WESTON COLLEGE GROUP

Annual Report and Financial Statements

For the year ended 31 July 2018

KEY MANAGEMENT PERSONNEL, BOARD OF GOVERNORS AND PROFESSIONAL ADVISORS

Key management personnel

Key management personnel are defined as members of the college leadership team and were represented by the following in 2017/18:-

Dr Paul Phillips CBE, Principal, Chief Executive and Accounting Officer

Linda Burlison, Group Director and Vice Principal - Infrastructure and Marketing (resigned 28th September 2018)

Jacqui Ford, Group Director and Vice Principal - Partnership and Community

Andrea Greer, Group Director and Vice Principal - Human Resources, Offender Learning and College Reputation

Paul Keegan, Group Director Apprenticeships, Business Development and Commercial Opportunities

Anthony Murray, Group Director and Vice Principal - Higher Education

Peter Sloman, Group Director Finance & Admin Systems

David Trounce, Group Director and Vice Principal - Curriculum, Quality and Student Experience

Jo Watson, Group Director, Business Intelligence and Product Growth

Board of Governors

A full list of governors is given on page 19 of these financial statements.

Mrs Linda Burlison acted as Clerk to the Corporation throughout the period and until 28th September 2018.

Professional Advisors

The Professional Advisors were as follows for the year 2017/18:-

Financial Statements Auditors and reporting accountants

PricewaterhouseCoopers LLP, 2 Glass Wharf, Bristol, BS2 0FR

Internal Auditors

KPMG, One Snow Hill, Snow Hill, Queensway, Birmingham B4 6GH

Bankers

Barclays Bank plc, Newbrick Road, Stoke Gifford, Bristol BS34 8YU

Lloyds TSB plc, Canons House, Canonsway, Bristol BS99 7LB

Legal

Foot Anstey LLP, Senate Court, Southernhay Gardens, Exeter, EX1 1NT

Mitchell Law, 5 Wicker Hill, Trowbridge, Wiltshire, BA14 8JS

Browne Jacobson LLP. Castle Meadow Road, Nottingham, NG2 1BJ

CONTENTS

MEMBERS REPORT FOR THE YEAR ENDED 31 JULY 2018

1.0 NATURE, OBJECTIVES AND STRATEGIES

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

1.1 Legal Status and Mission

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting education and training at Weston College. The College is an exempt charity for the purpose of Part 3 of the Charities Act 2011.

Weston College has served the education and training needs of the local community for over 100 years. Since 1 April 1993 the College has been an autonomous public body funded directly by central government and is now accountable to the Education & Skills Funding Agency (ESFA). Higher Education provision is delivered in conjunction with Bath Spa University and The University of the West of England. Since 2012 the College has received direct HE funding through the Higher Education Funding Council of England (HEFCE) until March 2018 when it was replaced by the Office for Students. From August 2012 the College has delivered offender learning training (OLASS4) for the South West. The Group has been notified of contractual extensions as far as March 2019 with Her Majesty's Prison and Probations Service (HMPPS).

In September 2013 Weston College became the sponsor for a Multi Academy Trust, Inspirational Futures Trust Limited (IFT), formerly Weston Enterprise and Entrepreneurial Learning Limited. During the year Weston College has provided a number of services to IFT at cost. These services related to the provision of staffing on an ad-hoc basis, including strategic management, project administration, financial management, accommodation, expertise and human resource management.

The Group is aware of the "control" measures laid out in the College's Accounts Direction 2017. Having reviewed the circumstances of the arrangements between the Group and IFT it has been instructed by it's external auditors to continue to consolidate the financial performance and year-end position of IFT into the 2017/18 financial statements. Following a challenging period, the Board of Trustees of Inspirational Futures Trust met on 30 November 2017 and unanimously endorsed the need to initiate an organisational restructure of the Trust. Following meetings with the Regional Schools Commissioner, it is anticipated that each of the schools will transfer to a new Trust in 2018/19. Given this position, the Governing Body of Weston College approved on 29th August 2018 that it would cease sponsorship of IFT with immediate effect. Therefore with the exception of the first month, this will be the last time that the accounts of IFT will be consolidated within the College Groups accounts, irrespective of the future of IFT.

The Group's mission, as approved by its members is: *"Creating Brighter Futures"*

1.2 Public benefit

Weston College is an exempt charity under part 3 of the Charities Act 2011 and is regulated by the Minister of State for the Department of Education as Principal Regulator for all Further Education (FE) Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on page 18 and 19.

In setting and reviewing the College's strategic objectives, the Governing body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit. Furthermore, the college Corporation has now adopted the *Code of Good Governance for English Colleges* dated March 2015. This has required a significant degree of self-assessment and deliberation with a resultant action plan which continues to be implemented. The concept of Public Benefit is a major component of the Code.

In delivering its mission, the College provides the following identifiable public benefits through advancement of education:

- High-quality teaching,
- Widening participation and tackling of social exclusion,
- Excellent employment record for students,
- Support to learners with learning difficulties and disabilities
- Strong student support systems; and
- Links with employers, industry and commerce.

1.3 Implementation of Strategic Plan

The College leadership and governors have developed a clear vision for the College that is underpinned by a strategic plan that is well considered and understood. Launched in 2017/18 the current three year strategic plan outlines a clear set of aims which are to:

1. Provide a safe, supportive and inclusive learning culture where learners can thrive
2. Meet the needs of employers, the local economy and regional skills shortages through a curriculum offer that puts employability at its centre
3. Develop partnerships, collaborations and models of learning that increase opportunity for different groups of learners within their immediate locality
4. Enable learners to succeed, progress and meet future challenges by providing high quality teaching, learning and assessment
5. Harness and use technology to support innovation in learning and smarter, more efficient working practices
6. Remain a financially robust, sustainable and resilient organisation that can continue to develop and invest in its facilities, infrastructure and workforce.

Each aim is underpinned by a number of objectives with measurable targets. A robust strategic and resource planning cycle ensures that the performance of the plan is regularly reviewed and curriculum planning is responsive to the changing economic and educational climate locally, regionally and nationally.

Progress against the new strategic plan is good. 2017/18 saw high achievement rates; the progress learners make in Maths and English is strong placing the College in the top quartile nationally; the progress students make on academic courses and most vocational level 3 programmes is good and improving; rates of student satisfaction are high.

1.4 Financial objectives

The College's financial objectives are:

- to achieve an annual operating surplus. This has again been achieved. This is despite the significant challenge placed on the College and the wider sector of the implications of accounting for Pensions in line with requirements of FRS102. The table below sets out the surplus prior to pension adjustments and the surplus thereafter.

	2018	**2017**
	£000	**£000**
Group Surplus	2,155	2,059
Pension Current Service Cost adjustment to actual employer contributions	(1,267)	(944)
Pension finance costs (note 26)	(412)	(342)
Surplus before tax, as per statutory accounts	**476**	**772**

It should be noted that there is a growing difference between the valuation methods used by the Actuary with regards to the current service cost valuation and actual employer contributions. It is likely that to remain in surplus in future years, the College Group will need to generate further efficiencies or grow parts of the business to cover this annual end of year non-cash adjustment.

The college is required to complete the annual Finance Record for the ESFA. The Agency assesses the College as having a "Good" financial health rating and this is expected to continue at this score in 2018/19 as well as next year. This calculation is based on the surplus prior to pension adjustments, and therefore a College could deliver a deficit after pension adjustments, yet still be categorised as Good or Outstanding by the ESFA.

- to maintain the financial viability of the College by maintaining cash days in hand of forty, a current ratio of 2:1, and accumulated reserves of five percent of income. Cash days in hand out-turned at 40 days (2017: 74 days) despite the work in progress for capital schemes for which the related funding had not yet been received; the adjusted current ratio was 2.1:1 (2017: 2.1:1) and accumulated reserves were 46% (2017: 41%) of income at the year-end.
- to generate sufficient levels of income to support the asset base of the College, which has been achieved or evidenced by further capital investment
- to ensure that the College's liquidity is sufficient to enable it to trade through any short –term turbulence caused by funding reforms, in particular through the extension of Advanced Learning Loans and the introduction of digital Apprenticeship funding from April 2017
- to fund continued capital investment to support the growth of the College Group, which has been significant again this year. Further details are given in item 2.1 below.

1.5 Performance Indicators

The ESFA measure FE performance in numerous ways in terms of contribution to national targets. Individual colleges are required to meet a number of quantitative and qualitative targets, most notably to meet learner numbers and related funding targets and improve learner Success Rates, with national benchmarking applied to ensure compliance.

In 2017/18 the College achieved funding targets for mainstream 16-18, Adult Education Budget and Prison Education of 98.0%, 100.8% and 102.0% respectively.

The College continues to deliver high quality degree level programs and is continually developing its provision in partnership with both local employers and universities. During 2016/17 the College was awarded the highest outcome from HEFCE's Teaching Excellence Framework (TEF) that of the Gold Award, matching its higher education provision with some of the best universities in the country. The College is confident that this exceptional standard continues to be met going forward with the learning being supported by the opening of the University Centre buildings in September 2017.

The College is committed to observing the importance of the measures and indicators within the Quality Assurance Framework and routinely monitors these.

2.0 FINANCIAL POSITION

2.1 Financial Results

The Group generated a surplus after tax of £825k (£694k 2016/17), which represents 1.25% (1.09% 2016/17) of income after adjustments for Pensions. Total Comprehensive Income is stated after accounting for capital grants relating to the new Capital facilities. The Group surplus prior to pensions adjustments was above £2m again in 2017/18.

The Group receives its public funding direct from the ESFA, and the HEFCE. This is supplemented by income from tuition fees, (notably via the Student Loans Company), grants and other trading activities. Some 61% of turnover was received from public sources using a funding methodology based upon volumes of activity (2016/17 83%). The payment of funds to the Corporation out of monies provided by the Secretaries of State for the Department for Business, Energy and Industrial Strategy (BEIS) and the Department for Education (DFE), is subject to terms and conditions detailed in the Financial Memorandum between the funding bodies and the College.

In 2017/18, the Group continued to place significant reliance on the education sector funding bodies for its principle funding sources, largely from recurrent grant. It received public funding of £40,220k for further education activities (£52,603k 2016/17), of which £38,792k related to Recurrent Grants (£48,975k 2016/17).

Income from Advanced Learner Loans totalled £817k (£1,656k in 2016/17), and are accounted for on receipt.

The inclusion of IFT contributed £9,504k (£7,788k 2016/17) to funding body grants, £1,254k (£1,842 2016/17) other grants, £446k (£454k 2016/17) other income and £859k deficit (£730k deficit 2016/17) which is deducted from retained reserves.

Recurrent payroll costs rose by £5,281k (14.9%) of which £734k (2.1%) relates to the inclusion of Somax and IEI, as well as Crockerne Academy being included for a full year for the first time within IFT.

The college has six subsidiary companies, Offender Learning Services Limited, Forward Futures Limited, Brighter Futures Recruitment Limited, Releasing New Potential C.I.C, Inspirational Events and Investments Ltd, and Somax Ltd.

The principle activity of Offender Learning Services Limited is the provision of education services to south-west prisons and this made a surplus of £975k in the year (2017: £1,138k). Forward Futures acts as a recruitment agency supplying the college with agency teaching and support staff and the company made a surplus of £531k in the year (2017:£ 388k). The principle activity of Brighter Futures Recruitment Limited was that of an Apprenticeship Training Agency and it undertook no activity in year (2017:£ 6k) due to a lack of activity, leading to a decision to make the company dormant. Releasing New Potential is a Community Interest Company aimed at providing offenders and learners with meaningful work experience, and it made a surplus of £2k in the year (2017:deficit £13k). Inspirational Events and Investments Ltd has been set up in the year to run commercial bookings of the Lauriston Hotel and the Winter Gardens. In the period to 31 July 2018 it made a deficit of £199k as business is sought following the redevelopment of both venues. Finally, Somax Ltd, the newest addition to the group and who provide logistics training, delivered a surplus of £143k.

The college is also instructed by it's external auditors to consolidate the results of IFT which is the umbrella organisation for a number of primary and secondary academy schools in North Somerset and this made a deficit of £859k in the year (2017: £730k deficit).

2.2 Treasury Policies and Objectives

Treasury management is the management of the Group'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. Borrowing requires the authorisation of the Corporation. All borrowing complies with the requirements of the Financial Memorandum.

2.3 Cash flows

Net cash outflow from operating activities totalled £1,406k (2016/17 outflow of £1,276k). Although there is a net outflow in the current year, this sum has been negatively impacted by an adjustment for the release of deferred capital grants of £1,428k, as well as initial investment in capital schemes for which funding is due in the next financial year. The key cash inflows continued to be strong and results mainly from trading surpluses and management of other resources.

Under covenant arrangements, this outflow presents a technical breach and discussions are ongoing with each of our lending banks to revise the covenants in light of this change. Excluding this change, there has been a comfortable cushion between the total cost of servicing debt and operating cash flow throughout the year.

2.4 Reserves Policy

The general reserve accumulated by the Group now stands at £28,965k (2016/17 £23,633k). The surplus and cash reserves will enable the College to continue its medium term accommodation strategy without recourse to further borrowing, should it determine that this represents the most appropriate course of action. These reserves will also help protect against future uncertainties within the Sector such as material changes to funding regimes. During the year the Group's deposit investments, bank and cash balances decreased by £5,037k to £7,915k. This represents a positive but unusual picture for a College in a sector dominated by financial and quality concerns.

3.0 CURRENT PERFORMANCE AND FUTURE DEVELOPMENT

3.1 Student Numbers

The final returns made to the funding agencies show the following:

	2017/18	2016/17
ESFA funded 16-18 learners	3,459	3,485
ESFA funded adult learners	3,904	3,598
Apprenticeships		
OLASS4 learners (prisons)	7,771	6,413
ESFA funded primary and secondary education (IFT)	1,850	1,980

3.2 Student Achievements

There have been a number of exceptional student achievements during the last year. Some of the highlights include:

- Julie Holt, a UCW art student's sculpture is part of this year's Royal Academy of Arts Summer Exhibition. The mixed-media sculpture was selected from more than 20,000 entries for the prestigious exhibition at the Academy's flagship gallery in London's Piccadilly.
- Lauren Sinclair, was among the College's top achieving students ever, picking up two A*s and two A's earning a place at Oxford University to study Law.
- Harry Munden from On Point won Hair and Beauty Apprentice of the Year and the Festival of Creativity Barbering competition where he was judged to be at World Skills standard.
- Paralegal apprentices Anna Kelly and Isabelle Bailes have made an excellent start to their Chartered Institute of Legal Executives training, achieving distinctions in their first exams.
- Ilja Voroncovs finished runner-up in a national Young Enterprise award. Having already won the Regional Journey Award, and being one of just 3 people selected to go forward nationally.
- Business student Bella Febry completed her internship with international oil and gas company 'OiLSERV' in Dubai.
- Chloe Carchrie was selected for netball super league franchise Severn Stars u19 squad.
- Quinten Querl was selected into Bristol Rugby's u18 squad
- Ethan Thomas has been selected in the rugby's Irish exiles u18 squad.
- University Centre Weston (UCW) graduate Marvin "The Jazzman" Muoneke made it through to the semi-finals of Britain's Got Talent after wowing the audience and judges with his swing duo 'The Ratpackers'.
- Ellie Rialas, a University Centre Weston (UCW) degree student has been endorsed by the world famous Tanglewood Guitars after one of her music videos went viral. Ellie who plays a Tanglewood Sundance Pro guitar, is being promoted on the company's website and social media channels as part of the endorsement.

3.3 Curriculum Review

Learner Outcomes

Achievements rates, whilst below those achieved in 2016/17, have remained strong against the national average for similar providers. Achievement and progress outcomes indicate that the College has managed key curriculum and qualification reforms well. The key reforms that were anticipated to have an impact in 2017/18 were as follows:

- First year of delivery and examinations in the revised linear GCSE's in maths and English.
- First full Sixth Form cohort to complete the new two year linear A Levels
- Greater number of new RQF technical specifications being delivered with enhanced emphasis on external assessment and examinations
- Revised apprenticeship funding methodology and introduction of new standards

Achievement rates can be summarised as follows:

Provision	15/16	16/17	17/18	NA
16-18	82.5	86.5	83.1	79.4
19+	88.9	91.9	88.1	85.9
Overall	85.7	89.2	87.1	82.6

The College has seen an improving trend over the last two academic years against the Department for Education published performance data. Recently released shadow analysis for 2017/18 suggests the following:

- A level Value Added should see a further improvement and be at a three year high.
- Maths and English progress outcomes are now positive suggesting that learners are making better progress in their College studies than they did at key stage 4 (see table below).
- Technical and Vocational attainment at level 2 is improving with no gap in performance for dis-advantaged learners.

Subject	15/16	16/17	17/18
English	-0.36	-0.09	0.04
Maths	-0.34	-0.07	0.07

Apprenticeship outcomes have declined when compared against those achieved in 2016/17. The performance of sub-contracted provision is the main underlining contributing factor. This has been, in part, anticipated by the College leadership who took the Strategic decision to not sub-contract apprenticeship provision from 2018/19. This coupled with the change in funding methodology has seen a number of sub-contractors cease trading in year and has meant the College has had to pick up apprenticeship completions. In contrast, an improvement focus on the direct delivery of apprenticeships is starting to see much improved outcomes for College led delivery. The outcomes can be seen below:

Area	Overall Ach	NA	RAG	Timely Ach	NA	RAG
College	72.4%	67.7%		61.0%	59.4%	
Direct delivery	78.1%	67.7%		67.8%	59.4%	
Subcontracted	66.0%	67.7%		53.5%	59.4%	

Curriculum Development

A number of changes in government policy have shaped the College curriculum strategy both in 2017/18 and in its planning for 2018/19. The key curriculum developments and associated changes are as follows:

Technical Reforms

The Government outlined significant changes to technical education to include the introduction of new technical pathways or 'T' levels at level 3. The expectation is that 16-18 year old learners will follow an academic, technical or apprenticeship pathway in the future.

One of the key areas for development in the new 'T' Level framework is an extended industry placement of up to 60 days per year. To support this the Government has made funding available to post 16 providers to build the necessary infrastructure and links with employers. The College made a successful application to the Capacity and Delivery Fund (CDF) in 2017/18 and has used the funding to mobilise a work placement team and the key protocols, processes and practice needed to deliver these placements in the future. Study programmes were re-shaped in 2017/18 to include mandatory placement hours. The College will pilot 110 industry placements in 2018/19. The College was also successful in its application to be a 'T' Level pilot centre from 2020. In addition study programmes have been revised to include a greater focus on PSD, digital skills and careers education.

Adult Education

Devolution will have an impact on adult education budgets from 2019/20. The West of England Combined Authority (WECA) will hold the budget for adult education in 3 of the four authorities in the West of England region. The College sits within North Somerset which is not part of WECA. The College will as a result receive adult funding from both the ESFA and WECA. Allocations from WECA will be driven by postcodes. The College developed an effective adult strategy in 2017/18 that aims to achieve the following:

- Reduce delivery by sub-contractors and bring increased direct delivery by the College team. Assure a clear purpose for all adult provision that is managed and delivered by College teams.
- Develop and expand community based learning to include free tasters to support community engagement
- Develop blended learning packages for bespoke niche markets e.g. Autism awareness
- Develop a 'study programme' model for adult learners to support them to maximise the fundable learning opportunities available to them.
- Differentiate quality approaches to ensure the learner progress in PT adult groups is effective.

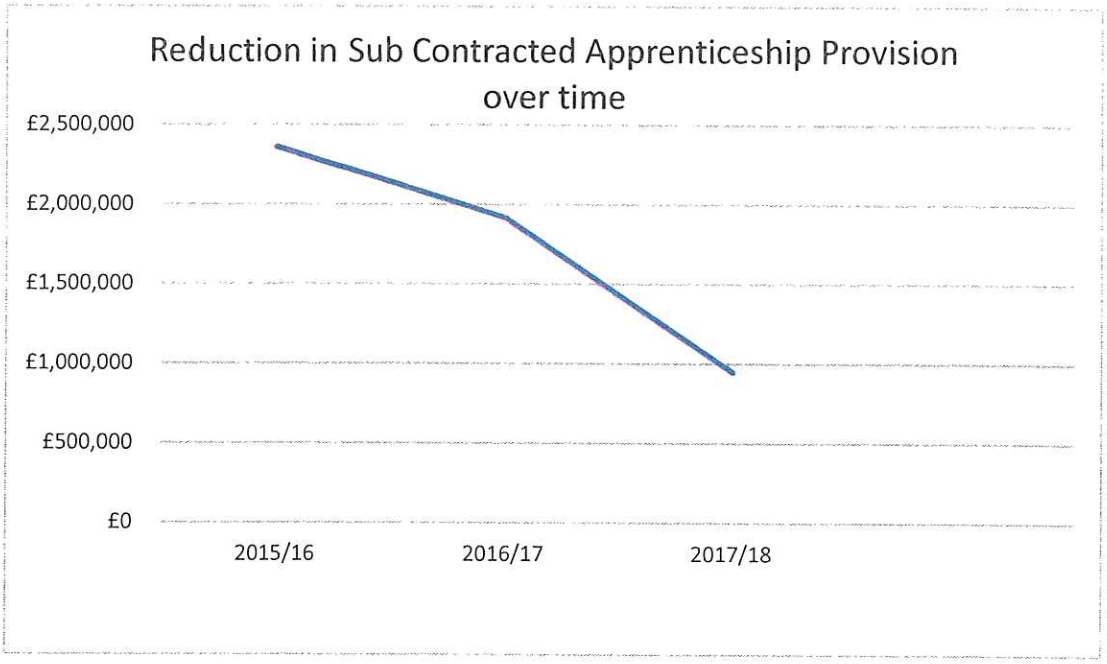
The College has delivered 101% of its adult budget in 2017/18. The proportion of delivery by sub-contractors has reduced by circa £1 million. Learner achievement rates have remained high and above National Averages for similar providers.

Apprenticeships

The College has successfully managed the apprenticeship funding and curriculum reforms. These reforms have led to the College reviewing all aspects of its apprenticeship provision. The Principal therefore instructed a full end to end review of work based learning IAG, recruitment, TLA and PDBW has resulted in the re-design of all key systems, processes and protocols, resulting in a restructure of this area of work. A Cross College quality improvement group has been in operation since 2016/17 and has resulted in improved apprentice outcomes, quality processes and practice within College directly delivered apprenticeship provision.

Levy work accounts for 50% of new apprenticeship delivery and has exceeded College targets that were forecast prior to the government reforms. An increasing number of apprentices are on 'new standards' rather than frameworks. How the College navigates the new gateway reviews and final end point assessments will be critical to securing strong outcomes in this provision for the future.

The College has chosen to 'teach out' any remaining apprenticeships delivered by sub-contractors. There will be no new apprenticeship sign ups with sub-contractors in 2018/19. The ratio of apprentices delivered by sub-contractors to direct delivery was 48.1% in 2017/18, this will reduce to 26.1% in 2018/19. The apprenticeship funding allocated to sub-contracted provision over time can be seen in the graph below. It is anticipated that this will drop below £500K for 2018/19. The rationale for this is that the College want to guarantee outcomes for all apprenticeships by dealing with apprentices of businesses directly.



Higher Education

Higher Education at the College (UCW) continues to grow and diversify. The number of HE students grew by 5% in 2017/18. The proportion of higher and degree apprenticeships is developing particularly in engineering and IT related disciplines. 2018 saw UCW hold its biggest ever graduation ceremony, with 32% of Honours students achieving First Class Degrees – this represents a three year performance high and places the provision well above the sector average. The government has introduced a new regulatory body for Higher Education in the form of the Office for Students. This coupled with a revised quality framework to be introduced in 2018/19 will, in part, drive the strategic direction of this provision in the future.

3.4 Accommodation and Capital Development

Through effective financial management, strong employer liaison and bids for LEP capital funding, the College has been able to broaden its offer and improve facilities for learning with the following being completed and used in 2017/18:

- Completion of the Winter Gardens refurbishment to provide bespoke facilities for higher level learning in key business sectors such as Law and Professional Services;
- Expansion of Library Plus facilities at the South West Skills Campus to meet the expanded curriculum offer and growing student numbers;
- Bespoke welfare and student service area for students at South West Skills Campus to ensure the support for students is comparable to that at other college campuses;
- Refurbishment of hair salons to ensure they are reflective of current industry standards.

The College has completed the following projects in readiness for the start of the 2018/19 academic year that will further support the experience for learners:

- Expansion of facilities at South West Skills Campus to ensure high quality provision exists for growing numbers of apprentices, notably in engineering;
- Refurbishment of the second floor of the Arosfa Hotel to create further modern student accommodation.

In addition, 2018/19 will see the completion of the two current LEP supported capital projects; Health and Active Living Centre, and the Construction Skills Centre, both of which recognise and will address skills shortages and training needs in two high priority areas.

3.5 Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the College for payment to suppliers is 95% which was achieved. The College incurred no interest charges in respect of late payments for the year ended 31 July 2018.

3.6 Events after the end of the reporting period

On 29th August 2018, the Governing Body of Weston College Group determined that it would cease its sponsorship of Inspirational Futures Trust with immediate effect. At this same date, the trustees, bar one, directly elected by Weston College also tendered their resignation.

There was a further members meeting on 10th September at which point the Articles of Association were changed to reflect the College's decision and the College appointed member resigned. From this point all members remained independent.

Communication of this decision has been made to the Trust, the diocese, the Regional Schools Commissioner and the Department for Education.

A meeting of the remaining Trustees of IFT was held on 13th September 2018 where given the imminent departure of schools to successor Trusts it was agreed that the Trustees would continue to manage the Trust affairs via the main Board will all sub-committee activity now transferring to the main Board. This meeting also approved the appointment of a new Chief Accounting Officer and Chief Financial officer following the resignation of the previous post holders.

3.7 Future Prospects

In July 2018 the Group submitted a medium term financial forecast, projected forward two years, that showed a continuance of annual surpluses averaging approx. £1,000k on a reducing annual turnover, recognising both the transfer of schools from IFT to other Trusts as well as adopting a prudent approach in relation to the Prison Education re-tender. This represents ESFA-graded "Good" financial health and provides a strong level of confidence in the colleges' medium term viability with the Grade score expecting to be on the border of 'Outstanding'.

The Group will continue to strive to ensure that the best possible learning environment is in place for learners, and will benefit from two further projects, The Construction Groundworks Centre and the Health and Active Living Centre have commenced construction in 2017/18 and will be completed in the early part of 2019. Subject to availability of resources, and confirmation of future volumes of students, further rationalisation of space is envisaged to continue to improve the learning infrastructure available to students. The Group continues to bid for capital grant from the LEP in furtherance with the objectives of the property strategy and also in terms of meeting the priorities of the LEP and North Somerset.

A strong corporate management team continues to ensure that standards are maintained and the corporation hold management to account. The Principal and Chief Executive, recognising the changing and dynamic environment in which we now operate implemented changes to the structure at the end of 2016/17 by introducing three revised divisions: Commercial, Curriculum and Operations. This new structure recognises the importance of our core business and the need to respond positively to the new apprenticeship agenda in particular, whilst ensuring we maintain our quality of provision in respect of core funding. The positive outcomes of this new structure are already evident.

As highlighted above in 3.5, Weston College was the sponsor for IFT until recent times. However, the College will continue to work with both primary and secondary partners to ensure there continues to be a strong learning pathway through to the College.

The complete provision of OLASS prison education is being re-tendered during 2018 and the new contract will take effect from August 2018. The College has reached stage 2 on each of the Lots it has bid for, and with a continued focus over the last year on delivery of a high quality service, the College has sought to ensure that the Company is in the best position possible to be successful in the re-tender process, recognising the new bidding process introduced by the Ministry of Justice.

The principal business activity of the wholly owned subsidiary, Forward Futures Ltd is the provision of staff recruitment and related services internally to the College and other College subsidiary companies. By making use of an internal company to place temporary staff the Group obtains the benefit of attracting a large pool of staff who have been vetted and have built up a track record with the College and this is easily identified when temporary vacancies are required.

Weston College is the only member of Releasing New Potential, a Community Interest Company. The principle activity of Releasing New Potential is to support the rehabilitation of prison offenders by providing meaningful work experience and the company continues to grow at a steady pace, utilising the skills of specialist partners where appropriate, in a support role to our delivery of prison education provision by Offender Learning Services Limited.

With regard to our two new subsidiary companies, Inspirational Events and Investments Ltd has seen good growth in relation to its operations at the Lauriston Hotel, and with further investment planned, we fully expect to see further growth in the next year.

The commercial element of the Winter Gardens is by the very nature of the activity involved, taking longer to establish but again advance booking are beginning to show consistent improvement.

Finally, this first year of activity has identified significant opportunities for Somax Ltd and the College to work together to grow commercially funded activity in both businesses. These opportunities will be in addition to the activity delivered in an impressive first year when the Company made a material contribution to the overall Group surplus.

4.0 RESOURCES

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

4.1 People

The Group has an outstanding and well-trained workforce, during the year employing an average of 1,074 full-time equivalents (2016/17 984) of whom 682 (2016/17 677) are teaching staff. IFT employs 198 of these (2016/17 191).

Facilities Time Calculations

Table 1 – Relevant trade union officials

Number of employees who were trade union officials during the relevant period	Full time equivalent employee number
2	1.8

Table 2 – Percentage of time spent on facility time

Percentage of time	Number of employees
0%	
1% - 50%	2
51% - 99%	
100%	

Table 3 – Percentage of pay bill spent on facility time

	Detail	Figures to publish
a	Calculate the hourly cost for each relevant union official employed during the period*	Total £65.84
b	Number of paid facility time hours per official over 12 months	Total 260
c	Calculate the total annual facility time cost per relevant employee	£5,406
d	Total cost of facility time	£9,731
e	Total pay bill	£40,950,000
f	Percentage of total pay bill spent on facility time $\frac{\text{Total cost of facility time}}{\text{Total pay bill}} \times 100$	0.02%

**The hourly cost in (a) is the cost of the official's wages, pension contributions and NI Contributions, divided by the employee's working hours during the relevant period. An individual employee's wages should not be indefinable. If this is the case, HR will provide further guidance for calculation purposes*

Table 4 – Paid trade union activities

	Detail	Figures to publish
g	Time spent on paid trade union activities as a percentage of total paid facility time hours $\frac{\text{Total hours spend on trade union activities}}{\text{Total paid facility time hours}} \times 100$	100%

4.2 Financial

The Group has £30,605k (2016/17 £26,372k) of net assets (after allowing for £14,782k (2016/17 £16,926k) pension liability) and long-term debt of £53,395k (2016/17 £55,825k) on a turnover of £65,836k (2016/17 £63,742k). The significant value of long term debt relates to deferred capital grants in support of capital projects. These grants will be amortised in line with the depreciation of the related fixed asset.

5.0 PRINCIPAL RISKS AND UNCERTAINTIES

The Group maintains a risk management approach to its activities with the Governing Body approving a schedule of risks and associated policy at least annually.

The Group has undertaken further work this year to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the Group's assets and reputation. Latterly this has entailed a formulation of Risk Appetite statement and improved standardisation of the various subsidiary company registers. IFT has been incorporated into the same risk management regime and work is ongoing to harmonise the constituent academies' risk registers.

Based on the Strategic Plan, the Risk Management Group has confirmed the risks to which the Group is exposed. They identify systems and procedures, including specific actions which should mitigate any potential impact on the Group. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the Risk Management Group also considers any risks which may arise as a result of a new area of work being undertaken by the Group.

The risk register is maintained at the Group level and is regularly reviewed by management and formally reviewed by the Audit Committee at least three times a year. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the Group and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system; applied across the Group.

Outlined below is a description of the principal risk factors that may affect the Group. Not all the factors are within the Group's control. Other factors besides those listed below may also adversely affect the Group.

5.1 Government funding

The Group places considerable reliance on continued government funding through the funding bodies and other agencies. In 2017/18 76%, albeit reducing (2016/17 82%) of the Group's revenue was ultimately public funded. There are some indications from the government that the policy of national Deficit Reduction will be slightly relaxed over the lifetime of the current parliament but this will most probably exploit historically low interest rates to stimulate capital investment and infrastructure. Thus, further downward pressure on publicly funded revenue budgets will probably continue.

The Group is aware of several issues which may impact on future income levels:-

- The range and value of education likely to be publicly funded (particularly at level three and four) will be reduced. The scope of Advanced Learner Loans has been extended from age 24 to age 19 with effect from 2016/17 and it remains to be seen how this impacts upon recruitment in persuading students to take on greater debt for activity that hitherto has been 100% publicly funded;
- There is noticeably increased competition for students studying Higher Education courses, which has its origins in the removal of the HE Student Number Control cap in 2015. Massive capital expenditure programmes at both partner universities and the consequent greater competition for a declining national cohort of 18 year old students may mean that less curriculum is available for delivery from Group partners;
- Changes to the funding and implementation of skills in literacy and numeracy with increased focus on GCSE;
- The already reduced funding for 18 year olds and further anticipated reductions in revenue per learner; and

The risk of lower public funding is mitigated in a number of ways:-

- Increased focus on cost control to balance any income reductions with appropriate cost savings. The college's intention is to ensure college payroll / income ratio falls to 65% (including external partner costs);
- Major strategies introduced on cost/benefit analysis directly from the Principal & Chief Executive and carried out by the Finance Director.
- Funding is derived through a number of direct and indirect contractual arrangements. The removal of the Student Number Control cap for HE, coupled with major investment at the Winter Gardens, allows unfettered growth potential with further protection from higher tuition fees following the college's submission of the 2017/18 Access Agreement. This agreement specifies the College's ability to increase fees above current levels with a commitment to spend a percentage of the additional fee to support dis-advantaged students. The Group intends to pursue a growth strategy for HE to counter the potential competition and provide the local community with a thriving post-18 offer;
- Robust modelling of the potential impacts of proposed funding changes and adapting the group's provision accordingly;
- By ensuring the Group is rigorous in delivering high quality education and training;
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies and partners;
- Ensuring the Group is focused on those priority sectors which will continue to benefit from public funding;
- Regular dialogue with the relevant funding bodies and political lobbying; and
- Continually developing new streams of activity through pilot initiatives and bidding.

5.2 Apprenticeship Income and Delivery

Following significant changes to the funding methodology for apprenticeships with the introduction of the Levy and the 10% contribution from non-levy employers of a certain size, the college has fully embraced the opportunity presented, and has had significant success in establishing and growing its apprenticeship provision in the last 12 months.

To this end, and with a degree for risk built into forecasts, total apprenticeship income is expected to increase from £4.080m to £5.200m in 2018/19. The College has invested in greater capacity to engage with employers and understanding their needs, win business and deliver apprenticeships directly. Each new contract is subject to its own individual business case taking into account expected capital and material requirements, and recognising where in fill of classes can be achieved.

Whilst this has led to growth in overall delivery, the College has had to decline the opportunity to bid on certain contracts where either the contribution didn't meet its internal criteria or the availability of high quality staff were not available. On this final point, the availability of the right staff at the right price to deliver a quality programme remains a material risk, with local factors adversely impacting upon the supply of potential teaching provision. To this end the College has had to change its traditional recruitment methods to access different pools of potential new staff.

5.3 Maintain adequate funding of pension liabilities

The financial statements report the share of the pension scheme deficit on the Group's balance sheet in line with the requirements of FRS102. The underlying increased employer contribution levels required to meet this deficit which took effect from April 2016 are expected to be containable within existing long term projected budgets. Significant increases in employer contributions for both pension schemes and national insurance are estimated to have added at least 5% to all Colleges' pay bills from the start of 2016/17 and consequently, with the exception of the 0.5% apprenticeship levy from April 2017, there is little concern for still further major uplift in payroll-related costs to be incurred in the short term. However given the differences in valuation methods explained earlier, the pressures placed on the presentation of statutory accounts is significant.

5.4 Maintaining strong partnership links following Devolution

During 2015/16 Weston College was included in the West of England Area Review, itself within Wave 2 of the national initiative to establish the sustainability of FE colleges. The College was able to demonstrate a very strong case to the FE Commissioner to remain independent and be willing to offer third party support for colleges in difficulty.

The opportunity to showcase Weston College achievements and future prospects, allied to strong qualitative and financial metrics was persuasive to the Commissioner and other stakeholders and again amplified the strong role the College plays in the region.

Weston College continues to work closely with a range of providers some of whom have significant partnership contracts with the Group and it is important to maintain their confidence and loyalty to deliver curriculum on the Group's behalf.

This risk is mitigated in a number of ways:-

- Continuing to be involved within the Devolution process (as it affects skills enhancement) independently from North Somerset Council, who refused to join a combined authority model, whilst retaining strong links with the local authority;
- Formal contracts are in place for elements of delivery;
- Regular reports to the Finance Committee on the progress of partners in achieving the targets set;
- Close quality assurance monitoring by Training Solutions;
- Ensuring a diversity of contracts through an enhanced business growth function;
- Regular internal audits of partnership activity to confirm funding allocations; and
- Significant joint work through the Association of Colleges via the Principal and Chief Executive.

5.5 Successfully retaining the OLASS prison education contract

The Company is well aware of the risks associated with the higher level of public scrutiny and the need to maintain a "business as usual" focus on existing activities despite the need to prepare for the forthcoming OLASS prison education re-tender. Weston College has ensured full delivery of the funded OLASS contract for 2017/18 negating in-year cancellation costs caused by adverse prison regime issues.

This robust and cost effective provision planning, monitoring and delivery has ensured value for money for taxpayers, efficient service for the prison establishments and quality outcomes for learners. Weston College has forged excellent honest and transparent relationships with the MoJ and HMPPS and this together with our consistently impressive performance has ensured we maintain an excellent reputation going forward.

The College Group has taken a prudent approach to its financial planning in respect of this contract to demonstrate how the Group would continue to deliver a Financial Health grade of Good even it was unsuccessful at the retender stage.

5.6 Maintaining strong quality assurance processes

It is important for the Group to recognise where poor teaching and learning takes place with the consequential loss of reputation.

This risk is mitigated in a number of ways:-

- Having a positive response to student feedback;
- Closely monitoring attendance, retention and achievement;
- Rigorous and inclusive self-assessment including periodic inspection;
- Contracting with external agencies to provide an independent assessment of provision;
- Robust adaptations to the new OFSTED framework for FE and similar approaches for HE; and
- Additional investment in resources to manage this key element in a proactive manner.

6.0 STAKEHOLDER RELATIONSHIPS

In line with other colleges and with universities, Weston College has many stakeholders. These include Students; Funding Bodies; Staff; Local employers (with specific links); Local Authorities; Government Offices / Local Enterprise Partnerships; the local community; other FE and HE institutions; Trade Unions; Professional bodies; the HMPPS and individual prisons.

The Group recognises the importance of these relationships and engages in regular communication with stakeholders through regular face to face meetings. The Group is represented regionally by the Principal and Chief Executive in the North Somerset Partnership (NSP); The Principal is a board member of the Principal's Professional Council (PPC) and leads the local Enterprise Partnership Skills Group as well as chairing the North Somerset Council Skills Strategy Group.

In addition, the Principal represents the South West on the AOC national board as well as sitting on the regional AOC panel. In 2017, he was also confirmed as both a National Leader of FE (NLFE) and advisor to the Fe Commissioner. His work also includes secretary to the group of Colleges based in the West of England.

In 2016/17, the Principal also took on the Chairmanship of the national policy group for Mathematics and English and is a member of the national apprenticeship policy group. At a more local level, he chairs the 'Western Principals' group, representing Principals in the locality, including Bristol, Bath and South Gloucester. This is complemented by his work with Ofsted as a member of their appeals panel. In 2017, the Principal was honoured by a CBE for his work in further and Higher Education.

The Principal is often called upon to speak at National Conferences which recently has included the AOC National Conference in Birmingham, the Finance Directors Association and the Female Police Officers development group for the UK. For IFT, regular meetings are conducted with the Department for Education, Head-teachers Board and Schools Commissioner. The IFT Board structure comprises membership from amongst constituent academies. Senior staff also act as governors of local schools who are not members of IFT.

7.0 STAFF AND STUDENT INVOLVEMENT

The Group considers good communication with its staff to be very important and to this end publishes regular newsletters for its entire staff and conducts regular staff briefings. The Group encourages staff and student involvement through membership of formal committees and a range of informal structures. The Group has effective Student Support and Counselling services and there is an active Student Union. There are two staff members and two student members on the Corporation Board.

8.0 EQUAL OPPORTUNITIES AND EMPLOYMENT OF DISABLED PERSONS

Weston College is committed to ensuring equality of opportunity for all who learn and work at the College. It respects and values differences in race, gender, sexual orientation, able-bodiedness, class and age and strives vigorously to remove conditions which place people at a disadvantage. The College's Equality & Diversity Policy, including its Race Relations Policy, is published on the College's Internet site. A Single Equality Scheme and Action Plan has been developed and is available on the College website. It is approved by the Governing Body and reviewed on an on-going basis.

The Group considers all applications from people with disabilities, bearing in mind the aptitudes of the individuals concerned. Where an existing employee experiences a disability, every effort is made to ensure that employment with the Group continues. The Group's policy is to provide training, career development and opportunities for promotion which are, as far as possible, identical to those for other employees.

Weston College group is committed to safeguarding our students (children, young people and adults at risk), staff and visitors. Strong protection and preventative approaches are in place which encompass students' health, safety, welfare and well-being. College staff are trained on the range of vulnerabilities that would indicate that an individual may need support and are guided by "Keeping Children Safe in education: for schools and colleges", "Working together to safeguard children" and "Prevent Duty Guidance: for England and Wales". The College's Safeguarding (including Prevent) Policy, reviewed annually by the corporation, is published on the College's internet site and the Prevent Action Plan is reviewed termly by the Safeguarding Committee.

9.0 DISABILITY STATEMENT

The Group seeks to achieve the objectives set down in the Disability Discrimination Act 1995 as amended by the Special Education Needs and Disability Act 2001 and the Disability Discrimination Act 2005. The Group holds a wide range of specialist equipment for use by students; offers curriculum and support staff for its extensive Special Learning Difficulties and Disabilities (SLDD) programme and offers counselling and welfare services.

10.0 ENVIRONMENTAL STATEMENT

The Group seeks to continuously improve its environmental performance in the areas of infrastructure and operations, academic courses and communication. This is evident from the appearance of the College's campuses, where new build aspires and often meets the "BREAMM Outstanding" standard. Such Buildings include, the Winter Gardens, South West Skills Campus and NSETC.

11.0 HEALTH & SAFETY

The Group fulfilled its obligations under the Health & Safety at Work Act and associated legislation throughout the year. The Corporation received and approved the Health & Safety Annual Report within the year. Audit Committee scrutinised Health & Safety data at each meeting including accident statistics. Weston College has been awarded the British Safety Council 5* grading and is one of very few organisations to have received the "Sword of Honour" for the management of Health and Safety.

12.0 DISCLOSURE OF INFORMATION TO AUDITORS

The members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditors are unaware; and each member has taken all the steps they ought to have taken to be aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Approved by order of the members of the Corporation on 13 December 2018 and signed on its behalf by:

Signed ______________________

Judith Louise Ferguson, Chair

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The following statement is provided to enable readers of the financial statements of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1st August 2017 to 31st July 2018 and up to the date of approval of the Annual Report and Financial Statements.

The College endeavours to conduct its business:

i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
ii. in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the Code"); and
iii. having due regard to the UK Corporate Governance Code 2014 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 complied with the Code. 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.

In the opinion of the Governors, the College complies with the provisions of the Code, and it has complied throughout the year ended 31 July 2018. The Corporation recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of the Code issued by the Association of Colleges in March 2015, which it formally adopted on 28 September 2015. Compliance against the requirements of the Code are scrutinised by Corporation on an annual basis.

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

The Corporation
The members who served on the Corporation during the year and up to the date of signature of this report were as listed in the table below. The Corporation can have up to 20 members:-

	Date of Original Appointment	Date of Reappointment	Termination/ Next Re-appointment Date
Stephen Bashford	12/2017		06/2019
Mark Canniford	06/2007	07/2012, 06/2016, 06/2017, 06/2018	06/2019
Chris Carter	08/2006	07/2010, 07/2014. 07/2015, 06/2016, 06/2017, 06/2018	06/2019
Tim Cowley	12/2014	06/2016, 06/2017, 06/2018	06/2019
Gemma Day	02/2014	06/2018	06/2019
Jude Ferguson	06/2007	07/2012, 06/2016, 06/2017, 06/2018	06/2019
Andrew Leighton Price	12/2014	06/2016, 06/2017, 06/2018	06/2019
Mark Lewis	05/2017		05/2018
Jo Midgley	05/2015	06/2016, 06/2017, 06/2018	06/2019
Ian Porter	02/2009	08/2013, 06/2017, 06/2018	06/2019
Sheila Smith	09/2010	09/2011, 07/2014, 07/2015, 06/2016, 06/2017, 06/2018	06/2019
Donna Turner – Kot	02/2014	06/2018	09/2018
Chris Ware	05/2017		05/2018
Staff Members			
Fiona Waters – Business Support Staff	04/1999	03/2003, 03/2007, 05/2011, 07/2012, 07/2013, 07/2014, 07/2015, 06/2016, 06/2017, 06/2018	06/2019
Maxine Park- Academic Staff	07/2009	07/2013, 06/2017, 06/2018	06/2019

Student Members			
Miguel Da Fonseca	02/2018		06/2019
Nathanial Tucker	05/2018		06/2019
Dr Paul Phillips - Principal	01/2001		Indefinite
Linda Burlison – Clerk to the Corporation	01/2011		09/2018
Corporation Associate			
John Penrose	05/2012		
Jane Hadfield	02/2015		
David Jacobs	06/2016	External member, Audit Committee	

It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct. The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Corporation meets five times per year plus has two Away Days where the strategy for the College is explored and agreed.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. The committees are: Finance, Remuneration, FE Curriculum and Quality, HE Curriculum and Quality, Work Based Learning, Search and Audit.

Full minutes of all meetings are available on request from the Clerk to the Corporation at:

Weston College
Knightstone Road
Weston – super – Mare
BS23 2AL

The Clerk to the Corporation maintains a register of financial and personal interests of the governors. The register is available for inspection at the above address. All governors are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Clerk to the Corporation, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Corporation as a whole. Formal agendas, papers and reports are supplied to governors in a timely manner, prior to Board meetings. Briefings are provided on an ad hoc basis. This is in line with Standing Orders.

The Corporation has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Corporation considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. There is a clear division of responsibility in that the roles of the Chair and Accounting Officer are separate.

Appointments to the Corporation

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

Members of the Corporation are appointed for a term of office for an initial four year term and subsequently this is renewed on an annual basis.

Remuneration Committee

Throughout the year ending 31 July 2018 the College's Remuneration Committee comprised three members of the Corporation, excluding the Principal and Chief Executive, staff and student governors.. The Committee's responsibilities are to agree the remuneration and benefits of the Accounting Officer and other key management personnel.

Details of remuneration for the year ended 31 July 2018 are set out in note 8 to the financial statements.

Audit Committee

The Audit Committee comprises three members of the Corporation (excluding the Accounting Officer and Chair) plus an external member. The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee meets four times per year and provides a forum for reporting by the College's internal, reporting accountants and financial statements auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the main FE funding bodies as they affect the College's business.

The College's internal auditors review the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit Committee. Management is responsible for the implementation of agreed audit recommendations and internal audit undertakes periodic follow-up reviews to ensure such recommendations have been implemented. The Audit Committee also advises the Corporation on the appointment of internal, reporting accountants and financial statements auditors and their remuneration for audit and non-audit work as well as reporting annually to the Corporation.

Internal control

Scope of responsibility

The Corporation is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum between Weston College and the funding bodies. He is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Weston College for the year ended 31 July 2018 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2018 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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

- comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the governing body
- regular reviews by the governing body of periodic and annual financial reports which indicate financial performance against forecasts
- setting targets to measure financial and other performance
- clearly defined capital investment control guidelines
- the adoption of formal project management disciplines, where appropriate.

Weston College has an internal audit service, which operates in accordance with the requirements of the ESFA's *Post 16 Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. At minimum, annually, the Head of Internal Audit (HIA) provides the governing body with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

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

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

The Accounting Officer has been advised on the implications of the result of his review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditor and other sources of assurance, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its November 2018 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2018 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2018.

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

Going concern

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 13 December 2018 and signed on its behalf by:

JLFerguson

Judith Louise Ferguson
Chair

GOVERNING BODY'S STATEMENT ON THE COLLEGE'S REGULARITY, PROPRIETY AND COMPLIANCE WITH FUNDING BODY TERMS AND CONDITIONS OF FUNDING

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

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

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

Approved by order of the members of the Corporation on 13 December 2018 and signed on its behalf by:

Signed ______________________
Judith Louise Ferguson
Chair

Signed ______________________
Dr Paul Phillips C.B.E.
Principal & Chief Executive
(Accounting Officer)

STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

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

Within the terms and conditions of the Financial Memorandum between the Education and Skills Funding Agency and the Corporation of the College, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the *2015 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *College Accounts Direction 2017 to 2018* issued jointly by the ESFA, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

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

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

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

Approved by order of the members of the Corporation on 13 December 2018 and signed on its behalf by:

Signed JLFerguson

Judith Louise Ferguson,
Chair

Independent auditors' report to the Corporation of Weston College Group (the "institution")

Report on the audit of the financial statements

Opinion

In our opinion, Weston College's group financial statements and parent institution financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent institution's affairs as at 31 July 2018 and of the group's income and expenditure and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise the Consolidated and College Statement of Financial Position as at 31 July 2018; the Consolidated and College Statement of Comprehensive Income; the Consolidated and College Statement of Changes in Reserves; the Consolidated Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

- 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 parent institution'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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and parent institution's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Corporation is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the Corporation for the financial statements

As explained more fully in the Statement of responsibilities of the members of the Corporation set out on page 23, the Corporation is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Corporation is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporation is responsible for assessing the group's and parent institution'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 and parent institution or to cease operations, or has no realistic alternative but to do so.

Auditors' 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 auditors' 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 auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Corporation as a body in accordance with Article 22 of the institution's Articles of Government and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other Required Reporting

Opinions on other matters prescribed in the Audit Code of Practice issued by the Education and Skills Funding Agency

In our opinion, in all material respects:

- proper accounting records have been kept, and
- the financial statements are in agreement with the accounting records and returns.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
20 December 2018

CONSOLIDATED AND COLLEGE STATEMENT of COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 JULY 2018

	Notes	Year ended 31 July 2018		Year ended 31 July 2017	
		Group	College	Group	College
		£000	£000	£000	£000
INCOME					
Funding body grants	2	40,220	30,637	52,603	34,361
Tuition fees and education contracts	3	7,389	7,321	7,490	7,490
Other grants and contracts	4	4,851	3,272	2,076	192
Other income	5	13,320	2,442	1,515	2,647
Investment income	6	56	55	58	56
Donations and Endowments	7	-	3,205	-	1,423
Total income		**65,836**	**46,932**	**63,742**	**46,169**
EXPENDITURE					
Staff costs	8	40,811	25,147	35,530	22,664
Restructuring costs	8	490	334	419	436
Other operating expenses	9	20,485	16,025	24,119	19,785
Depreciation	12	2,780	1,653	2,049	1,200
Interest and other finance costs	10	801	658	853	746
Total expenditure		**65,367**	**43,817**	**62,970**	**44,831**
Surplus before other gains and losses		**469**	**3,115**	**772**	**1,338**
Surplus on disposal of fixed assets		7	-	-	-
Surplus before tax		**476**	**3,115**	**772**	**1,338**
Taxation	11	348	-	(78)	-
Surplus for the year		**825**	**3,115**	**694**	**1,338**
Transfer of Assets on Acquisition	14	-	-	1,063	-
Actuarial gain/(loss) in respect of pensions schemes	26	4,408	3,343	(1,082)	(826)
Partial write off of loan to subsidiary undertaking		-	-	-	(53)
Total comprehensive (expense)/income for the year		**5,233**	**6,458**	**675**	**459**
Represented by:					
Unrestricted comprehensive (expense)/income		5,233	6,458	675	459
		5,233	**6,458**	**675**	**459**

CONSOLIDATED AND COLLEGE STATEMENT
OF FINANCIAL POSITION
AS AT 31 JULY 2018

	Notes	Group 2018 £000	College 2018 £000	Group 2017 £000	College 2017 £000
Non current assets					
Tangible Fixed assets	12	92,281	58,957	90,246	55,970
Intangible Fixed assets	12	27	-	-	-
Investments	13	-	1,901	-	-
		92,308	**60,858**	**90,246**	**55,970**
Current assets					
Stocks		310	304	1	-
Trade and other receivables	15	2,889	3,080	1,029	1,874
Investments	16	3,000	3,000	5,525	5,525
Cash and cash equivalents	22	7,915	4,852	12,952	10,135
		14,114	**11,236**	**19,507**	**17,534**
Less: Creditors - amounts falling due within one year	17	(6,443)	(5,659)	(9,221)	(9,192)
Net current assets		**7,671**	**5,577**	**10,286**	**8,342**
Total assets less current liabilities		**99,979**	**66,435**	**100,531**	**64,312**
Creditors - amounts falling due after more than one year	18	(53,395)	(39,093)	(55,825)	(40,619)
Provisions					
Defined benefit obligations	26	(14,176)	(8,982)	(16,926)	(11,185)
Other provisions	20	(803)	(803)	(1,409)	(1,409)
Total net assets		**31,605**	**17,557**	**26,372**	**11,099**
Unrestricted Reserves					
Income and expenditure account		28,965	14,917	23,633	8,360
Revaluation reserve		2,640	2,640	2,739	2,739
Total unrestricted reserves		**31,605**	**17,557**	**26,372**	**11,099**
Total Reserves		**31,605**	**17,557**	**26,372**	**11,099**

The Financial Statements on Pages 26 - 52 were approved by the Corporation on 13 December 2018 and were signed on its behalf by:

Signed

Judith Louise Ferguson
Chair

Signed

Dr P L Phillips CBE
Principal and Chief Executive
(Accounting Officer)

Consolidated and College Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Total
	£000	£000	£000
Group			
Balance at 1 August 2016	**22,861**	**2,836**	**25,697**
Surplus from the income and expenditure account	694	-	694
Other comprehensive expense	(19)	-	(19)
Transfers between revaluation and income and expenditure reserves	97	(97)	-
Total comprehensive income for the year	**772**	**(97)**	**675**
Balance at 31 July 2017	**23,633**	**2,739**	**26,372**
Surplus from the income and expenditure account	825	-	825
Other comprehensive income	4,408	-	4,408
Transfers between revaluation and income and expenditure reserves	99	(99)	-
Total comprehensive income for the year	**5,332**	**(99)**	**5,233**
Balance at 31 July 2018	**28,965**	**2,640**	**31,605**
College			
Balance at 1 August 2016	**7,804**	**2,836**	**10,640**
Surplus from the income and expenditure account	1,338	-	1,338
Other comprehensive expense	(879)	-	(879)
Transfers between revaluation and income and expenditure reserves	97	(97)	-
Total comprehensive income for the year	**556**	**(97)**	**459**
Balance at 31 July 2017	**8,360**	**2,739**	**11,099**
Surplus from the income and expenditure account	3,115	-	3,115
Other comprehensive income	3,343	-	3,343
Transfers between revaluation and income and expenditure reserves	99	(99)	-
Total comprehensive income for the year	**6,557**	**(99)**	**6,458**
Balance at 31 July 2018	**14,917**	**2,640**	**17,557**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 JULY 2018

	Notes	2018 £000	2017 £000
Cash flow from operating activities			
Surplus for the year		825	694
Adjustment for non-cash items			
Depreciation		2,780	2,049
Surplus on disposal of fixed assets		(7)	-
DCG Released		(1,428)	(3,628)
(Increase) in stocks		(309)	-
(Increase)/decrease in debtors		(1,747)	1,542
(Decrease) in creditors due within one year		(2,905)	(3,837)
(Decrease)/increase in provisions		(625)	122
Pensions costs less contributions payable		1,265	986
Adjustment for investing or financing activities:			
Investment income		(56)	(58)
Interest payable		801	854
Net cash flow from operating activities		(1,406)	(1,276)
Cash flows from investing activities			
Proceeds from sale of fixed assets		12	-
Investment income		56	58
Withdrawal of deposits		2,525	1,975
DCG Received		133	19,142
Cash (outflow)/inflow from Acquisition		(95)	44
Payments made to acquire fixed assets		(4,730)	(17,896)
		(2,099)	3,323
Cash flows from financing activities			
Interest paid		(389)	(512)
Repayments of amounts borrowed		(1,143)	(543)
		(1,532)	(1,055)
(Decrease)/increase in cash and cash equivalents in the year		**(5,037)**	**992**
Cash and cash equivalents at beginning of the year	22	12,952	11,960
Cash and cash equivalents at end of the year	22	7,915	12,952

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 JULY 2018

1. Accounting policies

Basis of Preparation

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

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

Basis of Accounting

The Financial Statements have been prepared in accordance with the historical cost convention and in accordance with applicable United Kingdom Accounting Standards.

Going Concern

The activities of the Group, together with the factors likely to affect its future development and performance, are set out in the Strategic Report. The financial position of the Group, its cash flow, liquidity and borrowings are described in the Financial Statements and accompanying Notes. The Group has £11,804k (2017: £12,648k) of loans outstanding with bankers on terms negotiated in 2009, 2010, 2014 and 2017, with three of the four loans being secured by a charge on Group assets. The Group's forecasts and financial projections indicate that it will be able to operate within this existing facility and associated covenants for the foreseeable future. A covenant on the existing loan agreements was technically breached during 2017/18 due to forward funding of capital works and a change requiring an adjustment for the release of deferred capital grants on transition to FRS102. Excluding this change, there has been a comfortable cushion between the total cost of servicing debt and operating cash flow throughout the year.

Accordingly the Group 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 its preparation of its Financial Statements.

Basis of Consolidation

The consolidated financial statements include the College and its subsidiaries, Forward Futures Limited, Offender Learning Services Limited, Brighter Futures Recruitment Limited, Inspirational Events and Investments Ltd (from 1 March 2017), Somax Ltd (from 1 September 2017) and Releasing New Potential Limited. Intra group sales and profits are eliminated fully on consolidation.

In December 2012 Inspirational Futures Trust (formerly Weston Enterprise and Entrepreneurial Learning Limited), a company limited by guarantee, was formed. Its founding members include the Principal and two other senior employees of Weston College. An Academy, North Somerset Enterprise and Technology College, was set-up under the Trust and is sponsored by Weston College. The Trust now contains five schools; Herons Moor academy, Bristol Futures Academy, St Katherines School, NSETC, and from 1 November 2016, Crockerne CofE Primary School. The Trust entered into a funding agreement with the Education and Skills Funding Agency which contains a number of restrictions on the use of funds and the financial management of the Academy.

Examination of the members, directors, and senior staff of Inspirational Futures Trust (IFT) leads to the conclusion that Weston College has the power to exert significant control over the operations of the Trust and thus its results have been included within these financial statement in 2017/18. Following the decision of Weston College to cease sponsorship of IFT with immediate effect on 29th August 2018 and the subsequent changes to the Articles of IFT, this consolidation will no longer occur from the date outlined above.

1. Accounting policies continued

All financial statements are made up to 31 July 2018 with the exception of IFT whose year end is 31 August and thus adjustments have been made to arrive at the income and expenditure to be included in the Group financial statements to 31 July.

Recognition of Income

Income from research grants, contracts and other services is included to the extent of the completion of the contract or service concerned. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

The recurrent grants from the Funding Bodies represent the funding allocations attributable to the current financial year and are credited direct to the income and expenditure account. Recurrent grants are recognised in line with planned activity. Any under-achievement against this planned activity is adjusted in-year and reflected in the level of recurrent grant recognised in the income and expenditure account.

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual method 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 from tuition fees is recognised in the period for which it is receivable and includes all fees chargeable to students or their sponsors. Income from Advanced Learner Loans is recognised in the period for which it is received from the Student Loan Company.

Pension Schemes

Retirement benefits to employees of the Group are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes which are externally funded and contracted out of the State Second Pension.

The TPS is an unfunded scheme. Contributions to the TPS are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives with the Group in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of triennial valuations using a prospective benefit method. The TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

The LGPS is a funded scheme. The assets of the LGPS are measured using closing bid price values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations.

The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

Actuarial gains and losses are recognised immediately in other recognised 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.

1. Accounting policies continued

Enhanced pensions

The actual cost of any enhanced on-going pension to a former member of staff is paid by the Group quarterly. 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 Group's income and expenditure account 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.

Non-current Assets - Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Land and Buildings
Land and buildings inherited from the Local Education Authority are stated at a valuation existing at 31 July 1999 when the Group implemented FRS 15 for the first time. This valuation is based on depreciated replacement cost as the open market value for existing use is not readily available. Land and buildings acquired since Incorporation are included in the balance sheet at cost. The cost includes the original purchase price of the asset and the costs incurred in bringing the asset into use.

Freehold land is not depreciated

Freehold buildings are depreciated over their expected economic life to the Group of 50 years. Major building improvements, such as window replacement and concrete treatment have been depreciated over their economic life of 25 years.

Leasehold land is depreciated over the life of the lease and leasehold buildings over their expected economic life to the Group of 50 years.

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

Assets in the course of construction
These are included at cost. Depreciation on these assets is not charged until they are brought into use.

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.

Equipment
Equipment costing less than £5,000 per individual item is written off to the Income and Expenditure Account in the period of acquisition. All other equipment is capitalised at cost and depreciated over its expected economic life on a straight line basis as follows:

Computer Equipment	3 years
Software	5 years
Other Facilities, fittings and equipment	10 years

Where equipment is acquired with the aid of specific grants they are capitalised and depreciated in accordance with the above policy, with the related grants being credited to a deferred capital grant account and are released to the Income and Expenditure Account over the expected useful economic life of the related asset.

Subsequent Expenditure
Expenditure incurred after tangible fixed assets have been brought into operation, such as repairs and maintenance, is normally charged to the Income and Expenditure account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of an item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

1. Accounting policies continued

Leased Assets

Costs in respect of operating leases are charged to the Income and Expenditure Account on a straight line basis over the lease term.

Inventories

Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks. Stocks are valued at the first in first out (FIFO) method.

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 Taxes Act 2010 or Section 256 of the taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax, so 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.

IFT is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the trust is potentially exempt from taxation in respect of income or capital gains received within categories covered by part 11, chapter 3 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

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

Investment policy

The Corporation is committed to ensuring that all funds under its control are managed in such a way as to maximise return whilst minimising risk. Day to day management of surplus funds is delegated to the executive team within strict guidelines approved by the Corporation.

Cash and cash equivalents

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

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

Learner Support Funds

The College acts as an agent in the collection and disbursement of Discretionary Learner Support Funds. Discretionary Learner Support Funds received by the College for subsequent payment to students are excluded from the Income and Expenditure Account and are shown separately in Note 28, except for the 5% of grant received which is available to the College to offset administration costs relating to the grant. The College employs one member of staff dedicated to the administration of Learner Support Fund applications and payments.

Educational Maintenance Allowance is treated separately with related payments passing directly between the government's sub-contractor and individual beneficiaries.

1. Accounting policies continued

Provisions

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

Judgements and key sources of estimation and uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements;

Tangible fixed assets
Tangible fixed assets, other than investment properties, 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.

Any valuation of Land & Buildings was performed by an appropriately qualified and experienced valuer and reliance has been placed on their professional judgement to establish fair value.

Pension and other post-employment benefits
The cost of defined benefit pension plans are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management is guided by its actuaries. The mortality rate is based on publicly available mortality tables. Future salary increases and pension increases are based on expected future inflation rates.

Financial instruments

All loans, investments and short term deposits held by the Group 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 Group 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.

2. Funding body grants

	Year ended 31 July		Year ended 31 July	
	2018 Group	2018 College	2017 Group	2017 College
	£'000	£'000	£'000	£'000
Recurrent grants				
Skills Funding Agency	8,303	8,242	21,277	10,823
Education Funding Agency	27,392	18,604	24,782	16,994
Higher Education Funding Council	3,096	3,096	2,916	2,916
Specific Grants				
Releases of government capital grants	1,429	695	3,628	3,628
Total	40,220	30,637	52,603	34,361

3. Tuition fees and educational contracts

	Year ended 31 July 2018 Group £'000	Year ended 31 July 2018 College £'000	Year ended 31 July 2017 Group £'000	Year ended 31 July 2017 College £'000
Adult education fees	662	662	708	708
Fees for FE loan supported courses	890	822	1,656	1,656
Fees for HE loan supported courses	2,384	2,384	1,772	1,772
Total tuition fees	**3,936**	**3,868**	**4,136**	**4,136**
Education contracts	3,453	3,453	3,354	3,354
Total	**7,389**	**7,321**	**7,490**	**7,490**

4. Other grants and contracts

	Year ended 31 July 2018 Group £'000	Year ended 31 July 2018 College £'000	Year ended 31 July 2017 Group £'000	Year ended 31 July 2017 College £'000
Other grants and contracts	4,851	3,272	2,076	192
Total	**4,851**	**3,272**	**2,076**	**192**

5. Other income

	Year ended 31 July 2018 Group £'000	Year ended 31 July 2018 College £'000	Year ended 31 July 2017 Group £'000	Year ended 31 July 2017 College £'000
Catering and residences	725	51	271	66
Other income generating activities	10,522	134	263	18
Exam fee Income	32	27	39	39
Miscellaneous income	2,041	2,230	942	2,524
Total	**13,320**	**2,442**	**1,515**	**2,647**

6. Investment income

	Year ended 31 July 2018 Group £'000	Year ended 31 July 2018 College £'000	Year ended 31 July 2017 Group £'000	Year ended 31 July 2017 College £'000
Other interest receivable	56	55	58	56
	56	**55**	**58**	**56**

7. Donations and endowments

	Year ended 31 July 2018 College £'000	2017 College £'000
Gift Aid from subsidiary companies		
Forward Futures Limited	678	272
Offender Learning Services Limited	2,482	1,151
Somax	45	-
Total	**3,205**	**1,423**

8. Staff costs

	Year ended 31 July 2018 Group No.	2018 College No.	Year ended 31 July 2017 Group No.	2017 College No.
Teaching staff	682	340	677	352
Non-teaching staff	392	259	307	188
	1,074	**599**	**984**	**540**

Staff costs for the above persons

	2018 Group £'000	2018 College £'000	2017 Group £'000	2017 College £'000
Wages and salaries	30,838	16,729	27,950	15,560
Social security costs	3,092	1,793	2,809	1,571
Other pension costs	5,510	3,360	4,559	2,577
Payroll sub total	**39,440**	**21,882**	**35,318**	**19,708**
Contracted out staffing services	1,371	3,265	212	2,956
	40,811	**25,147**	**35,530**	**22,664**
Restructuring costs – contractual	490	334	419	436
	41,301	**25,481**	**35,949**	**23,100**

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Management Team. The members of this team are shown on page 1. Staff costs include compensation paid to key management personnel for loss of office.

	2018 No.	2017 No.
The number of key management personnel including the Accounting Officer was:	17	13

8. Staff costs continued

The number of senior post-holders and other staff who received emoluments, excluding pension contributions but including benefits in kind, in the following ranges was:

	Senior post-holders Year ended 31 July		Other staff Year ended 31 July	
	2018 No.	2017 No.	2018 No.	2017 No.
£60,001 to £70,000	-	-	5	5
£70,001 to £80,000	-	-	2	-
£90,001 to £100,000	-	-	2	2
£100,001 to £110,000	-	-	2	3
£110,001 to £120,000	-	-	3	2
£120,001 to £130,000	-	-	2	-
£210,001 to £220,000	1	1	-	-
	1	1	16	12

Key management personnel emoluments are made up as follows:

	2018 £000	2017 £000
Salaries	1,401	1,008
Benefits in kind	59	54
	1,460	1,062
Pension contributions	201	184
Total emoluments	**1,661**	**1,246**

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

The members of the Corporation other than staff members did not receive payment from the College other than reimbursement of travel and subsistence expenses, childcare and loss of earnings incurred in the course of their duties. There were no payments made to senior post-holders in respect of overseas travel. Other staff undertook limited overseas travel to accompany educational visits.

Compensation for loss of office paid to former key management personnel:

		2018 £000	2017 £000
Compensation paid to former post-holder	- redundancy	10	96
	- payment in lieu of notice	26	-
Total		36	96

All redundancy payments were approved by the College's Remuneration Committee.

8. Staff costs continued

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

	2018	2017
	£000	£000
Salaries	204	200
Benefits in kind	21	18
	225	218
Pension contributions	44	43
	269	**261**

The pension contributions in respect of the Principal and other members of the leadership board are in respect of employer contributions to the Teachers Pension Scheme or the Local Government Pension Scheme. Employer contributions reflect current arrangements with both schemes. All processes for remuneration are set out within a very detailed scheme monitored rigorously by the Remuneration Committee of the Governing Body. This reflects achievements of key standards relating to financial, quality and building investment strategies.

Within this context the Principal and Chief Executive has worked extensively with his team during the academic year to tackle a range of significant projects and deliver with success. These have included the successful opening of the Law and Professional Services Academy and University Centre. The ongoing work of the College Group continues to be recognised at regional and national level, with the Principal and Chief Executive chairing the national policy group on Maths and English as well as representing the South West at Association of Colleges level and Principals' Professional Council.

The award of the Queen's Anniversary Prize for Further and Higher Education by Buckingham Palance speaks for itself in terms of the financial, entrepreneurial and inclusive approaches at Weston College which are led from the top and permeate throughout the organisation.

9. Other operating expenses

	Year ended 31 July		Year ended 31 July	
	2018	2018	2017	2017
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	9,101	7,407	10,119	8,071
Non-teaching costs	7,956	6,508	8,629	6,967
Premises costs	3,428	2,110	5,371	4,747
Total	**20,485**	**16,025**	**24,119**	**19,785**

	2018	2017
	£'000	£'000
Auditors' remuneration:		
Financial statements audit*	115	74
Internal audit**	19	13
Other services provided by the financial statements auditors	11	23
Other services provided by the internal auditors	18	12
Inventory recognised as an expense	303	1,882
Hire of assets under operating leases	216	243

* includes £45,500 in respect of the College (2016/17 £22,000)
** includes £19,000 in respect of the College (2016/17 £13,000), although this fee included work on new subsidiaries

10. Interest and other finance costs

	2018	2018	2017	2017
	Group	College	Group	College
	£'000	£'000	£'000	£'000
On bank loans, overdrafts and other loans:	370	368	512	512
	370	**368**	**512**	**512**
Pension finance costs (note 26)	431	290	341	234
Total	**801**	**658**	**853**	**746**

11. Taxation

	2018	2018	2017	2017
	Group	College	Group	College
	£'000	£'000	£'000	£'000
United Kingdom corporation tax at 19.00% (2017: 19.67%)	(348)	-	78	-

12. Tangible fixed assets

Group

	Land and Buildings		Equipment	Assets in the Course of Construction	Total
	Freehold	Long Leasehold			
Cost or valuation	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1 August 2017	54,932	33,560	2,777	13,578	104,847
Additions	1,342	48	1,352	2,051	4,793
Reclassification	13,578	-	-	(13,578)	-
Disposals	-	-	(15)	-	(15)
At 31 July 2018	**69,852**	**33,608**	**4,114**	**2,051**	**109,625**
Accumulated Depreciation					
At 1 August 2017	12,822	765	1,014	-	14,601
Charge for the year	1,407	780	566	-	2,753
Eliminated in respect of disposals	-	-	(10)	-	(10)
At 31 July 2018	**14,229**	**1,545**	**1,570**	**-**	**17,344**
Net book value at 31 July 2018	**55,623**	**32,063**	**2,544**	**2,051**	**92,281**
Net book value at 31 July 2017	42,110	32,795	1,763	13,578	90,246

College

	Land and buildings		Equipment	Assets in the Course of Construction	Total
	Freehold	Long Leasehold			
Cost or valuation	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1 August 2017	54,932	-	1,015	13,578	69,525
Additions	1,342	-	1,247	2,051	4,640
Reclassification	13,578	-		(13,578)	-
At 31 July 2018	**69,852**	**-**	**2,262**	**2,051**	**74,165**
Accumulated Depreciation					
At 1 August 2017	12,822	-	733	-	13,555
Charge for the year	1,407	-	246	-	1,653
At 31 July 2018	**14,229**	**-**	**979**	**-**	**15,208**
Net book value at 31 July 2018	55,623	-	1,283	2,051	58,957
Net book value at 31 July 2017	42,110	-	282	13,578	55,970

13. Non-current Investments

	College 2018 £	College 2017 £
Investments in subsidiary companies	1,901,004	3

The College owns 100 per cent of the issued ordinary shares of Forward Futures Limited, Offender Learning Services Limited, Brighter Futures Recruitment Limited, Inspirational Events and Investments Limited and Somax Limited. All five companies are incorporated in England and Wales.

The principal business activity of Forward Futures Limited is the provision of staff recruitment and related services. The principal activity of Offender Learning Services Limited is education, training, and related services. The principal activity of Brighter Futures Recruitment Limited is the placement of apprentices and related services. The Group accounts include two new subsidiaries this year, with Somax Ltd providing logistics and vehicle training, and Inspirational Events and Investments Ltd, whose principal activity is hotel accommodation and events catering.

Weston College is the only member of Releasing New Potential a Community Interest Company limited by guarantee and incorporated in England and Wales on 12 March 2016. The principal activity of Releasing New Potential is to support the rehabilitation of offenders.

In addition Weston College has the following wholly owned subsidiary companies, all of which are incorporated in England and Wales and were dormant at 31 July 2018:

- Career Action Ltd – a company limited by shares
- North Somerset UTC – a company limited by guarantee
- The Weston Opportunity – a community interest company

The directors' believe that the carrying value of the investments is supported by the underlying net assets.

Weston College was the sponsor until 29th August 2018, and a founding member for a Multi Academy Trust, Inspirational Futures Trust Limited (IFT). Further to the decision to cease sponsorship, the College has one employee on the board of Trustees of IFT. The Group has been informed of the "control" measures laid out in the College's Accounts Direction 2018 with regards to consolidation of accounts. Having reviewed the circumstances of the arrangements between the Group and IFT it has, without prejudice, continued to consolidate the financial performance and year-end position of IFT into the 2017/18 financial statements. The financial year end of IFT is 31 August and thus an apportionment has been made to arrive at the income and expenditure to be included in the Group financial statements to 31 July. Given the decision to cease sponsorship, any consolidation in future years will only apply to the date of the decision.

14. Assets transferred on acquisition

	2018 £000	2017 £000
Leasehold land & buildings at fair value	-	2,000
Fixtures, fittings and equipment	-	-
Total fixed assets	-	**2,000**
Cash at bank and in hand	-	44
Accruals & deferred income	-	-
Net Current Assets	-	**44**
Pension fund deficit	-	(1,073)
Net assets	-	**971**

14. Assets transferred on acquisition continued

The leasehold land and buildings transferred to Inspirational Futures Trust were valued by an independent valuer using the Depreciated Replacement Cost (DRC) method to assess the Fair Value defined as; 'The current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation'. The DRC method was selected due to there being no active market for the asset being valued, with no useful or relevant market value evidence due to the specialist nature of the asset.

15. Trade and other receivables

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Amounts falling due within one year:				
Trade receivables	1,305	928	393	342
Amounts owed by group undertakings:				
Subsidiary undertakings	-	1,217	56	1,469
Prepayments and accrued income	1,101	828	69	19
Other debtors	449	107	511	44
Total due within one year	**2,855**	**3,080**	**1,029**	**1,874**
Amounts due after more than one year				
Amounts owed by group undertakings:				
Subsidiary undertakings	-	-	-	-
Total trade and other receivables	**2,855**	**3,080**	**1,029**	**1,874**

The College has previously made loans to the value of £86k to another of its wholly owned subsidiaries, Brighter Futures Recruitment Limited. During this last financial year, and in recognising the new Apprenticeship agenda, the Board recognised that the purpose on which Brighter Futures was established was no longer relevant in the new landscape and therefore it was approved to make the company dormant. After taking into account any surplus within the Company, part of the outstanding balance (£53k) was been written off in 2017 with the balance shown below.

The remaining loans are repayable as follows:

	2018 £000	2017 £000
In one year or less	33	20
Between one and two years	-	13
Total	33	33

16. Current investments

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Short term deposits	3,000	3,000	5,525	5,525
Total	**3,000**	**3,000**	**5,525**	**5,525**

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.

17. Creditors: amounts falling due within one year

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Bank loans and overdrafts	1,143	1,143	1,143	1,143
Trade payables	717	211	1,457	442
Amounts owed to group undertakings:				
Subsidiary undertakings	-	1,383	-	2,715
Corporation tax	-	-	311	-
Other taxation and social security	906	322	1,299	926
Accruals and deferred income	2,678	1,905	4,303	3,258
Deferred income - government capital grants	999	695	708	708
Total	**6,443**	**5,659**	**9,221**	**9,192**

18. Creditors: amounts falling due after more than one year

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Bank loans	10,661	10,661	11,505	11,505
Deferred income - government capital grants	42,734	28,432	44,320	29,114
Total	**53,395**	**39,093**	**55,825**	**40,619**

19. Maturity of debt

Bank loans and overdrafts repayable as follows:

	Group 2018 £000	College 2018 £000	Group 2017 £000	College 2017 £000
In one year or less	1,143	1,143	1,143	1,143
Between one and two years	1,143	1,143	1,143	1,143
Between two and five years	3,430	3,430	3,430	3,430
In five years or more	6,088	6,088	6,932	6,932
Total	**11,804**	**11,804**	**12,648**	**12,648**

19. Maturity of debt continued

The college has four loans, as follows;

- £6,000k with Barclays Bank, repayable over 22 years commencing 2 November 2009 with interest at 0.45% over Barclays base rate;
- £2,700k with Barclays Bank, repayable over 22 years commencing 8 November 2010 with interest at 0.45% over LIBOR
- £2,000k with Lloyds Bank, repayable over 15 years commencing 30 June 2010 with interest at 1.75% over LIBOR
- £6,000k with Lloyds Bank, repayable over 5 years commencing 23 November 2017 with interest based on 1.500% over LIBOR.

The loans with Barclays Bank are secured on the University Campus, Loxton Road, Weston-super-Mare, and the £6m Lloyds loan is secured against the Knightstone Campus, Weston-super-Mare.

In addition to the above, the College completed a further unsecured revolving credit facility with Lloyds Bank on 3rd August 2018 in the sum of £5 million to support the construction projects that were currently in progress and would be completed in 2018/19.

20. Provisions

Group	Defined benefit Obligations	Enhanced pensions	Other	Total
	£'000	£'000	£'000	£'000
At 1 August 2017	(16,926)	(821)	(588)	(18,335)
Expenditure in the period	(1,679)	39	588	(1,052)
Transferred from income and expenditure account	4,429	(21)	-	4,408
At 31 July 2018	**(14,176)**	**(803)**	**-**	**(14,979)**

College	Defined benefit Obligations	Enhanced pensions	Other	Total
	£'000	£'000	£'000	£'000
At 1 August 2017	(11,185)	(821)	(588)	(12,594)
Expenditure in the period	(1,161)	39	588	(534)
Transferred from income and expenditure account	3,364	(21)	-	3,343
At 31 July 2018	**(8,982)**	**(803)**	**-**	**(9,785)**

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 26.

The enhanced pension provision relates to the cost of staff who have already left the College's employment and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:

	2018	2017
Interest rate	2.3%	3.5%
Inflation rate	1.3%	1.7%

21. Analysis of Deferred Capital Grants

	Note	Funding Body grants	Other Government Grants	Total
		£000	£000	£000
Group				
At 1 August 2017		31,398	13,630	45,028
Cash received		133	-	133
Released to SOCI		(1,150)	(278)	(1,428)
At 31 July 2018		**30,381**	**13,352**	**43,733**
Current - due within one year	17	721	278	999
Due after more than one year	18	29,660	13,074	42,734
As above		**30,381**	**13,352**	**43,733**

21. Analysis of Deferred Capital Grants continued

	Note	Funding Body grants	Other Government Grants	Total
		£000	£000	£000
College				
At 1 August 2017		16,192	13,630	29,822
Released to SOCI		(417)	(278)	(695)
At 31 July 2018		**15,775**	**13,352**	**29,127**
Current - due within one year	17	417	278	695
Due after more than one year	18	15,358	13,074	28,432
As above		**15,775**	**13,352**	**29,127**

22. Cash and cash equivalents

	At 1 August 2017	Cash flows	At 31 July 2018
	£'000	£'000	£'000
Cash and cash equivalents	6,601	995	7,596
Short term investments	6,351	(6,032)	319
Total	**12,952**	**(5,037)**	**7,915**

23. Capital and other commitments

	Group and College	
	2018	2017
	£'000	£'000
Commitments contracted for at 31 July	10,759	353
Authorised but not contracted at 31 July	-	-

As at 31 July 2018, the College Group had capital commitments relating to retention payments on the Winter Gardens programme.

24. Financial commitments

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

	Group and College	
	2018	2017
	£'000	£'000
Future minimum lease payments due		
Assets other than land & buildings		
Not later than one year	29	24
Later than one year and not later than five years	35	24
	64	**48**

25. Post balance sheet events

There were no post balance sheet events which would impact upon the financial accounts for 2017/18 reflecting a true and fair view of the Group's activity within the year.

On 29th August 2018, the Governing Body of Weston College Group determined that it would cease its sponsorship of Inspirational Futures Trust with immediate effect. At this same date, the members and trustees directly elected by Weston College also tendered their resignation. Therefore given the removal of any perceived control by the College Group over the activities and decisions of the Trust, this will be the final year in which the Trust's activities will be consolidated within the College Group accounts, irrespective of the future of the Trust. Communication of this decision has been made to the Trust, the Regional Schools Commissioner and the Department for Education.

On this matter, following the decision of the Inspirational Futures Trust in November 2017 to recognise that the Trust was no longer financially sustainable, the partner schools are anticipated to transfer to new Trusts during this next financial year.

Currently Weston College is re-tendering for the new Prison Education Framework (PEF) contracts for 5 Lots. As of 26th November 2018, the College had been notified that it had been successful in being awarded Lot 4 – Devon and North Dorset, and Lot 8 Kent, Surrey and Sussex. The results of the remaining lots are expected to be received later in December or early January for transition towards contract delivery from April 2019. TUPE of existing staff will apply if LOT contractors change. The provision awarded to date means that turnover of Offender Learning Services Ltd will remain at least at current levels for the foreseeable future with potential to increase to be confirmed in the coming weeks.

26. Pension and similar obligations

The Group's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff. Both are defined-benefit schemes. In addition Forward Futures associates are invited to enrol in NEST, a workgroup pension scheme set up by the government especially for auto enrolment.

Total pension cost for the year	**2018**	**2017**
	£'000	**£'000**
Teachers' Pension Scheme:		
Contributions paid	2,236	1,996
Local Government Pension Scheme:		
Contributions paid	1,967	1,604
Actuarial charge	1,267	944
Charge to the Statement of Comprehensive Income	5,470	4,544
Enhanced Pension:		
Charge to Statement of Comprehensive Income	40	15
Total Pension Cost for Year within staff costs	**5,510**	**4,559**

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuations of the schemes were as at 31 March 2012 for the TPS and 31 March 2016 for the LGPS. There were outstanding contributions due to the LGPS of £231k (2017:£ 209k) included in creditors at the end of the year. There were no contributions outstanding to the TPS at either the beginning or the end of the year.

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities.

In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension Budgeting and Valuation Account

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

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

Valuation of the Teachers' Pension Scheme

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

- *employer contribution rates were set at 16.48% of pensionable pay (including a 0.08% levy for administration);*
- *total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;*
- *an employer cost cap of 10.9% of pensionable pay will be applied to future valuations*

The new employer contribution rate for the TPS was implemented in September 2015. A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:

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

The next valuation of the Teachers Pension scheme is due on 31st March 2016, with a new employer rate expected to take effect from 1 April 2019.

Scheme Changes

Following the Hutton report in March 2011 and the subsequent consultations with trade unions and other representative bodies on reform of the TPS, the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April. The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.

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

Regulations giving effect to a reformed Teachers' Pension Scheme came into force on 1 April 2014 and the reformed scheme commenced on 1 April 2015. The pension costs paid to TPS in the year amounted to £2,236k (2017 £1,996k).

26. Pension and similar obligations continued

Accounting for the scheme

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

Accordingly, the Group 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 group has set out above the information available on the scheme and the implications for the Group in terms of the anticipated contribution rates.

Local Government Pension Scheme (LGPS)

The LGPS is a funded defined-benefit scheme, with the assets held in separate funds administered by Bath and North East Somerset Local Authority. The total contribution made for the year ended 31 July 2018 was £2,303k (2017: £2,154k), of which employer's contributions totalled £1,967k (2017: £1,604k) and employees' contributions totalled £699k (2017: £550k). The agreed contribution rates for future years are as follows:

- Employer's contributions range from 12.5% to 20.0% for depending on organisation, with an average of 13.55% and
- Employees' contributions range from 5.5% to 12.5% for, depending on salary.

On 1 August 2012 a number of employees were transferred to Offender Learning Services Limited from another employer. At the same time their pension liability transferred to the Avon Pension Fund from Somerset County Council Pension Fund (SCCPF). The employees have subsequently transferred to Weston College which is now legally responsible for the pension liabilities to employees, but their costs are being borne by Offender Learning Services Ltd, and hence the liability and associated expenses are recorded in the financial statements of Offender Learning Services Limited.

Principal Actuarial Assumptions

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

	At 31 July 2018 (in the range)	**At 31 July 2017 (in the range)**
Rate of increase in salaries	3.6% to 3.7%	3.7%
Rate of increase for pensions in payment	2.2% to 2.3%	2.2%
Discount rate for scheme liabilities	2.8% to 2.9%	2.4% - 2.6%
Inflation assumption (CPI)	2.1% to 2.2%	2.2%

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

	At 31 July 2018	**At 31 July 2017**
<u>Retiring today</u>		
Males	23.6	23.5
Females	26.1	26.0
<u>Retiring in 20 years</u>		
Males	26.2	26.0
Females	28.8	28.7

26. Pension and similar obligations continued

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

	2018 £'000	2017 £'000
Fair value of plan assets	29,922	26,346
Present value of plan liabilities	(44,074)	(43,246)
Present value of unfunded liabilities	(24)	(26)
Net pensions liability (Note 20)	**(14,176)**	**(16,926)**

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

	2018 £'000	2017 £'000
Amounts included in staff costs		
Current service cost	3,234	2,562
Amounts included in investment income/expenditure		
Net interest expenditure	412	342
Amount recognised in Other Comprehensive Income		
Return on pension plan assets	(1,134)	(1,623)
Experience (gains) losses arising on defined benefit obligations	(3,295)	2,695
	(783)	**3,976**

The cumulative amount of actuarial losses recognised in the statement of gains & losses for accounting periods after 22 June 2002 is £1,671k (£6,100k at 31 July 2017). The best estimate of contributions to be paid to the scheme during the accounting period beginning after the balance sheet date is £1,800k.

Movement in net defined benefit liability during year:

	2018 £'000	2017 £'000
Net defined benefit liability in scheme at opening of the year	(16,926)	(13,471)
Movement in year:		
Current service costs	(3,234)	(2,504)
Employer contributions	1,967	1,604
Business combinations	-	(1,083)
Net interest on the defined liability	(412)	(342)
Actuarial loss	4,429	(1,130)
Net defined benefit liability at ending of the year	**(14,176)**	**(16,926)**

26. Pension and similar obligations continued

Asset and Liability Reconciliation

Changes in the present value of defined benefit obligations

	2018 £'000	2017 £'000
Defined benefit obligations at start of period	43,272	35,617
Business combinations	-	1,329
Current service costs	3,124	2,504
Interest cost	1,119	937
Contributions by Scheme participants	699	550
Remeasurement of liabilities	(3,295)	2,695
Curtailments	63	14
Estimated benefits paid	(884)	(374)
Defined benefit obligations at end of period	**44,098**	**43,272**

Changes in fair value of plan assets

	2018 £'000	2017 £'000
Fair value of plan assets at start of period	26,346	22,146
Business combinations	-	246
Interest on plan assets	707	595
Administrative expenses	(47)	(44)
Return on plan assets	1,134	1,623
Employer contributions	1,967	1,604
Contributions by Scheme participants	699	550
Estimated benefits paid	(884)	(374)
Fair value of plan assets at end of period	**29,922**	**26,346**

The Actual Return on the Plan Assets in Year was £1,840k (2016/17 £2,097k).

Deficit contributions

The Group has entered into an agreement with the LGPS to make additional contributions of £348,140 in 2017/18, rising incrementally to £386,390 in 2019/20, in addition to normal funding levels until the next full valuation at which point the situation will be reviewed again.

Early Retirement

The Group is responsible for all pension payments, together with related increases, in respect of added years it has awarded to staff that have left the pension schemes since April 1993 through early retirement. During the year of the accounts these payments amounted to £59k (2016/17 £57k). The Group holds a provision for this enhanced pension entitlement. At the year end the provision was recalculated on the basis of guidance from the ESFA. The result was that £40k (2016/17 £15k) was debited to the accounts to bring the provision into line with the requirements of FRS 102.

27. Related party transactions

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

Jude Ferguson is the Owner of J L F Consultancy and the Chair of the Corporation. Amounts paid in the year in respect of loss of earning and consultancy totalled Nil (2017 - £6k). The balances due at the end of the year were Nil (2017 - Nil).

Jacqui Ford is Assistant Principal of the College and a Governor of Broadoak School, from whom the College received £11k in the year (2017 – £20k). The balance owing to the College at the end of the year was Nil (2017 – Nil).

Dave Trounce is Senior Vice Principal of the College and recently a Governor of Worle School, from whom the College received £16k in the year (2017 – 27k). The balance owing to the College at the end of the year was Nil (2017 - Nil).

Jo Midgley a Governor of the College, is Director of student and partnership services at University of the West of England from whom the College received £875k in the year (2017 £906k). The balance owing to the College at the end of the year was £435,000 (2017 – Nil).

Ian Porter, a Governor of the College was employed during the year as an Associate Internal Verification Officer for Offender Learning Services Limited. Remuneration for the year was £31k (2017- £30k).

Donna Turner-Kot, a Governor of the College, is the Chief Executive of N-ergy Limited who provide services to Offender Learning Services Limited. N-ergy Ltd were paid £603k in the year (2017 – £1,525k). The balance owing to N-ergy Ltd at the end of the year was Nil (2017 – £278k).

Fiona Waters is College Registrar and a trustee of Priory Community School Academy, from whom the College received Nil in the year (2017 – £19k). The balance owing to the College at the end of the year was £3k (2017 – Nil).

Mark Barnett is a Head of Faculty and a Director of Badgworth Arena, who supply educational facilities and training to the College. Amounts paid to Badgworth Arena in 2018 totalled £163k (2017 - £201k)

Mark Canniford, a Governor of the College and proprietor of Grove Park News. Amounts paid to Grove Park News in 2018 totalled £8k (2017 - £9k). The balance owing to Grove Park News at the end of the year was Nil (2017 – Nil).

Mark Lewis, a Governor of the College and the owner of ML Distribution. Amounts paid to ML Distribution for student accommodation in 2018 amounted to £10k (2017 – £46k). The balances due at the end of the year were Nil (2017 - Nil).

Funding bodies and HEFCE. Transactions with the funding bodies and HEFCE are detailed in notes 2 and 3.

Inspirational Futures Trust (IFT*).* During the year the college continued to support IFT, a Multi Academy Trust. During the year the College provided various services to IFT which have or will be reimbursed at cost with the exception of staff costs as described below.

A number of staff employed by the College have provided services to IFT on an as required basis. Due to the ad hoc nature of this provision it has not been possible to separately identify the time and costs of these services, which have been provided free of charge.

A number of family members of senior management are employed within the College Group in accordance with the Group's employment policies and in line with the Group's standard pay and reward system. In recognising the importance of disclosure of related party transactions, the College's Audit Committee will continually review regular staff disclosures, to ensure any potential conflict or control risk is managed proactively and effectively. It is anticipated that a report on such transactions will be produced every six months, with the most recent report being considered at the 12 June 2018 meeting.

28. Amounts dispersed as agent

	2018	2017
	£000	£000
Balance at 1 August	145	118
Funding body grants	362	405
	507	**523**
Disbursed as learner support	(458)	(358)
Administration cost	(18)	(20)
Balance at 31 July	**31**	**145**

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.

Independent Reporting Accountant's Assurance Report on Regularity to the Corporation of Weston College and the Secretary of State for Education acting through the Education and Skills Funding Agency

In accordance with the terms of our engagement letter dated 12 November 2018 and further to the requirements of the financial memorandum with the Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Weston College during the period 1 August 2017 to 31 July 2018 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

This report is made solely to the corporation of Weston College and the Education and Skills Funding Agency in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of Weston College and Education and Skills Funding Agency those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the corporation of Weston College and Education and Skills Funding Agency for our work, for this report, or for the conclusion we have formed, save where expressly agreed in writing.

Respective responsibilities of Weston College and the reporting accountant

The corporation of Weston 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 2017 to 31 July 2018 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them..

Approach

We conducted our engagement in accordance with the Post-16 Audit Code of Practice issued by the Education and Skills Funding Agency. We performed a limited assurance engagement as defined in that framework.

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

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

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:

Regularity

1. Obtain an understanding of how the corporation discharges its responsibilities to safeguard the college's assets.

2. Review Corporation minutes to confirm there are reporting arrangements in place to regularly inform the college's Governing Body / Corporation of the financial health of the college.

3. Review policies and procedures in place which set powers of authorisation and obtain evidence over situations where corporation approval is required.

4. Obtain an understanding of how members of the corporation discharge their responsibilities as charitable trustees.

5. Obtain evidence to demonstrate that members of the corporation are discharging their responsibilities as charitable trustees.

6. Review evidence to demonstrate how the college periodically reviews its activities to ensure they are within its powers.

7. Obtain an understanding of the non-core activities of the College. For non-core activities identified evaluate the controls over the monitoring of financial performance to review whether these activities are being materially subsidised from public funding.

8. Obtain an understanding of how the college established appropriate arrangements for each subsidiary and/or associate and/or joint venture to enable governors to discharge their accountability responsibilities which include:

- appropriate representation by governors on the boards
- arrangements for regular reporting of performance to the corporation
- a clear memorandum of understanding in place
- coverage of activities within the internal audit plan

9. Where the college is considering or has made settlements or employment claims by a senior post holder:

- examine related authorisations, legal and other professional correspondence and Board minutes
- evaluate whether procedures followed and decisions reached are reasonable and consistent with funding requirements
- Obtain evidence to demonstrate these have been brought to the attention of an independent auditor

10. Review the College's property strategy and confirm whether this has been developed in line with good practice guidance in the further education sector.

11. Where property has been disposed of, obtain evidence to demonstrate that the funding body has been notified.

Use of funds

12. Examine policies and procedures in operation during the year for each funding stream where there are specific conditions attached.

13. Evaluate the control environment for approval, administering, monitoring and applying funds in accordance with the terms and conditions attached to the funding. Where it is considered necessary to gain further assurance over the application of these funds perform substantive testing.

14. For funding streams identified evaluate the controls over the completion of funding claims and returns and obtain evidence that all necessary returns have been completed and returned and that these have been reconciled to the specific eligible costs/activities incurred/delivered.

15. Obtain an understanding of how the College ensures it complies with funding requirements for subcontracted provision and if necessary perform substantive testing to test that the college has complied with related funding requirements.

Propriety

16. Obtain policies on acceptance of gifts and/or hospitality and other relevant policies and evaluate whether the college has put reasonable procedures in place to mitigate against corruption.

17. Understand and evaluate procedures for identifying and recording potential conflicts of interest and related parties for staff in a position of trust and obtain evidence that there is a register of interest to capture these.

18. Obtain evidence that the procurement process is clearly documented in college financial regulations or financial procedures.

19. Obtain an understanding of the access arrangements in place over the register of interests and confirm this covers all governors and staff with significant financial and decision making powers.

20. Obtain an understanding of and evaluate the college's whistle blowing policies and procedures and the impact of any whistle blowing allegations on the financial statements and regularity audit. Obtain evidence that this policy has been approved by the Corporation and the confidentiality arrangements in place.

21. Obtain an understanding of and evaluate the college's controls and procedures for the safeguarding of assets from fire and theft. Inspect minutes and records to identify any occurrences in the year and obtain details of these.

22. Obtain an understanding of the process for regular review of insurance cover in place to ensure these are sufficient and adequate and obtain evidence of insurance cover in place over assets.

23. Obtain an understanding of the college's policies over the appointment of staff and how the college demonstrates even-handedness.

24. Obtain an understanding of if the College has entered into any subsidiary, joint ventures or similar arrangements. Where necessary, ensure a cost/benefit analysis has been prepared and approved by the Corporation.

25. Obtain an understanding of the reporting arrangements to governors on the performance of investments, subsidiaries and joint ventures;

26. Obtain an understanding of the college's policy and procedures for monitoring overseas travel expenses and reporting arrangements to the Corporation. If considered significant, perform substantive testing to evidence that this relates to a strategy for overseas activities approved by the Corporation.

27. Obtain an understanding of policies and where necessary test the controls over disposals of fixed assets and review whether disposals are authorised in accordance with the financial regulations of the college.

28. Obtain an understanding of the policies in place over personal expense claims and perform substantive testing where necessary to confirm the controls are operating effectively.

29. Obtain an understanding of the reporting process and controls over project appraisal and monitoring from inception to completion and post implementation review. Perform substantive testing of these processes where necessary to gain assurance over the procedures in place for significant capital and revenue projects and these are in accordance with the financial regulations

30. Obtain evidence that the Corporation has approved expenditure levels above which formal quotations are required and that further approval levels are in place in the procurement process and documented in the financial regulations.

31. Obtain an understanding of and evaluate the college's controls and procedures for the safeguarding of assets from cyber security breaches. Inspect minutes and records to identify any occurrences in the year and obtain details of these.

32. Obtain an understanding of the policies in place over the authorisation of the use of college credit cards and perform substantive testing where necessary to confirm the controls are operating effectively.

33. Obtain an understanding of the policies in place over ex-gratia payments and perform substantive testing where necessary to confirm the controls are operating effectively.

Conclusion

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

PricewaterhouseCoopers LLP

Date 20 December 2018

PricewaterhouseCoopers LLP

Chartered Accountants