WEST HERTS COLLEGE

Report and Financial Statements

For The Year Ended 31 July 2020

CONTENTS

Operating and Financial Review

Introduction

The members of the Corporation present their report and the audited financial statements for the year ended 31 July 2020.

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting West Herts College ('the College' or 'WHC'). The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011, and is regulated by the Secretary of State for Education.

At midnight on 31 January 2019, West Herts College merged its activities with those of Barnfield College under a Type B merger. At that time/date, all assets, liabilities and activities of Barnfield College transferred to West Herts College as the continuing College, and Barnfield College as a separate legal entity was dissolved. West Herts College continues as a single legal entity and throughout this report will be referred to as the 'College' unless otherwise stated. Additionally, the brand of Barnfield College continues to be used, as this is recognised in its respective localities.

The College has a subsidiary called Together Training Limited in which it owns more than 50% of the issued shares. The company is limited by shares and is registered in England and Wales (Company Registration Number 09975696). Its principle activity is to deliver apprenticeship programmes to levy-paying employers. Throughout this report the College and subsidiary combined will be referred to as the 'Group' unless otherwise stated.

This operating and financial review comprises the following items:

- Overview of provision;
- Public benefit statement;
- Strategic plan;
- College performance;
- Performance indicators;
- Financial health;
- Treasury policies and objectives;
- Reserves policy;
- Future developments;
- Principal risks and uncertainties;
- Stakeholder relationships;
- Staff and student involvement;
- Equal opportunities and employment of disabled persons;
- Disability statement; and
- Post balance sheet events.

Operating and Financial Review *(continued)*

Overview of provision

The College provides technical and professional education and training to develop the skills individuals need to gain employment, increase their earning potential, and improve their life chances in general. Its principle area of operations is the delivery of full-time vocational Study Programmes to students aged between 16 and 18 years of age, with there being more than 5,700 such students enrolled at the College during 2019/20.

All full-time students on study programmes access work-experience through the College's GAP initiative as part of their Study Programme to further develop their employability skills and general understanding of work-place expectations. To support this work the College has established some outstanding links with employers that are of significant benefit to the College and its students. Furthermore, working in partnership with employers, the College has developed Study Programmes to provide a pipeline of recruits needed with specific skills and expertise.

Study Programmes also include English and Maths qualifications for those students who have not achieved the Level 2 threshold.

Alongside the full time Study Programmes delivered to 16 to 18 year olds, the College delivered a broad range of further education, community learning and leisure courses to more than 3,400 adults in 2019/20. The College also provides bespoke provision to support young people who are NEET (Not in Education, Employment or Training) working in partnership with the Prince's Trust.

An important part of the College's work is the delivery of apprenticeship provision. In 2019/20 Apprenticeship Frameworks and Standards were delivered to over 600 learners at Intermediate, Advanced and Higher-levels with the majority of apprentices enrolled onto apprenticeships in construction and engineering. The College was successful in its re-application to the Register of Apprenticeship Training Providers in October 2019. In order to expand further into the apprenticeship market, and to exploit the potential opportunities for growth resulting from the introduction of the apprenticeship levy, the College entered into a partnership with Oaklands College in January 2017 to deliver apprenticeship training through a jointly owned company, Together Training Ltd. Together Training Ltd continued to grow in 2019/20, its third full year of trading, and was instrumental in 210 apprenticeship enrolments. The company was successful in its reapplication onto the Register of Apprenticeship Training Providers in July 2019, and made its first trading profit in 2019/20. With its strong start in 2020/21 this successful trading is expected to continue in the year ahead.

In addition to its Further Education provision, the College delivered Higher Education provision to over 400 Higher Education enrolled students in 2019/20. These students were enrolled onto Foundation Degrees delivered in partnership with the University of Hertfordshire or the University of Bedfordshire, or onto a range of Higher National Diplomas (HNDs) delivered directly by the College.

Operating and Financial Review *(continued)*

Overview of provision *(continued)*

The College continues to develop links with a range of key community leaders, recognising itself as a key asset to the communities it serves. The College also maintains a thorough understanding of local labour market needs and opportunities to ensure students are aspiring to realistic destinations in a range of industries and occupations.

The College is committed to establish stronger relationships with external key stakeholders and create the financial health needed to invest in the further development of the College. In addition, the College places great importance on its values, attitudes and behaviours, recognising them as factors that are critical to the College's achievements, successes, ambitions and plans.

Ofsted undertook a monitoring visit at the College in November 2019. The review was focused on how the merger with Barnfield College had been managed, and it included an evaluation of four themed areas. The Ofsted Report showed that in two themed areas they had assessed that the College had made "reasonable progress", and in the other two themed areas they assessed that the College had "made significant progress". Given that the Ofsted visit was undertaken nine months after the merger, the Corporation was pleased with this report.

The Covid-19 pandemic meant that the College had to implement remote working for staff and remote learning for all students from March 2020. The College re-opened in June 2020 for a small number of students, and re-opened for all students in a Covid Secure environment from September 2020. The College has followed the Government's guidance throughout the pandemic and works closely with Public Health England. The College's Covid-19 risk register enables leaders and managers to manage the College via the operational and financial turbulence caused by severe levels of disruption.

Public benefit statement

In setting and reviewing the College's strategic objectives, the Corporation 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. Specifically, the College subscribes to the following statement concerning its commitment to the delivery of public value within the community it serves.

"We will provide a broad range of provision and services to meet the needs, interests and aspirations of the communities we serve."

Operating and Financial Review (continued)

Public benefits statement (continued)

The New College: -

- Will inspire interest in lifelong learning, working with people to develop the skills and experiences needed for success in life and at work. We commit to this in the knowledge that: -
    - Professional skills are central both to individual earning power and the collective productivity of our local economies;
    - English and maths skills are essential to accessing opportunities; and
    - The aspirations of many in our communities are challenged by the high cost of living.
- Will engage with as many people and organisations as possible, working in partnership whenever this is most appropriate for maximising benefits across our communities, with the views of these stakeholders represented at College Board level.
- Will recognise our responsibilities as a community asset for the people we serve. Understanding community issues and making a meaningful contribution to providing solutions to these challenges is central to this commitment.
- Will maintain a thorough understanding of local labour markets and facilitate, positive relationships between employers and prospective employees.
- Will value community well-being and are fully committed to providing lifelong learning opportunities through a range of courses that enable people to pursue personal interests and passions.
- Will ensure the College secures and develops a workforce that is able to provide the skills and experiences required to deliver provision of the highest quality.
- Will be professional in all undertakings and accessible whenever possible, providing a safe and welcoming place for local people to gather and engage in learning and recreational activities, whether organised by the College or appropriate stakeholders.
- Will take responsible decisions, utilising public funds appropriately and always seeking to prioritise expenditure and investment to benefit local people and our communities.

Strategic Plan

Following the merger with Barnfield College, the College has approved a new Strategic Plan 2018-21. Central to this plan is its vision to play a leading role in transforming life chances. The College's mission, shared values and aims are set out below:

Operating and Financial Review *(continued)*

Strategic Plan *(continued)*

Mission
The New College will inspire achievement and success in ways which stimulate:

- A competitive edge in our students;
- A spirit of enterprise and innovation across our communities; and
- Growth in our local economy and communities

Shared Values

Focus
- Lifelong: Our services will be relevant and accessible to people throughout their lives
- Future proofed: We will anticipate emerging careers and target these priority skills
- Achievement: Ambition and resilience will be cornerstones of our students' sustainable success

Behavior
- Accountable: Our evidence-based decisions will deliver value for money for everyone we serve
- Respectful: We will encourage open communication – enabling all in our communities to flourish
- Integrity: Our civic responsibility will combine ethical practices with a focus on social and economic priorities.

The plan also sets out the following seven strategic aims:

Aim 1: Students: Students will be equipped with the skills they need to maximise opportunities in life and at work

Aim 2: Employees: Employees will reach their full potential for creating transformative life chances for students

Aim 3: Communities: The New College will be rooted in its local economies, boosting productivity and delivering growth across key income streams

Aim 4: Finance: The New College will sustain the financial strength required to deliver high-quality services in response to new challenges

Operating and Financial Review *(continued)*

Strategic Plan *(continued)*

Aim 5: Niche Curriculum Specialisms: The New College will be known as a specialist skills provider supporting niche sectors with high growth potential

Aim 6: Dynamic Public Partnerships: The New College will build partnerships and stakeholder coalitions:

- Focusing organisational capabilities on immediate skills needs
- Developing the longer-term aspirations of young people and adults

Aim 7: College Estate Development. The College Estate in Luton will: -

- Provide a fit-for-purpose campus that facilitates the delivery of modern skills aligned to local and regional labour market needs
- Enable future growth by attracting and retaining a wider range of students and businesses

Each of these aims will be assessed against measures of success which will be evaluated at key stages in the plans progress.

Performance indicators

As part of its 2018/19 Self-Assessment Review, the College identified four key areas for improvement in 2019/20 against which various targets were set. The targets are included in the table below.

Area for Improvement	Target
English and Maths	At least 85% of students will attend lessons regularly
Personal Qualification Target Grades (Value Added)	At least 65% of students will achieve their Qualification Personal Target Grades
Adult Learners	At least 85% of adult students will achieve their qualifications (of starts)
Specific Groups	The qualification achievement rates for specific groups will be within 5% of other students

Following the national examination changes that were introduced in 2019-20 as a result of the Covid-19 pandemic, the College does not hold verified data to measure the outcome against these targets. The targets have therefore been carried forward to 2020-21.

Operating and Financial Review *(continued)*

Financial Health

a. Financial Performance

The Group generated a deficit before exceptional items for 2019/20 of **£0.611m** (2018/19 surplus £0.146m).

For the purposes of the College's loan covenants, FRS102 pension charges of **£2.205m** are excluded, giving a revised Group surplus before tax for the year of **£1.594m**. This is outlined in the table below:

	£000
College Group – Deficit before exceptional items	**-611**
FRS 102 – Enhanced Pension net interest (note 21)	96
FRS102 – Net interest on Pension Fund assets (note 23)	502
FRS102 – Pension cost (note 23)	1,607
College Group – Surplus excluding FRS102 pension adjustments & exceptional items and taxation	**1,594**

The College also made a surplus of £3.838m on the sale of the land at Kings Langley and the Bute Street car park. Their value and the associated accumulated depreciation have been written out of the financial statements.

b. Liquidity

At 31 July 2020, the College Group had **£19.727m** in cash at bank, in short term deposits, and in hand. This is £8.439m more than the £11.288m cash held as at 31 July 2019.

The College's £14.727m cash balance is equivalent to 131 cash days and, when contrasted against its current liabilities at 31 July 2020 of £8.333m, represents a high level of solvency as exemplified by the College's current ratio at this date of 2.97. The cash balance with the short term deposit provides the College Group with reserves which it can invest to develop and protect its business in the coming years, and ensures that the College and its Group achieves the highest possible liquidity score in its Education and Skills Funding Agency financial health assessment.

c. Gearing

The College had borrowings of £7.007m at 31 July 2020, of which £0.494m is payable in 2020/21. All College's borrowings are long-term loans and are due to be repaid in full by 2032. As a result, the College's borrowing represents 6.9**%** of College's net assets (excluding pension liabilities). £5.444m of the College's borrowings are subject to a fixed interest rate, the earliest of which expires in 2024, providing further stability to the College Group's finances.

Operating and Financial Review *(continued)*

Financial Health *(continued)*

d. Loan Covenants

The College is required to adhere to five covenants as part of its long-term loan agreement with its Bank. The College retains a high degree of headroom on all five covenants.

e. Covid-19

The Covid-19 pandemic has led to a reduction in both income and expenditure for the College in 2019-20, Key areas of income impacted include Apprenticeship Funding, Tuition Fee Income and Commercial Income. Key areas of expenditure impacted include staff pay, exam costs, teaching materials and estates costs. The reduction in expenditure exceeded the reduction in income, and the overall impact is a surplus of around £500k. The College received £31k from the Coronavirus Job Retention Scheme to part fund the cost of staff working in commercial activity areas who were furloughed.

f. Overall

The ESFA's overall financial health assessment was rated as **outstanding** in 2019/20. This comprised individual outstanding ratings for liquidity, performance and gearing. The Group and College therefore has a sound financial foundation to develop its business and to respond to future pressures. Furthermore, its current financial health, alongside future forecasts and plans (including the mitigating financial measures in place for the further potential impact of Covid-19), confirms that the Group and the College are a 'going concern'.

Treasury Policy and Objectives

Treasury management is the management of the College's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The College has a separate treasury management policy in place which is reviewed by the Corporation each year. All borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

Reserves Policy

The Group and the College will maintain sufficient reserves to ensure that it remains stable and sustainable for the foreseeable future, whilst not setting aside excessive resources which could better be deployed to further its business. Furthermore, it maintains reserves at levels that are consistent with its loan covenants.

Operating and Financial Review *(continued)*

Reserve Policy *(continued)*

To achieve this goal the College is committed to ensure the following:

- Maintaining total net assets, excluding net pension liabilities, of no less than £50m to comply with loan covenants;
- Maintaining cash at bank and in hand, and short term deposits, totalling no less than £5.0m at any point in a forecast three-year period; and
- Ensuring that pension liabilities are minimised both through engaging actively with Hertfordshire Pension Fund's fund managers and actuaries, and by providing alternative defined contribution pension schemes where appropriate.

At 31 July 2020 the College had:

- Total net assets (excluding the £39.1m pension liability) of £100.960m (2019: £96.053m); and

- Cash at bank and in hand and short-term deposits totalling £19.727m (2019: £11.288m). It is noted that cash levels are temporarily high due to the Barnfield Redevelopment Project.

As mentioned above, the College has in place a separate treasury management policy.

Future developments

The College works relentlessly to continually improve the quality of its provision, its estate and learning environments. Following the opening of Phase 1 of its Hemel Hempstead campus redevelopment in 2017, Phase 2 was completed in June 2020 and the new Construction and Engineering Centre opened for the 2020-21 academic year.

The Corporation is progressing with Phase 1 of its masterplan for a new build redevelopment for Barnfield College at the New Bedford Road Campus.

Planning permission has been obtained and construction is expected to start late 2020, with the new College building scheduled to open in 2022/23. As part of this redevelopment the College exchanged contracts for the sale of some Land for Housing Development at the New Bedford Road Campus in Luton in October 2020.

The College has been registered as an approved T level provider, and is expected to begin T level delivery from 2022/23.

Operating and Financial Review *(continued)*

Principal Risks and Uncertainties

Details of the Group's risk management methodology are covered within the section on Statement of Corporate Governance and Internal Control within this Report. Following this methodology, the Group has identified the following principal corporate risks as existing at 31 July 2020.

a) Campus - Re-development

A central component of the College's Property Strategy is the continued development of its Estate. The new Construction and Engineering Centre at Hemel Hempstead Campus opened in August 2020. The College has agreed a masterplan for a Phase 1 redevelopment of our New Bedford Road campus in Luton, planning permission has been obtained, and construction is expected to start late 2020.

b) Higher Education - Vulnerability of Provision

New flexibilities within Higher Education have led to a highly competitive environment. Furthermore, the College is dependent on the University of Hertfordshire and the University of Bedfordshire for much of its student numbers through the clearing process.

In order to retain and grow its market share the College continues to seek to grow its offer to ensure it is maximising its appeal to potential students, in particular by developing its own HNDs.

c) Financial Sustainability

A combination of funding cuts, pension fund pressures, unavoidable cost increases and increasing Government requirements are placing significant pressure on College resources.

The College needs to focus relentlessly on containing costs and maximising its income if it is going to retain its financial strength in future years. In addition, the College has sought to address this risk by increasing its size and generating economies of scale through both the Hemel Hempstead Campus re-development, the merger with Barnfield College and the proposed redevelopment at the New Bedford Road campus.

d) Nursery Safeguarding Processes

The nursery has clear policies and processes in place that are regularly monitored. All staff receive ongoing training.

e) Cyber attack

The College has implemented extensive arrangements to protect the Colleges systems and data from cyber attack and hacking, and continues to take ongoing measures to reduce vulnerability to attack.

Operating and Financial Review *(continued)*

Principal Risks and Uncertainties (*continued*)

f) Apprenticeships

The introduction of the apprenticeship levy in 2017 and the transition from apprenticeship frameworks to standards represent fundamental changes to the way in which apprenticeships operate. This poses challenges and opportunities for the College which it is seeking to address through investing appropriately in resources and collaborating closely with partners. The creation of Together Training Ltd in partnership with Oaklands College is a key component of managing this risk.

g) T - Levels

T-levels will require a substantial change in delivery models from current provision. College staff are keeping abreast of developments in policy, development and delivery, with T-level delivery expected from 2022-23. The College has maximised its industry placement funding.

h) English & Maths

The College has robust arrangements in place to maximise learner achievement rates in English and Maths. Extensive monitoring enables any concerns to be highlighted and addressed immediately.

i) Learner Achievement rates at Barnfield

Arising from the Ofsted reviews in 2018 concerning the effectiveness of provision at Barnfield College, the new College has implemented a range of strategies that will improve student achievement rates.

j) College wide IT failure at Barnfield

Following the merger, there was a need to review the ageing IT infrastructure at Barnfield College as it was not fit for purpose. Arrangements to improve the IT infrastructure are almost complete.

This includes significant IT investment, which will safeguard business continuity, improve business productivity and modernise the working and learning experiences for staff and students.

k) Compliance with ESFA Funding rules

Following the merger, there was a need to review the College's compliance with ESFA funding rules to ensure that the College secures all funding that is due. The College has now undertaken a comprehensive review of all learner data records at Barnfield, and has aligned Barnfield ILR processes and procedures with those at West Herts.

Operating and Financial Review *(continued)*

Principal Risks and Uncertainties (*continued*)

l) Risks Associated with Covid-19

Covid-19 is having a significant impact on the College in the short-medium and long term. The College continues to comply with the Governments guidance, and has developed a specific covid-19 risk register to enable leaders and managers to manage the college via the operational and financial turbulence caused by severe levels of disruption.

Stakeholder Relationships

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

- Students
- Staff
- Parents and Guardians
- The Government, Politicians and Ofsted
- Further Education Commissioner, Funding Councils and Agencies
- Local Employers and Local Employment Partnerships
- Local Authorities
- Local Community
- Other FE and HE Institutions
- Local Secondary Schools and Academies
- Trade Unions; for individual representation
- Professional Bodies

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

Staff and Student Involvement

The College pursues an active policy of fostering good communications with staff and students. The College's intranet service provides a range of briefings, updates and other communication channels for staff. Communication with students is mainly through digital Platforms such as Canvass and our GAP website. There are also extensive communications with students through social media platforms such as Facebook, Twitter and Instagram.

Both staff and students have the right to elect two members onto the Corporation respectively and they contribute actively in the discussions and decision-making of the College.
The College holds at least one staff conference each year. Here staff are informed of College developments and interact with the College Leadership Group.

Operating and Financial Review *(continued)*

Staff and Student Involvement *(continued)*

Learner involvement is well developed within the College. Each year students are encouraged to provide feedback through satisfaction surveys. The results of these are circulated to, and discussed by, the College Leadership Group, and the Corporation.

Trade Unions

It is the responsibility of each college corporation to comply with the requirements of the Trade Union (Facility Time Publication Requirements) Regulations 2017. These Regulations require the disclosure of the number of trade union officials at the College, the percentage of their time spent on trade union activities, and cost to the College of facilitating trade union activities. However, as the College does not formally recognise trade unions, there are no recognised trade union officials, and therefore there is no time or cost associated with trade union activities to report.

Equal Opportunities and Employment of Disabled Persons

The College is committed to offering excellent learning opportunities and excellent employment opportunities for all learners and employees. The College ensures compliance with all aspects of equality legislation and where possible goes beyond compliance and embeds good practice in all teaching, learning and employment situations. The College will continue to monitor all its policies and processes and take action when areas are identified where intervention is required to address potential restrictions to individuals or groups.

The College has an Equality and Diversity Policy, which takes account of its specific and general duties in relation to race, gender and disability. The Policy contains objectives that seek to ensure that the College complies with all aspects of legislation. The College operates a 'Blind Recruitment process' and therefore appointing managers will receive all applications for shortlisting with no personal details provided (i.e. name, address, age, equal opportunities information).

Disability Statement

The College seeks to achieve the objectives set down in the Disability Discrimination Act 1995 as amended by the Special Education Needs and Disability Acts 2001 and 2005 and in particular makes the following commitments:

- The College operates the Disability Confident scheme and all recruitment shortlisting is reviewed by the Human Resources Team to ensure we are compliant with this.

- As part of the redevelopment of the buildings it has installed lifts and ramps, etc, so that most of the facilities allow access to people with a disability.

Operating and Financial Review *(continued)*

Disability Statement *(continued)*

- Specialist advice and support are made available to admissions staff to ensure unobstructed progression of students. Appeals against a decision not to offer a place are dealt with under the complaints policy.

- Continued investment in specialist advisors to teach and support students with learning difficulties and disabilities, together with investment in other learning advisors who currently provide a range of support functions to students.

- Provision of specialist programme information guides to students and parents which give details of student achievement and destinations.

- Provision of counselling and welfare services as described in the College Charter.

These commitments are reviewed annually with a view to improving the quality of service.

Post Balance Sheet Events

The College exchanged contracts in October 2020 for the sale of nine acres of surplus land at the New Bedford Road Campus.

At the date of signing these financial statements, no other significant post balance sheet events have occurred.

Disclosure of Information to Auditor

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 Group and College's auditor is 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 Group and College's auditor is aware of that information.

Approved by order of the members of the Corporation on **9 December 2020** and signed on its behalf by:

P. Thompson
Chair

Professional Advisors:

Financial Statements and Regularity Auditor:

Buzzacott LLP
130 Wood Street
London
EC2 6DL

Internal Auditor:

Scrutton Bland LLP
Fitzroy House
Crown Street
Ipswich
IP1 3LG

Banker:
Lloyds Bank plc
67 High Street
Watford
Herts
WD1 2DU

Solicitor:
Bates Wells
10 Queen Street Place
London
EC4R 1BE

Statement of Corporate Governance and Internal Control

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 issued in March 2015 ("the Code of Good Governance"); 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 and complies with the Code of Good Governance. We have not adopted and therefore do not apply the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.

In the opinion of the Members of the Corporation, the College complies with all the provisions of the Code of Good Governance, and it has complied throughout the year ended 31 July 2020. The Governing Body recognises that, as a body entrusted with both public and private funds, it has particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of the Code of Good Governance.

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

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

The Corporation

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

Name	Date of most recent appointment	Term of office	Date of resignation (if earlier than term expiry)	Status of appointment	Committees served
Guy Ainsley	12.07.19	2 years		Independent	Audit
Phil Berry	18.04.20	2 years		Independent	
Irina Kendix	13.06.19	2 years		Independent	Audit
Richard Lewis	10.07.19	2 years		Independent	
Matt Luheshi	10.07.19	2 years		Independent	Search
Matthew Messenger	10.10.18	2 years	Term now expired	Teaching Staff	
Chris Nicholls	25.04.19	2 years		Independent	Audit
Richard Patmore	01.11.17	2 years	Term now expired	Student	
William Phipps	01.11.19	1 year		Student	
Jada Powell	01.11.19	1 year		Student	
Ben Stapleton	01.06.19	2 years		Independent	Audit
Phil Thompson	01.08.20	2 years		Independent	Search, Remuneration
Paul Thompson	25.04.19	2 years		Independent	
Joan Viall	14.10.17	2 years	Term now expired	Independent	
Gill Worgan	01.01.11	N/A		Principal	Search
David York	18.11.19	2 years		Support Staff	

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

The Corporation *(continued)*

Details of the attendance record of Governors who served in 2019/20 are shown below: -

	Corporation	Audit	Search & Governance
	8 scheduled meetings (no. out of possible) *	4 scheduled meetings (no. out of possible) *	1 meeting (no. out of possible) *
Guy Ainsley	50%	100%	
Phil Berry	100%		
Irina Kendix	75%)	100%	
Richard Lewis	87.5%		
Matt Luheshi	100%		100%
Matthew Messenger	62.5%		
Chris Nicholls	87.5%	100%	
Richard Patmore	0% (0/1)		
William Phipps	67%		
Jada Powell	0% (0/6)		
Ben Stapleton	100%	100%	
Phil Thompson	100%		100%
Paul Thompson	87.5%		
Joan Viall	100% (1/1)		
Gill Worgan	100%		100%
David York	87.5%		

* Percentage is based on total number of meetings unless otherwise identified.

The role of Clerk to the Corporation from 1 August 2019 until 31 July 2020 was carried out by Market Place Educational.

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

The Corporation business plan incorporated eight scheduled Corporation meetings during 2019/20, and these meetings were held remotely during the Covid-19 pandemic. 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 following Committees reported to the Corporation during the year: - the Audit Committee, and the Search Committee. Both committees have terms of reference which have been approved by Corporation.

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

The Corporation *(continued)*

Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on http://www.westherts.ac.uk/about-us/governors/ or from the Clerk to the Corporation at:

West Herts College
Watford Campus
Hempstead Road
Watford
Hertfordshire
WD17 3EZ

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

All Members of the Corporation 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 Members of the Corporation in good time for Board meetings; ad-hoc briefings are also provided.

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 between the separate roles of the Chair of the Corporation, and the Accounting Officer (i.e. the Principal & Chief Executive).

The Corporation conducts a self-assessment each year, the results of which are reported to Corporation for review and consideration.

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

The Corporation *(continued)*

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search and Governance Committee, comprising up to 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 four years, and can stand for more than one term.

Remuneration

Throughout the year ended 31 July 2020 the Corporation took all decisions on the remuneration and benefits of the Principal and Chief Executive. The College has adopted the Association of College's Senior Post Holders Renumeration Code. Details of remuneration for the year ended 31 July 2020 are set out in note 8 to the financial statements.

Audit Committee

The Audit Committee comprises up to five members of the Corporation (excluding the Principal and Chair of the Corporation). 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 each term and provides a forum for reporting by the College's internal, financial statements and regularity 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 auditor reviews the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of work and reports their findings to management and the Audit Committee.

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

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

The Corporation *(continued)*

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

Internal Control

Scope of Responsibility

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

The Corporation has delegated to the Principal and Chief Executive, as Accounting Officer, day-to-day responsibility 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 the Principal and Chief Executive is personally responsible, in accordance with the responsibilities assigned to the Principal and Chief Executive in the College's grant funding agreements and contracts with the ESFA. The Principal and Chief Executive is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives and it can, therefore, only provide reasonable and not absolute assurance of effectiveness. It 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 the College for the year ended 31 July 2020 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 Group and the College's significant risks that have been in place and operational throughout the year and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Corporation.

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

Internal Control *(continued)*
The Risk and Control Framework

The internal control system 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.
- A Risk Management Strategy to ensure that risks are properly identified and rigorously managed.
- 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.
- The adoption of formal project management disciplines, where appropriate.
- Dedicated committees for projects such as capital builds and merger.

The College contracts for an internal audit service, which operates 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 College's internal audit service annually provides the Corporation with a report on internal audit activity in the College. The report includes its independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of Effectiveness

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

- The work of the internal auditor.
- The work of the senior managers within the College who have responsibility for the development and maintenance of the internal control framework.
- Comments made by the College's financial statements and regularity auditor in their management letter and other reports.

Statement of Corporate Governance and Internal control *(continued)*

Internal Control *(continued)*

Review of Effectiveness *(continued)*

The Principal and Chief Executive has been advised on the implications of the result of her 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. A plan to address weaknesses and ensure continuous improvement of the system is in place and the internal auditors have noted strong progress made in dealing with actions connected with Barnfield College and the merger.

The College Leadership Group receives reports setting out key performance and risk indicators and considers possible control issues brought to its attention by early warning mechanisms which are embedded within the Departments and reinforced by risk awareness training. The College Leadership Group 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 College Leadership Group and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

Based on the advice of the Audit Committee and the Principal and Chief Executive, 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 appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. Its financial plans for future years have been scrutinised and consistently show budget surpluses. The Corporation has agreed to implement a range of actions that are intended to fund any potential cost pressures in 2020-21 arising from the Covid-19 pandemic. Capital projects are carefully costed in advance and funding secured prior to commencement. Furthermore, borrowings are low in proportion to income and there are substantial cash reserves. For this reason it continues to adopt the going concern basis in preparing the financial statements.

Approved by the members of the Corporation and signed on its behalf by: -

P. Thompson **Chair** **9 December 2020**	**G. Worgan** **Principal and Chief Executive** **9 December 2020**

Statement of Regularity, Propriety and Compliance

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 the ESFA.

As part of our consideration we have had due regard to the requirements of the grant funding agreements and contracts with the 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 Group and the College, or material non-compliance with the terms and conditions of funding under the College's grant funding agreements and contracts with the 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.

P. Thompson
Chair
9 December 2020

G. Worgan
Principal and Chief Executive
9 December 2020

Statement of 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 the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the *2015 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *College Accounts Direction* issued by the ESFA, and with the *UK Generally Accepted Accounting Practice*, and which give a true and fair view of the state of affairs of the Group and the College and the result for that year.

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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 Group and the College will continue in operation.

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

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

The maintenance and integrity of the College website is the responsibility of the Corporation of the Group and the College; the work carried out by the auditor does not involve consideration of these matters and accordingly, the auditor accepts 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

Statement of Responsibilities of the Members of the Corporation *(continued)*

from the ESFA are used only in accordance with the College's grant funding agreements and contracts with the ESFA and any other conditions that may be prescribed from time to time.

Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the Group and the College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the ESFA are not put at risk.

Approved by the members of the Corporation and signed on its behalf by:-

P. Thompson
Chair
9 December 2020

Independent Auditor's Report to the Corporation of West Herts College

Opinion

We have audited the financial statements of West Herts College (the 'parent college') and its subsidiary (the 'group') for the year ended 31 July 2020 which comprise the group and parent college's statement of comprehensive income and expenditure, the group and parent college statement of changes in reserves and balance sheets, the group statement of cash flows, the principal accounting policies, and the notes to the financial statements. 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, all material respects:

- The financial statements give a true and fair view of the state of the group's and the parent college's affairs as at 31 July 2020 and of the group's surplus of income over expenditure for the year then ended. We have taken into account relevant statutory and other mandatory disclosure and accounting requirements, and the requirements of the OfS and other funders;
- The financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- funds from whatever source administered by the provider for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the OfS, the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions; and
- the requirements of the OfS's accounts direction have been met.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group 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.

Independent Auditor's Report to the Corporation of West Herts College *(continued)*

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 group's and the parent college's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Corporation is responsible for the other information. The other information comprises the information included in the annual report, 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.

Matters on which we are required to report by exception

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

- proper accounting records have not been kept by the parent college; or
- the group and parent college financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of the following matter in relation to which the Office for Students requires us to report to you, if in our opinion:

- The College's grant and fee income, as disclosed in note 2 to these financial statements has been materially misstated.

Independent Auditor's Report to the Corporation of West Herts College *(continued)*

Responsibilities of the Corporation

As explained more fully in the statement of responsibilities of members of the Corporation, the Corporation is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determines 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 group's and the parent college's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporation either intends to liquidate the group or the parent college or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Buzzacott LLP

11 December 2020

Buzzacott LLP
Chartered Accountants and Registered Auditor
130 Wood Street
London
EC2V 6DL

Independent Reporting Accountant's Report on Regularity

To: The Corporation of West Herts College and Secretary of State for Education acting through the Department for Education ("the Department")

In accordance with the terms of our engagement letter dated 29 June 2017 and further to the requirements of funding in the 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 West Herts College during the period 1 August 2019 to 31 July 2020 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post 16 Audit Code of Practice ("the Code") issued by the ESFA and in any relevant conditions of funding concerning adult education notified by a relevant funder. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which the Department has other assurance arrangements in place.

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

Respective responsibilities of West Herts College and the reporting accountant

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

Our responsibilities for this engagement are 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 Post 16 Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2019 to 31 July 2020 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Independent Reporting Accountant's Report on Regularity *(continued)*

Approach

We conducted our engagement in accordance with the Post 16 Audit Code of Practice issued by the Department. We performed a limited assurance engagement as defined in that framework.

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

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

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 to our conclusion includes:

- An assessment of the risk of material irregularity and impropriety across all of the College's activities;
- Further testing and review of self-assessment questionnaire including enquiry, identification of control processes and examination of supporting evidence across all areas identified as well as additional verification work where considered necessary; and
- Consideration of evidence obtained through the work detailed above and the work completed as part of our financial statements audit in order to support the regularity conclusion.

Independent Reporting Accountant's Report on Regularity *(continued)*

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 2019 to 31 July 2020, has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Buzzacott LLP

BUZZACOTT LLP

11 December 2020

Chartered Accountants and Registered Auditors
130 Wood Street
London
EC2V 6DL

Statements of Comprehensive Income and Expenditure
for the year ended 31 July 2020

	Note	**2019/20 Group £'000s**	**2019/20 College £'000s**	**2018/19 Group £'000s**	**2018/19 College £'000s**
Income:					
Funding body grants	*2*	39,975	39,115	34,494	34,143
Tuition fees and education contracts	*3*	3,552	3,552	3,728	3,728
Other grants and contracts	*4*	77	77	61	61
Other income	*5*	1,118	1,117	1,158	1,083
Investment income	*6*	49	49	49	49
Total Income		**44,771**	**43,910**	**39,490**	**39,064**
Expenditure:					
Staff costs	*7*	29,527	28,794	24,568	24,092
Restructuring costs	*7*	84	84	107	107
Other operating expenses	*9*	11,341	11,262	10,591	10,522
Depreciation	*14*	3,618	3,618	3,288	3,288
Interest and other finance costs	*11*	812	812	790	790
Total Expenditure		**45,382**	**44,570**	**39,344**	**38,799**
(Deficit)/Surplus before exceptional items		**(611)**	**(660)**	**146**	**265**
Exceptional items	*13*	-	-	(457)	(457)
(Deficit) before other gains and losses		**(611)**	**(660)**	**(311)**	**(192)**
Net assets of Barnfield College transferred to West Herts College	*24*	-	-	20,656	20,656
Profit on disposal of fixed assets		3,838	3,838	5,158	5,158
Net income attributable to minority interest	*15*	(24)	-	60	-
Profit before tax		**3,203**	**3,178**	**25,563**	**25,622**
Taxation	*12*	-	-	(48)	(48)
Profit for the year		**3,203**	**3,178**	**25,515**	**25,574**
Actuarial (loss) in respect of pension schemes	*10*	(14,391)	(14,391)	(1,548)	(1,548)
Total Comprehensive Income for the year		**(11,188)**	**(11,213)**	**23,967**	**24,026**

Statement of Changes in Reserves
for the year ended 31 July 2020

	Minority Interest	Income and Expenditure accounts	Revaluation Reserve	Restricted Reserves	Total
	£000s	*£000s*	*£000s*	£000s	£000s
Group					
Balance as at 1 August 2018	200	43,015	5,828	7	49,050
Surplus from the income and expenditure 2018/19	-	4,859	-	-	4,859
Other comprehensive income	-	(1,548)	-	-	(1,548)
Transfer between revaluation and income and expenditure reserves	-	776	(776)	-	-
Other comprehensive income due to merger	-	20,656	-	-	20,656
Balance as at 31 July 2019	**200**	**67,758**	**5,052**	**7**	**73,017**
Surplus from the income and expenditure 2019/20	-	3,203	-	-	3,203
Other comprehensive income	-	(14,391)	-	-	(14,391)
Balance at 31 July 2020	**200**	**56,570**	**5,052**	**7**	**61,829**

	Income and Expenditure accounts	Revaluation Reserve	Restricted Reserves	Total
	£000s	*£000s*	£000s	£000s
College				
Balance as at 1 August 2018	43,112	5,828	7	48,947
Surplus from the income and expenditure 2018/19	4,918	-	-	4,918
Other comprehensive income	(1,548)	-	-	(1,548)
Transfer between revaluation and income and expenditure reserves	776	(776)	-	-
Other comprehensive income due to merger	20,656	-	-	20,656
Balance as at 31 July 2019	**67,914**	**5,052**	**7**	**72,973**
Surplus from the income and expenditure 2019/20	3,178	-	-	3,178
Other comprehensive income	(14,391)	-	-	(14,391)
Balance at 31 July 2020	**56,701**	**5,052**	**7**	**61,760**

Balance Sheets at 31 July 2020

	Note	2019/20 Group £'000s	2019/20 College £'000s	2018/19 Group £'000s	2018/19 College £'000s
Fixed assets					
Tangible assets	*14*	123,717	123,717	123,682	123,682
Total fixed assets		**123,717**	**123,717**	**123,682**	**123,682**
Investment assets	*15*	**-**	**200**	**-**	**200**
Current assets					
Stock		11	11	11	11
Trade and other receivables	*17*	830	814	1,143	1,261
Short term deposit	*16*	5,000	5,000	-	-
Cash at bank and in hand		14,727	14,603	11,288	11,072
Total current assets		**20,568**	**20,428**	**12,442**	**12,344**
Creditors: amounts falling due within one year	*18*	**(8,333)**	**(8,325)**	**(5,993)**	**(5,978)**
Net current assets		**12,235**	**12,103**	**6,449**	**6,366**
Total assets less current liabilities		**135,952**	**136,020**	**130,131**	**130,248**
Creditors: amounts falling due after one year	*19*	**(30,692)**	**(30,692)**	**(29,999)**	**(29,999)**
Provisions for liabilities and charges	*21*	**(4,437)**	**(4,437)**	**(4,196)**	**(4,196)**
Minority interest	*15*	**137**	**-**	**161**	**-**
Net assets excluding pension liability		**100,960**	**100,891**	**96,097**	**96,053**
Net pension liability	*23*	**(39,131)**	**(39,131)**	**(23,080)**	**(23,080)**
TOTAL NET ASSETS		**61,829**	**61,760**	**73,017**	**72,973**
Restricted reserves					
Endowments		7	7	7	7
Total Restricted reserves		**7**	**7**	**7**	**7**
Unrestricted reserves:					
Income and expenditure account		56,570	56,701	67,758	67,914
Revaluation reserve		5,052	5,052	5,052	5,052
Minority interest	*15*	200	-	200	-
Total Unrestricted reserves		**61,822**	**61,753**	**73,010**	**72,966**
TOTAL RESERVES		**61,829**	**61,760**	**73,017**	**72,973**

The financial statements on pages 35 to 61 were approved by the Corporation on **9 December 2020** and signed on its behalf by:

P. Thompson
Chair

G. Worgan
Principal and Chief Executive

Statement of Consolidated Cash Flows
for the year ended 31 July 2020

	2019/20 £'000s	2018/19 £'000s
Cash inflow from operating activities		
Surplus/(Deficit) for the year	3,203	25,563
Adjustment for non-cash items:		
Tangible fixed assets transferred in	-	(38,905)
Depreciation	3,618	3,288
Exceptional items	-	457
Decrease/(Increase) in debtors	313	(426)
Increase in creditors due within one year	2,415	2,738
(Decrease)/Increase in creditors due after one year	(2,613)	4,555
(Decrease)/Increase in provisions	(304)	533
Defined benefit pension liability inherited on merger	-	10,364
Pensions costs less contributions payable	1,607	660
Minority Interest	24	(60)
Adjustment for investing or financing activities:		
Investment income	(49)	(49)
Interest and other finance costs	812	790
Profit on disposal of fixed assets	(3,838)	(5,158)
Decrease in deferred capital grants	(655)	(701)
Net cash flow from operating activities	**4,533**	**3,649**
Cash flows from investing activities		
Investment income	49	49
Payments made to acquire fixed assets	(10,066)	(4,128)
Proceeds from sale of land	10,251	6,310
Total cash flows from investing activities	**234**	**2,231**
Cash flows from financing activities		
Interest paid	(214)	(291)
Capital grants received	4,371	1,128
Short term deposit	(5,000)	-
Bank loans repaid	(485)	(1,358)
Total cash flows from financing activities	**(1,328)**	**(521)**
Increase in cash and cash equivalents in the year	**3,439**	**5,359**
Cash and cash equivalents at beginning of year	11,288	5,929
Cash and cash equivalents at end of year	14,727	11,288

Notes to the Financial Statements

1 Accounting policies

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 2019* (the 2019 FE HE SORP), the *College Accounts Direction for 2019 to 2020* and in accordance with Financial Reporting Standard 102 – *"The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland"* (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention as modified by the revaluation of certain fixed assets.

Basis of consolidation

The consolidated financial statements include the College and its subsidiary, Together Training Ltd, controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Under the purchase method of accounting, the results of subsidiary and associated undertakings acquired or disposed of during the year are included in the consolidated income and expenditure account from or up to date on which control of the undertaking passes. Intra-group transactions are eliminated fully on consolidation. In accordance with FRS102, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2020.

Going concern

The activities of the Group and the College, together with the factors likely to affect its future development and performance are set out in the Operating and Financial Review - this includes an assessment of the potential financial impact of the Covid-19 pandemic. The financial position of the Group and the College, its cash flow, liquidity and borrowings are described in the financial statements and accompanying notes.

As at 31 July 2020 the Group and the College had £7,007k of loans outstanding with bankers on terms negotiated in 2009 and 2010. The terms of the existing agreement are for up to another 12 years. The Group and the College's forecasts and financial projections indicate that it will be able to generate operating surpluses and it will be able to operate within this existing facility and covenants for the foreseeable future.

Accordingly, the Group and 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 the financial statements.

Notes to the Financial Statements

1 Accounting Policies *(continued)*

Recognition of Income

Revenue grant funding

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102.

Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under achievement for the Adult Education Budget is adjusted for in year and reflected in the level of recurrent grant recognised in the Statement of Comprehensive Income and Expenditure. 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. ESFA apprenticeship income is recognised based on a year-end reconciliation of income claimed and the actual delivery.

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

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

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

Capital grant funding

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

Fee income

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

Investment income

All income from short term deposits is credited to the income and expenditure account in the period in which it is earned.

Agency arrangements

The College acts as an agent in the collection and payment of certain discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the Statement of Comprehensive Income and Expenditure and are shown separately in note 27 except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant. No staff are wholly dedicated to the administration of discretionary support funds. These administration tasks are carried out by the College's student support staff.

Notes to the Financial Statements

1 Accounting Policies *(continued)*

Accounting for post-employment benefits

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes.

Teachers' Pension Scheme (TPS)

Contributions to the TPS are charged to the Statement of Comprehensive Income and Expenditure 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 the current and future pensionable payroll. The contributions have been determined by qualified actuaries on the basis of valuations using a prospective benefit method. As stated in note 23 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 scheme and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

Local Government Pension Scheme (LGPS)

The 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 liability. 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 is also recognised in the Statement of Comprehensive Income and Expenditure 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 actual cost of any enhanced on-going pension to a former member of staff is paid by the College annually. An estimate of the expected future cost of any enhancement to the on-going pension of a former member of staff is charged in full to the College's Statement of Comprehensive Income and Expenditure in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the funding bodies.

Notes to the Financial Statements

1 Accounting Policies *(continued)*

Tangible fixed assets

Land and buildings

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the re-valued amount is released to the Statement of Comprehensive Income and Expenditure on an annual basis. Land and buildings acquired since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of between 30 and 50 years. On adoption of FRS 102 the College has followed the transitional provisions and has determined not to subsequently revalue its fixed assets from the amounts currently included within the financial statements. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the Statement of Comprehensive Income and Expenditure over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Finance costs which are directly attributable to the construction of land and buildings are capitalised as part of the cost of those assets.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount 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.

Assets under construction

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

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets it is charged to income in the period it is incurred unless it meets one of the following criteria, in which case it is capitalised and depreciated on the 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's life beyond that conferred by repairs and maintenance.

Building improvements

Building improvement expenditure meeting the capitalisation criteria set out above is depreciated using the straight line method over its useful economic life as follows:

- 10 years – Building improvements

Notes to the Financial Statements

1 Accounting Policies *(continued)*

Equipment and vehicles

Equipment costing less than £1,000 (including VAT) per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost.

Equipment is depreciated using the straight line method over its useful economic life as follows:

3 to 4 years – IT Equipment
5 to 7 years – IT Infrastructure and Systems
5 to 10 years – Furniture, Fittings and non-IT Equipment
4 years – Vehicles

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 statement of comprehensive income over the expected useful economic life of the related equipment on a basis consistent with the depreciation policy.

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. 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. The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to the income and expenditure account in proportion to the reducing capital element outstanding.

Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets. Assets which are held under hire purchase contracts which have the characteristics of finance leases are depreciated over their useful lives.

Stocks

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

Maintenance of premises

The cost of routine corrective maintenance is charged to the Statement of Comprehensive Income and Expenditure 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 Chapter 3 Part 11 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 to exclusively 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.

Notes to the Financial Statements

1 Accounting Policies *(continued)*

Cash and cash equivalents

Cash for the purposes of the cash flow statement comprises cash in hand and deposits repayable on demand less overdrafts repayable on demand.

Provisions and contingent liabilities

Provisions are recognised when the Group and 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.

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

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

Financial Liabilities

Financial liabilities 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.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether leases entered into by the Group and the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

- Determine whether there are indicators of impairment of the Group and the College's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Notes to the Financial Statements

1 Accounting Policies *(continued)*

Other key sources of estimation uncertainty include:

- *Tangible fixed assets*

Tangible fixed assets, excluding land, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 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 2019 has been used by the actuary in valuing the pensions liability at 31 July 2020. Any difference between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Notes to the Financial Statements

2 Funding body grants

	2019/20 Group £'000s	2019/20 College £'000s	2018/19 Group £'000s	2018/19 College £'000s
Education and Skills Funding Agency – 16-18	29,986	29,986	25,901	25,901
Education and Skills Funding Agency – Adult	4,215	4,215	4,025	4,025
Education and Skills Funding Agency - Apprenticeships	2,276	1,416	2,200	1,849
Education and Skills Funding Agency – 16-18 non recurrent	483	483	89	89
Education and Skills Funding Agency – Adult non recurrent	464	464	725	725
Teacher Pension Scheme contribution grant	869	869	-	-
Office for Students	196	196	84	84
Release of Government deferred capital grant in respect of depreciation of grant funded buildings and equipment (note 22)	655	655	701	701
Grants from other funding bodies	831	831	769	769
Total	**39,975**	**39,115**	**34,494**	**34,143**
Office for Students Grant analysis				
Grant income from the Office for Students	*83*	*83*	*84*	*8*
Grant income from other bodies	*113*	*113*	*-*	*-*
Total	***196***	***196***	***84***	***84***

3 Tuition fees and education contracts

	2019/20 Group £'000s	2019/20 College £'000s	2018/19 Group £'000s	2018/19 College £'000s
Tuition fees	3,492	3,492	3,452	3,452
Education contracts	60	60	276	276
Total	**3,552**	**3,552**	**3,728**	**3,728**

4 Other grants and contracts

	2019/20 Group £'000s	2019/20 College £'000s	2018/19 Group £'000s	2018/19 College £'000s
Other grants and contracts	46	46	61	61
Coronavirus Job Retention Scheme grant	31	31	-	-
Total	**77**	**77**	**61**	**61**

The corporation furloughed some of the hourly paid lecturers, nursery staff and catering staff under the government's Coronavirus Job Retention Scheme. The funding received of £31k relates to staff costs which are included within the staff costs note below as appropriate.

Notes to the Financial Statements

5 Other income

	2019/20 Group £'000s	2019/20 College £'000s	2018/19 Group £'000s	2018/19 College £'000s
Rental income	33	33	77	77
Barnfield Catering	72	72	89	89
Together Training Ltd income	1	-	75	-
Other income generating activities	363	363	439	439
Other grant income	420	420	327	327
Miscellaneous income	229	229	151	151
Total	**1,118**	**1,117**	**1,158**	**1,083**

6 Investment income

	2019/20 Group £'000s	2019/20 College £'000s	2018/19 Group £'000s	2018/19 College £'000s
Bank interest receivable	49	49	49	49
Total	**49**	**49**	**49**	**49**

7 Staff numbers and costs

The average number of persons (including key management personnel) employed by the college during the year, on a headcount basis, was:

	2019/20 Numbers	2018/19 Numbers
Teaching staff	520	536
Non-teaching staff*	515	533
Total	**1,035**	**1,069**

* Non-teaching staff include those who work directly with students such as learning assistants and student advisors.

Notes to the Financial Statements

7 Staff numbers and costs (continued)

Staff costs for the above persons were as follows:

	2019/20 Group £'000s	2019/20 College £'000s	2018/19 Group £'000s	2018/1 Colleg £'000
Salaries and wages	21,369	20,771	18,702	18,2
Social security costs	1,919	1,853	1,657	1,6
Other pension costs (including FRS 102 debit adjustment of £1,607k (2019:debit £660k) (note 23)	5,896	5,828	3,879	3,8
Payroll Sub total	**29,184**	**28,452**	**24,238**	**23,7**
Contracted out staff services	343	342	330	3
Total staff cost	**29,527**	**28,794**	**24,568**	**24,0**
Restructuring costs	84	84	107	1
Total	**29,611**	**28,878**	**24,675**	**24,1**

8 Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the College, namely the Principal and Chief Executive (who is also the Accounting Officer), the Principal at Barnfield, three Deputy Principals and the Director of Finance, and the Corporation (although Corporation members are not remunerated for their services).

Emoluments of key management personnel and other higher paid staff

	2019/20 No.	2018/19 No.
The number of remunerated key management personnel was:	6	5

Notes to the Financial Statements

8 Key management personnel *(continued)*

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

	Key management personnel		Other staff	
	2019/20 No.	**2018/19 No.**	**2019/20 No.**	**2018/19 No.**
£60,001 to £65,000	-	1	4	4
£65,001 to £70,000	-	-	3	3
£70,001 to £75,000	-	-	-	-
£75,001 to £80,000	1	-	1	1
£80,001 to £85,000	-	2	1	-
£85,001 to £90,000	3	1	-	-
£95,001 to £100,000	-	-	-	-
£115,001 to £120,000	1	-	-	-
£160,001 to £165,000	-	1	-	-
£175,001 to £180,000	1	-	-	-
	6	**5**	**9**	**8**

In addition to the staff disclosed above there were three members of staff, who were either part-time employees or on maternity leave, who received annual emoluments of less than £60,000, but whose usual full-time equivalent salary exceeded £60,000 per annum. Two of those members of staff had a usual full-time equivalent salary of £60,001-£65,000, and one had a usual full-time equivalent salary of £65,001-£70,000.

Key management personnel emoluments are made up as follows:

	2019/20 £000s	**2018/19 £000s**
Salaries – gross of salary sacrifice	630	502
Employer's national insurance	85	68
Pension contributions	115	83
Total	**830**	**653**

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

The above emoluments include the following amounts payable to the Principal and Chief Executive (who was also the Accounting Officer and highest paid officer) of:

	2019/20 £000s	**2018/19 £000s**
Salary	176	164
Pension allowance	37	25
Pension contributions	-	-
Total	**213**	**189**

Notes to the Financial Statements

8 Key management personnel *(continued)*

The Principal and Chief Executive reports to the Chair of the Corporation, who undertakes an annual review of performance against the College's overall objectives using both qualitative and quantitative measures of performance. The remuneration for the Principal and Chief Executive is subject to annual review by the Corporation, who use benchmarking information to provide objective guidance. The Corporation has adopted the AoC's Senior Post Holders Renumeration Code and will assess pay for the Principal and Chief Executive in line with its principles in future.

The Principal at Barnfield, the two Deputy Principals and the Director of Finance report to the Principal and Chief Executive, who undertakes an annual review of performance against the College's overall objectives using both qualitative and quantitative measures of performance. The Principal and Chief Executive also uses benchmarking information (local/national colleges information) to provide objective guidance.

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

	2019/20 No.	**2018/19 No.**
Chief Executive's basic salary as a multiple of the median of all staff	7	6
Chief Executive's total remuneration as a multiple of the median of all staff	8	6

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

9 Other operating expenses

	2019/20 Group £000s	**2019/20 College £000s**	**2018/19 Group £000s**	**2018/19 College £000s**
Teaching costs	2,093	2,042	2,332	2,302
Non-teaching costs	6,000	5,972	5,336	5,297
Premises costs	3,248	3,248	2,923	2,923
Total	**11,341**	**11,262**	**10,591**	**10,522**
Other operating expenses include:				
Auditor's remuneration:				
Financial statements audit – current year	42	42	38	34
Internal audit	36	36	44	44
Hire of other assets – operating leases	651	651	586	586
Payments to subcontractors	1,404	1,404	1,620	1,613

Notes to the Financial Statements

9a Access and participation spending

	2019/20 £000s
Access, success and progression activity	76
Disability support	7
Total	**83**

10 Actuarial (loss) in respect of pension schemes – College only

	2019/20 £000s	2018/19 £000s
LGPS pension scheme (note 23)	(13,942)	(1,596)
TPS enhanced pension provision (note 21)	(449)	48
Total	**(14,391)**	**(1,548)**

11 Interest payable and other finance costs – Group and College

	2019/20 £000s	2018/19 £000s
Loans repayable in more than five years by instalments	214	291
Net interest on defined pension liability - TPS (note 21)	96	96
Net interest on defined pension liability - LGPS (note 23)	502	403
Total	**812**	**790**

12 Taxation – Group and College

	2019/20 £000s	2018/19 £000s
United Kingdom corporation tax at 19 per cent	0	48
Total	**0**	**48**

United Kingdom corporation tax is chargeable on the College's commercial activities.

13 Exceptional items – Group and College

	2019/20 £000s	2018/19 £000s
Exceptional restructuring costs	-	163
Barnfield Merger Costs	-	294
Total	**-**	**457**

Notes to the Financial Statements

14 Tangible fixed assets – Group and College

	Land & buildings £000s	Vehicles & equipment £000s	Assets under construction £000s	Total £000s
Cost or valuation				
At 1 August 2019	143,398	12,546	4,266	160,210
Additions	7,766	933	1,367	10,066
Reclassification	4,089	177	(4,266)	-
Disposal (Kings Langley and Bute Street)	(6,600)	-	-	(6,600)
At 31 July 2020	**148,653**	**13,656**	**1,367**	**163,676**
Depreciation				
At 1 August 2019	26,968	9,560	-	36,528
Charge for the year	2,754	864	-	3,618
Eliminated on disposal	(187)	-	-	(187)
At 31 July 2020	**29,535**	**10,424**	**-**	**39,959**
Net book value at 31 July 2020	**119,118**	**3,232**	**1,367**	**123,717**
Net book value at 31 July 2019	**116,430**	**2,986**	**4,266**	**123,682**

Land and buildings inherited at the time of the College's incorporation in 1993 were valued by Herts County Council and included in the Revaluation Reserve. Since land is not depreciated, this value has not changed since the end of the previous accounting period. Other tangible fixed assets inherited at incorporation were fully depreciated in an earlier accounting period.

The land at Kings Langley and the Bute Street car park have been sold in 2019/20. Their value and the associated accumulated depreciation have been written out of the financial statements

15 Investment interests

Interests in subsidiary companies are as follows:-

West Herts College owns 200,001 of the 400,001 issued ordinary £1 shares of Together Training Ltd (TT), a company incorporated in England and Wales (Company number 09975696). The remainder of the shares are owned by Oaklands College. TT was created by West Herts College in January 2016, but remained dormant until West Herts College and Oaklands College agreed a Joint Venture Agreement in January 2017. This arrangement was revised on 31 July 2017 as outlined in this paragraph's initial sentence and the results of TT have been consolidated in these financial statements as described in the accounting policies. The principal business of TT is to deliver apprenticeship programmes to employers who are required to pay into the apprenticeship levy. In 2019/20, TT made a £49,019 profit, with £24,509 attributed to Oaklands College as a minority interest.

West Herts College owns 100% of the 10,000 issued ordinary £1 shares of Learning Works for Business Limited (LWL), a company incorporated in England and Wales (Company number 06477767). The principal business activity of LWL was to market and sell training to the local public and businesses on a cost recovery basis. The company ceased trading in May 2010 and remains dormant. The activities previously carried out by LWL are currently being carried out directly by the College.

Notes to the Financial Statements

16 Current investments

	2019/20 £000s	2018/19 £000s
Short term deposit	**5,000**	**-**

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

17 Trade and other receivables

	2019/20 Group £000s	2019/20 College £000s	2018/19 Group £000s	2018/19 College £000s
Amounts falling due within one year:				
Trade receivables	164	148	398	566
Prepayments	514	514	452	452
Accrued income	17	17	151	151
Other debtors	135	135	142	92
Total	**830**	**814**	**1,143**	**1,261**

18 Creditors: amounts falling due within one year

	2019/20 Group £000s	2019/20 College £000s	2018/19 Group £000s	2018/19 College £000s
Bank loans (note 20)	494	494	482	482
Trade creditors	209	209	469	469
Other creditors	11	11	8	8
Other taxation and social security	489	489	462	462
Accruals (fixed assets)	485	485	31	31
Accruals (employee leave)	766	766	795	795
Accruals (other)	1,777	1,769	1,566	1,562
Income in advance	237	237	219	208
S106 agreement accrual	2,613	2,613	-	-
Deferred income	383	383	302	302
Deferred government capital grant (note 22)	645	645	732	732
Amounts owed to the ESFA	224	224	927	927
Total	**8,333**	**8,325**	**5,993**	**5,978**

Notes to the Financial Statements

19 Creditors: amounts falling due after more than one year

	2019/20 Group £000s	2019/20 College £000s	2018/19 Group £000s	2018/19 College £000s
Bank loans (note 20)	6,513	6,513	7,010	7,010
Deferred government capital grants (note 22)	24,179	24,179	20,376	20,376
Deferred contribution	-	-	2,613	2,613
Total	**30,692**	**30,692**	**29,999**	**29,999**

The deferred contribution in 2018/19 related to the S106 agreement for Hemel Hempstead redevelopment which is due for payment in January 2021.

20 Maturity of debt

	2019/20 Group £000s	2019/20 College £000s	2018/19 Group £000s	2018/19 College £000s
Bank loans:				
Bank loans repayable within one year	494	494	482	482
Bank loans repayable between one and two years	505	505	495	495
Bank loans repayable between two and five years	1,590	1,590	1,553	1,553
Bank loans repayable in five years or more	4,418	4,418	4,962	4,962
Total	**7,007**	**7,007**	**7,492**	**7,492**

The total bank loans of £7,007k are the amounts outstanding at 31 July 2020 related to the following three loans :-

- £2,742k at a fixed rate of interest of 4.99% for 12 years to 2032.
- £2,702k for 12 years to 2032 with the interest rate fixed at 1.560% until 2024.
- £1,563k for 12 years to 2032 at a variable rate of interest.

All of these loans are secured against the College's Watford Campus.

Notes to the Financial Statements

21 Provisions for liabilities and charges – Group and College

Enhanced pension provision:	TPS £000s	LGPS £000s	Total £000s
At 1 August 2019	4,178	19	4,197
Expenditure in the year	(305)	-	(305)
Transferred to Statement of Comprehensive Income and Expenditure (note 11)	96	-	96
Transferred to Actuarial (gain)/loss in respect of pension schemes (note 10)	449	-	449
At 31 July 2020	**4,418**	**19**	**4,437**

The enhanced pension provisions relate to the cost of staff that have already left the College or who left the College following a restructuring carried out during the year. These provisions have been recalculated in accordance with guidance issued by the ESFA. The principal assumptions for this calculation are:-

	2020	2019
Interest rate	1.30%	2.30%
Net interest rate	2.20%	2.40%

22 Deferred capital grants

	Total £000s
At 1 August 2019	21,108
Cash received / receivable	4,371
Released to income and expenditure account in respect of depreciation (note 2)	(655)
At 31 July 2020	**24,824**
Of which:	
Due to be released within one year (note 18)	645
Due to be released after one year (note 19)	24,179
Total	**24,824**

Notes to the Financial Statements

23 Pensions and similar obligations *(College only)*

The College's employees belong to two principal pension schemes - the Teachers' Pension Scheme England & Wales (TPS) for academic and related staff and the Local Government Pension Scheme (LGPS) for non-teaching staff. The LGPS scheme is managed by Hertfordshire County Council. Both are defined benefit schemes.

Total pension cost for the year

		2019/20 £000s		2018/19 £000s
Teachers' Pension Scheme – contributions paid		2,293		1,452
Local Government Pension Scheme:				
Contributions paid	1,928		1,767	
FRS 102 (28) debit	1,607		660	
Charge to the Statement of Comprehensive Income and Expenditure		3,535		2,427
Total pension cost for the year (note 7)		**5,828**		**3,879**

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS scheme was at 31 March 2018. For the LGPS scheme the last full actuarial valuation was at 31 March 2019.

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

Teachers' Pension Scheme

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

Teachers' Pension Scheme budgeting and valuation account

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

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

Notes to the Financial Statements

23 Pensions and similar obligations *(continued)*

Valuation of the Teachers' Pension Scheme

The latest actuarial valuation of the TPS was carried out as at 31 March 2018 and in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education in April 2019. The key elements of the valuation and subsequent consultation are:

- employer contribution rates set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 18/19. DfE has agreed to pay teachers pension employer contribution grant to cover the additional costs during the 2019/20 academic year;
- total scheme liabilities for service to the effective date of £218 billion, and notional assets of £198 billion, giving a notional past service deficit of £20 billion; and
- an employee cost cap of 10.9% of pensionable pay.

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

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

FRS 102 (28)

Under the definitions set out in FRS 102 (28.11) the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme. 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 scheme. The College has set out above the information available on the scheme and the implications for the College in terms of the anticipated contribution rates.

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme with the assets held in separate funds administered by Hertfordshire County Council. The total contribution made for the year ended 31 July 2020 was £2,386k (2019: £2,197k) of which employer's contributions totalled £1,928k (2019: £1,767k) and employee's contributions totalled £458k (2019: £430k). The current employer contribution rate is 26.5%.

Principal actuarial assumptions

The following information is based on a full actuarial valuation of the fund at 31 March 2018 updated to 31 July 2020 by a qualified independent actuary.

	31 July 2020	31 July 2019
Rate of increase in salaries	2.6%	2.5%
Future pensions increase	2.2%	2.4%
Discount rate for scheme liabilities	1.4%	2.1%
Inflation assumption (CPI)	2.4%	2.4%
Commutation of pensions to lump sums – pre April 2008 service	50%	50%
Commutation of pensions to lump sums – post April 2008 service	75%	75%

Notes to the Financial Statements

23 Pensions and similar obligations *(continued)*

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

	At 31 July 2020	At 31 July 2019
Retiring Today :-		
Males	21.9	21.5
Females	24.1	23.7
Retiring in 20 Years :-		
Males	22.8	22.3
Females	25.5	25.0

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

	Fair value at 31 July 2020	Fair value at 31 July 2019
	£000s	£000s
Equity instruments	38,261	39,093
Debt instruments	27,758	28,361
Property	6,752	6,132
Cash	2,250	3,066
Total fair value of plan assets	**75,021**	**76,652**

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

	At 31 July 2020	At 31 July 2019
	£000s	£000s
Fair value of plan assets	75,021	76,652
Present value of funded liabilities	(114,152)	(99,732)
Deficit in the scheme	**(39,131)**	**(23,080)**

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

	2019/20 £000s	2018/19 £000s
Amounts included in staff costs		
Current service cost	3,535	2,427
Amounts included in interest and other finance costs	(502)	(403)
Amounts recognised in Other Comprehensive Income		
Actuarial loss	(13,942)	(1,596)

Notes to the Financial Statements

23 Pensions and similar obligations *(continued)*

Movement in net defined benefit (liability) during the year

	2019/20 £000s	2018/19 £000s
Deficit in the scheme at 1 August	**(23,080)**	**(10,057)**
Movement in the year:-		
Additions due to merger	-	(10,364)
Current service charge	(3,535)	(2,427)
Employer contributions	1,928	1,767
Net interest on liability	(502)	(403)
Actuarial (loss)	(13,942)	(1,596)
Deficit in the scheme at 31 July	**(39,131)**	**(23,080)**

Asset and liability reconciliation

	2019/20 £000s	2018/19 £000s
Changes in the present value of defined benefit obligations		
Opening defined benefit obligation	99,732	58,000
Current service cost	3,535	2,427
Interest cost	2,120	2,055
Contributions by members	458	430
Changes in financial assumptions	10,254	6,952
Losses on curtailments	3	64
Estimated benefits paid	(1,950)	(1,602)
Transferred in on merger	-	31,406
Closing defined benefit obligation	**114,152**	**99,732**

	2019/20 £000s	2018/19 £000s
Change in fair value of plan assets		
Opening fair value of employer assets	76,652	47,943
Interest on plan assets	1,618	1,652
Contributions by members	458	430
Contributions by the employer	1,928	1,767
Return on plan assets	(3,685)	5,420
Estimated benefits paid	(1,950)	(1,602)
Transferred in on merger	-	21,042
Closing fair value of employer assets	**75,021**	**76,652**

Notes to the Financial Statement

24 Net Assets of Barnfield College transferred to West Herts College

On 31st January 2019, the assets and liabilities of Barnfield College were transferred at nil cost to West Herts College giving rise to a credit to the Statement of Comprehensive Income and Expenditure in accordance with the Gift accounting principles of FRS102:

	£000s
Assets	
Fixed Assets	38,905
Current Assets	449
Cash at Bank and in hand	56
	39,410
Liabilities	
Creditors: amount falling due within one year	(7,605)
Provisions – including Pension liability	(11,149)
	(18,754)
Net Assets of Barnfield College as at date of merger	**20,656**

The land and buildings acquired through the merger with Barnfield College were valued by a firm of Chartered Surveyors, on a fair value basis, at the merger date

25 Capital commitments

Group and College	**2019/20 £000s**	**2018/19 £000s**
Commitments contracted for at 31 July	1,020	4,266
Authorised but not contracted for at 31 July	368	9,934

26 Financial commitments

At 31 July the College had minimum lease payments under non-cancellable operating leases for IT equipment as set out below:-

Future minimum lease payments due:

Group and College	**2019/20 £000s**	**2018/19 £000s**
Not later than one year	608	610
Later than one year and not later than five years	200	999
Total financial commitments	**808**	**1,609**

Notes to the Financial Statement

26 Contingent liabilities

In the year ended July 2016 the College received an exemption on VAT of £973k input VAT from HMRC in respect of the construction cost of Phase 1 building work at the Hemel Campus. The refund was based on building usage ratio, which may change in future years. Whilst no change is anticipated, should such a change occur within 10 years from the date of practical completion of the works, a portion of or the entire amount of £973k could become due and payable by the College to HMRC.

27 Amounts disbursed as agent

	2019/20 £000s	2018/19 £000s
Discretionary Support Fund:-		
Funding body grants – hardship support	756	643
Disbursed to students	485	486
Administration costs	40	42
Balance unspent as at 31 July included in creditors	**231**	**115**

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

28 Related party transactions

Due to the nature of the Group and the College's operations and the composition of the Corporation (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 Corporation may have an interest. All transactions involving organisations in which a member of the Corporation may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures. No transactions were identified which should be disclosed under Financial Reporting Standard 102.