 2019 by a qualified independent actuary.

	At 31 July 2019	At 31 July 2018
Rate of increase in salaries	3.90%	3.85%
Future pensions increases	2.40%	2.35%
Discount rate for scheme liabilities	2.10%	2.65%
Inflation assumption (CPI)	2.40%	2.35%
Commutation of pensions to lump sums	50%	50%

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

	At 31 July 2019	At 31 July 2018
	years	years
Retiring today		
Males	20.9	21.9
Females	23.2	24.4
Retiring in 20 years		
Males	22.6	24.1
Females	25.0	26.7

	Long-term rate of return expected at 31 July 2019	Fair Value at 31 July 2019	Long-term rate of return expected at 31 July 2018	Fair Value at 31 July 2018
		£'000		£'000
Equities	60%	37,939	63%	37,888
Gilts	9%	5,976	7%	4,307
Other bonds	4%	2,388	4%	2,217
Property	8%	5,152	8%	4,859
Cash	4%	2,279	4%	2,245
Other	15%	9,372	14%	8,359
Total fair value of plan assets		**63,106**		**59,875**
Actual return on plan assets		**3,769**		**2,802**

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

	2019	2018
	£'000	£'000
Fair value of plan assets	63,106	59,875
Present value of plan liabilities	(86,085)	(78,161)
Net pensions (liability) (Note 17)	**(22,979)**	**(18,286)**

Notes to the Accounts *(Continued)*

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

	2019	2018
	£'000	£'000
Amounts included in staff costs		
Current service cost	2,004	2,143
Administration expenses	31	25
Total	**2,035**	**2,168**

Amounts included in investment (expense)

Net interest on the net defined benefit pension liability	(472)	(603)
	(472)	**(603)**

Amount recognised in Other Comprehensive Income

Return on pension plan assets	2,189	1,269
Changes in assumptions underlying the present value of plan liabilities	(4,995)	4,747
Amount recognised in Other Comprehensive Income	**(2,806)**	**6,016**

Movement in net defined benefit (liability) during year

	2019	2018
	£'000	£'000
Net defined benefit (liability) in scheme at 1 August	(18,286)	(23,107)
Movement in year:		
Current service cost	(2,004)	(2,143)
Past service cost	(390)	-
Employer contributions	1,010	1,576
Net interest on the defined (liability)/asset	(472)	(603)
Actuarial (loss)/gain	(2,806)	6,016
Administration expenses	(31)	(25)
Net defined benefit (liability) at 31 July	**(22,979)**	**(18,286)**

Notes to the Accounts *(Continued)*

Asset and Liability Reconciliation

	2019	2018
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	78,161	79,582
Current service cost	2,004	2,143
Interest cost	2,052	2,136
Contributions by Scheme participants	354	354
Changes in financial assumptions	9,475	(4,747)
Changes in demographic assumptions	(4,480)	-
Experience gain on defined benefit obligation	-	-
Estimated benefits paid	(1,871)	(1,307)
Past service cost	390	-
Defined benefit obligations at end of period	**86,085**	**78,161**
Changes in fair value of plan assets		
Fair value of plan assets at start of period	59,875	56,475
Interest on plan assets	1,580	1,533
Return on plan assets (excluding net interest on the net defined benefit liability)	2,189	1,269
Other actuarial gains	-	-
Employer contributions	1,010	1,576
Contributions by Scheme participants	354	354
Estimated benefits paid	(1,871)	(1,307)
Administration Expenses	(31)	(25)
Fair value of plan assets at end of period	**63,106**	**59,875**

These accounts show a past service cost of £390k in respect of the McCloud / Sergeant judgment which ruled that the transitional protection for some members of public service schemes implemented when they were reformed constituted age discrimination. This provision is 0.4% as a percentage of total liabilities. The calculation of adjustment to past service costs arising from the outcome of the Court of Appeal judgment is based on a number of key assumptions including:

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

The other financial and demographic assumptions adopted to calculate the past service cost are the same as those used to calculate the overall scheme liability. Adopting different assumptions, or making other adjustments to reflect behavioural changes stemming from the judgment, would be expected to change the disclosed past service cost. Similarly, allowing for variations in individual members' future service or salary progression is expected to produce higher costs. The past service cost is particularly sensitive to the difference between assumed long term general pay growth and the CPI. A summary sensitivity analysis is shown below:

Notes to the Accounts *(Continued)*

Sensitivity analysis	**£'000**	**£'000**	**£'000**
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	84,448	86,085	87,755
Projected service cost	2,185	2,236	2,288
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	86,197	86,085	85,974
Projected service cost	2,236	2,236	2,236
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	87,636	86,085	84,563
Projected service cost	2,287	2,236	2,186
Adjustment to life expectancy assumptions	+1 Year	None	- 1 Year
Present value of total obligation	89,615	86,085	82,699
Projected service cost	2,316	2,236	2,163

24 Related party transactions

The following employees of City of Wolverhampton Council have acted as governors of the College:

Mr I Fegan	Director of Comms & External Relations	Appointed 01/08/19
Mr T Johnson	Chief Executive	Resigned 06/02/19 (Chair from 1/9/18)
Ms A McKeever	Head of Skills	Resigned 31/07/19
Mrs A Newbold	Head of School Improvement	Appointed 23/07/18 (Vice Chair from 23/07/18)
Ms A Shannon	Chief Accountant	Appointed 23/07/18
Mr M Taylor	Deputy Chief Executive	Appointed 25/02/19 (Chair from 25/02/19)
Ms I Woods	Head of Enterprise	Resigned 31/07/19

During the year transactions with City of Wolverhampton Council included purchases totalling £100,645 and sales totalling £523,528. At the year-end balances on the sales ledger totalled £43,849. Balances on the purchase ledger at 31 July 2019 totalled £nil.