Sandwell College
West Bromwich

Members' Report & Financial Statements
for the year ended 31 July 2019

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Contents

Members' Report

NATURE, OBJECTIVES AND STRATEGIES

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

Legal status

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

On 1st November 2018 Sandwell College merged with Cadbury Sixth Form College. The merged entity is called Sandwell College.

College Mission and Vision

During the academic year 2017/18 college managers, governors, staff and student representatives reviewed the existing strategic plan. The board of governors approved the strategic plan on 13 July 2015.

The Vision of the College is:

To provide an exceptional, innovative and inspirational teaching and learning experience leading to individuals' success.

To be at the heart of our community by working together with schools, employers and partner organisations to enrich lives, raise aspirations, encourage enterprise and improve social and economic wellbeing.

The Mission of the College Community is:

"To provide and continuously develop and deliver high quality education, training and learning programmes that help to improve the life chances and the economic prosperity of our learners, community and businesses".

Public Benefit

Sandwell College is an exempt charity under the Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Education as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on page 11-12.

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

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

The Values of the College Community:

We have high expectations of our learners and ourselves
We put our learners at the centre of all that we do
We believe in individual empowerment and development through education and learning
We believe in individual initiative and shared responsibility
We have pride in our College and our part in its success
We celebrate the diversity of all Strategic objectives

The College's ambitions are:

- To significantly increase the number of learners who benefit from the opportunities that we offer
- To be seen as the natural College of first choice for our learning communities
- To continuously improve in order to provide outstanding teaching and learning, and for this to be recognised by Ofsted
- To engage with our stakeholders and employers and to be regarded as a trusted partner who listens, responds and delivers excellent training and education

- To play a leading role in the skills and education improvement in the communities we serve
- To ensure our courses and qualifications are relevant and equip our learners to successfully progress to further study or employment
- To invest in our staff to ensure they have the 'cutting edge' skills and qualifications they need in order to give learners the best possible experience of the College and outcomes from their studies
- To be financially stable and solvent, so that we can invest in improvement.

By realising these ambitions, the College aims to become a major regional college with outstanding quality which is recognised both locally and nationally.

To realise these ambitions, the strategy is to:

- **G**row, Improve **Q**uality, Ensure **S**olvency.

The strategy to grow, improve and be solvent has been developed with a framework of 6 key Components: Recruitment, Retention, Results, Relationships, Recognition and Resources. The key elements and position of the College at the end of the three-year plan is considered below.

Grow

Our ambition is to grow in order that more learners can benefit from the work of the College. Increased size both in terms of income and learner numbers will allow the College to invest more effectively in its provision, withstand funding and cost shocks, and benefit more learners. The key areas for the College will be pre-16, 16-18 year olds, Higher Education and apprenticeships.

Our key objective is to become a College that is natural first choice for learners in Sandwell and neighbouring boroughs and thus significantly increase the recruitment of learners

The opportunity to merge with Cadbury College, and hence grow provision into the Birmingham market, is a key component of the strategy to Grow.

Improve Quality

Our ambition is to continue to improve the quality of what we do for our learners. We aim to:

- provide an outstanding learning experience and ensure that we retain learners to the end of programmes of study
- ensure students achieve their personal and learning goals in terms of the results they achieve
- provide exceptional support to help them with their next steps, whether this is progression with their studies or obtaining employment.

We will also seek to raise aspirations and encourage learners to achieve their full potential by agreeing individual targets that provide stretch and challenge. We will also ensure that our learners receive the best support possible to achieve Maths and English qualifications.

Our key objectives are to:

- Achieve success rates in the top 25% of colleges
- Have our quality improvement and standards recognised by Ofsted
- Have outstanding teaching and learning
- Have increased progression and improve value added
- Supporting our staff to improve
- Ensure our learners are employable and, for those seeking to obtain employment, to support them in their job search
- Increase the number of students attaining a GCSE pass (minimum level 4) in Maths and English

Ensure Solvency

Our ambition is to further develop the curriculum offer and expand. In order to achieve this the College needs to ensure it has a sound financial base; this will provide the resources to invest in people, equipment, buildings and learner support. Growing the College's funding base is critical, but the College also needs to be cost-effective in its future developments.

Our key objectives are to:

- Ensure finances align to business objectives and cash is available for capital investment
- Improve financial health to sustained 'Good', as measured by the ESFA
- Focus on improving the College's solvency and cash position
- Ensure effective financial control and audits
- Optimise use of the College estate
- Ensure value for money in procurement and cost control.

Performance indicators

The College is committed to observing the importance of sector measures and indicators and use the FE Choices website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the Education and Skills Funding Agency ("ESFA"). The College is assessed by the ESFA as having a "Good" financial health grading.

The financial indicators (Financial Health and Financial Management and Control) will continue to be graded and will be reported to providers directly by the relevant funding body.

The College is committed to observing the importance of the measures and indicators within the Framework and is monitoring these through the completion of the annual Finance Record for the Education and Skills Funding Agency.

The table below illustrates success rates in 2017/18 and 2018/19.

Success Rates including English and Maths

	16-18				19+		
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
2018/19	*87.3%*	*85.4%*	*88.2%*		*91.3%*	*86.4%*	*85.1%*
2017/18	*89.2%*	*85.1%*	*86.0%*		*92.5%*	*90.5%*	*91.5%*
National Average (17/18)	**80.8%**	**82.1%**	**85.8%**		**90.3%**	**85.9%**	**80.3%**

In 2018/19 the College has approximately 8,170 ESFA funded students and approximately 640 employers responsive funded learners.

Financial position

Financial results

The College generated an underlying operating surplus in the year of £1,480,000 (£658,000 in 2017/18) before actuarial and other adjustments. This reconciles to the Statement of Comprehensive Income as below:

	2019 £'000	2018 £'000
Total Comprehensive Income for the Year	9,296	2,901
Actuarial (gain)/ loss in respect of pension schemes	2,062	(3,331)
FRS 102 pension cost adjustments:		
FRS 102 (108) charge recognised in staff costs	677	594
FRS 102 LGPS pension scheme interest	439	491
LGPS pension scheme admin charge	23	19
Restructuring costs	86	128
FRS 102 employee leave accrual (within pay costs)	84	28
Release of Enhanced Pension Provision (within pay costs)	-	(172)
Donation (assets gained upon Cadbury merger)	(11,187)	-
Underlying operating surplus	1,480	658

The College has total net assets of £31,524,000 (excluding Pension liability of £20,930,000). *(2017/18: £17,837,000 excluding pension liability of £16,539,000).* Tangible fixed asset additions during the year amounted to £913,000 and fixed assets valued at £17,010,000 were consolidated from Cadbury College.

At the year end the College held cash balances of £5,467,000 including £93,000 in Endowments *(2017/18: £2,565,000 including £92,000 in Endowments).*

The College has significant reliance on the ESFA for its principal funding source.

Merger with Cadbury College

On 1st November 2018 Sandwell College merged with Cadbury College. In the year to 31 July 2018, Cadbury College generated revenue of £3,741,000 and had 575 students. The merger provides Sandwell College with an additional site on which to grow its 16 -18 provision and gives access to education for learners outside the College's normal catchment areas, into Birmingham. This is in line with the Growth strategy.

On merger the College acquired net assets with a value of £11,187,000 which strengthens the financial position and asset base of the College.

Treasury policies and objectives

Treasury management is the management of the College's cash flows, its banking activities, 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.

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

The College had borrowings of £5,635,000 at 31 July 2019 (31 July 2018 £6,091,000).

Cash flow

The cash balance of £5,467,000 *(31 July 2018: £2,565,000),* increased in part due to the in-year funding received as a part of the merger with Cadbury College.

Reserves

The College has no formal Reserves policy but recognises the importance of reserves in the financial stability of any organisation, and ensures that there are adequate reserves to support the College's core activities. The College reserves include £93,000 held as restricted reserves. As at the balance sheet date the Income and Expenditure reserve stands at £10,501,000 (2018: £1,206,000). It is the Corporation's intention to increase reserves over the life of the strategic plan through the generation of annual operating surpluses.

Financial health

The College financial health grading according to the ESFA Finance record is 'Good'.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2018 to 31 July 2019, the College paid 92.15 per cent of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

Student numbers

In 2018/19 the College has delivered activity that has produced £30,586,631 in funding body main allocation funding (2017/18: £25,303,840). The College has approximately 8,170 ESFA funded students and approximately 640 employers responsive funded learners.

RESOURCES

Financial

The College has total net assets of £31,524,000 (excluding pension liability of £20,930,000). (2017/18: £17,838,000 excluding pension liability of £16,539,000). The College has long term debt of £5,635,000 at 31 July 2019 (31 July 2018 £6,091,000).

People

The College employs 561 people (expressed as full time equivalents), of whom 423 people (expressed as full time equivalents) are teaching staff.

Estates

The College has three campuses, Central Campus in West Bromwich, the Sixth Form at Central St. Michael's and the Cadbury College site in Kings Norton.

Reputation

The College continues to improve on its good reputation both locally and nationally. Maintaining a quality brand is essential if the College is to continue its growth in student numbers and to ensure the support of sponsors. In the past year the College has increasingly targeted its PR activities at businesses across the region and wider. This supports our aim of expanding our employer programmes, growth of which is based upon the maintenance of good relations with industry and commerce.

PRINCIPAL RISK AND UNCERTAINTIES

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

Based on the strategic plan the 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 year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the Risk Management Group will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

A risk register is maintained at the College level, which is reviewed at least annually by the Audit Committee and the Board of Governors and more frequently where necessary. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

Outlined below is a description of the principal risk factors that may affect Colleges. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College. There were no significant control weaknesses during the year that should be disclosed.

1. Government funding

The College has considerable reliance on continued government funding through the further education sector funding bodies and through the Office for Students. In 2018/19, 88% (2017/18 88%) of the College's revenue was ultimately public funded and this level of requirement 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 three issues, which may impact on future funding:

- The demand led funding system which applies a series of factors such as guided learning hours and success rates to calculate an amount of funding to be received for each learner. Such funding cannot be guaranteed.
- The government is reviewing its priorities for the adult skills sector following the Leitch report into the skills needed for the UK to compete in the global economy.
- The change which came into force from August 2019 when adult funding was delegated to the West Midlands Combined Authority from the Education and Skills Funding Agency (ESFA).

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training.
- Considerable focus and investment is placed on maintaining and managing key relationships with various funding bodies.
- Ensuring the College is focused on those priority sectors, which will continue to benefit from public funding.
- Regular dialogue with the regional further education sector funding bodies.

2. Maintain adequate funding of pension liabilities

The financial statements report the share of the pension scheme deficit on the College's balance sheet in line with the requirements of FRS 102.

This risk is mitigated by an agreed deficit recovery plan with the West Midlands LGPS.

3. Failure to maintain the financial viability of the College.

The College's current financial health grade is classified as "Good" as described above. This is largely the consequence of increased ESFA funding and student numbers. Notwithstanding that, the continuing challenge to the College's financial position remains the constraint on further education funding arising from the ongoing cuts in public sector spending whilst maintaining the student experience. This risk is mitigated in a number of ways:

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

STAKEHOLDER RELATIONSHIPS

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

- Students;
- Education sector funding bodies;
- Staff;
- Local employers;
- Local Authorities;
- Government Offices/Regional Development Agencies/LEPs;
- The local community;
- Other FE institutions;
- Universities;
- Trade unions;
- Professional bodies.

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

The College's main stakeholders include

Sandwell Metropolitan Council
Wolverhampton University
The Labour Party
Black Country Chamber of Commerce
TUPE
UNISON
UCU
Sandwell Academy
George Salter School

Equal opportunities

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

The College considers all applications from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion, which are, as far as possible identical to those for other employees. An equalities plan is published each year and monitored by managers and governors.

Disability statement

Sandwell College is committed to ensuring that all of its learners have the necessary resources to enable them to successfully complete their studies.

Sandwell College is also committed to ensuring all staff, including those with disabilities are offered equality of opportunity in recruitment, training and promotion within the College, and to make every reasonable effort to enable staff who become disabled while employed to be retained. This includes support mechanisms that can be accessed to assist and facilitate work practice in liaison with the College's Health and Safety Officer and Occupational Health Physician. The College also has a duty to make reasonable adjustments in arrangements at work (physical premises, provision, criterion or practice) where the College knows that an employee has a disability. Detailed arrangements for this are set out in a separate procedure called Guidelines on the Employment of people with disabilities.

The College seeks to achieve the objectives set down in the Equality Act 2010:
This statement sets out the support available for learners with disabilities and the names of individuals who can facilitate access to the appropriate resources.

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 involved in union duties during the relevant period	FTE employee number
9	7

Percentage of time on union duties	Number of employees
0%	3
1-50%	6
51-99%	0
100%	0

Total cost of facility time	£29,899
Total pay bill	£22,613,000
Percentage of total bill spent on facility time	0.13%

Time spent on paid trade union activities as a percentage of total paid facility time	0.13%

Admission Arrangements

The admissions policy describes the process for learners with disabilities. A dedicated Careers Adviser is employed to support learners with additional needs.

Learning Support

There is a support service for students who are experiencing literacy, language and/or numeracy difficulties including dyslexia, and who need help with their course work in order to succeed at college. 1:1 specialist support and in class support are available.

Environmental Access

The campuses are accessible and comply with the Equality Act 2010. The college has invested in specialist equipment to support learners and staff with disabilities The buildings have wheelchair access. All floors have one or more adapted toilet facilities, and all of the signage is in Braille. The College has a strobe lighting system, for use in an emergency evacuation, for Deaf visitors, learners and staff.

Members' Report

The College has the following policies and measures to support this:

- A College Charter
- Policy on Equality and Diversity
- A 'Supporting your Learning' Leaflet
- Additional Learning Support Policy
- Equality and Diversity Annual Report
- Strategic Plan
- Cross-College Self- Assessment Report
- Learner Entitlement Policy

Members' Report

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 9 December 2019 *(date)* and signed on its behalf by:

....
Mr. K ~~Ellis - Chairman~~

Senior Management Team

G Pennington – Principal and Chief Executive
D Holden – Vice Principal
J Bailey – Executive Director Finance and Corporate Resources
A Sheridan – Senior Assistant Principal
J Stevens – College Campus Principal
R Beaty – Executive Director HR and Organisational Development

Professional Advisors

Financial Statement Auditors :

Grant Thornton UK LLP
The Colmore Building
20 Colmore Circus
Birmingham
B4 6AT

Internal Auditors :

RSM Risk Assurance Services LLP.
St Philips Point
Temple Row
Birmingham
B2 5AF

Bankers:

Lloyds Bank
West Bromwich Branch
293 High Street
West Bromwich
B70 8NA

Solicitors:

Eversheds Sutherland
Water Court
116-118 Canal Street
Nottingham
NG1 7HF

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. The College endeavours to conduct its business:
i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
ii. in full accordance with the guidance to colleges from the Association of Colleges in the Code of Good Governance for English Colleges; and
iii. having due regard to the UK Corporate Governance Code ("the Code") insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the College has adopted the Code of Good Governance for English Colleges. We have not adopted and therefore do not apply the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing on 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 Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of Code of Good Governance for English Colleges which it formally adopted on 13 July 2015.

1. MEMBERS

The members who served the Corporation during the period and subsequent to the period end were as follows: -

Name	Date of Appointment	Term of Office	Date of Resignation	Status of Appointment	Committees Served	Attendance at Board of Govs meetings
Amie Banford	17.05.19	3 years		Staff (Cadbury)	N/A	0% (0 of 2)
Gurvinder Bassi	21.05.18	3 years		Independent	Audit	67% (4 of 6)
Jan Britton	01.11.16	3 years	31.03.19	Independent	Audit Search	50% (2 of 4)
Dharminder Chuhan	01.03.17	3 years		Staff (Academic)	N/A	60% (3 of 5)
Brian Edwards	10.12.18	3 years	24.10.19	Staff (Support)	N/A	67% (2 of 3)
Ken Ellis **(Chair)**	01.08.18	3 years		Independent	LQCC Remuneration Search	100% (6 of 6)
Xavier Foster	12.03.19	5 months	Term of office expired 31.07.19	Student (Sandwell)	LQCC	33% (1 of 3)
Jayne Francis	11.03.19	3 years		Independent	N/A	33% (1 of 3)
Raffaela Goodby	18.04.18	3 years	01.02.19	Independent	LQCC	0% (0 of 3)
Noel Grace	17.05.19	3 years		Independent	Audit	100% (2 of 2)
Simon Hackett	17.05.19	3 years		Independent	Search	50% (1 of 2)
Rebecca Jenkins	01.08.18	3 years	31.07.19	Independent	Audit Remuneration	17% (1 of 6)
Ninder Johal	01.06.16	3 years	Term of office expired 31.05.19	Independent	Remuneration	40% (2 of 5)
Tariq Mahmood	01.05.17	2 years	17.12.18	Independent	Audit	0% (0 of 3)
Neil Makin	10.12.18	3 years		Independent	LQCC	100% (3 of 3)

Peta Murphy	21.05.18	3 years		Independent	LQCC	86% (5 of 6)
Graham Pennington	Not Applicable – ex officio	Not applicable – ex officio		Principal	LQCC Search	100% (6 of 6)
Kamran Shaikh	06.07.18	3 years	30.05.19	Independent	Audit	20% (1 of 5)
John Tew	11.03.19	3 years		Independent	Audit	67% (2 of 3)
Jalal Uddin	01.08.19	3 years		Independent	Audit (until 19.3.19)	67% (4 of 6)
Nicholas Wood	12.03.19	5 months	Term of office expired 31.07.19	Student (Cadbury)	LQCC	33% (1 of 3)
Richard Youds	01.03.17	3 years		Independent	Search	67% (4 of 6)
Jan Britton (Co-opted Member)	17.05.19	3 years		Independent	Audit	N/A
Claire Parker (Co-opted Member)	01.08.17	2 years	24.09.18	Independent	Search	N/A

Mrs Elise Scotford was Clerk to the Corporation during this period.

It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues. The Corporation meets at least once every term.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Remuneration, Search, Audit, and Learners, Quality and Curriculum. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website at http://www.sandwell.ac.uk or from the Clerk to the Corporation at:

Sandwell College, Central Campus, 1 Spon Lane, West Bromwich, B70 6AW.

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

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

Formal agendas, papers and reports are supplied to governors in a timely manner, prior to Board meetings. Briefings are 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 of the Corporation and Principal of the College are separate.

Appointments to the Corporation

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

Members of the Corporation are appointed for a term of office not exceeding 3 years.

Statement of Corporate Governance and Internal Control

Corporation performance

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

Remuneration Committee

Throughout the year ending 31 July 2019, the College's Remuneration Committee comprised three members. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal, other senior post holders and Clerk to the Corporation.

Details of the remunerations of the senior post holders for the year ended 31 July 2019 are set out in note 8 to the financial statements. The college has adopted AoC's Senior Staff Remuneration Code.

Audit Committee

The Audit Committee comprised five members of the Corporation (who exclude the Principal and Chair). The Committee operates in accordance with written terms of reference approved by the Corporation. Its purpose is to advise the Corporation on the adequacy and effectiveness of the College's system of internal control and its arrangements for risk management, control and governance processes.

The Audit Committee meets at least on a termly basis and provides a forum for reporting by the College's internal and financial statement auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the main FE funding bodies as they affect the College's business.

The College's internal auditors review the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit Committee. The internal auditors present an annual report to the Committee, which includes an opinion and statement of assurance on the adequacy and effectiveness of the College's governance, risk management and control processes.

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

The Audit Committee considers the Risk Register on an annual basis and recommends its approval to the Corporation. It also considers a risk management monitoring report at each of its meetings.

The Audit Committee advises the Corporation on the appointment of internal and financial statements auditors and their remuneration for both audit and non-audit work as well as reporting annually to the Corporation.

Learners, Quality and Curriculum Committee

This Committee comprised six members, including the two Student Members of the Corporation. A representative of the Students' Union/ Council is also invited to attend meetings. The Committee operates with written terms of reference approved by the Corporation. It meets at least three times per annum and considers a wide range of reports, issues and policies relating to learner, quality and curriculum matters.

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 breakdowns in internal control.

Statement of Corporate Governance and Internal Control

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of college policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Sandwell College for the year ended 31 July 2019 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2019 and up to the date of approval of the member's report. This process is regularly reviewed by the Corporation. During the year to 31July 2019 and up to the date of signing this report, there were no significant control weaknesses that should be disclosed.

The risk and control framework

The system of internal control is based on a framework of regular management information, administration 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 forecasts;
- Setting targets to measure financial and other performance;
- Clearly defined capital investment control guidelines; and
- The adoption of formal project management disciplines, where appropriate.

The College sub contracts an internal audit service from RSM Risk Assurance Services Ltd, who operate in accordance with 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.

As a minimum, the Internal Audit service provides the Corporation with a report on internal audit activity in the College. The report includes the independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Statement of Corporate Governance and Internal Control

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 Leadership Team within the College who have responsibility for the development and maintenance of the internal control framework;
- Comments made by the College's financial statements auditors and the ESFA-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 system of internal control by the Audit Committee which oversees the work of the internal auditor and other sources of assurance, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Senior Leadership Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Senior Leadership Team and Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Senior Leadership Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its 9 December 2019 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2019 by considering documentation from the Senior Leadership Team and internal audit, and taking account of events since 31 July 2019.

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, they continue to adopt the going concern basis in preparing the financial statements.

The College currently has £5.6m of loans and overdrafts outstanding with bankers on terms negotiated in 2019. The College's forecasts and financial projections indicate that it will be able to operate within its existing facilities and covenants for the foreseeable future.

The College has growing learner numbers aged 16-18 and will benefit in future years from the lagged funding methodology.

Key risks identified in the College risk register include failure to secure the correct level of funding identified in the three-year plan. This could involve funding reductions or reduction in student numbers. Business planning procedures are in place through the budgeting process with supporting sensitivity analysis to mitigate this risk. Cost increases are also identified in the risk register, in particular payments required to reduce the pension deficit. The College remains in discussion with West Midland Pension Fund in order to minimise this additional cost.

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.

Approved by order of the members of the Corporation on 9 December 2019 and signed on its behalf by:

....	....
Mr. K Ellis - Chairman	*Mr G Pennington - Principal & Accounting Officer*

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

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

....	....
Mr. K Ellis - Chairman	*Mr G Pennington – Principal & Accounting Officer*

Statement of the Responsibilities of the Members of the Corporation

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

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

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

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

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

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

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

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

Approved by order of the members of the Corporation on 9 December 2019 *(date)* and signed on its behalf by:

WAGL

Mr. K Ellis Chairman

Independent auditor's report to the Corporation of Sandwell College

Opinion

We have audited the financial statements of Sandwell College (the College) for the year ended 31 July 2019, which comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Balance Sheet as at 31 July 2019, Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2019 and of the College's surplus of income over expenditure for the year then ended; and
- have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice – Accounting for Further and Higher Education issued in March 2014.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

information included in the Members' Report & Financial Statements for the year ended 31 July 2019, set out on pages 2 to 44 other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Independent auditor's report to the Corporation of Sandwell College

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

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

Responsibilities of the Corporation for the financial statements

As explained more fully in the Statement Responsibilities of the Members of the Corporation set out on page 17, the College's Corporation is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporation is responsible for assessing the College's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Corporation either

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Grant Thornton UK LLP

Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

Birmingham

12th **December 2019**

Reporting accountant's assurance report on regularity

To the corporation of Sandwell College and Secretary of State for Education acting through Education and Skills Funding Agency ('ESFA')

In accordance with the terms of our engagement letter dated 5 June 2019 and further to the requirements and conditions of funding in ESFA's grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that, in all material respects, the expenditure disbursed and income received by Sandwell College during the period 1 August 2018 to 31 July 2019 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

Respective responsibilities of Sandwell College and the reporting accountant

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

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

Approach

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

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

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.
Our engagement includes examination, on a test basis, of evidence relevant to the regularity of the college's income and expenditure.

The work undertaken to draw our conclusion includes:

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

Conclusion

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

Reporting accountant's assurance report on regularity

Use of our report

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

Grant Thornton UK LLP

Grant Thornton UK LLP
Chartered Accountants
Birmingham
12th December 2019

Statement of Comprehensive Income
For the Year ended 31 July 2019

	Note	31 July 2019 £'000	31 July 2018 £'000
Income			
Funding Body Grants	2	32,406	26,986
Tuition fees and education contracts	3	1,231	1,066
Other Grants and Contracts	4	424	65
Other Income	5	2,719	2,397
Investment income	7	25	6
Donations and Endowments	6	11,187	-
Total income		47,992	30,520
Expenditure			
Staff costs	8	22,647	19,054
Fundamental restructuring costs	8	86	128
Other operating expenses	9	9,941	8,171
Depreciation	12	3,226	2,814
Interest and other finance costs	10	735	783
Total expenditure		36,635	30,950
Surplus before other gains and losses		11,357	(430)
Gain on investments		1	-
Surplus before tax		11,358	(430)
Taxation	11	-	-
Surplus/(deficit) for the year		11,358	(430)
Actuarial (loss) in respect of pension schemes		(2,030)	3,331
Changes in financial assumptions in respect of enhanced pension	17	(32)	-
Total Comprehensive Income for the year		9,296	2,901

The statement of comprehensive income includes an amount for the donated assets received on the merger with Cadbury College.

Statement of Changes in Reserves

	Income and Expenditure Account	Restricted Reserves	Total
	£'000	£'000	£'000
Balance at 1st August 2017	(1,695)	92	(1,603)
Surplus/(deficit) from the income and expenditure account	(430)	-	(430)
Other comprehensive income	3,331	-	3,331
Total comprehensive income for the year	2,901	-	2,901
Balance at 31st July 2018	1,206	92	1,298
Surplus/(deficit) from the income and expenditure account	11,357	1	11,358
Other comprehensive income	(2,062)	-	(2,062)
Total comprehensive income for the year	9,295	1	9,296
Balance at 31st July 2019	**10,501**	**93**	**10,594**

Balance Sheet
as at 31 July 2019

	Note	2019 £'000	2018 £'000
Non-current Assets			
Tangible assets	12	80,667	65,962
Intangible assets		75	84
		80,742	66,046
Current Assets			
Inventories		23	21
Trade and other receivables	13	962	1,493
Investments		-	-
Cash and cash equivalents	18	5,467	2,565
		6,452	4,079
Creditors: Amounts falling due within one year	14	(6,809)	(4,890)
Net current (liabilities)		(357)	(811)
Total assets less current liabilities		80,385	65,235
Creditors: Amounts falling due after more than one year	15,16	(48,003)	(46,497)
Provisions			
Defined benefit obligations	23	(20,930)	(16,539)
Other provisions	17	(858)	(901)
Total net assets		**10,594**	**1,298**
Restricted reserves			
Permanent Endowments		93	92
Total restricted reserves		**93**	**92**
Unrestricted reserves			
Income and expenditure account		10,501	1,206
Total unrestricted reserves		**10,501**	**1,206**
Total reserves		**10,594**	**1,298**

The financial statements on pages 22 to 44 were approved by the Corporation on 9 December 2019 and were signed on its behalf by:

Mr. K Ellis - Chairman

Mr G Pennington-Principal

Cash Flow
For the Year ended 31 July 2019

	Note	2019	2018
	Note	**£'000**	**£'000**
Cash flow from operating activities			
Surplus/(deficit) for the year		11,358	(429)
Adjustment for non-cash items			
Depreciation		3,226	2,814
(Increase)decrease in inventories		(2)	(4)
(Increase)/decrease in debtors		530	(243)
Increase/(decrease) in creditors due within one year		2,272	45
Increase/(decrease) in creditors due after one year		1,582	(1,666)
Increase/(decrease) in provisions		(43)	(275)
Pension costs less contributions payable		2,361	1,104
Increase/(decrease) in Reserves		(32)	-
Adjustment for investing or financing activities			
Investment income		(25)	(6)
Interest payable		273	292
Acquisition of merged fixed assets		(17,010)	-
(Surplus)/loss on sale of fixed assets		-	(1)
Net cash flow from operating activities		**4,490**	**1,631**
Cash flows from investing activities			
Proceeds from sale of fixed assets		-	-
Investment income		25	6
Payments made to acquire fixed assets		(883)	(1,436)
		(858)	**(1,430)**
Cash flows from financing activities			
Interest paid		(273)	(292)
New loans		1,400	-
Bank loan transferred at merger		347	-
Repayment of amounts borrowed		(2,204)	(238)
		(730)	**(530)**
Increase/(decrease) in cash and cash equivalents in the year	*18*	**2,902**	**(329)**
Cash and cash equivalents at the beginning of the year	*18*	2,565	2,894
Cash and cash equivalents at the end of the year	*18*	5,467	2,565

Notes to the Accounts

1 Statement of accounting policies

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

Basis of preparation

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

The preparation of financial statements in compliance with FRS 102 required 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.

The activities of the student union have not been included as the College does not control these activities although it does contribute an annual grant to the operation of the union.

Going concern

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

The College currently has £5.6m of loans and overdrafts outstanding with bankers on terms negotiated in 2010 and 2019. The College's forecasts and financial projections indicate that it will be able to operate within its existing facilities and covenants for the foreseeable future.

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.

Recognition of income

Revenue grant funding

The recurrent grant from the funding bodies is that receivable as informed by the results of the funding audit undertaken. The recurrent grant from HEFCE represents the funding allocation attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

Funding body recurrent grants are recognised in line with best estimates for the period and what is receivable and depend on the particular income stream involved. Any under achievement for the Adult Education Budget is adjusted for and reflected in the level of recurrent grant recognised in the Statement of Comprehensive Income. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body at the end of November 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.

Other discrete funding body funds received during the year are taken to the Statement of Comprehensive Income in line with the specific terms and conditions attached to each fund.

Where the College receives and disburses funds in which it has no direct beneficial interest, such funds are excluded from the Statement of Comprehensive Income on the grounds that the College does not have direct control over the future economic benefits derived from these funds. The College has applied this policy to certain funds received during the year (see note 24).

Notes to the Accounts

1 Statement of accounting policies (continued)

Capital grant funding

Government capital grants are capitalised, held as deferred income and recognised in the Statement of Comprehensive Income over the expected useful life of the asset, under the accrual model as permitted by FRS 102.

Other, non-governmental, capital grants are recognised in the Statement of Comprehensive Income when the College is entitled to the funds subject to any performance related conditions being met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the Balance Sheet and released to income as conditions are met.

Donations and grants received for non-depreciable fixed assets, such as land, are recognised in the year they are received.

Where charitable donations are restricted to a particular objective specified by the donor, these are accounted for as an endowment. The restricted permanent endowments are where a capital fund is maintained but the income can be applied to the general purposes of the institution.

Fee income

Income from tuition fees is recognised in the period for which it is receivable and includes all fees chargeable to students or their sponsors.

Catering and residence income

Income from catering is derived mostly from free school meals funding which is paid to students by means of the identity card being charged with an amount which enables the student to claim meals at catering facilities within the College. VAT is accounted for on staff sales and card transfers are recognised in the period in which they are made.

Other income

Other income includes funding from Sandwell Metropolitan Borough Council for public access and use of Central Sixth and also the funding of special needs services provided to local authorities. This income is recognised in the year in which the services are provided.

Investment income

All income from short-term deposits is credited to the Statement of Comprehensive Income in the period in which it is earned. Income from restricted purpose endowment funds not expended in accordance with the restrictions of the endowment in the period is transferred from Statement of Comprehensive Income to accumulated income within endowment funds.

Agency arrangements

The College acts as an agent in the collection and payment of discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the Income and Expenditure of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction. Agency disbursements are shown at Note 25.

Post-retirement 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.

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.

Notes to the Accounts

1 Statement of accounting policies (continued)

West Midlands Local Government Pension Scheme (LGPS)

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

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

Short term Employment benefits

Short term employment benefits such as salaries and compensated absences (holiday pay) are recognised as an expense in the year in which the employees render service to the College. Any unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

Enhanced Pensions

The cost of any enhanced ongoing pension to a former member of staff is paid by a college annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the College's income in the year that the member of staff retires.

The College has had an actuarial valuation of enhanced pensions carried out in 2019-20 and as a result has adjusted the provision carried forward appropriately.

Tangible fixed assets

Land and buildings

Central Campus Land and buildings 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 the expected useful economic life to the College of the component parts of the building. This means that aspects of the Central Campus building are depreciated over 10, 20, 30, 40 or 50 years respectively.

In 2016/17 the College acquired an additional building at Phoenix Street, West Bromwich. It has been decided that this building and any equipment will be depreciated over a period of 4.25 years which is in addition to the existing policy for buildings and equipment.

In November 2018 Sandwell College merged with Cadbury College. The value of land and buildings at the Cadbury campus acquired through the merger has been assessed as having a fair value of £16,900,000. As consistent with Sandwell College accounting policy, freehold land acquired will not be depreciated as it is considered to have an infinite useful life and freehold buildings acquired have been depreciated based on the expected useful economic life which has been assessed as 30 years.

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

Capital grants acquired as a part of the Cadbury merger are accounted for using the same policy.

Where the expected lifetime of an asset is reduced to due impairment of the asset, depreciation will be accelerated over the remaining lifetime of the asset. The release of related grants will also be accelerated over the lifetime of the grant related assets.

Notes to the Accounts

1 Statement of accounting policies (continued)

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on a relevant basis:

- Market value of the fixed asset has subsequently improved
- Asset capacity increases
- Substantial improvement in the quality of output or reduction in operating costs
- Significant extension of the asset life beyond that conferred by repairs and maintenance

Equipment

Equipment costing over £2,500 per individual item is capitalised and depreciated in accordance with the policy below. If equipment is less than £2,500 per individual item but forms part of a capital project, then it is capitalised at cost.

Motor vehicles and general equipment	-	20% per annum
Computer equipment pre 2014-15	-	33% per annum
Computer equipment 2015 onwards	-	20% per annum
Furniture and fittings	-	10% per annum

Capital equipment is depreciated on a straight line basis over its remaining useful economic life in accordance with this policy.

Equipment acquired during the merger with Cadbury College was assessed as having a fair value at 31 October 2018 of £110,000. The assets, including fixtures and fittings and IT equipment, are in use post-merger and as such it has been deemed that associated future economic benefits of these assets are realisable. The useful economic life of these assets was reassessed at the point of merger and assets are depreciated in line with the depreciation policies outlined above.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Comprehensive Income and Expenditure.

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

Intangible fixed assets

Accounting software

As accounting software is a significant investment for the long term that the accounting system is capitalised over a period of 10 years from the implementation date of May 2017.

Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred. Except for borrowing costs, which are directly attributable to the acquisition, construction or production of a qualifying asset which are then capitalised.

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.

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. Costs in respect of operating leases are charged on a straight line basis over the lease term and recognised in the income and expenditure account.

Notes to the Accounts

1 Statement of accounting policies (continued)

Inventories

Inventories are stated at the lower of their cost and net realisable value.

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.

Maintenance of premises

The cost of routine corrective maintenance is charged to the income and expenditure account in the period it is incurred.

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 costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

Investments

Investments include sums on short-term deposits with recognised banks and building societies and government securities.

Provisions

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.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Consideration of indicators of impairment of the college's tangible assets. Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation 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. Upon the merger with Cadbury College, such judgements were made over acquired assets in line with this policy.

Notes to the Accounts

1 Statement of accounting policies (continued)

- The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 23, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2019. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 Funding Body grants

	2019	2018
	£'000	**£'000**
Education and Skills Funding Agency – 16-18	25,628	19,952
Education and Skills Funding Agency – adult	3,680	3,998
Education and Skills Funding Agency - apprenticeships	1,138	1,163
Recurrent grant – OFS	34	40
Other Education and Skills Funding Agency	106	150
Releases of deferred capital grants	1,820	1,683
Total	32,406	26,986

3 Tuition Fees and Educational Contracts

	2019 £'000	2018 £'000
Adult education fees	293	182
Apprenticeship fees and contracts	-	-
Fees for FE loan supported courses	409	375
Fees for HE loan supported courses	291	337
Total Tuition fees	**993**	**894**
Education contracts	238	172
Total	1,231	1,066

4 Other Grants and Contracts

	2019 £'000	2018 £'000
European Social Fund	-	-
Other grants and contracts	424	65
Total	424	65

Notes to the Accounts

5 Other Income

	2019	2018
	£'000	£'000
Catering and residence	847	528
Other income generating	9	5
High Needs	1,691	1,212
Local Authority	100	200
Miscellaneous income	72	452
	2,719	2,397

6 Donations and endowments

On 1st November 2018 Sandwell College merged with Cadbury College. On merger the College acquired net assets with a value of £11,187,000 which strengthens the financial position and asset base of the College.

The transaction was accounted for under the Purchase method of accounting as set out in FRS102, with Sandwell College identified as the acquiring party. Assets acquired have been measured at fair value at the date of acquisition as required under the accounting standards. The fair value of Cadbury land and buildings acquired was assessed by a firm of professional chartered surveyors. Pension liabilities taken on have been valued by an Actuary and agree to the values held by LGPS. Deferred capital grants and short term assets/liabilities have been taken on as per the audited Cadbury College balance sheet at 31 October 2018.

	2019	2018
	£'000	£'000
Land	5,400	-
Fixed Assets	11,610	-
Net Current assets	(1,311)	-
Deferred Capital Grants	(3,290)	-
Pension Provision	(1,222)	-
	11,187	-

7 Investment Income

	2019 £'000	2018 £'000
Interest receivable	25	6
Total	25	6

8 Staff numbers and costs

The average number of persons employed by the College (including senior post holders) during the year, expressed as full-time equivalents, was as follows:

	2019	2018
	Number	Number
Teaching staff	423	365
Non-teaching staff	138	121
Total	561	486

Notes to the Accounts

8 Staff numbers and costs (continued)

Staff costs for the above persons were as follows:

	2019 £'000	2018 £'000
Wages and salaries	16,564	13,834
Social security costs	1,612	1,321
Other pension costs (including FRS 102 adjustments of £1,899,000; 2018: £594,000)	5,015	3,156
Release of FRS102 Provision held by Cadbury at 31.10.18	(1,222)	-
Release of enhanced pension provision	-	(172)
Payroll sub total	21,969	18,139
Contracted out staffing services	677	915
Payroll sub total	22,646	19,054
Fundamental restructuring costs - Contractual	27	43
- Non contractual	59	85
Total Staff Costs	22,732	19,182

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 Senior Leadership Team which comprises the Principal, deputy and vice principals and significant budget holders. Staff costs include compensation paid to key management personnel for loss of office.

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

	2019 Number	2018 Number
The number of key management personnel including the Accounting Officer was:	7	6

The Accounting Officer is the Principal.

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

	Key Management Personnel		Other Staff	
	2019	**2018**	**2019**	**2018**
£55,001 to £60,000	2	1	-	-
£60,001 to £65,000	1	2	2	1
£65,001 to £70,000	2	-	-	-
£70,001 to £75,000	-	1	-	-
£75,001 to £80,000	-	-	-	-
£80,001 to £85,000	-	1	-	-
£85,001 to £90,000	1	-	-	-
£130,001 to £140,000	-	-	-	-
£140,001 to £145,000	-	1		
£140,001 to £150,000	1	-	-	-
Total	7	6	2	1

Emoluments include compensation for loss of office paid to key management personnel.

Notes to the Accounts

8 Staff numbers and costs (continued)

Key management personnel emoluments are made up as follows:

	2019	2018
	£000s	£000s
Salaries-gross of salary sacrifice and waived emoluments	494	393
Employer's National Insurance	61	49
Pension contributions	86	62
Total	641	504

The pension contributions in respect of the Principal and key management personnel are paid to the Teachers' Pension Scheme and the Local Government Pension Scheme at the same rate as for other employees.

The above includes amounts payable to the Accounting Officer (who was also the highest paid senior post-holder) of:

	2019	2018
	£000s	£000s
Salaries	150	145
Pension contributions	27	22
Total	177	167

The total remuneration of the Principal/Accounting Officer is determined annually by the Remuneration Committee who make a recommendation to the board of Governors who make a final determination. The Principal neither sits on or is present at the remuneration committee. Pay reflects satisfactory achievement of agreed targets. Secondly, pay is benchmarked against AoC staff remuneration survey data for the relevant year against the median pay for colleges of similar size in the region to ensure it is within sector pay norms.

The Principal/Accounting Officer has the following pay multiples when compared to the median of other employees:

	2019	2018
Salary Multiple	5.31	5.23
Emoluments multiple	5.28	5.23

Severance payments

	2019	2018
	£	£
Contractual payments	27	36
Non contractual payments	59	92
Total	86	128

The severance payments were approved by the Principal line with the severance policy.

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

Notes to the Accounts

9 Other operating expenses

	2019	2018
	£'000	£'000
Teaching costs	3,215	2,867
Non-teaching costs	3,938	3,256
Premises costs	2,788	2,048
Total	9,941	8,171

Other operating expenses include:		
Auditor's remuneration:		
Other services provided by financial statement auditor (due diligence advisory on Cadbury merger and other)	39	-
Financial statements audit	28	36
Financial statements 2017-18 overrun	9	-
Internal audit	18	13
(Gain)/Loss on disposal of fixed assets	-	-

10 Interest payable

	2019	2018
	£'000	£'000
Bank loan interest payable wholly or partly within five years by instalments	273	292
Interest on Enhanced pensions	23	-
Net interest on defined pension liability (note 23)	439	491
Total	735	783

11 Taxation

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

Notes to the Accounts

12 Fixed assets

	Land and Buildings Freehold	Equipment	Total	Intangibles
	£'000	£'000	£'000	£'000
Cost				
At 1 August 2018	77,981	7,298	85,279	95
Additions	138	775	913	-
Additions on Merger	16,900	110	17,010	-
Adjustment	(6)	6	-	-
Disposals	(1)	(33)	(34)	-
At 31 July 2019	95,012	8,156	103,168	95
Depreciation				
At 1 August 2018	14,377	4,940	19,317	11
Charge for the year	2,541	675	3,216	9
Elimination of Disposals	-	(32)	(32)	-
At 31 July 2019	16,918	5,583	22,501	20
Net book value				
At 31 July 2019	**78,094**	**2,573**	**80,667**	**75**
At 31 July 2018	63,604	2,358	65,962	84
Financed by capital grant	44,000	489	44,489	-
Other	34,094	2,084	36,178	75
Total	**78,094**	**2,573**	**80,667**	**75**

Fixed assets include buildings with a net book value of £57,084,148 (*2018: £59,481,828*), which is partially funded by a grant from the LSC and its successor organisations.

Freehold land and buildings includes assets with a net book value of £158,303 (*2018: £161,744*), which are for alterations made to the Central Sixth building which is leased from Sandwell Metropolitan Borough Council.

The net book value of tangible fixed assets includes an amount of £nil *(2017: £nil)* in respect of assets held under finance leases.

Land with a value of £8,645,500 is included in land and buildings.

13 Trade and other receivables

	2019	2018
	£'000	£'000
Amounts falling due within one year:		
Trade receivables	355	822
Prepayments and accrued income	470	470
Amounts owed by the ESFA	137	201
Total	962	1,493

Notes to the Accounts

14 Creditors: Amounts falling due within one year

	2019 £'000	2018 £'000
Bank loans and overdrafts	326	708
Trade payables	244	396
Taxation & social security	832	796
Accruals and deferred income	1,091	665
Holiday pay accrual – hourly paid	182	125
Holiday pay accrual –salaried staff	337	253
Deferred Income – government capital	1,795	1,682
Deferred Income – government revenue	112	-
Amounts owed to the ESFA	1,890	265
Total	6,809	4,890

15 Creditors: Amounts falling due after more than one year

	2019 £'000	2018 £'000
Bank Loans	5,309	5,383
Deferred Income – government capital	42,694	41,114
Total	48,003	46,497

16 Maturity of debt

Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	2019 £'000	2018 £'000
In one year or less	326	708
Between one and two years	338	1,532
Between two and five years	1,076	656
In five years or more	3,895	3,195
Total	5,635	6,091

A bank loan with a balance of £4,235,000 with a fixed rate of 5.3025 per cent is repayable by instalments falling due between 1 August 2019 and 31 October 2034. The further bank loan with a fixed interest rate of 3.33 per cent was secured in July 2019 has a capital balance outstanding of £1,400,000 repayable by instalments between 25 July 2019 and 27 July 2026.

Notes to the Accounts

17 Provisions

	Defined Benefit Obligations £'000	Enhanced Pension Provision £'000	Total Provisions £'000
At 1 August 2018	(16,539)	(901)	(17,440)
Expenditure in the period	(1,139)	98	(1,041)
Additions in the period	(1,169)	(23)	(1,192)
Transfer from Cadbury College	(53)	-	(53)
Transferred from income and expenditure account	(2,030)	(32)	(2,062)
At 31 July 2019	**(20,930)**	**(858)**	**(21,788)**

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

The enhanced pension provision relates to the cost of staff that have already left the College's employ and which the College cannot reasonably withdraw at the balance sheet date. This provision was reduced after an independent actuarial valuation at 31st July 2018.

18 Cash and cash equivalents

	At 1 August 2018 £'000	Cash flows £'000	At 31 July 2019 £'000
Cash and cash equivalents	2,565	2,902	5,467
Overdrafts	-	-	-
	2,565	2,902	5,467

19 Capital commitments

	2019 £'000	2018 £'000
Commitments contracted for at 31 July	29	504

Notes to the Accounts

20 Lease Obligations

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

	2019 £'000	2018 £'000
Future minimum lease payments		
Land and Buildings		
Not later than one year	412	412
Later than one year and not later than five years	1,647	1,647
Later than five years	4,820	5,216
Total	6,879	7,275
Other		
Not later than one year	53	48
Later than one year and not later than five years	54	79
Later than five years	-	-
Total	107	127

21 Contingencies

The College has no contingent liabilities as at 31 July 2019.

22 Post balance sheet events

There are no events after the reporting period.

23 Defined Benefit Obligations

The College's employees belong to two principal pension schemes, the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff and the and the West Midlands Local Government Pension Scheme (LGPS) for non-teaching staff. Both are multi-employer defined-benefit plans.

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

Total pension cost for the year

	2019 £'000	2018 £'000
Teacher's Pension Scheme: contributions paid	1,375	1,131
Local Government Pension Scheme		
Contributions paid	1,742	1,469
FRS 102 (28) charge	1,899	594
Charge to the Statement of Comprehensive Income	**5,016**	**3,194**

23 Defined Benefit Obligations (continued)

There were outstanding contributions to the LGPS scheme at the 31 July 2019 of £182,601 (2018 £239,083).

Teachers' Pension Scheme

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

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

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

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

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

Valuation of the Teachers' Pension Scheme

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

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

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

The pension costs paid to TPS in the year amounted to £1,375,000 (2018: £1,131,000).

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with the assets held in separate funds administered by West Midlands Pension Fund. The total contribution made for the year ended 31 July 2019 was £2,062,000 of which employer's contributions totalled £1,699,000 and employees' contributions totalled £363,000. The agreed contribution rates for future years are 18.6% for employers and range from 5.5% to 12.5% for employees, depending on salary.

The following information is based upon a full actuarial valuation of the fund as 31 March 2016 updated to 31 July 2019 by Barnett Waddingham LLP a qualified independent actuary.

Principal Actuarial Assumptions

Weighted average assumptions used to determine benefit obligation at:

		2019		2018
Discount Rate		2.10%		2.65%
Future pensions increases		2.40%		2.35%
Rate of increase in salaries		3.90%		3.85%
CPI Inflation assumption		2.40%		2.60%
Commutation of pensions to lump sums	0%		0%	

Notes to the Accounts

23 Defined Benefit Obligations (continued)

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

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

Sensitivity analysis	**At 31 July 2019** **£000**	**At 31 July 2018** **£000**
Discount rate +0.1%		
Present value of total obligation	73,015	60,797
Projected service cost	2,175	1,668
Discount rate -0.1%		
Present value of total obligation	75,743	63,057
Projected service cost	2,276	1,745
Mortality Assumption +1-year increase		
Present value of total obligation	77,576	64,192
Projected service cost	2,305	1,760
Mortality Assumption - 1-year decrease		
Present value of total obligation	71,295	59,723
Projected service cost	2,148	1,653
CPI rate +0.1%		
Present value of total obligation	74,505	52,648
Projected service cost	2,225	1,680
CPI rate -0.1%		
Present value of total obligation	74,228	60,709
Projected service cost	2,225	1,605

The College's share of the assets in the plan at the balance sheet date were:

	2019 Percentage of total assets	Value at 31 July 2019 £000	2018 Percentage of total assets	Value at 31 July 2018 £'000
Equities	60.00%	32,125	63.00%	28,714
Government Bonds	9.00%	5,061	7.00%	3,264
Other Bonds	4.00%	2,022	4.00%	1,680
Property	8.00%	4,362	8.00%	3,683
Cash	4.00%	1,930	4.00%	1,701
Other	15.00%	7,936	14.00%	6,335
Total market value of assets		**53,436**		**45,377**

Notes to the Accounts

23 Defined Benefit Obligations (continued)

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

	2019 £'000	2018 £'000
Fair value of plan assets	53,436	45,377
Present value of plan liabilities	(74,366)	(61,916)
Net pension liability	**(20,930)**	**(16,539)**

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

Amounts included in staff costs	2019 £'000	2018 £'000
Current service cost	3,564	1,802
Employer contributions	(1,665)	(1,208)
Administration costs	23	19
	1,922	**613**

Amounts included in investment income

	2019 £'000	2018 £'000
Net interest	439	491
	439	**491**

Amounts recognised in Other Comprehensive Income

	2019 £'000	2018 £'000
Return on pension plan assets	1,890	963
Other actuarial gains on assets	-	-
Changes in assumptions underlying the present value of plan liabilities	(7,776)	2,368
Change in demographic assumptions	3,856	-
Experience loss on defined benefit obligations	-	-
Amounts recognised in Other Comprehensive Income	**(2,030)**	**3,331**

Movement in net defined benefit liability during the year

	2019 £'000	2018 £'000
Deficit in scheme at 1 August	(16,539)	(18,766)
Movement in year:		
Current service cost	(3,564)	(1,802)
Employer Contributions	1,665	1,208
Operating charge	(23)	(19)
Net interest on the defined (liability)/asset	(439)	(491)
Actuarial gain or loss	(2,030)	3,331
Net defined liability at 31 July	**(20,930)**	**(16,539)**

Notes to the Accounts

23 Defined Benefit Obligations (continued)

Asset and Liability Reconciliation

Reconciliation of Liabilities	2019 £'000	2018 £'000
Defined benefit obligation at start of period	61,916	61,669
Current Service cost	1,993	1,802
Interest cost	1,738	1,654
Contributions by scheme participants	363	316
Change in demographic assumptions	(3,856)	-
Experience (gains) and losses on defined benefit obligations	-	-
Liabilities assumed on settlement	6,111	-
Past service costs	402	
Changes in financial assumptions	7,776	(2,368)
Estimated Benefits paid	(2,077)	(1,157)
Liabilities at end of period	**74,366**	**61,916**

Reconciliation of Assets

	2019 £'000	2018 £'000
Fair value of plan assets at start of period	45,377	42,903
Interest on plan assets	1,299	1,163
Return on plan assets	1,890	963
Administrative expenses	(23)	(19)
Other actuarial gains	-	-
Employer contributions	1,665	1,208
Contributions by scheme participants	363	316
Benefits paid	(2,077)	(1,157)
Settlement prices received/(paid)	4,942	
Assets at end of period	**53,436**	**45,377**

Deficit Contributions

The liability for LGPS members at Cadbury College has been included in the pension valuation and is fully disclosed in these accounts.

The College has entered into an agreement with the LGPS to make additional contributions of £786,500 to April 2020 in addition to the normal funding levels. Beyond this a new agreement will be required.

The estimated value of employer contributions for the year ended 31 July 2020 is £1,881,000. (2018/19: £1,599,000).

These accounts show a past service cost of £402,000 in respect of the McCloud / Sergeant judgement which ruled that the transitional protection for some members of public service schemes implemented when they were reformed constituted age discrimination. This provision is 0.5% of the total scheme liability as at 31 March 2019. The calculation of adjustment to past service costs arising from the outcome of the Court of Appeal judgement is based on a number of key assumptions including:

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

Notes to the Accounts

23 Defined Benefit Obligations (continued)

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

24 Related Party Transactions

Due 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 organisations in which a member of the Board of Governors may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

During 2018-19 the College transacted generically with Sandwell Metropolitan Borough Council (SMBC) which has a representative on the Board of Governors.

Also, during 2018-19 the College transacted generically with the Labour Party which has a member on the Board of Governors. The College rented a part of Terry Duffy House from the to the Labour Party with a cost of £103,381 during the year. At 31 July nothing was owed to the Labour Party by the College.

The total expenses paid to or on behalf of the Governors during the year was £435.40 1 governor (2017/18: £2,542; 4 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governors meetings and charity events in their official capacity. No Governor has received any remuneration or waived payments from the College during the year (2017/18: None).

25 Amounts disbursed as agent

Bursary Funds	**2019** **£'000**	**2018** **£'000** Restated
Balance as at 1 August	165	86
16 18 bursary grants	984	802
Other Funding bodies grants	-	-
Interest earned	-	-
	1,149	888
Disbursed to students	(856)	(688)
Administration costs	(41)	(35)
Balance unspent as at 31 July (included in creditors)	252	165

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 have therefore been excluded from the Statement of Comprehensive Income, other than when the College has directly incurred expenditure itself.