

# Report and Financial Statements

For the year ended 31st July 2018



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 2017/18:

Stuart Laverick	Principal and CEO; Accounting officer
Kelvin Nash	Vice Principal – Curriculum and Quality (left 27/05/18)
Nicki Williams	Vice Principal – Corporate and Resources

#### Board of Governors

A full list of Governors is given on page 17-18 of these financial statements.

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

#### Professional advisors

##### Financial statement auditors and reporting accountants

**KPMG LLP**  
One Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH

##### 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

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### NATURE, OBJECTIVES AND STRATEGIES:

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

#### Legal Status

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

On 1<sup>st</sup> 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 continue within the merged College.

#### Mission

Governors reviewed the College's mission during 2016/17 and on 10<sup>th</sup> 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 is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on page 17 and 18.

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

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).

#### Inspection

The College underwent a full inspection by Ofsted in February 2018. The inspection report found the College to be "good" which is an improvement on the previous inspection of March 2016 which reported the College "requires improvement".

### **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, the current strategic plan period is 2017 to 2020. The current plan will be reviewed and presented to Corporation in December 2018.

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 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;
- 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.



## Heart of Worcestershire College

- 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.
- 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 re-generation 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.
- 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 2017/18 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.



## Heart of Worcestershire College

Principally these objectives were achieved, excluding the significant increase in defined pension obligation, by maintaining a sound 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);
- 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 consistent with the 2016/17 grading.

## **FINANCIAL POSITION**

### **Financial Position**

The College generated a deficit before other gains and losses in the year of £2,146,000 (2016/17 – £2,981,000), with total comprehensive income of £6,695,000, (2016/17 - (£3,231,000)). The total comprehensive income in 2017/18 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 £642,000 (2016/17 – £781,000 deficit).

The College has accumulated reserves of £19,089,000, including the £15,802,000 pension liability and £34,891,000 before this liability; and cash and short term investment balances of £9,313,000.

Tangible fixed asset additions during the year amounted to £1,991,000. This was split between land and buildings of £736,000 and equipment purchased of £1,255,000. The College has continued to invest resources to improve its accommodation and equipment which impact positively upon the learner experience. Capital Grant has been received in year from the Worcestershire Local Enterprise Partnership towards the College investment in the Engineering facilities and specialist equipment within this area.

## 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 2017/18 the FE funding bodies provided 78% 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 £650,000, a reduction on 2016/17 levels due to the reduction in creditors due within one year.

Borrowings during the year have reduced from £3.5m in 2016/17 to £3.3m as at 31 July 2018; this is for scheduled repayment of the principal loans.

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 which is consistent with the 2016/17 grading.

### **Student Numbers**

In 2017/18 the College delivered activity that has generated £22,404,000 in funding body grants (2016/17 - £25,973,000) as per note 2 to the Financial Statements.

### **Student Achievements**

Heart of Worcestershire College has again maintained high levels of performance throughout 2017/18. Retention rates for learners of all ages is good at 92.4%. The proportion of learners retained has remained high for 16 to 18 year olds at 91.4%, and similar to the previous year for adult learners at 93.2%.

Overall achievement rates within the College at all age levels has increased by 0.6% from the 2016/17 figure of 84% to 84.6%, and higher than national averages. On 16 to 19 study programmes in 2017/18, learners' overall achievement rates are good at 81.7% and comparable to those of similar provider types whilst adult achievement has declined by 2% and now stands to 87%. Achievement rates at all ages and modes have now exceeded the previous year and now put the college ahead of similar provider types.

Overall apprenticeship achievement rates are good. The College overall apprenticeship achievement rate is currently 67.3% and although 7% lower than 2016/17, remains similar to the national average of 67.7% however timely achievement rates require improvement as they are currently 55.3%, 3% below the national average.

Outcomes for English and maths have improved considerably in 2017-18. Results show a clear improving trend across both English and Maths, and all age groups. The attainment of high grades (grade 9-4) in these subjects is significantly better than in the previous year. For GCSE English there is no comparable data available as the majority completed the IGCSE in 2016/17 which differs significantly from the qualification used in 2017/18. The overall achievement rate of 98.2% is good with all 19+ learners achieving their qualification and an overall increase of 5.34% in the number of learners achieving high grades. For GCSE Maths overall achievement continues to improve and there has been a pleasing increase in the percentage of learners attaining high grades (+4.56%).

Almost all learners who complete their courses go on to a range of positive destinations, including employment and higher education. Learners with complex needs gain skills which enable them to progress to positive destinations including higher level study, internships and employment. Learners acquire qualifications and experience which enables them to progress in to valuable employment meeting local and national priorities.

Learners report that they feel well prepared for their next steps. Destination data collected by an independent agency shows that the vast number of learner's progress directly into employment and have study progression rates at similarly high levels. 99% of learners contacted were in a positive destination with over 33% progressing into employment, which is above local averages and sector norms. 86% of FE learners stated that they would recommend the College to a friend, this is lower than in previous years and a target for improvement in 2018-19.

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 apprentice and employer. It is anticipated that the increased End Point Assessment (EPA) and how the delivery of apprenticeship standards will work in practical terms will require the College to continue to evolve the delivery models of this work. It is also true that these changes have led to some market disruptions but for our own apprenticeships delivery and that of our partners whereby, for example, partners may have chosen to become directly contracted themselves to deliver provision and in the case of our own delivery we have seen a significant drop off in the health and social care sector as the 20% off the job rule plus the non-levy 10% contribution hits balance sheets. These trends are being seen nationally and are not a reflection of the College's delivery.

## Heart of Worcestershire College

The curriculum offer in 2018/19 was planned, delivered and managed through five areas namely:

- Vocational and Technical (Study programmes, adult, HE, Access);
- Inclusive Learning (Study programmes, adult, community);
- Apprenticeships (across vocational areas and direct for business admin);
- Management and Professional; and
- Three Counties Consortium (partners' delivery of adult skills and apprenticeships).

The College aims to align its curriculum offer to ongoing demand and future expectations where this is practical to meet LEP area priorities. This work continues to be supported by LEP investment by both Worcestershire and Greater Birmingham and Solihull LEPs with the proposed investments in engineering facilities and construction.

To continue to offer our apprenticeship ambitions the work of our Solutions team has been enhanced via the 'Workshop' facility and area where employers are able to use our space to help with recruitment drives, interviews etc. Additionally we have added some apprenticeship standards in new areas such as digital marketing and infrastructure allowing us to continue developing and expanding our work-based learning offer.

Our provision for high needs continues to grow with additional funding increasing year on year. This particular demographic will keep increasing and is above the rate of non-high needs learners so curriculum teams are beginning to plan for additional numbers in September 2019 to enable this growth.

The continued focus on the ability of students to study English and maths continues to be a governmental and College priority.

2017/2018 saw the introduction of curriculum changes for the Maths and English teams. These included the introduction of the more rigorous 9-1 GCSE qualifications. This has meant that English and maths GCSE delivery has seen a completely new curriculum with different grading criteria. For some learners this has had little impact as they have studied the qualification through school but for returning learners there have been elements of the delivery that have been completely new. This year a continued focus to ensure assessment at the start of the year is rigorous, tracking and follow up on non-attendance and direct management of maths/English sessions by vocational departments are all actions taken to ensure further improvement to these outcomes.

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.

The development and introduction of a peer observation model was introduced in the summer 2018 incorporating all delivery and support staff for the first time. This approach is in line with current research and early indications from Ofsted's new Common Inspection Framework to support improved teacher/assessor/support development of own practice. All observations are scheduled and feedback and themes will be reported at the February quality reviews with subsequent CPD activities.

The work of the BLC and the College's approach to the development of both its staff and students' digital literacy skills is a particular focus this year and we have been successfully accepted as one of only 13 FE Colleges in the country as a Microsoft Showcase College. This accolade enables the College to develop its staff training, student access to skills development and provider commercial services over the coming year and beyond.

## **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 2017 to 31 July 2018, the College paid 97.52% of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

## **Trade union facility time**

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

Numbers of employees who were relevant period	FTE employee number
1	0.17

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

Total cost of facility time	£7k
Total pay bill	£16,746k
Percentage of total bill spent on facility time	0.04%

Time spent on paid trade union activities as a percentage of total paid facility time	100%
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## **Events after the end of the reporting period**

There are no post balance sheet events.

## **Future prospects**

During the four successful, albeit demanding years since the merger of North East Worcestershire College and Worcester College of Technology, the previous Strategic Plan 2014-17 set a clear vision for the College which allowed the unification and development of a college that covered the County of Worcestershire and beyond. The Strategic Plan 2014-2017 served the needs well and both promoted and supported the development over that period; to this end some excellent progress has been made in working with our core College values and in the realisation of the vision, ambition and targets which it contained.

## Heart of Worcestershire College

In the development of the new Strategic Plan, the College has been aware of the local economy and the needs of the communities. The College works closely with the Worcestershire Local Enterprise Partnership (WLEP), local schools and employers to ensure that the curriculum and services address the needs of College stakeholders and creates relevant and valuable opportunities not just for the people within the communities but for the 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, St Dunstan's building in Worcester which was significantly refurbished in 2014, two Construction Centres at Alliance House Redditch and Spring Lane Malvern, and Osprey House also in Redditch

#### Financial

The College has £19.1 million of net assets (including £15.8 million pension liability, £34.9 million before this liability) and debt of £3.3 million.

#### People

The College employs 460 staff (expressed as full time equivalents), of whom 247 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.

### PRINCIPAL RISKS AND UNCERTAINTIES

The College has well developed strategies for managing risk and strives to embed risk management in all that it does. Risk management processes are designed to protect its assets, reputation and financial stability. The governing body has overall responsibility for risk management and its approach to managing risks and internal controls is explained in the Statement on Corporate Governance.

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 2017/18, 75% of the College's revenue (including that received as consortia lead) was ultimately public funded and this reliance 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:

- devolution of the adult education budget;
- reduced demographics of 16-18 students for past 4 years however these will sharply rise in the short term period;
- Continued impact of changes in apprenticeship funding in England from May 2017 and the apprenticeship levy; 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.

### **Pensions**

The financial statements report the share of the pension scheme deficit on the College's balance sheet in line with the requirements of FRS102. 2017/18 has seen a further significant reduction in the deficit through the actuarial valuation at 31<sup>st</sup> July 2018.

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

There is risk of an increased cost burden on the College through changes to the contribution rates for Teachers Pension scheme during 2018/19; the College has very few options to mitigate this risk.

### STAKEHOLDER RELATIONSHIPS

In line with other colleges and with universities, Heart of Worcestershire College engages with 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.

### Equality

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:

- 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.

## Heart of Worcestershire College

- 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 4 December 2018 and signed on its behalf by:

A handwritten signature in dark ink, appearing to read 'N Bucktin', with a stylized flourish at the end.

**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 1<sup>st</sup> August 2017 to 31<sup>st</sup> July 2018 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

- i) in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership); 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 17/18
Mr N M Bucklin (Chair of Corporation)	01/08/14 Reappointed 22/05/18	4 years (Wef 01/08/18)		Non-Executive	Corporation Appeal (wef 09/10/18) Governance & Search (Chair)	7/7
Mr D Miles (Vice Chair of Corporation)	01/08/14 Reappointed 22/05/18	4 years (Wef 01/08/18)		Non-Executive	Audit Quality Group (wef 27/03/18) Remuneration Estates T & F Group	7/7
Mr D Ash	10/10/17	4 years until 31/07/21		Non-Executive	Corporation Appeal (Chair) (wef 09/10/18) Governance & Search Remuneration	7/7
Mr S Bolton	28/04/15	4 years		Non-Executive	Audit	7/7
Mr A Ciriello	09/10/18	4 years until 31/07/22		Non-Executive	Governance & Search	N/A
Ms S Finch	04/12/18	1 year (wef 04/12/18)		Student		N/A
Mr K Gaffney	01/08/14 Reappointed 22/05/18	4 years (Wef 01/08/18)		Non-Executive	Audit (Chair) Estates T & F Group Quality Group	5/7
Ms V Greenfield	01/08/16	4 years	11/07/18	Non-Executive	Quality Group	4/6

## Heart of Worcestershire College

Miss L Gresty	01/08/14	4 years	07/11/17	Non-Executive	Audit	0/1
Mr P Heath	01/08/14 Reappointed 17/07/18	4 years (wef 01/08/18)		Staff	Governance & Search Quality Group (wef 10/10/17)	6/7
Mrs F Hellowell	01/08/16	4 years		Non-Executive	Academic Board Governance and Search (10/10/18 - 22/05/18) Quality Group (until 10/10/18) Quality Group (Chair) (wef 22/05/18) Corporation Appeal (wef 04/12/18)	7/7
Mrs L Hodgson	01/08/14 Reappointed 18/07/17	4 years wef (01/08/17)		Non-Executive	Audit Corporation Appeal (wef 09/10/18) Governance & Search	3/7
Mr A King	09/10/18	4 years until 31/07/22		Non-Executive	Audit	N/A
Mr S Laverick	01/08/14	Ex officio		Principal	Governance & Search	6/7
Ms K Lowe	28/04/15	4 years	10/11/17	Non-Executive	Quality Group (Chair)	2/2
Mr P McCunn	01/08/14 Reappointed 26/04/16	4 years (wef 01/08/16)		Non-Executive	Governance & Search (until 09/10/18) Remuneration (Chair)	6/7
Mrs D Morris	01/08/14 Reappointed 17/07/18	4 years (wef 01/08/18)		Staff	Audit	5/7
Mrs L Marsh	06/02/2018 Reappointed 17/07/18	1 year (wef 01/08/18)	30/09/18	Student	Governance & Search (wef 27/03/18)	1/4
Mrs S Nicholls	09/10/18	4 years until 31/07/22		Non-Executive	Audit	N/A
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
Mrs N Pearsall	17/07/18	1 year (wef 01/08/18)		Student	Governance & Search (wef 09/10/18)	N/A
Mrs A Snow	18/07/17	1 year (wef 01/08/17)	14/11/17	Student	Quality Group (wef 10/10/17)	2/2
Miss S Twigg	05/12/17	Until 31/07/18	Termination 31/07/18	Student	Quality Group (wef 27/03/18)	4/5
Mr G Woodman	01/08/16	4 years		Non-Executive	Audit (until 09/10/18) Remuneration (wef 21/03/17) Corporation Appeal (wef 04/12/18)	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.



## **Heart of Worcestershire College**

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. In addition to these the Corporation Appeal Committee was re-established in 2017/18 but has yet to meet. The College also has an Estates Group and a Quality Group which include Governor Members.

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](http://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 2018 and graded itself as "Good" on the Ofsted scale

In February 2018, Ofsted found that "Senior leaders and governors have successfully tackled the most significant areas for improvement identified at the previous inspection." Ofsted found that:

## Heart of Worcestershire College

- Governors are well qualified and use their considerable experience and expertise to good effect in setting the strategic direction of the college. Learners and employers are represented well on the governing body; their views are sought regularly to inform leaders' planning.
- Governors have a good understanding of the college's provision and have established a clear set of targets to monitor performance. They receive good and accurate information regarding most aspects of the college and use this well to challenge the principal and senior management team with a sharp focus on accountability, quality improvement, teaching and learning, and learners' achievements.
- Governors have enhanced their level of oversight regarding all aspects of the college. They routinely participate in observation walk-throughs with the college observation team and closely scrutinise college-wide self-assessment activities. As a result, they develop a good understanding of the college's strengths and its areas for improvement.
- Governors ensure that financial management is prudent. They take their financial responsibilities seriously and ensure that the college's financial sustainability is maintained. Since the previous inspection they have intensified their scrutiny of the college's large volume of subcontracted provision and leaders have scaled back the number of strategic partners with which the college works.

Governors, Leaders and Managers have successfully established Heart of Worcestershire College. The Corporation has actively monitored progress against the 2017/18 Strategic Plan objectives and College Improvement Plan and gained a better understanding of the challenges faced by the College, particularly in respect of maths and English and Apprenticeships. Governors were heavily involved with Leaders and Managers in creating the Strategic Plan for 2017 – 20, which sets out core market sectors, cross College themes and cross College enablers. Governors have also approved the new Mission Statement "Inspire, Innovate, Advance" which heads a Statement of Strategic Intent including the College Vision and Values and the top ten Strategic Priorities.

Governors have supported leaders in seeking quality improvement across the College. Key Performance Indicators for quality have been established, 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 on: Living in Worcestershire Outside life – impact and influence on College and study; Future and progression; Personal Development Behaviour and Welfare; Learner Perspectives of College life and Estates and Resources.

The Quality Group is being recast as a joint Governor Management body but in 2017/18 continued 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. All Governors are invited to meetings and notes are circulated to the Corporation for information.

## Heart of Worcestershire College

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, with the new facilities on both sites in full use. 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 and Prince's Trust courses, which many colleges no longer offer.

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. The College works closely with local Councils on mutually beneficial projects such as meeting Special Educational Needs and Disabilities needs and redeveloping the Perdiswell Sports Centre and Cinderella Ground.

The merged College was financially sound, however, Governors were critical of past shortfalls in the achievement of projected learner numbers against budget, and steps have been taken successfully to ensure that the underlying process provided more robust indicators for 2017/18. Governors supported managers in further restructuring in 2017/18. The Corporation 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.

### Remuneration Committee

The College's Remuneration Committee operates in accordance with written terms of reference approved by the Corporation. It comprises of up to seven members of the Corporation. The purpose is to advise the Corporation on the appointment, performance and early termination of Senior Postholders, so as to ensure that all Senior Postholders are fairly rewarded for their individual contributions to the College's overall performance and to demonstrate to the public that the pay of Senior Postholders is recommended by a committee which has no personal interest in the outcome of its decision and which gives due regard to the interests of the public and of the financial health of the College.

Details of remuneration for the year ended 31 July 2018 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 external 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 2018 and up to the date of approval of the annual report and accounts.

#### Capacity to Handle Risk

The Corporation has reviewed the key risks to which the College 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 2018 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

#### The Risk and Control Framework

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

- comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the 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:

- 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 external 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 2018 meeting the Corporation carried out the annual assessment for the year ended 31 July 2018 by considering documentation from the Senior Leadership Team, Audit Committee and Internal Auditors, and taking account of events since 31 July 2018.

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 4 December 2018 and signed on its behalf by:-



**N Bucktin**  
Chair



**S M Laverick**  
Principal



## Heart of Worcestershire College

### Statement of Regularity, Propriety and Compliance

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

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

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

**Approved by order of the members of the Corporation on 4 December 2018 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 College's Funding Agreement with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education and with the College Accounts Direction 2017 to 2018 issued by the ESFA, 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
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 information about the legal and administrative status of the College.

The Corporation is responsible for keeping adequate accounting records which disclose with reasonable accuracy, at any time, the financial position of the College, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for taking steps that are reasonably open to it in order to safeguard the assets of the 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 that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the ESFA are used only in accordance with the Funding Agreement with the ESFA and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the ESFA are not put at risk.

**Approved by order of the members of the Corporation on 4 December 2018 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 2018 which comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Balance Sheet as at 31 July 2018, Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2018, and of the College's income and expenditure, gains and losses, changes in reserves, and cash flows, for the year then ended; and
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education.

#### Basis for opinion

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

#### Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

#### Other information

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

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

#### Matters on which we are required to report by exception

Under the Post-16 Audit Code of Practice 2017 to 2018 (March 2018) issued by the Education and Skills Funding Agency we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

## **Heart of Worcestershire College**

### **Independent Auditor's report to the Corporation of Heart of Worcestershire College**

#### **Corporation's responsibilities**

As explained more fully in their statement set out on page 26, the Corporation is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the College or to cease operations, or has no realistic alternative but to do so.

#### **Auditor's responsibilities**

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

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

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



Anthony Felthouse  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
One Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH

17 December 2018

## **Heart of Worcestershire College**

### **Reporting Accountant's Report on Regularity to the Corporation of Heart of Worcestershire College and the Secretary of State for Education acting through the Education and Skills Funding Agency**

In accordance with the terms of our engagement letter dated 25 July 2018 and further to the requirements of the funding agreement with Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Heart of Worcestershire College during the period 1 August 2017 to 31 July 2018 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post-16 Audit Code of Practice issued by the Education and Skills Funding Agency. 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 Education and Skills Funding Agency has other assurance arrangements in place.

This report is made solely to the corporation of Heart of Worcestershire College and the Education and Skills Funding Agency 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 Education and Skills Funding Agency those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the corporation of Heart of Worcestershire College and the Education and Skills Funding Agency 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 & 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 to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Post-16 Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2017 to 31 July 2018 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

#### **Approach**

We conducted our engagement in accordance with the Post-16 Audit Code of Practice issued by the Education and Skills Funding Agency. 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 Report on Regularity to the Corporation of Heart of Worcestershire College and the Secretary of State for Education acting through the Education and Skills Funding Agency

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

The work undertaken to draw our conclusion included:

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

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

### Conclusion

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



Anthony Felthouse  
For and on behalf of KPMG LLP, Reporting Accountant  
One Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH

17 December 2018



## Heart of Worcestershire College

### Statement of Comprehensive Income for the year ended 31 July 2018

	Note	Year ended 31 July 2018	Year ended 31 July 2017
		£'000	£'000
<b>Income</b>			
Funding body grants	2	23,355	26,710
Tuition fees and education contracts	3	4,774	4,874
Other income	4	1,843	2,172
Investment income	5	21	32
<b>Total income</b>		<b>29,993</b>	<b>33,788</b>
<b>Expenditure</b>			
Staff costs	6	16,920	18,958
Fundamental restructuring costs	6	225	768
Other operating expenses	7	11,124	12,740
Depreciation	10	3,230	3,097
Interest and other finance costs	8	640	1,200
<b>Total expenditure</b>		<b>32,139</b>	<b>36,763</b>
 Deficit before other gains and losses		 (2,146)	 (2,975)
Loss on disposal of assets		-	(6)
 Deficit before tax		 (2,146)	 (2,981)
Taxation		-	-
 Deficit for the year		 (2,146)	 (2,981)
Actuarial gain in respect of pension schemes	22	8,841	6,212
<b>Total Comprehensive Income for the year</b>		<b>6,695</b>	<b>3,231</b>

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 2018

	Income and expenditure account	Revaluation reserve	Total
	£'000		£'000
<b>College</b>			
<b>Balance at 1<sup>st</sup> August 2016</b>	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)	-
	<u>3,419</u>	<u>(188)</u>	<u>3,231</u>
<b>Balance at 31<sup>st</sup> July 2017</b>	<b>3,871</b>	<b>8,523</b>	<b>12,394</b>
Deficit from the income and expenditure account	(2,146)	-	(2,146)
Other comprehensive income	8,841	-	8,841
Transfers between revaluation and income and expenditure reserves	188	(188)	-
	<u>6,883</u>	<u>(188)</u>	<u>6,695</u>
<b>Total comprehensive income for the year</b>	<b>6,883</b>	<b>(188)</b>	<b>6,695</b>
<b>Balance at 31<sup>st</sup> July 2018</b>	<b>10,754</b>	<b>8,335</b>	<b>19,089</b>

# Heart of Worcestershire College

## Balance Sheet as at 31 July 2018

	Note	College 2018 £'000	College 2017 £'000
<b>Non current assets</b>			
Tangible fixed assets	10	42,101	43,341
		<u>42,101</u>	<u>43,341</u>
<b>Current assets</b>			
Stocks		39	38
Trade and other receivables	12	1,286	1,384
Investments	13	3	3
Cash and cash equivalents	18	9,310	10,930
		<u>10,638</u>	<u>12,355</u>
Less: Creditors - amounts falling due within one year	14	<u>(6,258)</u>	<u>(8,263)</u>
<b>Net current assets</b>		<u>4,380</u>	<u>4,092</u>
<b>Total assets less current liabilities</b>		46,481	47,433
Less: Creditors - amounts falling due after more than one year	15	(11,590)	(11,594)
<b>Provisions</b>			
Defined benefit obligations	17	(15,802)	(23,363)
Other provisions	17	-	(82)
<b>Total net assets</b>		<u>19,089</u>	<u>12,394</u>
<b>Unrestricted reserves</b>			
Income and expenditure account		10,754	3,871
Revaluation reserve		8,335	8,523
<b>Total unrestricted reserves</b>		<u>19,089</u>	<u>12,394</u>

The financial statements on pages 31 to 58 were approved and authorised for issue by the Corporation on 4<sup>th</sup> December 2018 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 2018

	Note	2018 £'000	2017 £'000
<b>Cash inflow from operating activities</b>			
Deficit for the year		(2,146)	(2,981)
<b>Adjustment for non-cash items</b>			
Depreciation		3,230	3,097
(Increase) / Decrease in stocks		(1)	8
Decrease in debtors		98	245
Decrease in creditors due within one year		(1,370)	(318)
Decrease in creditors due after one year		(393)	(325)
(Decrease) / Increase in other provisions		(82)	62
Pension costs less contributions payable		1,280	1,432
<b>Adjustment for investing or financing activities</b>			
Investment income		(21)	(32)
Interest payable		55	521
Loss on sale of fixed assets		-	6
<b>Net cash flow from operating activities</b>		<b>650</b>	<b>1,715</b>
<b>Cash flows from investing activities</b>			
Investment income		21	32
New deposits		-	5,929
Payments made to acquire fixed assets		(1,991)	(1,661)
		<b>(1,970)</b>	<b>4,300</b>
<b>Cash flows from financing activities</b>			
Interest paid		(55)	(521)
Repayments of amounts borrowed		(245)	(2,222)
		<b>(300)</b>	<b>(2,743)</b>
<b>(Decrease) / Increase in cash and cash equivalents in the year</b>		<b>(1,620)</b>	<b>3,272</b>
Cash and cash equivalents at beginning of the year	18	10,930	7,658
Cash and cash equivalents at end of the year	15	9,310	10,930

## Notes to the financial statements for the year ended 31 July 2018

### 1 Statement of accounting policies and estimation techniques

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

#### **Basis of preparation**

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

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

#### **Basis of accounting**

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

#### **Basis of consolidation**

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 2018 and 31 July 2017. 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 2018.

#### **Going concern**

The activities of the College, together with the factors likely to affect its future development and performance are set out in the 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 £3.3m of loans outstanding with two providers; liabilities are secured on parts of the freehold land and buildings of the College. At year end 31 July 2018 the College has met its covenants with Natwest and Santander.

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 the Office for Students 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.



### 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.

### 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 1<sup>st</sup> 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 (UEls) 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 UEls 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.

**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 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.



## Heart of Worcestershire College

### Notes to the financial statements for the year ended 31 July 2018

#### 2 Funding body grants

	Year ended 31 July 2018	Year ended 31 July 2017
	£'000	£'000
<b>Recurrent grants</b>		
Education and Skills Funding Agency – adult	2,304	2,468
Education and Skills Funding Agency – 16-18	12,352	14,405
Education and Skills Funding Agency - apprenticeships	2,171	1,943
Education and Skills Funding Agency – Consortium partners - adult*	1,463	1,069
Education and Skills Funding Agency – Consortium partners – apprenticeships *	2,190	3,860
Education and Skills Funding Agency – College share of consortium* partners	605	788
The Office for Students	1,072	1,280
<b>Specific grants</b>		
Education and Skills Funding Agency	247	160
Releases of government capital grants	951	737
	<b>23,355</b>	<b>26,710</b>

\* 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 2018	Year ended 31 July 2017
	£'000	£'000
Education and Skills Funding Agency	4,258	5,717
Payments to non College partners	(3,653)	(4,929)
<b>Net Income</b>	<b>605</b>	<b>788</b>

#### 3 Tuition fees and education contracts

	Year ended 31 July 2018	Year ended 31 July 2017
	£'000	£'000
Adult education fees	1,149	1,201
Apprenticeship fees and contracts	68	45
Fees for FE loan supported courses	433	485
Fees for HE loan supported courses	1,953	2,344
<b>Total tuition fees</b>	<b>3,603</b>	<b>4,075</b>
Education Contracts	1,171	799
<b>Total</b>	<b>4,774</b>	<b>4,874</b>

## Heart of Worcestershire College

### Notes to the financial statements for the year ended 31 July 2018

#### 4 Other income

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Catering and residences	288	298
Other income generating activities	1,555	1,644
Other grant income	-	230
<b>Total</b>	<b>1,843</b>	<b>2,172</b>

#### 5 Investment income

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Other interest receivable	21	32
<b>Total</b>	<b>21</b>	<b>32</b>

#### 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:

	2018	2017
Teaching staff	247	281
Non-teaching staff	213	262
	<b>460</b>	<b>543</b>

Staff costs for the above persons	2018 £'000	2017 £'000
Wages and salaries	12,597	14,211
Social security costs	1,080	1,214
Other pension costs <i>(including FRS102 (28) pension adjustment of £695,000 (2016/17: £752,000))</i>	3,069	3,299
Payroll sub total	<b>16,746</b>	<b>18,724</b>
Contracted out staffing services	174	234
	<b>16,920</b>	<b>18,958</b>
Fundamental restructuring costs – Contractual	225	768
<b>Total Staff costs</b>	<b>17,145</b>	<b>19,726</b>

## Heart of Worcestershire College

### Notes to the financial statements for the year ended 31 July 2018

#### 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

	2018	2017
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	
	2018	2017	2018	2017
£60,001 to £70,000	0	0	4	3
£70,001 to £80,000	1	0	0	0
£80,001 to £90,000	1	2	0	0
£140,001 to £150,000	1	1	0	0
	<u>3</u>	<u>3</u>	<u>4</u>	<u>3</u>

Key management personnel compensation is made up as follows:

	2018 £'000	2017 £'000
Salaries	301	315
Employers National Insurance	38	38
Benefits in kind	3	5
	<u>342</u>	<u>358</u>
Pension contributions	48	48
Total key management personnel compensation	<u>390</u>	<u>406</u>

There were no amounts due to key management personnel that were waived in the year, however one key management personnel had a salary sacrifice scheme arrangement in place for part of the year.

## Heart of Worcestershire College

### Notes to the financial statements for the year ended 31 July 2018

#### 6 Staff numbers and costs (continued)

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

	2018 £'000	2017 £'000
Salaries	145	146
Benefits in kind	0	2
	<u>145</u>	<u>148</u>
 <b>Pension contributions</b>	 <u>24</u>	 <u>24</u>

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 2018 £'000	Year ended 31 July 2017 £'000
Teaching costs	1,643	1,597
Non teaching costs	6,855	8,513
Premises costs	2,626	2,630
 <b>Total other operating expenses</b>	 <u>11,124</u>	 <u>12,740</u>
 <b>Other operating expenses include:</b>	 <b>2018</b>	 <b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Auditors remuneration:		
- financial statements audit	29	31
- internal audit	24	33
Loss on disposal of tangible fixed assets	-	6
Hire of plant and machinery - operating leases	76	77

## Heart of Worcestershire College

### Notes to the financial statements for the year ended 31 July 2018

#### 8 Interest and other finance costs

	2018 £'000	2017 £'000
On bank loans	55	521
	<u>55</u>	<u>521</u>
Net interest on defined pension liability (note 22)	585	679
	<u>640</u>	<u>1,200</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 2018

#### 10 Tangible fixed assets

	Land and Freehold Buildings £'000	Equipment £'000	Total £'000
<b>Cost or valuation</b>			
At 1 August 2017	70,096	9,320	79,416
Additions	736	1,255	1,991
Disposals	-	(718)	(718)
<b>At 31 July 2018</b>	<b>70,832</b>	<b>9,857</b>	<b>80,689</b>
<b>Depreciation</b>			
At 1 August 2017	27,730	8,345	36,075
Charge for the year	2,425	805	3,230
Eliminated in respect of disposals	-	(717)	(717)
<b>At 31 July 2018</b>	<b>30,155</b>	<b>8,433</b>	<b>38,588</b>
<b>Net book value at 31 July 2018</b>	<b>40,677</b>	<b>1,424</b>	<b>42,101</b>
Net book value at 31 July 2017	42,366	975	43,341

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 £13,818K and Equipment with a net book value of £682k 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

	2018 £'s	2017 £'s
Investment in subsidiary companies	4	4
	<u>4</u>	<u>4</u>

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 2018

#### 12 Trade and other receivables

Amounts falling due within one year:	2018 £'000	2017 £'000
Trade receivables	827	979
Prepayments and accrued income	459	405
<b>Total</b>	<b>1,286</b>	<b>1,384</b>

#### 13 Current investments

	2018 £'000	2017 £'000
Short term deposits	3	3
<b>Total</b>	<b>3</b>	<b>3</b>

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

	2018 £'000	2017 £'000
Bank loans	245	879
Payments received on account	894	1,293
Trade payables	740	290
Other taxation and social security	585	729
Accruals and accrued income	1,994	2,579
Deferred income – government capital grants	885	689
Amounts owed to the Education and Skills Funding Agency	915	1,804
<b>Total</b>	<b>6,258</b>	<b>8,263</b>

#### 15 Creditors: amounts falling due after one year

	2018 £'000	2017 £'000
Bank loans	3,049	2,660
Deferred income – government capital grants	8,541	8,934
<b>Total</b>	<b>11,590</b>	<b>11,594</b>

## Heart of Worcestershire College

### Notes to the financial statements for the year ended 31 July 2018

#### 16 Maturity of debt

Bank loans are repayable as follows:

	2018 £'000	2017 £'000
In one year or less	245	879
Between one and two years	245	140
Between two and five years	736	420
In five years or more	2,067	2,100
<b>Total</b>	<b>3,293</b>	<b>3,539</b>

As at 31<sup>st</sup> July 2017 the College had breached the Natwest bank covenants largely due to the repayment of Barclays loan balances during 2016/17. These covenants have been met as at 31<sup>st</sup> July 2018 and the debt balance now reverts to its original repayment profile in the balance sheet; at 31<sup>st</sup> July 2017 this was included in "Creditors: amounts falling due within one year".

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 2017 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 continue to be met at 31<sup>st</sup> July 2018.

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 2017	23,363	82	23,445
Expenditure in the period	1,716	(82)	1,634
Reductions in the period	(9,277)	-	(9,277)
<b>At 31 July 2018</b>	<b>15,802</b>	<b>-</b>	<b>15,802</b>

## Heart of Worcestershire College

### Notes to the financial statements for the year ended 31 July 2018

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 had been made to cover dilapidation costs at leased properties which were to be vacated during 2017/18 and notice to cease these leases was served during 2016/17. Under the terms of the individual lease agreements the College has a legal obligation to carry out dilapidation work on vacation of the premises.

All work has now been completed and there is no provision to carry forward.

A further provision had been added in 2016/17 in respect of a potential breach in the Colleges OFFA (Office for Fair Access) access agreement. The College worked with OFFA and the position has been resolved during 2017/18; again there is no provision to carry forward.

#### 18 Cash and cash equivalents

	At 1 August 2017	Cash flows	At 31 July 2018
	£'000	£'000	£'000
Cash and cash equivalents	10,930	(1,620)	9,310
<b>Total</b>	<b>10,930</b>	<b>(1,620)</b>	<b>9,310</b>

#### 19 Capital commitments

	2018 £'000	2017 £'000
Commitments contracted for at 31 July	301	576
<b>Total</b>	<b>301</b>	<b>576</b>

## Heart of Worcestershire College

### Notes to the financial statements for the year ended 31 July 2018

#### 20 Lease obligations

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

	2018 £'000	2017 £'000
<b>Future minimum lease payments due</b>		
<b>Land and buildings</b>		
Not later than one year	85	110
Later than one year and not later than five years	51	46
	<b>136</b>	<b>156</b>
<b>Other</b>		
Later than one year and not later than five years	70	77
	<b>70</b>	<b>77</b>

#### 21 Contingent Liabilities

There are no contingencies as at 31 July 2018 (2017: £Nil).

#### 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

	2018 £'000	2017 £'000
Teachers' Pension Scheme: contributions paid	678	803
Local Government Pension Scheme:		
Contributions paid	1,701	1,764
FRS 102 (28) charge	695	752
<b>Charge to the Statement of Comprehensive Income</b>	<b>2,396</b>	<b>2,516</b>
<b>Enhanced pension charge to Statement of Comprehensive Income</b>		<b>-</b>
<b>Total Pension Cost for Year within staff costs</b>	<b>3,074</b>	<b>3,319</b>

#### 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 £267,424 (2016/17 £290,068) 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 2014. These regulations apply to teachers in schools and other educational establishments, including Colleges. Membership is automatic for teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS.

#### The Teachers' Pension Budgeting and Valuation Account

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

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

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

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

#### Valuation of the Teachers' Pension Scheme

The latest actuarial review of the TPS was carried out as at 31 March 2012. 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% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

## Heart of Worcestershire College

### Notes to the financial statements for the year ended 31 July 2018

#### 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 at some point in 2019.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website. The pension costs paid to TPS in the year amounted to £678,000 (2016/17: £803,000).

#### 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 2018 was £2,156,000 of which employers' contributions totalled £1,063,000; employees' contributions totalled £454,000 and lump sum deficit payments of £639,000.

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.

#### Guaranteed Minimum Pension (GMP) equalisation

On 26 October, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits, "GMP". The Government will need to consider this outcome in conjunction with the Government's recent consultation on GMP indexation in public sector schemes before concluding on any changes required to LGPS schemes.

#### Principal Actuarial Assumptions

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

	At 31 July 2018	At 31 July 2017
CPI inflation / CARE benefits revaluation	2.10%	2.20%
Rate of increase in salaries	3.00%	3.00%
Rate of increase for pensions in payment / deferment	2.20%	2.20%
Discount rate for scheme liabilities	2.90%	2.60%
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 2018	At 31 July 2017
<i>Retiring today/current pensioners</i>		
Males	22.7 years	22.6 years
Females	25.7 years	25.6 years
<i>Retiring in 20 years/future pensioners</i>		
Males	24.9 years	24.8 years
Females	28.0 years	27.9 years



## Heart of Worcestershire College

### Notes to the financial statements for the year ended 31 July 2018

#### 22 Defined benefit obligations (continued)

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

	At 31 July 2018 £'000	At 31 July 2017 £'000
Discount rate + 0.1%	(1,445)	(1,472)
Inflation +0.1%	1,474	1,502
Pay growth + 0.1%	173	282
Increase in life expectancy 1 year	1,401	1,428

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

	Fair Value at 31 July 2018 £'000	Fair Value at 31 July 2017 £'000
Equities	43,756	43,658
Government Bonds	4,666	-
Other Bonds	2,674	2,637
Property	2,617	1,927
Cash	740	659
Other	2,447	1,825
<b>Total fair value of plan assets</b>	<b>56,900</b>	<b>50,706</b>
<b>Actual return on plan assets</b>	<b>5,569</b>	<b>6,687</b>

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

	2018 £'000	2017 £'000
Fair value of plan assets	56,900	50,706
Present value of plan liabilities	(72,702)	(74,069)
<b>Net pensions liabilities (Note 17)</b>	<b>(15,802)</b>	<b>(23,363)</b>

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

	2018 £'000	2017 £'000
<b>Amounts included in staff costs</b>		
Current service cost	2,362	2,462
Curtailements and settlements	20	72
Administration expenses	29	33
<b>Total</b>	<b>2,411</b>	<b>2,567</b>

## Heart of Worcestershire College

### Notes to the financial statements for the year ended 31 July 2018

#### 22 Defined benefit obligations (continued)

##### Amounts included in interest and other finance costs

Net interest on pension liability	585	679
Total	585	679

##### Amounts recognised in Other Comprehensive Income

Return on pension plan assets	4,243	6,840
Changes in assumptions underlying the present value of plan liabilities	4,598	(628)

##### Amount recognised in Other Comprehensive Income

8,841	6,212
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##### Movement in net defined benefit liability during year

	2018	2017
	£'000	£'000
Net defined benefit liability in scheme at 1 August	(23,363)	(28,144)
Movement in year:		
Current service cost	(2,362)	(2,462)
Employer contributions	1,716	1,815
Curtailments and settlements	(20)	(72)
Administration expenses	(29)	(33)
Net Interest on the defined liability	(585)	(679)
Actuarial gain	8,841	6,212

##### Net defined liability at 31 July

(15,802)	(23,363)
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##### Asset and Liability Reconciliation

	2018	2017
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	74,069	70,284
Current service costs	2,362	2,462
Interest costs	1,912	1,741
Contributions by Scheme participants	454	537
Changes in financial assumptions	(4,598)	628
Estimated benefits paid	(1,517)	(1,655)
Curtailments and settlements	20	72

##### Defined benefit obligations at end of period

72,702	74,069
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##### Changes in fair value of plan assets

Fair value of plan assets at start of period	50,706	42,140
Interest on plan assets	1,327	1,062
Return on plan assets	4,243	6,840
Employer contributions	1,716	1,815
Administration expenses	(29)	(33)
Contributions by scheme participants	454	537
Estimated benefits paid	(1,517)	(1,655)

##### Fair value of plan assets at end of period

56,900	50,706
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### Notes to the financial statements for the year ended 31 July 2018

#### 23 Events after the reporting period

There are none to report.

#### 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 £1,529 (2016/17: £1,820). 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 (2016/17: None).

*Artrix Theatre* – an organisation in which Nicki Williams, Vice Principal Corporate and Resources; and Charlotte Swain, Assistant Principal – Vocational and Technical, are trustees.

£28,115 paid by the College to the use of the theatre including performances and acting classes.  
£480 due to the College at year end. (2016/17: £56,843 paid by the College)

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

£135 due to the College at year end. (2016/17: £2,000 paid by the College)

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

£625 paid by the College in respect of membership and conference fees. (2016/17: £700 paid by the College)

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

#### *Worcestershire County Council*

£161,311 paid by the College in respect of services during the year. (2016/17: £133,731 paid by the College)

£557,992 received by the College in respect of funding and services provided to the Council. (2016/17: £654,328 received by the College)

£174,535 due to the College at year end (2016/17: £200,474 due to the College at year end)

## Heart of Worcestershire College

### Notes to the financial statements for the year ended 31 July 2018

#### 24 Related party transactions (continued)

##### *Worcester City Council*

£190 due to the College at year end (2016/17: £87,151 paid by the College, £2,083 received by the College and £190 due to the College at year end)

*Worcestershire LEP – an organisation in which Gary Woodman, Governor, is the Chief Executive Officer and Stuart Laverick, Principal and CEO, is a board member.*

£600,000 received by the College in respect of a Capital Grant (2016/17: £219,257 received by the College)

£360 due to the College at year end (2016/17: £78,743 due to the College at year end)

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

£72,181 paid by the College in respect of services during the year (2016/17: £40,506 paid by the College)

#### 25 Amounts disbursed as agent

##### **Learner support funds**

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Funding body grants – bursary support	517	956
	<b>517</b>	<b>956</b>
Disbursed to students	(493)	(696)
Administration costs	(24)	(43)
	<b>-</b>	<b>217</b>
<b>Balance unspent at 31 July included in creditors</b>	<b>-</b>	<b>217</b>

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.



