

Report and Financial Statements

For the year ended 31st July 2017



HEART OF
WORCESTERSHIRE
COLLEGE

Heart of Worcestershire College

KEY MANAGEMENT PERSONNEL, BOARD OF GOVERNORS AND PROFESSIONAL ADVISERS

Key management personnel

Key management personnel are defined as members of the College Executive Team and were represented by the following in 2016/17:

Stuart Laverick	Principal and CEO; Accounting officer
Kelvin Nash	Vice Principal – Curriculum and Quality
Nicki Williams	Vice Principal – Corporate and Resources

Board of Governors

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

Mrs S Frost acted as Clerk to the Corporation throughout the period.

Professional advisors

Financial statement auditors and reporting accountants

Grant Thornton UK LLP
Colmore Plaza
20 Colmore Circus
Birmingham
West Midlands
B4 6AT

Internal auditor

RSM Risk Assurance Services LLP
Cedar House
Woodlands Business Park
Breckland
Linford Wood
Milton Keynes
MK14 6EX

Bankers

Barclays Bank PLC
15 Colmore Row
Birmingham
B3 2WN

National Westminster Bank PLC
103 Colmore Row
Birmingham
B3 3MN

Santander Corporate Banking
3rd Floor 1 Cornwall Street
Birmingham
B3 2DX

Solicitors

Harrison Clark Rickerbys Limited
5 Deansway
Worcester
WR1 2JG

CONTENTS

	Page number
Strategic Report	3
Statement of Corporate Governance and Internal Control	15
Governing Body's statement on the College's regularity, propriety and compliance	23
Statement of Responsibilities of the Members of the Corporation	24
Independent Auditor's Report to the Corporation of Heart of Worcestershire College	25
Reporting Accountant's Assurance Report on Regularity	28
Statements of Comprehensive Income	30
Statement of Changes in Reserves	31
Balance sheets as at 31 July	32
Statement of Cash Flows	33
Notes to the Financial Statements	34-58

STRATEGIC REPORT

NATURE, OBJECTIVES AND STRATEGIES:

The members present their report and the audited financial statements for the year ended 31 July 2017.

Legal Status

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

On 1st August 2014 North East Worcestershire College (NEWC) merged its activities with those of Worcester College of Technology (WCT) and changed its name to **Heart of Worcestershire College**. At that date all assets, liabilities and activities of Worcester College of Technology transferred. Worcester College of Technology was then dissolved. All activities are continuing within the merged College.

Mission

Governors reviewed the College's mission during 2016/17 and on 10th October 2017, agreed in principle, to adopt a revised mission as follows:

To Inspire, Innovate, Advance

Public Benefit

Heart of Worcestershire College is an exempt charity under the Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Education. The members of the Governing Body, who were trustees of the charity, are disclosed on page 16 and 17.

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

In delivering its mission, the College provided 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; and
- links with Local Enterprise Partnerships (LEPs).

Implementation of strategic plan

The Corporation monitors the performance of the College regularly against the strategic plan. The plan is reviewed and updated each year.

On 10th October 2017 the College agreed in principle, subject to final approval in November, the strategic plan for the period 2017 to 2020.

Heart of Worcestershire College

The top ten priorities for the College during the course of the strategy are:

1. Further developing the quality of our offer
2. Growth and development of our FE and apprenticeships provision
3. Establishing growth throughout Worcestershire through our Business Development Opportunities
4. Growing our partnerships with employers, educational institutions, and other stakeholders
5. Taking advantage of the growth and development of our blended learning – ILT capabilities
6. Investigating the introduction of a SEN Residential - Free School
7. Delivering on an engineering new build or refurb of Cathedral building
8. Investigate the new external funding landscape (post Brexit) and make applications to alternative and newly developing funding sources; putting appropriate resource in place to ensure these are maximised
9. Ensuring the smooth introduction of new Technical Levels
10. Investigating the introduction of a 14-16 Virtual Pupil Referral Unit (PRU)

The College has set 44 strategic objectives that will be monitored over the course of the strategic plan, these objectives are specific to each key market segment of the College, being:-

- 14 – 16 year olds
- 16 – 18 year olds technical and vocational
- Not in education, employment or training (NEET)
- Special educational needs (SEN)
- Adult further education
- Adult community
- Higher education and professional; and
- Business commercial and economic development, including apprenticeships full cost and services.

The College has a strategic framework which is designed to sit beneath the 2017 – 2020 College strategy to support its achievement through the delivery of measures against a set of cross College strategic themes and College enablers.

Through the cross cutting strategic themes by 2020 the College will:

Core theme one – Quality

- Further establish our reputation for a responsive and innovative curriculum that is linked to local skills priorities, in flexible delivery models by expert and professionally qualified teams.
- Build on our reputation as a high quality, learner-centred organisation that integrates teaching, learning and assessment practice, with the use of information, advice and guidance and learner support services, to deliver against our right student, right course ethos in facilitating progression to positive destinations.

Heart of Worcestershire College

- Self-assess ourselves as good, heading towards outstanding and have external validation of that assessment.
- Capitalise on the strength and quality of our Higher Education provision, as a result of above sector average student satisfaction and achievement rates that underpin our approved status by external quality assurance bodies.

Core theme two – Technology

- Lead a successful, nationally praised, Blended Learning Consortium and other partnerships, to champion and support the proliferation and improvement of e-learning across the college sector.
- Have evaluated opportunities for expansion of the Blended Learning Consortium 'type' provision through an international dimension.
- Capitalise upon our strengths and innovations in blended, fully online learning and virtual learning environments to create materials, training and products for commercial opportunities and in our higher education and professional prospectus.
- Build on our core competencies in IT services and ILT to adapt our business support and external engagement services to create greater efficiencies and improve the effectiveness of our operations.

Core theme three – Partnerships

- Have evaluated opportunities for partnership and collaborative working with other high-quality providers (pre-16, post-16, FE and HE) in the region and nationally and acted promptly to benefit from them in order to seek both organic and inorganic growth.
- Work collaboratively and in partnership with large, medium-sized employers and SME networks in the region to the mutual benefit of all stakeholders, by understanding and responding to their needs both in terms of training, services and other products (i.e. compliance products – e.g. online and auditable licences to practice).
- Be closely involved in the development plans of local and regional organisations, such as the Local Enterprise Partnership, schools, universities and local authorities that contribute to the development of skills in the workforce, address current and future skills shortages, ignite regeneration projects and boost productivity. Be responsive to any 'Midland Engine for Growth' schemes, initiatives and funding opportunities.
- Continue to develop long-term partnerships such as the Blended Learning Consortium and the Three Counties Consortium, that 'flex' to the needs of national and local government priorities, employers' needs and those of other stakeholders, while seeking out new opportunities where this approach would work.

Core theme four – HoW experience

- Increasingly build on our work to educate and train our learners in modern and inspiring learning environments that enhance personal development, improve technical skills and raise aspirations.
- Further develop the use of real work environments to produce motivated and ambitious learners who have developed excellent communication skills.

Heart of Worcestershire College

- Ensure that our current focus on making sure that all learners have the basic skills they require to reach their full potential is maintained.
- Continue to embed excellent opportunities for learners to develop digital literacy skills throughout the curriculum.
- Futureproof progression routes for learners by teaching them the skills needed to embrace change, develop resilience and use creativity to solve problems.
- Implement and celebrate change driven by the Learner Voice to support learner satisfaction.
- Celebrate the achievement of learners from all parts of society, as a result of our inclusive values arising from diverse curriculum that increases opportunity.
- Promote global citizenship through activities that develop British Values.
- Educate learners to keep themselves safe in all situations and to always act with respect for others.
- Ensure that learners enjoy their experience and that learner survey indicators show that students have developed in confidence.

College enabler 1 – Our people

College enabler 2 – Our resources

College enabler 3 – Our services

Financial Objectives

The overarching financial objectives for 2016/17 remain:

- for the College to remain financially sound so as to:
 - protect itself from unforeseen adverse changes in enrolments;
 - generate sufficient income to enable maintenance and improvement of its accommodation and equipment; and
 - support aspirations and growth as detailed in the strategic plan.
- Improving financial management;
- maintaining the confidence of “external stakeholders”; and
- raising awareness of financial issues.

Principally these objectives were achieved, excluding the significant increase in defined pension obligation, by maintaining sound a financial base (solvency and liquidity):

- maintaining cash days of 25 or more at all times;
- maintaining a current ratio of at least 1.6;
- operating at least a break even operating position (pre restructuring and FRS102 28 Pension adjustments);

Heart of Worcestershire College

- maintaining the gearing ratio below 20%;
- achieve a positive net operating cash inflow;
- continuing to meet and surpass all the required Bank Covenants whilst giving due consideration to all Treasury Policies;
- maintain unrestricted reserves above £6,000,000 to meet our obligations should there be an unexpected revenue shortfall, and to allow us the flexibility to plan and fund major projects which develop and maintain our curriculum offer, buildings and facilities; and
- ensuring debt servicing charges are less than 7% of income required by our funders and keeping net assets above £10m.

Performance Indicators

The College uses a number of non-financial KPI's to monitor its performance such as retention, attendance and success rates, in addition to Financial KPI's around Financial Health, delivery against funding targets, cashflow, bank covenants and financial performance against budgets. KPI's are reported to each Corporation meeting.

The College is required to complete the annual Finance Record for the Education and Skills Funding Agency (ESFA). The College is assessed by the ESFA as having a "Good" financial health grading which is an improvement from the previous grading of "Satisfactory". The College has reviewed its borrowing during the year which has resulted in the College settling one long term loan early and agreeing new covenants on a further long term loan; this has removed a significant amount of debt that was previously classified as "Creditors – amounts fall due within one year" to "Creditors – amounts falling due after more than one year".

FINANCIAL POSITION

Financial Position

The College generated a deficit before other gains and losses in the year of £2,981,000 (2015/16 – £1,569,000), with total comprehensive income of £3,231,000, (2015/16 - (£7,658,000)). The total comprehensive income in 2016/17 is stated after accounting for restructuring costs and significant pension costs in relation to the defined benefit obligation, excluding these charges underlying operating deficit was £781,000 (2015/16 – Surplus £133,000).

The deficit position includes an exceptional one off interest charge in relation to the in year loan repayment and break charge incurred. A further charge has been incurred following the review and audit of a previous subcontractor relating to 2012/13 and 2013/14, this was noted as a Contingent Liability in 2015/16 and this has now been concluded.

The College has accumulated reserves of £12,394,000, including the £23,363,000 pension liability and £35,757,000 before this liability; and cash and short term investment balances of £10,933,000.

Tangible fixed asset additions during the year amounted to £1,661,000. This was split between land and buildings of £998,000 and equipment purchased of £663,000. The College has continued to invest resources to improve its accommodation and equipment which impact positively upon the learner experience.

Heart of Worcestershire College

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2016/17 the FE funding bodies provided 79% of the College total income.

The College has subsidiary companies, North East Worcestershire College Enterprises Ltd (NEWCEL) and Molinna Ltd; both were dormant during the year.

Treasury Policies and Objectives

Treasury management relates to the College's: cash flow, 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 statement in place detailed in its Financial Regulations. Borrowings are authorised by the Corporation and comply with the requirements of the Financial Memorandum.

Cash Flows and liquidity

Net cash inflow from operating cash activities was £1,715,000, an improvement on 2015/16 levels.

Borrowings during the year have reduced from £5.8m in 2015/16 to £3.5m as at the balance sheet date; this is following the early repayment of the Barclays loan which amounted to £2.0m.

The size of the College's total borrowing, and its approach to interest rates, are assessed to ensure a reasonable balance between the total cost of servicing debt and operating cash flows.

Reserves Policy

The College has reviewed its reserves policy and explicitly included an objective surrounding unrestricted reserves as to; "maintain unrestricted reserves above £6,000,000 to meet our obligations should there be an unexpected revenue shortfall, and to allow us the flexibility to plan and fund major projects which develop and maintain our curriculum offer, buildings and facilities".

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Financial health

The College is assessed by the ESFA as having a "Good" financial health grading which is an improvement from the previous grading of "Satisfactory". The College has reviewed its borrowing during the year which has resulted in the College settling one long term loan early and agreeing new covenants on a further long term loan; this has removed a significant amount of debt that was previously classified as "Creditors – amounts fall due within one year" to "Creditors – amounts falling due after more than one year".

Student Numbers

In 2016/17 the College delivered activity that has produced £25,973,000 in funding body main allocation funding (2015/16 - £26,960,000).

Student Achievements

Heart of Worcestershire College, has again maintained high levels of performance throughout 2016/17. Retention rates for learners of all ages have exceeded targets set by the Corporation. The proportion of learners retained has remained high for 16- to 18-year-olds at 91%, and increased significantly for adults at 94%, compared to the previous year. Retention of students at all ages is good at 84%. Apprenticeships achievement rates, both timely and overall have increased against 2015/16, and our grade profiles for higher education learners have also improved.

Overall achievement rates within the College at all age levels has increased by 5% from the 2015-16 figure of 79% to 84%, and are now 3% higher than national averages. On 16 to 19 study programmes in 2016/17, learners' overall achievement rates have improved against 2015/16 and are 1% above those of similar provider types whilst adult achievement has significantly increased and now stands at 89%. Achievement rates at all ages have now exceed the previous year and now put the college ahead of similar provider types.

Achievement rates for apprentices in 2016/17 improved significantly and are now above those of similar providers. Overall achievement has increased circa 15% to 74.7% against the previous year. Significantly, more apprentices achieved their qualification in the planned time with an increase in timely completions of 12% to 64.6% against the previous year; these statistics are now both above the national averages.

The improvement of English and maths remain a key priority for the College and is the only area, in terms of qualification type, where the College is below national averages. The proportion of learners aged 16 to 19 who achieve GCSE English at grades A* to C is high, but GCSE performance in mathematics remain an area for improvement and is around the very low national rate for these grades. Not enough students achieve their functional skills qualifications in English and mathematics at level 2.

The large majority of learners attending the College enjoy their studies and make good progress. Learner and employer feedback shows very high levels of satisfaction, both in learner forums and through internal and externally validated surveys. This is particularly evident with over 90% who would recommend the college to their peers, other employers, etc.

Student successes are recognised at the end of each year in our further education award ceremonies and at the higher education graduation ceremonies.

Curriculum Development

Changes in national curriculum policy such as the introduction of the Apprenticeship Levy continue to present challenges in providing an appropriate curriculum offer that, as a package, meet the needs of the student, the needs of the local and regional community as well as that of the employment market. The College have been well prepared for the introduction of the Apprenticeship Levy, securing success in its Register of Apprenticeship Training Providers (ROATP) application and are managing the funding changes and the transition process from frameworks to standards well.

The curriculum offer in 2016/17 was planned, delivered and managed through five programme areas namely:

- Technology Business and skills;
- Sports, Arts and Services;
- Inclusive Learning;
- Higher Education and Professional Studies;
- Employer and External Relations

Heart of Worcestershire College

Each programme area has curriculum responsibility for specific sector subject areas, where between them they offer a full range of courses from entry level to Higher Education, delivering both classroom and employment based learning to adults, young people, the community/unemployed as well as apprentices and in-company learning.

The curriculum continues to be refreshed to reflect governmental changes, local and regional priorities as well as current practices in the employment market. Throughout 2016/17 the College worked closely with Chamber of Commerce, the councils at borough and county level, Worcestershire and the Greater Birmingham and Solihull LEP to work towards LEP area priorities and, as in previous years, apprenticeships continue to be a strong government focus, where the Government has pledged to support 3 million apprenticeship starts during its term of office.

To support our apprenticeship ambitions the work of our employer and external relationships area and the Solutions team has been reconfigured and this has allowed us to continue developing and expanding our work-based learning offer, which has resulted in improved apprenticeship achievement rates. The appointment of an Apprenticeships Operations Manager has realigned and further embedded the apprenticeship provision into curriculum directorates and core delivery, which has supported the improved achievements rates.

In 2016/17 our special educational needs areas in both Worcester and Redditch were refurbished providing new specialist facilities and learning spaces for our inclusive learning students. Other planned developments include a programme of capital works which will see our engineering areas at Worcester being refurbished.

The increased focus on the ability of students to study English and maths continues to be a governmental and College priority and in 2016/17, 1729 students were enrolled on these programmes; our numbers studying GCSE curriculum increased to 971 from 770 learners in 2015/16. This increase in the delivery of English and maths has placed additional demands on teaching resources particularly in securing suitable and qualified delivery staff.

OFSTED had previously awarded the College a 'requires improvement' grade; the College have taken on board the outcomes of the inspection and since then have been working to address areas for development in order to move the organisation towards becoming good or better. To achieve this ambition the College continues to work on raising standards of teaching, learning and assessment, and successfully secured the outcomes of its post inspection action plan. External support and challenge from the West Midlands HMI, was quoted as saying that "*Leaders and managers have had a demonstrable impact in improving the quality of provision*". The College continue to work towards its OFSTED re-inspection, which is anticipated as being in the Spring Term 2017/18.

The curriculum mix continues to reflect the needs of our partners and external stakeholders, and whilst English and maths results remain at the lower end against national achievement averages, the College has maintained a strong focus on the quality of its study programme and core curriculum which has led to the continued maintenance of good overall College results over the last three years.

The College continues to work closely with a range of Higher Educational (HE) partners to provide progression opportunities for our own students to study post level 3 and then onto study at HE level. The increased level of competition between providers of HE based courses is on-going and has had some effect on the recruitment of HE and professional provision.

All departments were resourced and equipped to a high standard and the majority of teaching and learning was internally assessed as at least 'good' and, in many cases, 'outstanding'. In 2016/17 84% of lesson observations were graded as good or better.

Payment Performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires the College, in the absence of agreements 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%. During the accounting period 1 August 2016 to 31 July 2017, the College paid 98.49% of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

Events after the end of the reporting period

There are no post balance sheet events.

Future prospects

With three successful, albeit challenging, years since the merger of North East Worcestershire College and Worcester College of Technology, our previous strategic Plan 2014-17 set an ambitious vision for Heart of Worcestershire College which allowed the bringing together and development of a college that covered the County of Worcestershire and beyond. The strategic plan 2014-2017 served the College needs well and both promoted and supported the development over that period; to this end the College has made some excellent progress in working against the core College values and in the realisation of the vision, ambition and targets which it contained.

In the development of the new strategic plan for 2017-2020, external analysis has been made of the local economy and the needs of its communities. The College works closely with local schools and employers to ensure that the curriculum and services addresses the needs of its stakeholders and creates relevant and valuable opportunities for not just the people of its communities but for the Worcestershire economy as a whole.

RESOURCES

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

Tangible resources include two modern campuses at Redditch and Bromsgrove, various buildings in Deansway Worcester, a newly refurbished St Dunstan's building in Worcester, two Construction Centres at Alliance House Redditch and Spring Lane Malvern, and Osprey House also in Redditch

Financial

The College has £12.4 million of net assets (including £23.4 million pension liability, £35.8 million before this liability) and debt of £3.5 million.

People

The College employs 543 staff (expressed as full time equivalents), of whom 281 are teaching or direct delivery staff.

Reputation

The College has a good reputation across Worcestershire working closely with local and national stakeholders. Maintaining a quality brand is essential for the College's success at attracting students and maintaining external relationships.

Heart of Worcestershire College

PRINCIPAL RISKS AND UNCERTAINTIES

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

Based on the strategic plan and its own local and sector knowledge the Risk Management Group 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 years' appraisal will review their effectiveness and progress against risk mitigation actions.

In addition to the termly reviews the Group also considers any risks which may have arisen as a result of new areas of work being undertaken by the College.

A risk register is maintained by the College and reviewed at least termly by the Audit Committee. The 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 which gives a score of 1 to 5 for likelihood and impact, which are multiplied together to give a total out of 25. This is supported by a risk management briefing/training programme to raise awareness of risk throughout the College.

Outlined below is a description of some of the principal financial risks that may affect the College. Not all factors are within the College's control, and factors other than those listed may also adversely affect the College.

Government funding

The College has considerable reliance on continued government funding through the education sector funding bodies. In 2016/17, 79% of the College's revenue (including that received as consortia lead) was ultimately public funded and this level is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

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

- Changes in apprenticeship funding in England from May 2017 and the impact of the new apprenticeship levy;
- devolution of the adult education budget;
- reducing demographics of 16-18 students for the next two years but then a sharp rise following this period; and
- not achieving student numbers and funding targets.

This risk is mitigated in a number of ways:

- funding is derived through a number of direct and indirect contractual arrangements;
- ensuring the College is rigorous in delivering high quality education and training;
- ensuring the College is focused on those priority sectors which will continue to benefit from public funding; and
- responsiveness to the LEP agenda.

Maintain adequate funding of pension liabilities

The financial statements report the share of the pension scheme deficit on the College's balance sheet in line with the requirements of FRS102. 2016/17 has seen a significant reduction in the deficit through the actuarial valuation at 31st July 2017; the College also received its full triennial valuation during 2016/17 which saw a reduction.

The College has an agreed deficit recovery plan for the next three years with Worcestershire County Council LGPS to mitigate this risk.

STAKEHOLDER RELATIONSHIPS

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

- students;
- education sector funding bodies;
- FE Commissioner;
- OFSTED;
- staff;
- local employers (with specific links);
- local authorities;
- Local Enterprise Partnerships (LEPs);
- the local community;
- other FE institutions;
- HE institutions;
- trade unions; and
- professional bodies.

The College recognises the importance of these relationships and engages in regular communication with its stakeholders.

Equal opportunities

Heart of Worcestershire College is committed to providing a learning environment which respects all individuals and celebrates diversity. Our mission statement "Inspire, Innovate, Advance" demonstrates our College values and our commitment to ensuring that we transform the life chances for all. As a College, we value social and cultural diversity and seek to promote equality of opportunity and respect amongst all learners, staff, governors, visitors, partners and other stakeholders.

The Heart of Worcestershire College strives to be an outstanding inclusive College where all staff and learners feel valued and respected, having a fair and equal chance to reach their potential. We aim to respond to the diverse profile of needs expressed by our learners, staff and stakeholders and celebrate the diversity of the College community. We aim to go beyond statutory requirements to ensure our learners, staff and partners have the best experience possible. Through our Equality Action Plan we work with the College community and beyond to make the College a truly inclusive organisation. We believe that Equality and Diversity is an essential ingredient for overall quality improvement.

The Equality Act 2010 imposes both general and specific duties upon the College. The legislation applies not only to the College as an organisation but also to anyone working or studying with us and any partners, contractors and stakeholders. The general duties are to:

Heart of Worcestershire College

- Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010 - The act introduces the concept of “protected characteristics” of which there are nine. The definition of discrimination has been extended to include associative and perceptive discrimination.
- Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it - Reasonable adjustments are provided for learners, staff and customers who may be experiencing barriers due to their disability. The recruitment, retention and achievement of learners are monitored by protected characteristics to identify any trends enabling the College to respond effectively.
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it - The College ensures that Equality and Diversity is a natural part of the curriculum to raise awareness and understanding. All College processes are continually reviewed to ensure that the College is accessible and fair in all of its functions. Our customer service will be unbiased and welcoming to all.

The specific duties of the Equality Act 2010 are to:

- Publish information to demonstrate compliance with the general equality duty - This includes information relating to learners, employees, and other individuals who share a relevant protected characteristic who will be affected by our policies and practices. A report for Equality and Diversity is published annually to inform our College community of our progress and to celebrate our diversity.
- Prepare and publish equality objectives at least every four years which are accessible to the public - The objectives form the basis of the Equality Action Plan which can be found on our website.

Meeting the needs of learners

The Heart of Worcestershire College strives to be an outstanding, inclusive College and ensures that learners’ needs are assessed and responded to appropriately and effectively. An essential part of the College experience for a learner is to be prepared for working and living in a diverse society.

- All teaching and training resources reflect and promote Equality and Diversity as appropriate to raise awareness and understanding.
- Staff actively promote British Values throughout College life (Ofsted 2015) and empower students to challenge stereotypes, assumptions and discrimination within a culture of mutual respect and tolerance for others.
- Admission processes and initial assessment are used to ensure that the correct support is available to learners at the beginning of their course. Learners are given opportunities throughout the year to disclose any disabilities or other protected characteristic they may have.
- Information, guidance and support are delivered in ways accessible to different groups with protected characteristics and in ways that challenge stereotypes.

A team of qualified personal learning coaches and personal tutors provide support across the College to ensure that all learners are able to access the College and enjoy their experience. Financial support is available to assist learners who may have difficulties in completing their course due to financial reasons. The Learner Voice continues to be a crucial mechanism for understanding and responding to the learner experience to ensure that the College is inclusive in all aspects of the service it delivers.

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 5 December 2017 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'N Bucktin', with a long horizontal stroke extending to the right.

N Bucktin
Chair

Heart of Worcestershire College

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1st August 2016 to 31st July 2017 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); and
- ii) having due regard to the UK Corporate Governance Code 2014 insofar as it is applicable to the further education sector.

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

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

The Corporation

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

Name	Date of Appointment	Term of Office	Date of Resignation	Status of appointment	Committee: Task & Finish (T&F) Group and other Membership	Attendance at Corporation Meetings 16/17
Mr N M Bucktin (Chair of Corporation)	01/08/14	4 years		Non-Executive	Governance & Search (Chair) Remuneration (until 13/12/17)	7/7
Ms S Fowler (Vice Chair of Corporation)	01/08/14	3 years	31/07/17	Non-Executive	Governance & Search Remuneration Quality Group	5/7
Mr D Miles (Vice Chair of Corporation wef 01/08/17)	01/08/14	4 years		Non-Executive	Audit Remuneration Estates T & F Group	6/7
Mr D Ash	10/10/17	4 years until 31/07/21		Non-Executive	Governance & Search Remuneration	N/A
Mr S Bolton	28/04/15	4 years		Non-Executive	Audit	6/7
Miss A Carrington	13/12/17	Until 31/07/17	31/07/17	Student		5/6
Mr K Gaffney	01/08/14	4 years		Non-Executive	Audit (Chair from 13/12/17) Estates T & F Group Quality Group	7/7
Ms V Greenfield	01/08/16	4 years		Non-Executive	Quality Group (wef 18/10/16)	5/7
Miss L Gresty	01/08/14	4 years	07/11/17	Non-Executive	Audit (Chair until 13/12/17)	3/7

Heart of Worcestershire College

Mr P Heath	01/08/14	4 years		Staff	Governance & Search	6/7
Mrs F Hellowell	01/08/16	4 years		Non-Executive	Academic Board (wef 18/10/16) Quality Group (wef 18/10/16)	5/7
Mrs L Hodgson	01/08/14 Reappointed 18/07/17	4 years wef (01/08/17)		Non-Executive	Audit Governance & Search	7/7
Mr S Laverick	01/08/14	Ex officio		Principal	Governance & Search	7/7
Ms K Lowe	28/04/15	4 years	10/11/17	Non-Executive	Quality Group (Chair wef 18/10/16)	7/7
Mr P McCunn	01/08/14 Reappointed 26/04/16	4 years (wef 01/08/16)		Non-Executive	Governance & Search Remuneration (Chair)	7/7
Mrs D Morris	01/08/14	4 years		Staff	Audit	6/7
Mr R Pearce	01/08/14 Reappointed 18/07/17	4 years (wef 01/08/17)		Non-Executive	Remuneration Estates T & F Group (Chair)	7/7
Mr D Rowe	01/08/16	1 year	31/07/17	Student	Quality Group (wef 18/10/16)	7/7
Mrs A Snow	18/07/17	1 year (wef 01/08/17)	14/11/17	Student	Quality Group	N/A
Miss S Twigg	05/12/17	Until 31/07/17		Student		N/A
Mr G Woodman	01/08/16	4 years		Non-Executive	Audit (wef 18/10/16) Remuneration (wef 21/03/17)	4/7

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, student outcomes and experience, quality matters and personnel related matters including health and safety and environmental issues. The Corporation operates under a limited committee system and meets two to three times each term.

The Corporation conducts its business through Corporation meetings and three committees. Each Committee has terms of reference, which have been approved by the Corporation. The Committees are Audit; Governance and Search; and Remuneration. Corporation appointed Task and Finish Groups to deal with Merger Legacy Issues, Quality, Reporting and Estates.

Heart of Worcestershire College

Full minutes of all Corporation and Committee meetings, except those items deemed confidential by the Corporation are available on the College website at www.howcollege.ac.uk or from the Clerk to the Corporation at:

**Heart of Worcestershire College
Osprey House
Albert Street
Redditch
Worcestershire
B97 4DE**

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 Corporation for ensuring all applicable procedures and regulations are complied with. The appointment, evaluation, remuneration 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 Corporation and Committee meetings. Briefings are also provided on an ad-hoc basis.

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

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

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Governance and Search Committee which operates in accordance with written terms of reference approved by the Corporation. It consists of up to seven members of the Corporation, and is responsible for the review and recommendation of new non-executive members for the Corporation's consideration. The Governance and Search Committee also monitors the process by which staff and student members are nominated and elected. The Corporation is responsible for ensuring that appropriate training and induction is provided for Governors as required.

Members of the Corporation are appointed for a term of office not exceeding 4 years.

Corporation Performance

The Corporation carried out a self-assessment of its own performance for the year ended 31st July 2017 and graded itself as "Good" on the Ofsted scale

Governors, leaders and managers have successfully steered the College through the first three years of merger to create Heart of Worcestershire College – a new entity, not two bodies separate, but together. The Corporation actively monitored progress against the 2016/17 Strategic Plan objectives and College Improvement Plan which rigorously addressed the challenges faced by the college, particularly in respect of attendance and maths and English. Governors drove the formulation of the new Strategic Plan for 2017 – 20 and the Senior Leadership Team shared assumptions for each core market sector, the cross college themes and the cross college enablers, set out their ambitions for their areas and responded to Governor challenges in Corporation workshops.

Heart of Worcestershire College

Governors have supported leaders in seeking quality improvement across the College. Key Performance Indicators for quality have been extended, setting a cultural expectation of high performance from Governors and Managers, and refocusing attention on attendance as well as retention and achievement, with higher targets to stretch staff and students, expanded comparators and more detailed breakdowns with a specific focus on English and maths. The College Teaching Assessment Learning and Quality Group (TALQ) promotes and supports quality improvement to achieve these Key Performance Indicators.

The Self-Assessment Report was approved by the Corporation and the accompanying College Improvement Plan was robustly monitored against the termly milestones. Governors are invited through the Governor Insight Scheme to participate in Directorate Quality and Self-Assessment Report Validation Events, where they are able to directly challenge staff. Governors are able to triangulate management statements and College policies and processes by accompanying members of staff conducting observations of teaching, learning and assessment in lessons, accompanying managers and leaders on Learning Walks and attending Student Senior Leadership Team meetings. Student groups joined in round robin discussion groups with Governors at the Away Event covering English and maths, Teaching, Learning and Assessment, Prevent and British Values, College Life and the Future and next steps.

Governors have established a formal "Quality Group" which has a remit to provide assurance on quality matters to the Corporation, to enhance Members' understanding of quality matters and to review particular matters in greater detail. It seeks to extend Governor knowledge and understanding of key issues and provides a forum for in depth review and rigorous support and challenge thorough the inclusion of an hour long "Deep Dive" presentation in each meeting on a specific topic requested by Members. It has joint Governor - Manager membership, all Governors are invited to meetings and extensive notes are circulated to the Corporation for information.

The Corporation is proud of its inclusive approach to learners. The College has also significantly developed its Special Educational Needs and Disabilities environment, with support from the Worcestershire Local Enterprise Partnership, and Governors enjoyed visiting the new facilities on both sites in May 2017. Governors accept that the inclusive curriculum can have a negative impact on attendance, retention and achievement statistics. The College continues to provide Access and ESOL courses, which many colleges no longer offer, and has expanded the range, with part time and full time options and flexible delivery/attendance models.

The Membership of the Corporation supports collaboration with local partners, with representation from Worcestershire Local Enterprise Partnership, Worcester City and Worcestershire County Councils and the third sector. The Strategic Plan is aligned with the strategic priorities for Worcestershire Local Enterprise Partnership and the College has established an Apprenticeship Training Agency to deliver relevant training to employers. The College works closely with local Councils on mutually beneficial projects such as meeting Special Educational Needs and Disabilities needs, redeveloping the Perdiswell Sports Centre and Cinderella Ground.

The merged College was financially sound, however, Governors were critical of shortfalls in the achievement of projected learner numbers against budget, particularly in 2016/17, and steps have been taken to ensure that the underlying process provided more robust indicators for 2017/18. Governors supported managers in a further restructuring process at the end of 2016/17 to ensure that a realistic budget could be set without entering a deficit position. The Corporation approved the repaying of significant loans with Barclays Bank in 2016/17 and continues to invest in the College estate and facilities with the promise of £4m to improve engineering provision in Worcestershire from the Local Enterprise Partnership Growth Funds.

In April 2017 the Corporation approved the Principal's recommendation to step away from the possibility of merger with Stratford Upon Avon College, in part because of the need to avoid distraction from the quality of the College offer to students.

Heart of Worcestershire College

Remuneration Committee

The College's Remuneration Committee operates in accordance with written terms of reference approved by the Corporation. It comprises of up to six members of the Corporation. The committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal and other key management personnel.

Details of remuneration for the year ended 31 July 2017 are set out in note 6 to the Financial Statements.

Audit Committee

The Audit Committee comprises of up to seven members of the Corporation (excluding the Principal and Chair). The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee meets on a termly basis and provides a forum for reporting by the College's internal, reporting accountants and financial statements auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the main FE funding bodies as they affect the College's business. There is a constant risk focus at the meetings with regular reviews of the risk register, improvement suggestions surrounding the risks and presentations from Management on specific risks appearing on current registers.

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 that such recommendations had been implemented.

The Audit Committee also advises the Corporation on the appointment of internal, reporting accountants and financial statements auditors and their remuneration for both 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 the College and the funding bodies. He is also responsible for reporting to the Corporation any material weaknesses or breakdown 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 risks of failure to achieve policies, aims and objectives; it could 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 to manage them efficiently, effectively and economically. The system of internal control has been in place at Heart of Worcestershire College for the year ended 31 July 2017 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 was 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 was 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 2017 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The Risk and Control Framework

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

- comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Corporation;
- regular reviews by the Corporation of periodic and annual financial reports which indicate financial performance against budget;
- setting targets to measure financial and other performance; and
- clearly defined capital investment control guidelines.

The College has an internal audit service, which operates in accordance with the requirements of the ESFA's Post 16 Audit Code of Practice.

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

At least annually, the Head of Internal Audit provides the Corporation with a report on internal audit activity in the College. The report includes an independent opinion from the Head of Internal Audit on the adequacy and effectiveness of the College's system of risk management, controls and governance process.

Review of Effectiveness

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

Heart of Worcestershire College

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

The Principal has been advised on the implications of the result of his review of the effectiveness of the systems 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 any weaknesses and ensure continuous improvement of the system is in place.

The Senior Leadership Team receive reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training.

The Senior Leadership Team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is to undertake a high level review of the arrangements for internal control.

The Corporation's agenda includes a regular item for consideration of risk and control and receives reports from the Senior Leadership Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not simply reporting by exception.

At its December 2017 meeting the Corporation carried out the annual assessment for the year ended 31 July 2017 by considering documentation from the Senior Leadership Team, Audit Committee and Internal Auditors, and taking account of events since 31 July 2017.

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

Going Concern

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 5 December 2017 and signed on its behalf by:-



N Bucktin
Chair



S M Laverick
Principal

Heart of Worcestershire College

Governing Body's statement of Regularity, Propriety and Compliance

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

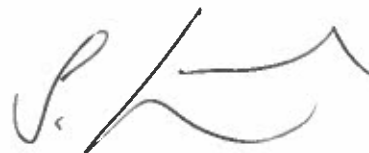
We confirm, on behalf of the Corporation, that after due enquiry, and to the best of our knowledge, we are able to identify any material irregular or improper use of funds by the College, or material non-compliance with the terms and conditions of funding under the College's financial memorandum.

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

Approved by order of the members of the Corporation on 5 December 2017 and signed on its behalf by:-



N Bucktin
Chair



S M Laverick
Principal

Heart of Worcestershire College

Statement of the Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the Financial Memorandum with the Education Skills Funding Agency, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education and with the College Accounts Direction 2016 to 2017 issued by the Education Skills Funding Agency, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

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

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

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

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the Education Skills Funding Agency are used only in accordance with the Financial Memorandum with the Education Skills Funding Agency and any other conditions that may be prescribed from time to time.

Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure that they are used properly. In addition, Members of the Corporation are responsible for securing economic, 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 Education Skills Funding Agency are not put at risk.

Approved by order of the members of the Corporation on 5 December 2017 and signed on its behalf by:-



N Bucktin
Chair

Heart of Worcestershire College

Independent auditor's report to the Corporation of Heart of Worcestershire College

Opinion

We have audited the financial statements of Heart of Worcestershire College for the year ended 31 July 2017 which comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Balance Sheet as at 31 July 2017, 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 applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 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 2017 and of the College's deficit of income over expenditure for the year then ended; and
- have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice – Accounting for Further and Higher Education issued in March 2014.

Basis for opinion

We have been appointed as auditor under the College's Articles of Government and report in accordance with regulations made under it. 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.

Who are we reporting to

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

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 Corporation's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Corporation 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 Corporation are responsible for the other information. The other information comprises the information included in the Strategic Report and Statement of Corporate Governance and Internal Control, set out on pages 3 to 22 other than the financial statements and our auditor's report thereon. The Corporation are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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.

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

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

Responsibilities of the Corporation for the financial statements

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 24, the College's 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 are responsible for assessing the College's ability to continue as a going concern, disclosing, as applicable, matters relating 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.

Heart of Worcestershire College

Independent auditor's report to the Corporation of Heart of Worcestershire College

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

Grant Thornton UK LLP

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham

20 December 2017

Heart of Worcestershire College

Reporting accountant's assurance report on regularity

To the corporation of Heart of Worcestershire College and Secretary of State for Education acting through the Department for Education ('the Department')

In accordance with the terms of our engagement letter dated 2 August 2017 and further to the requirements of the financial memorandum with Skills Funding Agency / funding agreement with Education Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that, in all material respects, the expenditure disbursed and income received by Heart of Worcestershire College during the period 1 August 2017 to 31 July 2017 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

This report is made solely to the corporation of Heart of Worcestershire College, as a body, and the Department, as a body, in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of Heart of Worcestershire College and the Department those matters we are required to state in a limited assurance 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 Heart of Worcestershire College, as a body, and the Department, as a body, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Heart of Worcestershire College and the reporting accountant

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

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

Approach

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

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

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

Heart of Worcestershire College

Reporting accountant's assurance report on regularity

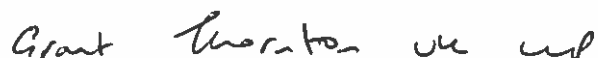
Our engagement includes examination, on a test basis, of evidence relevant to the regularity of the college's income and expenditure.

The work undertaken to draw our conclusion includes:

- an assessment of the risk of material irregularity and impropriety across the college's activities;
- evaluation of the processes and controls established and maintained in respect of regularity and propriety for the use of public funds through observation of the arrangements in place and enquiries of management;
- consideration and corroboration of the evidence supporting the Accounting Officer's statement on regularity, propriety and compliance and that included in the self-assessment questionnaire (SAQ); and
- limited testing, on a sample basis, of income and expenditure for the areas identified as high risk and included on the SAQ.

Conclusion

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



Grant Thornton UK LLP
Chartered Accountants
Birmingham

20 December 2017

Heart of Worcestershire College

Statements of Comprehensive Income for the year ended 31 July 2017

	Note	Year ended 31 July 2017	Year ended 31 July 2016
		£'000	£'000
Income			
Funding body grants	2	26,710	27,672
Tuition fees and education contracts	3	4,874	5,029
Other income	4	2,172	2,140
Investment income	5	32	84
Total income		33,788	34,925
Expenditure			
Staff costs	6	18,958	19,085
Fundamental restructuring costs	6	768	675
Other operating expenses	7	12,740	12,730
Depreciation	10	3,097	3,048
Interest and other finance costs	8	1,200	956
Total expenditure		36,763	36,494
Deficit before other gains and losses		(2,975)	(1,569)
Loss on disposal of assets		(6)	-
Deficit before tax		(2,981)	(1,569)
Taxation		-	-
Deficit for the year		(2,981)	(1,569)
Actuarial gain / (loss) in respect of pension schemes	22	6,212	(6,089)
Total Comprehensive Income for the year		3,231	(7,658)

The statement of comprehensive income is in respect of continuing activities.

Heart of Worcestershire College

Statement of Changes in Reserves for the year ended 31 July 2017

	Income and expenditure account	Revaluation reserve	Total
	£'000		£'000
College			
Balance at 1st August 2015	7,922	8,899	16,821
Deficit from the income and expenditure account	(1,569)	-	(1,569)
Other comprehensive income	(6,089)	-	(6,089)
Transfers between revaluation and income and expenditure reserves	188	(188)	-
	(7,470)	(188)	(7,658)
Balance at 31st July 2016	452	8,711	9,163
Deficit from the income and expenditure account	(2,981)		(2,981)
Other comprehensive income	6,212		6,212
Transfers between revaluation and income and expenditure reserves	188	(188)	-
	3,419	(188)	3,231
Total comprehensive income for the year			
Balance at 31st July 2017	3,871	8,523	12,394

Heart of Worcestershire College

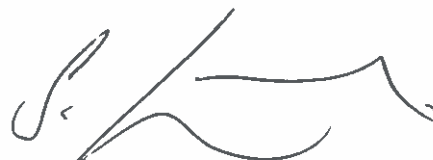
Balance Sheets as at 31 July 2017

	Note	College 2017 £'000	College 2016 £'000
Non current assets			
Tangible fixed assets	10	43,341	44,783
		<u>43,341</u>	<u>44,783</u>
Current assets			
Stocks		38	46
Trade and other receivables	12	1,384	1,629
Investments	13	3	5,932
Cash and cash equivalents	18	10,930	7,658
		<u>12,355</u>	<u>15,265</u>
Less: Creditors - amounts falling due within one year	14	(8,263)	(13,463)
		<u>4,092</u>	<u>1,802</u>
Net current assets			
		<u>4,092</u>	<u>1,802</u>
Total assets less current liabilities		<u>47,433</u>	<u>46,585</u>
Less: Creditors - amounts falling due after more than one year	15	(11,594)	(9,258)
Provisions			
Defined benefit obligations	17	(23,363)	(28,144)
Other provisions	17	(82)	(20)
		<u>12,394</u>	<u>9,163</u>
Total net assets		<u>12,394</u>	<u>9,163</u>
Unrestricted reserves			
Income and expenditure account		3,871	452
Revaluation reserve		8,523	8,711
		<u>12,394</u>	<u>9,163</u>
Total unrestricted reserves		<u>12,394</u>	<u>9,163</u>

The financial statements on pages 30 to 58 were approved and authorised for issue by the Corporation on 5th December 2017 and were signed on its behalf by;



N Bucktin
Chair



S M Laverick
Principal

Heart of Worcestershire College

Statement of Cash Flows for the year ended 31 July 2017

	Note	2017 £'000	2016 £'000
Cash inflow from operating activities			
Deficit for the year		(2,981)	(1,569)
Adjustment for non-cash items			
Depreciation		3,097	3,048
(Increase)/Decrease in stocks		8	(2)
(Increase)/Decrease in debtors		245	(462)
Increase/(Decrease) in creditors due within one year		(318)	(1,450)
Increase/(Decrease) in creditors due after one year		(325)	(366)
Increase/(Decrease) in other provisions		62	(20)
Pension costs less contributions payable		1,432	1,027
Adjustment for investing or financing activities			
Investment income		(32)	(84)
Interest payable		521	188
Loss on sale of fixed assets		6	3
Net cash flow from operating activities		<u>1,715</u>	<u>313</u>
Cash flows from investing activities			
Investment income		32	84
New deposits		5,929	(20)
Payments made to acquire fixed assets		(1,661)	(1,359)
		<u>4,300</u>	<u>(1,295)</u>
Cash flows from financing activities			
Interest paid		(521)	(188)
Repayments of amounts borrowed		(2,222)	(399)
		<u>(2,743)</u>	<u>(587)</u>
Increase / (decrease) in cash and cash equivalents in the year		<u>3,272</u>	<u>(1,569)</u>
Cash and cash equivalents at beginning of the year	18	7,658	9,227
Cash and cash equivalents at end of the year	18	10,930	7,658

Heart of Worcestershire College

Notes to the financial statements for the year ended 31 July 2017

1 Statement of accounting policies and estimation techniques

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

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (the 2015 FE HE SORP), the College Accounts Direction for 2016 to 2017 and in accordance with Financial Reporting Standard 102 – “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Basis of accounting

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

Basis of consolidation

The financial statements include only the results of the College. Its subsidiaries Molinna Limited and North East Worcestershire College Limited ('NEWCEL') did not trade during the periods ending 31 July 2017 and 31 July 2016. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2017.

Going concern

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

The College currently has £3.5m of loans outstanding with two providers; liabilities are secured on parts of the freehold land and buildings of the College. At year end the College has breached its covenants with Natwest due to the early repayment of the Barclays loan facility. In the event that total amount owing to Natwest becomes repayable instantly the College has sufficient cash balances to meet this liability.

During 2016/17 the College has agreed new covenants for the loan facilities held with Santander, these covenants were met at year end.

Accordingly the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

1 Statement of accounting policies and estimation techniques (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 underachievement for the Adult Education Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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

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 capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

Fee income

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

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.

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.

Heart of Worcestershire College

Notes to the financial statements for the year ended 31 July 2017

1 Statement of accounting policies and estimation techniques (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.

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 other 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 College operates an annual leave year in line with the financial year end, employees are unable to carry forward any unused leave and as such we have no ongoing accruals for any unused benefits.

Non-current Assets - Tangible fixed assets

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

1 Statement of accounting policies and estimation techniques (continued)

Land and buildings

The College's buildings are specialised buildings and therefore, in general, it is not appropriate to value them on the basis of open market value. Land and buildings inherited from the Local Education Authority (LEA) are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily available, except for one property where the open market value was available as at 31 July 1998. Land and buildings acquired and building improvements made since incorporation are included in the balance sheet at cost.

Freehold land is not depreciated as it is considered to have an infinite useful life.

Freehold buildings are depreciated over their expected useful economic life to the College of 50 years, freehold buildings purchased by Worcester College of Technology previous to 1 August 2014 are depreciated over 40 years and two freehold buildings purchased by North East Worcestershire College are being depreciated over 30 years; all inherited buildings are depreciated over 40 years. The College has a policy of depreciating major adaptations to buildings on a straight-line basis over a 15-year useful economic life.

Where land and buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account within creditors, and are released to the income and expenditure account over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year. Where a grant relates to leased premises the depreciation and grant are charged over the period to the first lease break clause.

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

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, of which one property was revalued in 1998, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

Assets under construction

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

Subsequent expenditure on existing fixed assets

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

Heart of Worcestershire College

Notes to the financial statements for the year ended 31 July 2017

1 Statement of accounting policies and estimation techniques (continued)

Equipment

Equipment costing less than £1,500 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost.

Capitalised equipment purchased after 1st August 2014 is depreciated over its useful economic life as follows:

General equipment	3 years on a straight-line basis
Computer equipment & software	3 years on a straight-line basis
Long term equipment / motor vehicles	7 years on a straight-line basis
Fixtures & fittings	7 years on a straight-line basis

The useful economic lives (UEs) estimated by the two predecessor colleges for all assets that the College owned at the date of merger have been retained since the estimates used by the predecessor colleges continue to be appropriate. The UEs for all new assets purchased after the date of the merger have been separately assessed.

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance the above policy, with the related grant being credited to a deferred capital grant account and released to income and expenditure account over the expected useful life of the related equipment.

Borrowing costs

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

Leased assets

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

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

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

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

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

1 Statement of accounting policies and estimation techniques (continued)

Inventories

Stocks are stated at the lower of their purchase cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective items.

Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. An investment qualifies as a cash equivalent when it has maturity of 3 months or less from the date of acquisition.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

All loans, investments and short term deposits held by the College are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost; however the College has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

Foreign currency translation

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

Taxation

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

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

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

Heart of Worcestershire College

Notes to the financial statements for the year ended 31 July 2017

1 Statement of accounting policies and estimation techniques (continued)

Provisions and contingent liabilities

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

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

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

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

Agency arrangements

The College acts as an agent in the collection and payment of discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the Statement of Comprehensive Income where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction. The College does normally retain 5% of the grant received to cover administration costs relating to disbursement of the funds.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the College's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

1 Statement of accounting policies and estimation techniques (continued)

Other key sources of estimation uncertainty

- 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 and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- Local Government Pension Scheme - The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 22, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Heart of Worcestershire College

Notes to the financial statements for the year ended 31 July 2017

2 Funding body grants

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 Restated £'000
Recurrent grants		
Education and Skills Funding Agency – adult	2,468	2,949
Education and Skills Funding Agency – 16-18	14,405	15,558
Education and Skills Funding Agency - apprenticeships	1,943	1,655
Education and Skills Funding Agency – Consortium partners - adult*	1,069	720
Education and Skills Funding Agency – Consortium partners – apprenticeships *	3,860	3,771
Education and Skills Funding Agency – College share of consortium* partners	788	817
Higher Education Funding Council	1,280	1,304
Specific grants		
Education and Skills Funding Agency	160	186
Releases of government capital grants	737	712
	26,710	27,672

* The College is the lead partner in a consortium to deliver Adult Skills in the West Midlands Region. The income shown above represents that earned by the College in its capacity both as a provider and as the consortium lead, and that earned by partners.

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Education and Skills Funding Agency	5,717	5,308
Payments to non College partners	(4,929)	(4,491)
Net Income	788	817

3 Tuition fees and education contracts

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Adult education fees	1,201	970
Apprenticeship fees and contracts	45	103
Fees for FE loan supported courses	485	370
Fees for HE loan supported courses	2,344	2,711
Total tuition fees	4,075	4,154
Education Contracts	799	875
Total	4,874	5,029

Heart of Worcestershire College

Notes to the financial statements for the year ended 31 July 2017

4 Other income

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Catering and residences	298	143
Other income generating activities	1,644	1,461
Other grant income	230	536
Total	2,172	2,140

5 Investment income

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Other interest receivable	32	84
Total	32	84

6 Staff numbers and costs

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

	2017	2016
Teaching staff	281	328
Non-teaching staff	262	230
	543	558

Staff costs for the above persons	2017 £'000	2016 £'000
Wages and salaries	14,211	14,869
Social security costs	1,214	1,091
Other pension costs (<i>including FRS102 28 pension adjustment of £752,000 and 2015/16: £259,000</i>)	3,299	2,794
Payroll sub total	18,724	18,754
Contracted out staffing services	234	331
	18,958	19,085
Fundamental restructuring costs – Contractual	768	675
Total Staff costs	19,726	19,760

Heart of Worcestershire College

Notes to the financial statements For the year ended 31 July 2017

6 Staff numbers and costs (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 are represented by the College Executive Team which comprises the Principal, Vice Principal Corporate and Resources and Vice Principal Curriculum and Quality.

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

	2017	2016
The number of key management personnel including the Accounting Officer was:	3	3

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

	Key management personnel		Other Staff	
	2017	2016	2017	2016
£60,001 to £70,000	0	0	3	2
£80,001 to £90,000	2	2	0	0
£140,001 to £150,000	1	1	0	0
	<u>3</u>	<u>3</u>	<u>3</u>	<u>2</u>

Key management personnel compensation is made up as follows:

	2017 £'000	2016 £'000
Salaries	315	315
Employers National Insurance	38	38
Benefits in kind	5	4
	<u>358</u>	<u>357</u>
Pension contributions	48	48
	<u>406</u>	<u>405</u>
Total key management personnel compensation	406	405

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

Heart of Worcestershire College

Notes to the financial statements for the year ended 31 July 2017

6 Staff numbers and costs (continued)

The above compensation includes amounts payable to the Accounting Officer (who is also the highest paid officer) of:

	2017 £'000	2016 £'000
Salaries	146	145
Benefits in kind	2	2
	148	147
Pension contributions	24	24

No compensation for loss of office has been paid to former key management personnel during the reporting periods.

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

7 Other operating expenses

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Teaching costs	1,597	2,017
Non teaching costs	8,513	8,192
Premises costs	2,630	2,521
Pension contributions	12,740	12,730
Other operating expenses include:	2017 £'000	2016 £'000
Auditors remuneration:		
- financial statements audit	31	32
- internal audit	33	37
Loss on disposal of tangible fixed assets	6	3
Hire of plant and machinery - operating leases	77	89

Heart of Worcestershire College

Notes to the financial statements for the year ended 31 July 2017

8 Interest and other finance costs

	2017 £'000	2016 £'000
On bank loans	521	188
	<u>521</u>	<u>188</u>
Net interest on defined pension liability (note 22)	679	768
	<u>1,200</u>	<u>956</u>

9 Taxation

The Members of the Corporation do not believe the College was liable for corporation tax arising out of its activities during the year.

Heart of Worcestershire College

Notes to the financial statements for the year ended 31 July 2017

10 Tangible fixed assets

	Land and Freehold Buildings £'000	Equipment £'000	Total £'000
Cost or valuation			
At 1 August 2016	69,201	9,460	78,661
Additions	998	663	1,661
Disposals	(103)	(803)	(906)
At 31 July 2017	70,096	9,320	79,416
Depreciation			
At 1 August 2016	25,439	8,439	33,878
Charge for the year	2,389	708	3,097
Eliminated in respect of disposals	(98)	(802)	(900)
At 31 July 2017	27,730	8,345	36,075
Net book value at 31 July 2017	42,366	975	43,341
Net book value at 31 July 2016	43,762	1,021	44,783

Land and buildings were valued in 1996 and 1998. Other tangible fixed assets inherited from the Local Education Authority at incorporation have been valued by the College on a depreciated replacement cost basis with the assistance of independent professional advice.

Land and building with a net book value of £14,114K and Equipment with a net book value of £170K have been financed by exchequer funds, fully or partially. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum with the funding body, to surrender the proceeds.

11 Investments in subsidiary

	2017 £'s	2016 £'s
Investment in subsidiary companies	4	4
	4	4

The College owns 100% of the issued ordinary £1 shares of Molinna Limited, a company incorporated in England & Wales. Molinna was dormant throughout the year.

The College owns 100% of the issued ordinary £1 shares of North East Worcestershire College Enterprises Limited (NEWCEL), a company incorporated in England and Wales. NEWCEL was dormant throughout the year.

Heart of Worcestershire College

Notes to the financial statements for the year ended 31 July 2017

12 Trade and other receivables

Amounts falling due within one year:	2017 £'000	2016 £'000
Trade receivables	979	663
Prepayments and accrued income	405	966
Total	1,384	1,629

13 Current investments

	2017 £'000	2016 £'000
Short term deposits	3	5,932
Total	3	5,932

Deposits are held with banks and building societies operating in the London market and licensed by the Financial Conduct Authority with more than three months maturity at the balance sheet date. The interest rates for these deposits are fixed for the duration of the deposit at time of placement.

14 Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Bank loans	879	5,761
Payments received on account	1,293	909
Trade payables	290	396
Other taxation and social security	729	719
Accruals and accrued income	2,579	2,615
Deferred income – government capital grants	689	687
Amounts owed by the Education Skills Funding Agency	1,804	2,376
Total	8,263	13,463

15 Creditors: amounts falling due after one year

	2017 £'000	2016 £'000
Bank loans	2,660	0
Deferred income – government capital grants	8,934	9,258
Total	11,594	9,258

Heart of Worcestershire College

Notes to the financial statements for the year ended 31 July 2017

16 Maturity of debt

Bank loans are repayable as follows:

	2017 £'000	2016 £'000
In one year or less	879	407
Between one and two years	140	417
Between two and five years	420	1,310
In five years or more	2,100	3,627
Total	3,539	5,761

As at 31st July 2016 the College had breached all bank covenants largely due to the introduction of FRS102 and the significant increase in the defined benefit pension liability at 31st July 2016.

During 2016/17 the College reviewed the loan facilities held with Barclays, following this review Corporation agreed to early repayment of all outstanding amounts held with Barclays.

New covenants, for the loan facilities held with Santander, were approved at the July Corporation meeting; these new covenants were updated to reflect FRS102, include definitions which are linked to the ESFA definitions and allow for uncertainties and fluctuations in the defined benefit obligations. These covenants were met at year end.

The facility held with Natwest remains in a breach position, the balance has not been demanded as repayable instantly by the provider, however as the breach was at year end the balance has been reflected in Creditors: amounts falling due within one year.

Remaining bank loans are now with two providers; repayable by monthly or quarterly instalments until 2024, 2025 and 2037. Interest is payable at negotiated margins (between 0.62% and 1.25%) above base or LIBOR, over the life of the currently variable rate loans.

Loan liabilities are secured on parts of the freehold land and buildings of the College.

17 Provisions

	Defined benefit obligations £'000	Other £'000	Total £'000
At 1 August 2016	28,144	20	28,164
Expenditure in the period	1,815	(20)	1,795
Additions in period	(6,596)	82	(6,514)
At 31 July 2017	23,363	82	23,445

Heart of Worcestershire College

Notes to the financial statements for the year ended 31 July 2017

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 22.

A provision has been made to cover dilapidation costs at leased properties which will be vacated during 2017/18. Notice to cease these leases was served during 2106/17. Under the terms of the individual lease agreements the College has a legal obligation to carry out dilapidation work on vacation of the premises.

A further provision has been added in 2016/17 in respect of a potential breach in the Colleges OFFA (Office for Fair Access) access agreement. The College is working with OFFA to review the agreements and how they have been applied; the outcome and any necessary actions will be known during 2017/18.

18 Cash and cash equivalents

	At 1 August 2016	Cash flows	At 31 July 2017
	£'000	£'000	£'000
Cash and cash equivalents	7,658	3,272	10,930
Total	7,658	3,272	10,930

19 Capital commitments

	2017 £'000	2016 £'000
Commitments contracted for at 31 July	576	106
Total	576	106

Heart of Worcestershire College

Notes to the financial statements for the year ended 31 July 2017

20 Lease obligations

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

	2017 £'000	2016 £'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	110	115
Later than one year and not later than five years	46	24
	<u>156</u>	<u>139</u>
Other		
Later than one year and not later than five years	77	88
	<u>77</u>	<u>88</u>

21 Contingencies

There are no contingencies for reporting.

22 Defined benefit obligations

The College's employees belong to two principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Worcestershire County Council.

Both are multi-employer defined benefit schemes.

Total pension cost for the year		2017 £'000	2016 £'000
Teachers' Pension Scheme: contributions paid		803	903
Local Government Pension Scheme:			
Contributions paid	1,764	1,631	
FRS 102 (28) charge	<u>752</u>	<u>259</u>	
Charge to the Statement of Comprehensive Income		2,516	1,890
Enhanced pension charge to Statement of Comprehensive Income		-	-
Total Pension Cost for Year within staff costs		<u>3,319</u>	<u>2,793</u>

22 Defined benefit obligations (continued)

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2012 and the LGPS 31 March 2016.

Contributions amounting to £290,068 (2015/16 £302,433) were payable to the schemes at the end of the financial year, and are included within creditors.

Teachers' Pension Scheme

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

The Teachers' Pension Budgeting and Valuation Account

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

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

Valuation of the Teachers' Pension Scheme

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

- New employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million, giving a notional past service deficit of £14,900 million;
- an employer cost cap of 10.9% of pensionable pay.
- The assumed real rate of return is 3.0% in excess of prices and 2.0% in excess of earnings. The rate of real earning growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

22 Defined benefit obligations (continued)

The new employer contribution rate for the TPS was implemented in September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

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

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

Scheme Changes

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

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

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

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

The pension costs paid to TPS in the year amounted to £803,000 (2015/16: £903,000).

FRS 102 (28)

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.

Heart of Worcestershire College

Notes to the financial statements for the year ended 31 July 2017

22 Defined benefit obligations (continued)

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate funds administered by Worcestershire County Council. The total contributions made for the year ended 31 July 2017 was £2,287,000 of which employers' contributions totalled £1,106,000; employees' contributions totalled £526,000 and lump sum deficit payments of £655,000.

The agreed contribution rate for the coming year is 14.4% until 31 March 2020 for employers. Employee contribution rates range from 5.5% to 12.5% depending on full time equivalent salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2017 by a qualified independent actuary.

	At 31 July 2017	At 31 July 2016
CPI inflation / CARE benefits revaluation	2.20%	1.70%
Rate of increase in salaries	3.00%	2.50%
Rate of increase for pensions in payment / deferment	2.20%	1.80%
Discount rate for scheme liabilities	2.60%	2.50%
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 2017	At 31 July 2016
<i>Retiring today/current pensioners</i>		
Males	22.6 years	23.5 years
Females	25.6 years	25.9 years
<i>Retiring in 20 years/future pensioners</i>		
Males	24.8 years	25.8 years
Females	27.9 years	28.2 years

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

The sensitivity analysis below models the change in assumptions and the resulting potential increase or (decrease) in deficit position.

	At 31 July 2017 £'000	At 31 July 2016 £'000
Discount rate + 0.1%	(1,472)	(1,448)
Inflation +0.1%	1,502	1,478
Pay growth + 0.1%	282	385
Increase in life expectancy 1 year	1,428	1,283

Heart of Worcestershire College

Notes to the financial statements for the year ended 31 July 2017

22 Defined benefit obligations (continued)

	Fair Value at 31 July 2017	Fair Value at 31 July 2016
	£'000	£'000
Equities	43,658	35,145
Debt Instruments	2,637	2,655
Property	1,927	1,896
Cash	659	969
Other	1,825	1,475
Total fair value of plan assets	50,706	42,140
Actual return on plan assets	6,687	4,307

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

	2017 £'000	2016 £'000
Fair value of plan assets	50,706	42,140
Present value of plan liabilities	(74,069)	(70,284)
Net pensions liabilities (Note 17)	(23,363)	(28,144)

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

	2017 £'000	2016 £'000
Amounts included in staff costs		
Current service cost	2,462	1,850
Curtailments and settlements	72	30
Administration expenses	33	32
Total	2,567	1,912
Amounts included in interest and other finance costs		
Net interest on pension liability	679	768
Total	679	768
Amounts recognised in Other Comprehensive Income		
Return on pension plan assets	6,840	2,877
Changes in assumptions underlying the present value of plan liabilities	(628)	(8,966)
Amount recognised in Other Comprehensive Income	6,212	(6,089)

Heart of Worcestershire College

Notes to the financial statements for the year ended 31 July 2017

22 Defined benefit obligations (continued)

Movement in net defined benefit liability during year	2017 £'000	2016 £'000
Net defined benefit liability in scheme at 1 August	(28,144)	(21,028)
Movement in year:		
Current service cost	(2,462)	(1,850)
Employer contributions	1,815	1,653
Curtailments and settlements	(72)	(30)
Administration expenses	(33)	(32)
Net Interest on the defined liability	(679)	(768)
Actuarial gain / (loss)	6,212	(6,089)
Net defined liability at 31 July	(23,363)	(28,144)

Asset and Liability Reconciliation

	2017 £'000	2016 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	70,284	58,437
Current service costs	2,462	1,850
Interest costs	1,741	2,198
Contributions by Scheme participants	537	524
Changes in financial assumptions	628	8,966
Estimated benefits paid	(1,655)	(1,721)
Curtailments and settlements	72	30
Defined benefit obligations at end of period	74,069	70,284

Changes in fair value of plan assets

	2017 £'000	2016 £'000
Fair value of plan assets at start of period	42,140	37,409
Interest on plan assets	1,062	1,430
Return on plan assets	6,840	2,877
Employer contributions	1,815	1,653
Administration expenses	(33)	(32)
Contributions by scheme participants	537	524
Estimated benefits paid	(1,655)	(1,721)
Fair value of plan assets at end of period	50,706	42,140

**Notes to the financial statements
for the year ended 31 July 2017**

23 Events after the reporting period

Left open until accounts signed off

24 Related party transactions

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

The total expenses paid to, or on behalf of the, Governors during the year was £1,820 (2015/16: £2,535). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and training events in their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2015/16: None).

Aspire Academy – an organisation in which Cherie Clements, Director of Finance, is a Governor.

£527 paid to the College for courses provided to 14-16 year olds.

Artrix Theatre – an organisation in which Charlotte Swain, Assistant Principal – Vocational and Technical, is a trustee.

£56,843 paid by the College to the use of the theatre including performances and acting classes.

Worcester Business Improvement District – an organisation in which Nicki Williams, Vice Principal Corporate and Resources, is a Director.

£2,000 paid by the College in respect of membership fees.

National Association for Managers of Student Services – an association in which Julia Breakwell, Assistant Principal – Information Systems and Student Experience, is an Executive Member.

£700 paid by the College in respect of membership and conference fees.

The College has members of the Corporation who are also Councillors within Worcestershire County Council and Worcester City Council.

Worcestershire County Council

£133,731 paid by the College in respect of services during the year.

£654,328 received by the College in respect of funding and services provided to the Council

£60 due to Worcestershire County Council at year end

£200,474 due to the College at year end

Heart of Worcestershire College

Notes to the financial statements for the year ended 31 July 2017

24 Related party transactions (continued)

Worcester City Council

£87,151 paid by the College in respect of services during the year.

£2,083 received by the College in respect of services provided to the council

£190 due to the College at year end

Worcestershire LEP – an organisation in which Gary Woodman, Governor, is the Chief Executive Officer

£219,257 received by the College in respect of a Capital Grant

£78,743 due to the College at year end in respect of a Capital Grant

Vestia – an organisation in which Vikki Greenfield, Governor, is an Executive Manager/Head of Learning and Development

£40,506 paid by the College in respect of services during the year

25 Amounts disbursed as agent

Learner support funds

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Funding body grants – bursary support	956	1,018
	956	1,018
Disbursed to students	(696)	(920)
Administration costs	(43)	(49)
Balance unspent at 31 July included in creditors	217	49

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