



WESTON COLLEGE GROUP

Annual Report and Financial Statements

For the year ended 31 July 2019

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 2018/19:-

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

Peter Sloman, Chief Operating Officer

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

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

Anthony Murray, Group Director and Vice Principal - Higher Education

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

Jo Watson, Group Director, Business Intelligence and Product Growth

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

Paul Keegan, Group Director Apprenticeships, Business Development and Commercial Opportunities (resigned 15th March 2019)

Board of Governors

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

Ms Joanne Philpott was appointed as the Clerk to the Corporation from 28th September 2018 and as acted as Clerk from this date through to the signing of the accounts. Prior to this date Mrs Linda Burlison acted as Clerk to the Corporation.

Professional Advisors

The Professional Advisors were as follows for the year 2018/19:-

Financial Statements Auditors and reporting accountants

RSM UK Audit LLP, St Phillips Point, Temple Row, Birmingham, B2 5AF

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

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MEMBERS REPORT FOR THE YEAR ENDED 31 JULY 2019

1.0 NATURE, OBJECTIVES AND STRATEGIES

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

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. In April 2019, the Ministry of Justice (MOJ) confirmed that the College had been awarded the two South West lots and in addition, the Kent, Surrey and Sussex lot in the Prison Education Framework tendering process and funded directly by the MOJ as opposed to the ESFA.

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. Although sponsorship ceased in August 2018, Weston College has continued to provide 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'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 19 and 20.

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 from age 14 up to and including postgraduate study,
- 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, and led by the Principal and Chief Executive, Dr Paul Phillips CBE. 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 strategic plan continues to be good. Overall attendance is at a three year high and exceeds the college performance threshold of 90%. Overall retention for class based provision is 1% ahead of that achieved in 2017/18. The College has set a target within its strategic plan of achieving 95% retention by 2020. The current 2018/19 retention outcome of 95.20% suggests the College is on track to achieve this strategic target. Student satisfaction is at a three year high against all the key measures. The proportion of learners engaged with work experience or an industry placement at level 2 and 3 exceeded the College strategic target of 75%. This target will be increased to 85% for 2019/20. The College exceeded the industry placement target set by government through the CDF allocation. More than 120 learners went out on an industry placement against a target requirement of 99. Timely achievement for apprenticeships is forecast to be at a three year high. Overall achievement for apprenticeships will remain below the college performance threshold as the College sees out its remaining sub-contracted provision. The College withdrawal from sub-contracted provision has brought a legacy of apprentices going over time and not completing.

1.4 Financial objectives

The Governing Body have confirmed the financial objectives to be delivery of a surplus (pre pension) and to achieve a financial health category of Good. This has been achieved again despite the challenges of FRS 102 and the general lack of investment in the sector. The table below clearly sets out the growing challenge of pension adjustments and the excellent underlying financial performance of the College Group:

	2019	2018
	£000	£000
Group Surplus	1,827	2,155
Pension Current Service Cost adjustment to actual employer contributions and administration expenses	(1,229)	(1,267)
Pension finance costs (note 26)	(275)	(412)
Surplus before tax, as per statutory accounts	323	476

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.

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The Agency assesses the College as having a "Good" financial health rating and this is expected to continue at this score in 2019/20 as well as next year. This calculation is based on the surplus prior to pension adjustments, which is the objective set by the Governing Body of Weston College.

In addition to the above, other internal factors used to demonstrate strong financial performance are:

- 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 43 days (2018: 43 days) despite the work in progress for capital schemes for which the related funding had not yet been received; the current ratio was 3.0:1 (2018: 2.1:1) and accumulated reserves were 16% (2018: 46%) of income at the year-end. This final calculation reflects the removal of the Multi Academy Trust from the consolidated accounts with a compensating reduction in fixed assets also showing within the balance sheet.
- 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 2018/19, the College achieved funding targets for mainstream 16-18, Adult Education Budget and Prison Education of 99.1%, 102.9% and 97.9% (OLASS contract to March 2019 only) respectively.

UCW is currently rated as Gold for the Teaching Excellence and Student Outcomes Framework (TEF) placing it in the highest category for HE provision in the country. The OfS have recalculated the metrics they use as part of the TEF formula, and in June 2019 confirmed that UCW meets the eligibility criteria to maintain the TEF Gold outcome, and have extended the award to summer 2021, which is an impressive achievement.

In terms of student experience (and contributory to the TEF award) the recently released 2019 National Student Survey (NSS) data has given UCW its best-ever outcome. UCW is in the top quartile for all of the criteria of NSS, with 8 of the 9 criteria surveyed by UCW students scoring 10% or over the national sector averages. In terms of student results (at first attempt), the percentage of First Class and Upper Second Degrees is at 79%, which is above the sector-wide benchmark of 77%.

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 £358k (£825k 2017/18), which represents 0.50% (1.25% 2017/18) 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 over £1.8m in 2018/19, an excellent result against this key sector benchmark.

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 55% of turnover was received from public sources using a funding methodology based upon volumes of activity (2017/18: 61%). 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.

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In 2018/19, 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 £33,093k for further education activities (£40,220k 2017/18).

Income from Advanced Learner Loans totalled £664k (£817k in 2017/18), and are accounted for on receipt.

Recurrent payroll costs fell by £2,031k (4.99%), reflecting the dissolution of Inspirational Futures Trust and the transfer of the constituent schools to new Trusts at varying points in the last financial year. This was partially offset by activity within the areas of apprenticeships and prison education which required additional staff resources.

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

The principal activity of Offender Learning Services Limited is the provision of education services to prisons and this made a surplus of £110k in the year (2018: £975k). Forward Futures acts as a recruitment agency supplying the college with agency teaching and support staff and the company made a surplus of £227k in the year (2018:£531k). Releasing New Potential is a Community Interest Company aimed at providing offenders and learners with meaningful work experience, and it made a deficit of £33k in the year (2018:surplus £2k). Inspirational Events and Investments Ltd continues to develop its business in relation to commercial bookings of the Lauriston Hotel and the Winter Gardens. In the period to 31 July 2019 it made a pre-tax deficit of £191k (2018:-£199k). Finally, Somax Ltd, the newest addition to the group and who provide logistics training, delivered a pre-tax surplus of £61k (2018:£36k).

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 £1,101k (2017/18 outflow of £1,406k). Although there is a net outflow in the current year, this sum has been negatively impacted by 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, and the banks continue to fully recognise the strong operational performance of the College Group.

2.4 Reserves Policy

The general reserve accumulated by the Group now stands at £7,358k (2017/18: £28,965k). The significant reduction reflects the transfer of schools and the activities of the Inspirational Futures Trust to successor Trusts, with a compensating reduction in Fixed Assets showing in the top half of the Balance Sheet.

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 £979k to £9,936k. This represents a positive but unusual picture for a College in a sector dominated by financial and quality concerns.

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3.0 CURRENT PERFORMANCE AND FUTURE DEVELOPMENT

3.1 Student Numbers

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

	2018/19	2017/18
ESFA funded 16-18 learners	3,416	3,459
ESFA funded adult learners	4,129	3,904
Apprenticeships	2,238	2,333
OLASS4 / PEF learners (prisons)	10,679	7,771

3.2 Student Achievements

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

- A short film directed by UCW's BA (Hons) Lens-based Media student Grace Fox was nominated for a string of national awards.
- A team of Weston College business students won a place in the UK final of an International Trade competition, held at The Foreign and Commonwealth Office in London.
- BTEC Extended Diploma student Josh Callicott won Bronze in the national BTEC Awards' IT and Computing Student of the Year.
- An etching by UCW art student Kate was selected for the Royal Academy of Arts Summer Exhibition.
- Paralegal apprentice Anna Kelly achieved top marks in the conveyancing exam for CILEx (Chartered Institute of Legal Executives) course.
- Weston College's female rugby academy made history by winning the Rosslyn Park National 7s Cup.
- IT student Thomas Griffin won through to the WorldSkills final in China after winning gold in the UK web design event.
- Cameron Gelder overcame several professional artists to finish second in Art Battle Bristol, a prestigious live painting competition.
- Amy Coles was an England Rugby U18 representative and also invited for a trial with England U20s rugby team.

3.3 Curriculum Review

Learner Outcomes

Achievements rates, continue to show an upward trajectory and 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.

Achievement rates can be summarised as follows:

	16/17	17/18	18/19	National
Headline Timely	89.3	89.2	90.7	85.1
16-18 Timely	86.5	85.3	85.5	82.4
19+ Timely	92.1	92.3	94.8	88.0

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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 2018/19 suggests the following:

Subject	16/17	17/18	18/19
English	-0.09	0.04	0.09
Maths	-0.06	0.08	-0.09

Whilst timely achievement continues to be excellent, overall Apprenticeship outcomes have declined when compared against those achieved in previous years, with the performance of sub-contracted provision being the main underlining contributing factor.

This has been, in part, anticipated by the College leadership who took the Strategic decision to not sub-contract new 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	65.8%	68.7%		64.1%	59.6%	
Direct delivery	69.3%	68.7%		63.9%	59.4%	
Subcontracted	56.5%	68.7%		64.9%	59.4%	

Curriculum Development

A number of changes in government policy have shaped the College curriculum strategy both in 2018/19 and in its planning for 2019/20. 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 Institute of Technology is a new employer-led initiative established by Government which will offer higher level technical education to help close skills gaps in key STEM areas. Weston College is a lead partner in the West of England IoT bid which includes other Colleges across the region in addition to the University of West of England and importantly major employers.

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 2018/19 that aimed 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.

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The College has delivered 102.9% of its adult budget in 2018/19. The proportion of delivery by sub-contractors has reduced to circa £1million. Learner achievement rates have remained high and above National Averages for similar providers.

Apprenticeships

This year the College has maintained its strategy of implementing apprenticeship standards and reducing apprenticeship frameworks as quickly as possible. This has helped to improve the financial position, giving us greater flexibility to respond to employer requirements and allowing us to create an apprenticeship programme bespoke to employers. Partnerships with companies such as Wessex Water and Avon Fire and Rescue have enabled the College to offer apprenticeships in vocational occupations such as Water Process Technician and Operational Firefighter that we have not been able to offer previously. This has enabled us to increase our apprenticeship portfolio and at the same time have a positive effect on apprenticeship income.

The reforms for apprenticeships have continued this year and have identified key areas that the College is positively reacting to. The Institute for Apprenticeships and Technical Education (IFATE) and Education and Skills Funding Agency (ESFA) have applied funding band adjustments mid-year to a large number of apprenticeship standards that have had a negative impact on funding per apprentice. In relation to the standards that are part of the College's offer, income for 18 apprenticeship standards have decreased, 10 have remained the same with only 1 apprenticeship standard increasing. Digital and Beauty apprenticeship standard funding bands are now being reviewed and a decision on these will be published early next academic year. The ESFA has also tightened the funding rules in year to focus on an apprentice's prior learning and achievement and ensure this is accounted for when agreeing a price with employers for apprenticeship delivery. This again will have an impact on funding per apprentice, but a strategy has been implemented to ensure we meet the funding rules but at the same time maximise our income.

Despite these in year changes the College has been able to meet our apprenticeship funding target due to the realisation of our growth strategy. The College will see a £1.1m increase in apprenticeships for 2018/19 compared to the previous year. The delivery of direct apprenticeship provision has, however, been further increased and the subcontracting of apprenticeships this year has reduced, largely in line with our forecast last year. Subcontractor delivery for Weston College reduced to £574k this year, which amounts to just under 11% of apprenticeship funding. Subcontracting in the future will still be part of Weston College's strategy due to our employer partnerships with employers such as Wessex Water, Avon Fire and Rescue and EON and with UWE for our Degree Apprenticeship programmes, which will likely increase in future years as our degree apprenticeship offering increases.

Levy employers now account for 64% of apprenticeship income with non-levy employers being 36%. The ESFA are trialling the digital accounts for non-levy employers from September 2019 and the timeline for this to formally start is April 2019. This will present a further opportunity for the College to increase our income further for the next academic year from Small and Medium size employers.

Higher Education

2018-19 has been a very successful year for University Centre Weston (UCW), the higher education (HE) section of the Weston College Group. From a corporate perspective, the academic year commenced with a resounding affirmation of UCW's performance and activity; following a lengthy and complicated application and submission process, UCW successfully went through registration with the Office for Students (OfS) with no conditions, one of very few Colleges to achieve this.

The number of HE students grew by 6% in 2018-19 compared to 2017-18. UCAS Applications for 2019-20 are strong and are up by 5.6%, with offers made increased by 7.5% compared to 2018-19, suggesting effective recruitment activity this year. In addition UCW's strategy of converting Foundation Degrees and Honours top-ups to three-year full Honours Degrees is having impact in making our HE provision more attractive to applicants.

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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 2018/19:

- Completion of the Health and Active Living Centre at Loxton Road, providing state of the art facilities in both the Health and Sports sectors;
- Completion of the Construction Skills Centre providing bespoke industry standard training and meeting the needs of a sector where skills shortages are significant;

The College has completed the following projects in readiness for the start of the 2019/20 academic year that will further support the experience for learners:

- Creation of high-tech Graphic Design IT suite within Creative Arts at Loxton Road;
- Refurbishment of catering facilities at South West Skills campus.

In addition, 2019/20 will see the completion of the Animal Management Education Centre, a LEP supported capital project, located at Puxton Park, which will provide students with a high quality learning space both in and out of the classroom.

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 2019.

3.5 Events after the end of the reporting period

There are no events of material significance that require additional reporting.

3.6 Future Prospects

In July 2019 the Group submitted a medium term financial forecast, projected forward two years that showed a continuance of annual surpluses after allowing for pension adjustments.

	19/20	20/21	21/22
Surplus/(deficit) before interest, tax, depreciation and amortisation costs	2,308	3,199	3,295
<u>Interest, tax, depreciation and amortisation costs</u>			
Depreciation and amortisation	1,462	1,785	1,816
Interest and other finance costs	533	797	799
Surplus/(deficit) after interest, tax, depreciation and amortisation costs	313	617	680

This represents ESFA-graded at least "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 three further projects. The Construction Groundworks Centre and the Health and Active Living Centre have been completed in 2018/19 and the Animal Management Education Centre will be commenced in 2019/20. 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

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hold management to account. The Principal and Chief Executive, recognising the changing and dynamic environment in which we now operate, implemented a restructure in the second half of the current year recognises the importance of balancing continuing financial challenges, notably in relation to pensions with 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 complete provision of prison education was re-tendered during 2018, with new contracts commencing on 1 April 2019. The College, building on its previous successes, was successful in being awarded three lots. Two of these cover the previous South West area, but the college was also awarded the contract for Kent, Surrey and Sussex. Whilst this presents some geographical challenges, early indications show that the prisons welcome the Weston approach and that there is great opportunity to provide improved future opportunities to many of our learners.

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.

Inspirational Events and Investments Ltd has two key elements to its work. Firstly the running of the Lauriston Hotel, which with investment has seen improved performance in the last year, and the Winter Gardens commercial operations. This last year has seen some challenges notably in relation to the previous catering contractor, but with the service now back 'in-house' provision and management of costs has seen an improvement although it is recognised there is some improvements needed before the product is at the level expected both internally, and by that of its customers.

The retendering of the Prison education contracts has also meant the need to shift the focus of Somax Ltd, where previously a significant amount of its work had been achieved via Prison Education. With this in mind, as well as continuing to advance its logistics training, the company will be responsible for the commercial training at the Construction Skills centre, where state of the art facilities are already paying dividends in terms of up to date industry training and meeting the demands of many employers.

In summary, whilst funding remains tight across the sector, the combination of innovative and commercial approaches, together with a drive to ensure high quality provision for learners at all times is ensuring that Weston College Group under the leadership of the Principal and Chief Executive continues to buck the trend of the sector.

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 1,090 full-time equivalents (2017/18 1,074) of whom 659 (2017/18 682) are teaching staff.

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	£38,034,000
f	Percentage of total pay bill spent on facility time $\frac{\text{Total cost of facility time} \times 100}{\text{Total pay bill}}$	0.02%

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 $\frac{\text{Total hours spend on trade union activities} \times 100}{\text{Total paid facility time hours}}$	100%

4.2 Financial

The Group has £9,899k (2017/18 £31,605k) of net assets (after allowing for £19,216k (2017/18 £14,979k) pension liability) and long-term debt of £50,101k (2017/18 £53,395k) on a turnover of £60,077k (2017/18 £65,836k). 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.

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:

Title of Risk	Risks Identified	Key Controls
Maintaining 'good' or 'outstanding' financial positions inc cashflows	Insufficient cost savings/ fee income growth to balance relative loss in funding Very noticeable turbulence with FE college finances, especially in the SW. Diversity of College is a strength but as we build new business, there is a danger in terms of financial performance. New activity and adverse impact on cashflow eg apprenticeships	Monthly Budget monitoring, focussing on all areas of business Sensitivity analysis of three year budget Monthly cashflow monitoring recognising pressures of apprenticeships and new capital programme. Cashflow to be extended for three years in line with expectation of external guidelines. Robust Business Planning, notably in relation to new business activity. Management of staff/turnover and other KPIs eg borrowing in line with expectations of FE Commissioner
Ensuring Quality of Provision is very high taking into account a new 'subjective' Ofsted framework from September 2019	College does not achieve good or outstanding at next inspection Reputation declines effecting ability to win contracts or expand into new provision Learners outcomes are not	Robust quality cycle provides support, challenge and intervention where necessary including: • Observations of staff • Quality and performance reviews

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	high and they do not progress onto positive destinations	<ul style="list-style-type: none"> Performance management of staff Support and training for managers to increase awareness, ownership and accountability for quality
Adult Budget from both ESFA/WECA perspective	Through the revised funding allocation methodology, the college's adult Education funding (currently £5.170m) could be reduced, particularly if the methodology saw a greater percentage going to WECA at a time when North Somerset is non- devolved.	<p>Strong annual performance provides confidence of delivery to both WECA and ESFA. 3 additional bids for funding have been gained along with a contract with national Careers Service which brings in further income</p> <p>ESFA 19/20 allocation has been confirmed and is an improved picture. Risk therefore relates to combined authority allocation with a decision being made in May 2019.</p> <p>Early planning for 2020/21 will begin in the Autumn</p>
Augar review of Post 18 education-effect on adult funding and Higher Education	The Augar review was established in 2018 with the aim of driving up quality, increasing choice and ensuring value for money are at the heart of a major review of post-18 education. The outcomes of the review may impact upon funding levels in both HE and FE sectors, and potentially see a switch between the two sectors.	<p>The review will focus on the following four areas, each of which will need to be managed and profiled:</p> <p>Choice: Value for money Access Skills provision.</p> <p>Weston College will need to ensure it is well placed to take advantage of the opportunities presented.</p> <p>The results and implementation may be delayed due to the ongoing Brexit negotiations</p>
Increased Pension costs for Colleges	Probable risk of increasing employer contributions relating to both Local Government Pension Scheme (LGPS) and Teachers Pension Scheme (TPS) having a material adverse impact on budget and therefore quality of provision	<p>Ensure 3 year budget plan takes account of likely increases to allow early actions to be taken to cover costs</p> <p>Lobbying via AoC to allow additional costs to be covered by an increase in funding</p> <p>Cost planning with Actuary to determine how best to manage</p> <p>Investigate alternative schemes if Pensions costs become prohibitive to long term financial sustainability of the College</p> <p>Manage staffing at an appropriate level through Forward Futures</p>
New contracts e.g. national career service, PEF etc.	Ensuring the College is able to deliver on new contracts both in terms of quality and financial parameters as established by Leadership Board and Corporation	New Contract for 2 South West lots and Kent Surrey and Sussex Lot, increase in activity £10m to £17m, with potential to grow further. More robust payment model in place. First year challenges will focus on

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		<p>staffing and curriculum.</p> <p>New contracts being delivered in pre-employment and traineeships with potential to deliver good contribution, again our quality will determine success</p>
Commercial monitoring/ management of non FE work	<p>Ensuring that management and monitoring of non FE work is robust and enables a contribution to be made to support core activities</p>	<p>Clear Corporate oversight. Business/curriculum plans established and signed off by leadership board.</p> <p>Budget allocated to secure human resource to market, establish and deliver curriculum.</p> <p>Budget and progress reviews established to monitor progress closely.</p> <p>Project progress reviewed monthly at leadership board.</p> <p>Need to ensure that estate use is operating at optimal level, given growth in Group properties.</p>
Ability to hit targets of key projects e.g. maths Centre of Excellence, Institute Of Technology (if approved); HALC, Groundworks Centre and Animal Care Centre	<p>The College is currently undertaking a significant number of high profile Capital and Revenue projects.</p> <p>There are a number of risks relating to a, successful delivery, in terms of timing, quality and financial.</p> <p>Following implementation, the projects come with target numbers eg increase in learners. In many cases there is a danger of funding clawback if these targets are not materially met.</p> <p>In addition, should approval for the IoT be received, the College as Accountable body will be responsible for the overall project which includes learner numbers to be delivered by other Colleges within the partnership.</p> <p>Failure to achieve any of the above would have a potential significant impact on the College's reputation.</p>	<p>The Capital Projects Working Group meets every three weeks to consider both delivery of projects as well as financial analysis. AT the latest Meeting (March 2019) the total variance relating to HALC and Groundworks totalled £27k on projects totalling £19m</p> <p>The IoT project has now reached second stage. Concerns over financial viability of partner colleges have either been addressed or robust monitoring has been established.</p> <p>A decision relating to IoT is expected imminently.</p> <p>Regular monitoring returns have made in relation to Flexible Learning fund, Maths Centre of Excellence without issue.</p> <p>The current risk score reflects the magnitude of the IoT.</p>
Maintaining ethos on a growing multi campus site	<p>The Weston College ethos is without doubt a critical factor in the ongoing success of the College Group. This may become harder to sustain as delivery is spread over a greater number of campuses.</p> <p>Risks relate to:</p> <p>Lack of visibility at site level</p>	<p>Regular audit and reviews of Faculty and Campus by Leadership Board</p> <p>Senior Leadership meetings</p> <p>Feedback from Student Council</p> <p>Creation and appointment to key roles</p> <p>Clear channels of</p>

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	Avoidance of silo mentality Consistency of provision Single positive message reflecting the quality of Weston College and Learner first.	communication established
Recruiting and Retaining skilled staff who put learners first	Insufficient skilled and motivated staff. Some skills shortages are evident reflecting national picture for maths, English and sciences. Other hard to fill posts include: Engineering Construction Cyber / Tech Vocational Trainer Assessors of all disciplines (e.g. Business Admin, Customer Services, Management etc.) PEF staffing shortages remain in more rural areas with poor public transport options. Managing at a distance for new areas may add a further dimension Loss of key staff and poor succession planning unable to ensure "business as usual" continuity.	Competitive pay & conditions. HR recruitment function is robust but prison vetting, location and skills shortages are external factors. Positive impact of Weston's unique offer, Sunday Times Best 100 Companies Competitive pay and kudos for working in OFSTED Outstanding college. Investors in People Gold & Champion status – demonstrates commitment to excellent people management. World-class, state of the art facilities attract and retain talent. Focus on engineering provision in particular to lessen risks of disruption to learning or poor experience. Actions underway to plug gaps. Staffing complement at present is ensuring that vacancies filled. Teaching Observations; Self-Assessment process & Appraisals
Management of apprenticeships especially at a distance	With funding now in the hands of employers, it is essential that the College provides high quality training to ensure continuation and growth of major contracts. This is particularly important where delivery is provided at a distance from Head Office.	The College will need to ensure that the core elements of its apprenticeship strategy are delivered. This requires a whole organisational understanding Clear corporate oversight. Apprenticeship strategy milestones reviewed regularly by leadership board. All contracts to be signed off by Principal ensuring no rogue arrangements which could imply sub-contracting. Clear and coherent approach to sales, recruitment and marketing established and outputs being monitored. Increased resource to monitor, review and support quality within apprenticeships. Quality improvement group in place to drive up standard of teaching, learning and assessment practice.
College Estates Development and associated Health &	Major health & safety failure, notably	Implementation of all policies including revised Health and

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Safety, safeguarding etc.	<p>a. reduction in prison staffing, affecting staff security, and</p> <p>b. new activity (construction groundworks, IEI)</p> <p>c. Workplace training for growing number of apprentices and learners</p> <p>d. Failure in child and vulnerable adult safeguarding procedures including counter-terrorism and extremism.</p>	<p>Safety policy. Dedicated H&S officer.</p> <p>Regular campus and facility audits, Programme to be signed off by Leadership Board.</p> <p>Regular testing and reporting of procedures to ensure adherence</p> <p>Early recognition & intervention achieved as a result of rigorous monitoring of effective and regular training for staff, students & governors in safeguarding disclosure procedures in conjunction with the Local Authority & Channel Officers.</p>
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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; the Ministry of Justice and individual prisons.

The Group recognises the importance of these relationships and engages in regular communication with stakeholders through regular face to face meetings and national forums. The Weston College Group is represented regionally by the Principal and Chief Executive in the North Somerset Partnership, meetings with West of England LEP, his role as Principal's Professional Council (PPC) representing both South West England and Wales and sitting on the Ofsted Appeals Panel.

In addition, the Principal represents the South West on a range of local and national boards. This includes representing South West colleges on the Association of Colleges (AOC) National Board, chairing the national group on Mathematics and English development and chairing the western Principals group meetings. Since 2017, the Principal was appointed as one of the seven national leaders for Further Education (NLFE) and was also appointed to the FE Commissioner's Principals Reference Group. This work, in the field of cost benefit analysis of education and in management of change is recognised nationally.

In 2017, the Principal was honoured by a CBE for his work in Further and Higher Education as well as receiving an honorary doctorate from University of West of England, Bristol together with the Queen's Anniversary Award for Further and Higher Education. In January 2019, at a major awards ceremony in London, sponsored by the Times Educational Supplement and the Association of Colleges, he received the TES 'FE Leader of the Year Award' recognising the significant work he has done for both his college and the sector.

The Principal is often asked to speak at National Conferences. This year this has included work with the Police on management development, the SEND agenda and Mathematics and English within the FE curriculum, which recently has included the AOC National Conference in Birmingham, the Finance Directors Association and the Female Police Officers development group for the UK.

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, Construction Skills Centre and the Health and Active Living Centre.

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 14 November 2019 and signed on its behalf by:

Signed



Andrew Leighton-Price, 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 2018 to 31st July 2019 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 2019. 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 most recent Reappointment	Termination/ Next Re-appointment Date	Attendance at Corporation in year (max: 7 meetings)
Ann Driver	10/2018		06/2022	6/7
Phil Warmsley	03/2019		06/2022	3/3
Alex Nestor	02/2019		06/2022	3/4
Mark Canniford	06/2007	06/2019	06/2020	7/7
Chris Carter	08/2006	06/2019	06/2020	6/7
Tim Cowley	12/2014	06/2019	06/2020	6/7
Gemma Day	02/2014	06/2019	06/2020	6/7
Jude Ferguson	06/2007	06/2018	T - 02/2019	2/3
Andrew Leighton Price	12/2014	06/2019	06/2020	7/7
Jo Midgley	05/2015	06/2019	06/2020	6/7
Ian Porter	02/2009	06/2019	06/2020	7/7
Sheila Smith	09/2010	06/2018	T - 06/2019	3/6
Donna Turner - Kot	02/2014	06/2018	T - 09/2018	0/1
Staff Members				
Fiona Waters - Business Support Staff	04/1999	06/2019	06/2020	7/7
Maxine Park- Academic Staff	07/2009	06/2019	06/2020	7/7
Student Member				
Austen Driscoll	02/2019		02/2020	3/3
Dr Paul Phillips - Principal	01/2001		Indefinite	7/7

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Joanne Philpott – Clerk to the Corporation Corporation Associate	10/2018	06/2019	06/2020	6/7
John Penrose	05/2012			n/a
Jane Hadfield	02/2015			n/a
David Jacobs	06/2016	External member, Audit Committee		n/a

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, Search and Audit. Capital Projects Working Group has also sat during 2018/19 to oversee the building projects of the Health and Active Living Centre and the Construction Centre.

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 2019 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 2019 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 2019 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 2019 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.

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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 October 2019 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2019 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2019.

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 14 November 2019 and signed on its behalf by:



Andrew Leighton-Price
Chair

WESTON COLLEGE GROUP

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 14 November 2019 and signed on its behalf by:

Signed


Andrew Leighton-Price
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 2018 to 2019* 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 the 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 14 November 2019 and signed on its behalf by:

Signed



Andrew Leighton-Price,
Chair

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF WESTON COLLEGE GROUP

Opinion

We have audited the financial statements of Weston College Group (the "College") and its subsidiaries (the "Group") for the year ended 31 July 2019 which comprise the consolidated and college statements of comprehensive income, the consolidated and college statement of financial position, the consolidated and college statements of changes in reserves, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the College's affairs as at 31 July 2019 and of the Group's and the College's surplus of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the Annual Report and Financial Statements other than the financial statements and our auditor's report thereon. The governors are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice 2018 to 2019 issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

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

WESTON COLLEGE GROUP

Responsibilities of the Corporation of Weston College Group

As explained more fully in the Statement of the Corporation's Responsibilities set out on page 24, the Corporation is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporation is responsible for assessing the Group's and the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporation either intend to liquidate the Group or the College or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the Corporation, as a body, in accordance with the Funding Agreement published by the Education and Skills Funding Agency and our engagement letter dated 21 May 2019. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are engaged to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

RSM UK AUDIT LLP
Chartered Accountants
St Philips Point
Temple Row
Birmingham
B2 5AF

Date: 04 / 12 / 19

WESTON COLLEGE GROUP

CONSOLIDATED AND COLLEGE STATEMENT of
COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 JULY 2019

	Notes	Year ended 31 July 2019		Year ended 31 July 2018	
		Group £000	College £000	Group £000	College £000
INCOME					
Funding body grants	2	33,093	33,093	40,220	30,637
Tuition fees and education contracts	3	8,729	8,594	7,389	7,321
Other grants and contracts	4	2,314	2,312	4,851	3,272
Other income	5	15,876	4,019	13,320	2,442
Investment income	6	65	64	58	55
Donations and Endowments	7	-	304	-	3,205
Total income		60,077	48,386	65,836	46,932
EXPENDITURE					
Staff costs	8	38,780	29,676	40,811	25,147
Restructuring costs	8	189	139	490	334
Other operating expenses	9	18,332	15,710	20,485	16,025
Depreciation	12	1,707	1,664	2,780	1,653
Interest and other finance costs	10	746	716	801	658
Total expenditure		59,754	47,905	65,367	43,817
Surplus before other gains and losses		323	481	469	3,115
Surplus on disposal of fixed assets		-	-	7	-
Surplus before tax		323	481	476	3,115
Taxation	11	35	-	348	-
Surplus for the year		358	481	825	3,115
Transfer of Assets on Disposal	14	(15,204)	-	-	-
Actuarial gain/(loss) in respect of pensions schemes	26	(6,860)	(6,047)	4,408	3,343
Partial write off of loan to subsidiary undertaking		-	-	-	-
Total comprehensive (expense)/income for the year		(21,706)	(5,566)	5,233	6,458
Represented by:		-	-	-	-
Unrestricted comprehensive (expense)/income		(21,706)	(5,566)	5,233	6,458
		(21,706)	(5,566)	5,233	6,458

WESTON COLLEGE GROUP

CONSOLIDATED AND COLLEGE STATEMENT OF FINANCIAL POSITION AS AT 31 JULY 2019


	Notes	Group 2019 £000	College 2019 £000	Group 2018 £000	College 2018 £000
Non current assets					
Tangible Fixed assets	12	68,538	68,489	92,281	58,957
Intangible Fixed assets		-	-	27	-
Investments	13	-	1,901	-	1,901
		68,538	70,390	92,308	60,858
Current assets					
Stocks		434	416	310	304
Trade and other receivables	15	5,590	5,450	2,889	3,080
Investments	16	3,000	3,000	3,000	3,000
Cash and cash equivalents	22	6,936	4,610	7,915	4,852
		15,960	13,476	14,114	11,236
Less: Creditors - amounts falling due within one year	17	(5,282)	(4,642)	(6,443)	(5,659)
Net current assets		10,678	8,834	7,671	5,577
Total assets less current liabilities		79,216	79,224	99,979	66,435
Creditors - amounts falling due after more than one year	18	(50,101)	(50,101)	(53,395)	(39,093)
Provisions					
Defined benefit obligations	26	(18,413)	(16,329)	(14,176)	(8,982)
Other provisions	20	(803)	(803)	(803)	(803)
Total net assets		9,899	11,991	31,605	17,557
Unrestricted Reserves					
Income and expenditure account		7,358	9,450	28,965	14,917
Revaluation reserve		2,541	2,541	2,640	2,640
Total unrestricted reserves		9,899	11,991	31,605	17,557
Total Reserves		9,899	11,991	31,605	17,557

The Financial Statements on Pages 27 - 52 were approved by the Corporation on 14 November 2019 and were signed on its behalf by:

Signed


Andrew Leighton-Price
Chair

Signed


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

WESTON COLLEGE GROUP

Consolidated and College Statement of Changes in Reserves

	Income and expenditure account £000	Revaluation reserve £000	Total £000
Group			
Balance at 1 August 2017	23,633	2,739	26,372
Surplus from the income and expenditure account	825	-	825
Other comprehensive expense	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
Surplus from the income and expenditure account	358	-	358
Other comprehensive income	(22,064)	-	(22,064)
Transfers between revaluation and income and expenditure reserves	99	(99)	-
Total comprehensive income for the year	(21,607)	(99)	(21,706)
Balance at 31 July 2019	7,358	2,541	9,899
College			
Balance at 1 August 2017	8,360	2,739	11,099
Surplus from the income and expenditure account	3,115	-	3,115
Other comprehensive expense	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
Surplus from the income and expenditure account	481	-	481
Other comprehensive income	(6,047)	-	(6,047)
Transfers between revaluation and income and expenditure reserves	99	(99)	-
Total comprehensive income for the year	(5,467)	(99)	(5,566)
Balance at 31 July 2019	9,450	2,541	11,991

WESTON COLLEGE GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 JULY 2019

	Notes	2019 £000	2018 £000
Cash flow from operating activities			
Surplus for the year		358	825
Adjustment for non-cash items			
Depreciation		1,707	2,780
Surplus on disposal of fixed assets		-	(7)
DCG Released		(950)	(1,428)
(Increase) in stocks		(124)	(309)
(Increase) in debtors		(3,354)	(1,747)
(Decrease) in creditors due within one year		(597)	(2,905)
(Decrease) in provisions		-	(625)
Pensions costs less contributions payable		1,172	1,265
Adjustment for investing or financing activities:			
Investment income		(60)	(56)
Interest payable		746	801
Net cash flow from operating activities		<u>(1,102)</u>	<u>(1,406)</u>
Cash flows from investing activities			
Proceeds from sale of fixed assets		-	12
Investment income		60	56
Withdrawal of deposits		-	2,525
DCG Received		8,630	133
Cash (outflow) from Acquisition		-	(95)
Cash (outflow) from disposal		(775)	-
Payments made to acquire fixed assets		(11,196)	(4,730)
		<u>(3,281)</u>	<u>(2,099)</u>
Cash flows from financing activities			
Interest paid		(453)	(389)
New unsecured loans		5,000	-
Repayments of amounts borrowed		(1,143)	(1,143)
		<u>3,404</u>	<u>(1,532)</u>
(Decrease) in cash and cash equivalents in the year		<u>(979)</u>	<u>(5,037)</u>
Cash and cash equivalents at beginning of the year	22	7,915	12,952
Cash and cash equivalents at end of the year	22	6,936	7,915

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 JULY 2019

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 2018 to 2019 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 £15,661k (2018: £11,804k) of loans outstanding with bankers on terms negotiated in 2009, 2010, 2014, 2017 and 2019, with the majority of the five 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 2018/19 due to forward funding of capital works and the growth of operational debtors at year end, notably in relation to the PEF contract. Excluding these items, 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, 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.

Previous to this year, the accounts of Inspirational Futures Trust (IFT), a multi academy Trust previously sponsored by Weston College were also, on the advice of previous external auditors, consolidated within the Group accounts. Following the decision of Weston College to cease sponsorship of IFT with immediate effect on 29 August 2018 and the subsequent changes to the Articles of IFT, this consolidation will no longer occur from the date outlined above. In the 2018/19 accounts IFT has been treated as leaving the Group on 29 August 2018.

All other company financial statements are made up to 31 July 2019.

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.

1. Accounting policies continued

Government capital grants are accounted for under the accrual model and held as deferred income and recognised in income over the expected useful life of the asset, 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.

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.

1. Accounting policies continued

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 the relevant accounting standard (then 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.

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.

1. Accounting policies continued

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.

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

Management of surplus funds

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.

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;

1. Accounting policies continued

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 surveyor 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 2019		Year ended 31 July 2018	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
Education and Skills Funding Agency - adult	6,583	6,583	4,946	4,867
Education and Skills Funding Agency - 16 to 18	17,730	17,730	27,392	18,621
Education and Skills Funding Agency – apprenticeships (funded)	5,709	5,709	3,358	3,358
Office for Students	2,121	2,121	3,096	3,096
Specific Grants				
Releases of government capital grants	950	950	1,428	695
Total	33,093	33,093	40,220	30,637

WESTON COLLEGE GROUP

3. Tuition fees and educational contracts

	Year ended 31 July 2019		Year ended 31 July 2018	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	762	762	662	662
Fees for FE loan supported courses	1,187	1,052	890	822
Fees for HE loan supported courses	2,985	2,985	2,384	2,384
Total tuition fees	4,934	4,799	3,936	3,868
Education contracts	3,795	3,795	3,453	3,453
Total	8,729	8,594	7,389	7,321

4. Other grants and contracts

	Year ended 31 July 2019		Year ended 31 July 2018	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other grants and contracts	2,314	2,312	4,851	3,272
Total	2,314	2,312	4,851	3,272

5. Other income

	Year ended 31 July 2019		Year ended 31 July 2018	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering and residences	846	122	725	51
Other income generating activities	13,198	367	10,522	134
Exam fee Income	30	26	32	27
Miscellaneous income	1,803	3,504	2,041	2,230
Total	15,877	4,019	13,320	2,442

6. Investment income

	Year ended 31 July 2018		Year ended 31 July 2017	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other interest receivable	65	64	56	55
Total	65	64	56	55

WESTON COLLEGE GROUP

7. Donations and endowments

	Year ended 31 July	
	2019	2018
	College	College
	£'000	£'000
Gift Aid from subsidiary companies		
Forward Futures Limited	227	678
Offender Learning Services Limited	-	2,482
Somax	77	45
Total	304	3,205

8. Staff costs

	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	No.	No.	No.	No.
Teaching staff	659	378	682	340
Non-teaching staff	431	303	392	259
	1,090	681	1,074	599

Staff costs for the above persons

	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Wages and salaries	30,372	20,711	30,838	16,729
Social security costs	2,792	1,987	3,092	1,793
Other pension costs	4,870	3,838	5,510	3,360
Payroll sub total	38,034	26,536	39,440	21,882
Contracted out staffing services	746	3,140	1,371	3,265
	38,780	29,676	40,811	25,147
Restructuring costs – contractual	189	139	490	334
	38,969	29,815	41,301	25,481

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.

	2019	2018
	No.	No.
The number of key management personnel including the Accounting Officer was:	14	17

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		Other staff	
	Year ended 31 July		Year ended 31 July	
	2019	2018	2019	2018
	No.	No.	No.	No.
£60,001 to £65,000	-	-	4	4
£65,001 to £70,000	-	-	3	1
£70,001 to £75,000	-	-	-	1
£75,001 to £80,000	-	-	-	1
£90,001 to £95,000	-	-	-	2
£95,001 to £100,000	-	-	1	-
£105,001 to £110,000	-	-	-	2
£110,001 to £115,000	-	-	-	1
£115,001 to £120,000	-	-	1	2
£120,001 to £125,000	-	-	3	2
£125,001 to £130,000	-	-	1	-
£225,001 to £230,000	-	1	-	-
£230,001 to £235,000	1	-	-	-
	1	1	13	16

Key management personnel emoluments are made up as follows:

	2019	2018
	£000	£000
Salaries	1,315	1,401
Benefits in kind	82	59
	1,397	1,460
Pension contributions	203	201
Total emoluments	1,600	1,661

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:

	2019	2018
	£000	£000
Compensation paid to former post-holder - redundancy	11	10
- payment in lieu of notice	26	26
Total	37	36

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:

	2019 £000	2018 £000
Salaries	213	204
Benefits in kind	22	21
	<hr/> 235	<hr/> 225
Pension contributions	46	44
	<hr/> 281	<hr/> 269
Basic Salary as a multiple of median basic salary of staff	8.88:1	8.87:1
Total Remuneration as a multiple of median total remuneration	9.36:1	9.28:1

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 bid for a significant amount of work with demonstrable success which certainly bucks the trend for the sector. The most notable successes have included a growth in income from Apprenticeships from £3.4million to £5.7million, successful bids to MOJ for Offender Learning increasing the annual contract value from £10.2million to £15.9million, plus a range of new capital investments including:

- Health and Active Living Centre - £10.3m
- Construction Skills Centre - £3.9m
- Animal Management Education Centre - £3.5m

The fact that Philip Augar visited Weston College as part of his research for the post-18 review of education and the fact that the College has been successful in winning two national centres for excellence speaks for itself. The Principal has combined a rigour of approach which encompasses entrepreneurial approaches to teaching and learning alongside sound financial approaches to create massive change for the organisation. These approaches now permeate the organisation at all levels.

At a time when colleges are contracting significantly and many are subject to intervention and merger, the Principal has chosen to take a very different stance which has included a much greater focus on commercial processes but at the same time, a real attention to quality within the organisation. This is evidenced by the continued delivery of academic results which are in all cases, at or above national benchmarks. This commercial approach to FE has led to a number of regional assignments and awards. The Principal and his leadership team continue to represent the FE sector regionally and nationally. The effectiveness of both the uniqueness of approach and the delivery, which is generating a good surplus, and bucking the trend within the sector, together with the growth of the group and new business, is reflected by the decision of the College Remuneration Committee.

Within this approach, and in addition to the information included in the salary bandings and table above, leadership board members can receive a bonus determined solely on performance, namely £118k reflecting special bonuses in the case of performance, and in the case of the Accounting Officer £37k respectively. This was agreed by the governing body and its Remuneration Committee.

WESTON COLLEGE GROUP

9. Other operating expenses

	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	9,312	7,275	9,101	7,407
Non-teaching costs	5,833	5,710	7,956	6,508
Premises costs	3,187	2,725	3,428	2,110
Total	18,332	15,710	20,485	16,025

	2019	2018
	£'000	£'000
Auditors' remuneration:		
Financial statements audit*	80	115
Internal audit**	65	19
Other services provided by the financial statements auditors	9	11
Other services provided by the internal auditors	8	18
Inventory recognised as an expense	149	303
Hire of assets under operating leases	130	216

* includes £45,000 in respect of the College (2017/18 £45,500)

** includes £65,000 in respect of the College (2017/18 £19,000), although this fee included work on new subsidiaries

10. Interest and other finance costs

	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
On bank loans, overdrafts and other loans:	453	453	370	368
	453	453	370	368
Pension finance costs (note 26)	293	263	431	290
Total	746	716	801	658

11. Taxation

	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
United Kingdom corporation tax at 19.00% (2018: 19.00%)	(35)	-	(348)	-

WESTON COLLEGE GROUP

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 2018	69,852	33,608	4,114	2,051	109,625
Additions	-	-	1,295	9,901	11,196
Reclassification	11,914	-	-	(11,914)	-
Disposals	-	(33,608)	(1,781)	-	(35,389)
At 31 July 2019	81,766	-	3,628	38	85,432
Accumulated Depreciation					
At 1 August 2018	14,229	1,545	1,570	-	17,344
Charge for the year	1,427	-	253	-	1,680
Eliminated in respect of disposals	-	(1,545)	(585)	-	(2,130)
At 31 July 2019	15,656	-	1,238	-	16,894
Net book value at 31 July 2019	66,110	-	2,390	38	68,538
Net book value at 31 July 2018	55,623	32,063	2,544	2,051	92,281

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 2018	69,852	-	2,262	2,051	74,165
Additions	-	-	1,295	9,901	11,196
Reclassification	11,914	-	-	(11,914)	-
At 31 July 2019	81,766	-	3,557	38	85,361
Accumulated Depreciation					
At 1 August 2018	14,229	-	979	-	15,208
Charge for the year	1,427	-	237	-	1,664
At 31 July 2019	15,656	-	1,216	-	16,872
Net book value at 31 July 2019	66,110	-	2,341	38	68,489
Net book value at 31 July 2018	55,623	-	1,283	2,051	58,957

WESTON COLLEGE GROUP

13. Non-current investments

	College 2019 £	College 2018 £
Investments in subsidiary companies	1,901,004	1,901,004

The College owns 100 per cent of the issued ordinary shares of Forward Futures Limited, Offender Learning Services Limited, Inspirational Events and Investments Limited and Somax Limited. All four 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 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 2019:

- Career Action Ltd – a company limited by shares
- The End Point Assessment Company (SW) Ltd – a company limited by shares
- North Somerset UTC – a company limited by guarantee
- The Weston Opportunity – a community interest company
- Brighter Futures Recruitment – a company limited by shares (dissolved August 2019)

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). Having reviewed the circumstances of the arrangements between the Group and IFT it has, without prejudice, continued to consolidate the financial performance of IFT into the 2018/19 financial statements, until the date of the ending of the sponsorship.

14. Assets transferred on disposal

	2019 £000	2018 £000
Leasehold land & buildings at fair value	32,063	-
Fixtures, fittings and equipment	1,196	-
Total fixed assets	33,259	-
Cash at bank and in hand	775	-
Debtors & prepayments	653	-
Accruals & deferred income	(789)	-
Net Current Assets	639	-
Pension fund deficit	(4,088)	-
Deferred Capital Grants	(14,606)	-
Net assets	15,204	-

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.

WESTON COLLEGE GROUP

15. Trade and other receivables

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Amounts falling due within one year:				
Trade receivables	1,709	1,303	1,305	928
Amounts owed by group undertakings:				
Subsidiary undertakings	-	1,567	-	1,217
Corporation tax	66	-	-	-
Prepayments and accrued income	3,565	2,363	1,101	828
Other debtors	250	217	449	107
Total due within one year	5,590	5,450	2,855	3,080
Amounts due after more than one year	-	-	-	-
Amounts owed by group undertakings:				
Subsidiary undertakings	-	-	-	-
Total trade and other receivables	5,590	5,450	2,855	3,080

The College has previously made loans to the value of £86k to another of its wholly owned subsidiaries, Brighter Futures Recruitment Limited. During 2017/18, 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. The final balance was outstanding has been settled out of the company's remaining cash balance, and the company has now been struck off. The remaining loans are repayable as follows:

	2019 £000	2018 £000
In one year or less	-	33
Total	-	33

16. Current investments

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Short term deposits	3,000	3,000	3,000	3,000
Total	3,000	3,000	3,000	3,000

Deposits are held with banks and building societies operating in the London market and licensed by the Financial Conduct Authority with more than three months maturity at the balance sheet date.

17. Creditors: amounts falling due within one year

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Bank loans and overdrafts	1,518	1,518	1,143	1,143
Trade payables	737	623	717	211
Amounts owed to group undertakings:				
Subsidiary undertakings	-	235	-	1,383
Other taxation and social security	886	608	906	322
Accruals and deferred income	1,292	809	2,678	1,905
Deferred income - government capital grants	849	849	999	695
Total	5,282	4,642	6,443	5,659

WESTON COLLEGE GROUP

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

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Bank loans	14,143	14,143	10,661	10,661
Deferred income - government capital grants	35,958	35,958	42,734	28,432
Total	50,101	50,101	53,395	39,093

19. Maturity of debt

Bank loans and overdrafts repayable as follows:

	Group 2019 £000	College 2019 £000	Group 2018 £000	College 2018 £000
In one year or less	1,518	1,518	1,143	1,143
Between one and two years	1,643	1,643	1,143	1,143
Between two and five years	4,930	4,930	3,430	3,430
In five years or more	7,570	7,570	6,088	6,088
Total	15,661	15,661	11,804	11,804

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 completed in 2018/19, which will be converted into a loan, including at the accounts on a ten year repayment term, which will be completed prior to 29 November 2019, when the RCF concludes.

20. Provisions

Group	Defined benefit Obligations	Enhanced pensions	Other	Total
	£'000	£'000	£'000	£'000
At 1 August 2018	(14,176)	(803)	-	(14,979)
Expenditure in the period	(1,504)	39	-	(1,465)
Transfer on disposal of subsidiary	4,088	-	-	4,088
Transferred from income and expenditure account	(6,821)	(39)	-	(6,860)
At 31 July 2019	(18,413)	(803)	-	(19,216)

College	Defined benefit Obligations	Enhanced pensions	Other	Total
	£'000	£'000	£'000	£'000
At 1 August 2018	(8,982)	(803)	-	(9,785)
Expenditure in the period	(1,339)	39	-	(1,300)
Transferred from income and expenditure account	(6,008)	(39)	-	(6,047)
At 31 July 2019	(16,329)	(803)	-	(17,132)

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:

	2019	2018
Interest rate	2.0%	2.3%
Inflation rate	2.2%	1.3%

21. Analysis of Deferred Capital Grants

	Note	Funding Body grants	Other Government Grants	Total
		£000	£000	£000
Group				
At 1 August 2018		30,381	13,352	43,733
Cash received		-	8,630	8,630
Released on transfer		(14,606)	-	(14,606)
Released to SOCI		(631)	(319)	(950)
At 31 July 2019		15,144	21,663	36,807
Current - due within one year	17	358	491	849
Due after more than one year	18	14,786	21,172	35,958
As above		15,144	21,663	36,807

WESTON COLLEGE GROUP

21. Analysis of Deferred Capital Grants continued

		Funding Body grants	Other Government Grants	Total
	Note	£000	£000	£000
College				
At 1 August 2018		15,775	13,352	29,127
Cash received		-	8,630	8,630
Released to SOCI		(631)	(319)	(950)
At 31 July 2019		15,144	21,663	36,807
Current - due within one year	17	358	491	849
Due after more than one year	18	14,786	21,172	35,958
As above		15,144	21,663	36,807

22. Cash and cash equivalents

	At 1 August 2018 £'000	Cash flows £'000	At 31 July 2019 £'000
Cash and cash equivalents	7,596	(1,506)	6,090
Short term investments	319	527	846
Total	7,915	(979)	6,936

23. Capital and other commitments

	Group and College	
	2019 £'000	2018 £'000
Commitments contracted for at 31 July	2,400	10,759
Authorised but not contracted at 31 July	-	-

As at 31 July 2019, the College Group had capital commitments relating to retention payments on the Health and Active Living Centre, the Construction Skills Centre, and had authorised and contracted the delivery of the new animal Management Education Centre, which will be constructed in the autumn of 2019.

24. Financial commitments

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

	Group and College	
	2019 £'000	2018 £'000
Future minimum lease payments due		
Assets other than land & buildings		
Not later than one year	17	29
Later than one year and not later than five years	10	35
	27	64

WESTON COLLEGE GROUP

25. Post balance sheet events

There were no post balance sheet events which would impact upon the financial accounts for 2018/19 reflecting a true and fair view of the Group's activity within the year.

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.

	2019	2018
	£'000	£'000
Total pension cost for the year		
Teachers' Pension Scheme:		
Contributions paid	2,353	2,236
Local Government Pension Scheme:		
Contributions paid	1,249	1,967
Actuarial charge	1,229	1,267
Charge to the Statement of Comprehensive Income	4,831	5,470
Enhanced Pension:		
Charge to Statement of Comprehensive Income	39	40
Total Pension Cost for Year within staff costs	4,870	5,510

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 2016 for the TPS and 31 March 2016 for the LGPS. There were outstanding contributions due to the LGPS of £177k (2018:£ 231k) 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 2014. 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. The TPS is a multi-employer pension plan and there is insufficient information to account for the scheme on as a defined benefit plan so it is accounted for as a defined contribution plan.

26. Pension and similar obligations continued**Valuation of the Teachers' Pension Scheme**

Not less than every four years the Government Actuary ("GA"), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation was carried out as at 31 March 2016 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 except it has been prepared following the Government's decision to pause the operation of the cost control mechanisms at the time when legal challenges were still pending.

The valuation report was published in April 2019. The key results of the valuation and subsequent consultation are:

- *Total scheme liabilities for service (pensions currently payable and the estimated cost of future benefits) of £218 billion*
- *Value of notional assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) of £196 billion*
- *Notional past service deficit of £22 billion*
- *Discount rate is 2.4% in excess of CPI*

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

The pension costs paid to TPS in the year amounted to £2,353k (2018 £2,236k).

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 2019 was £1,795k (2018: £2,303k), of which employer's contributions totalled £1,249k (2018: £1,967k) and employees' contributions totalled £546k (2018: £699k). The agreed contribution rates for future years are as follows:

- Employer's contributions are 13.1% and
- Employees' contributions range from 5.5% to 12.5% for, depending on salary.

WESTON COLLEGE GROUP

26. Pension and similar obligations continued

Principal Actuarial Assumptions

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

	At 31 July 2019	At 31 July 2018 (in the range)
Rate of increase in salaries	3.7%	3.6% to 3.7%
Rate of increase for pensions in payment	2.3%	2.2% to 2.3%
Discount rate for scheme liabilities	2.2%	2.8% to 2.9%
Inflation assumption (CPI)	2.2%	2.1% to 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 2019	At 31 July 2018
<u>Retiring today</u>		
Males	23.7	23.6
Females	26.2	26.1
<u>Retiring in 20 years</u>		
Males	26.3	26.2
Females	29.0	28.8

The Group's share of the assets of the plan at the balance sheet date was:

	2019 £'000	2018 £'000
Equities	13,997	11,729
Government Bonds	-	3,472
Other bonds	3,260	3,680
Property	1,645	2,783
Cash / liquidity	359	1,137
Other	10,648	7,121
Total fair value of plan assets	29,909	29,922
 Expected rate of return	 7.00%	 6.97%
 Actual return on plan assets	 1,927	 1,840

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

	2019 £'000	2018 £'000
Fair value of plan assets	29,909	29,922
Present value of plan liabilities	(48,297)	(44,074)
Present value of unfunded liabilities	(25)	(24)
Net pensions liability (Note 20)	(18,413)	(14,176)

WESTON COLLEGE GROUP

26. Pension and similar obligations continued

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

	2019 £'000	2018 £'000
Amounts included in staff costs		
Current service cost	2,478	3,234
Amounts included in investment income/expenditure		
Net interest expenditure	275	412
Amount recognised in Other Comprehensive Income		
Return on pension plan assets	(1,128)	(1,134)
Past service cost	338	-
Experience (gains) losses arising on defined benefit obligations	7,611	(3,295)
	<u>9,574</u>	<u>(783)</u>

The cumulative amount of actuarial losses recognised in the statement of gains & losses for accounting periods after 22 June 2002 is £9,282k (£1,671k at 31 July 2018). The best estimate of contributions to be paid to the scheme during the accounting period beginning after the balance sheet date is £1,510k.

Movement in net defined benefit liability during year:

	2019 £'000	2018 £'000
Net defined benefit liability in scheme at opening of the year	(14,176)	(16,926)
Movement in year:		
Current service costs	(2,478)	(3,234)
Employer contributions	1,249	1,967
Transfer on disposal of subsidiary	4,088	-
Net interest on the defined liability	(275)	(412)
Actuarial loss	(6,821)	4,429
Net defined benefit liability at ending of the year	<u>(18,413)</u>	<u>(14,176)</u>

Asset and Liability Reconciliation

Changes in the present value of defined benefit obligations

	2019 £'000	2018 £'000
Defined benefit obligations at start of period	44,098	43,272
Transfer on disposal of subsidiary	(6,997)	-
Current service costs	2,435	3,124
Interest cost	1,073	1,119
Contributions by Scheme participants	546	699
Past service cost (gain)	338	-
Remeasurement of liabilities	7,611	(3,295)
Curtailments	-	63
Estimated benefits paid	(782)	(884)
Defined benefit obligations at end of period	<u>48,322</u>	<u>44,098</u>

26. Pension and similar obligations continued**Changes in fair value of plan assets**

	2019	2018
	£'000	£'000
Fair value of plan assets at start of period	29,922	26,346
Transfer on disposal of subsidiary	(2,909)	-
Interest on plan assets	798	707
Administrative expenses	(43)	(47)
Return on plan assets	1,128	1,134
Employer contributions	1,249	1,967
Contributions by Scheme participants	546	699
Estimated benefits paid	(782)	(884)
Fair value of plan assets at end of period	29,909	29,922

Deficit contributions

The Group has entered into an agreement with the LGPS to make additional contributions of £347,240 in 2018/19, 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 £57k (2017/18 £59k). 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 £39k (2017/18 £40k) was debited to the accounts to bring the provision into line with the requirements of FRS 102.

McCloud Judgement

In December 2018 the Court of Appeal ruled against the Government in the two linked cases of Sargeant and McCloud (which for the purposes of the LGPS has generally been shortened to "McCloud"), relating to the Firefighter unfunded pension schemes and the Judicial pension arrangements. In essence, the Court held that the transitional protections, which were afforded to older members when the reformed schemes were introduced in 2015, constituted unlawful age discrimination. Remedial action in the form of increases in benefits for some members of the Firefighter and Judicial arrangements will almost certainly be required. There may well also be knock-on effects for the other public service schemes, and the LGPS might therefore also be required to take some action.

At this stage it is unclear what the extent of any potential remedial action might be. Whilst the actuary is happy not to make specific allowance in the accounting figures for the effect of the judgment (on the grounds that the effects are within the margins of approximation inherent in the existing calculation methodology), general emerging practice from audit firms is that an adjustment is required. Therefore, the accounts include an estimate of £229k, representing the effect of the judgment within the Past Service Cost.

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.

Jacqui Ford is Assistant Principal of the College and a Governor of Broadoak School, from whom the College received Nil in the year (2018 – £11k). The balance owing to the College at the end of the year was Nil (2017 – Nil) in relation to supporting schools with extra-curricular activities.

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Dave Trounce is Senior Vice Principal of the College and recently a Governor of Worle School, from whom the College received £10k in the year (2018 – 16k). The balance owing to the College at the end of the year was Nil (2017 - Nil) in relation to supporting schools with extra-curricular activities.

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 £801k in the year (2018 £800k) for the provision of Higher Education. The balance owing to the College at the end of the year was £122k (2018 – £435k).

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 £39k (2018- £31k).

Fiona Waters is College Registrar and a trustee of Priory Community School Academy, from whom the College received £2k in the year (2018 – Nil). The balance owing to the College at the end of the year was Nil (2017 – £3k) in relation to supporting schools with extra-curricular activities.

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 2019 totalled £201k (2018 - £163k)

Mark Canniford, a Governor of the College and proprietor of Grove Park News. Amounts paid to Grove Park News in 2019 totalled £7k (2018 - £8k) for newspapers within student libraries across the various campuses. The balance owing to Grove Park News at the end of the year was 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. A review of all such disclosures has been reviewed by the chair of the Corporation and Chair of Audit Committee as part of this statutory accounts process.

28. Amounts dispersed as agent

	2019	2018
	£000	£000
Balance at 1 August	31	145
Funding body grants	367	362
	398	507
Disbursed as learner support	(381)	(458)
Administration cost	-	(18)
Balance at 31 July	17	31

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.

The College elected not to charge an administration fee in 2018/19 (2017/18: £18k)

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON REGULARITY TO THE CORPORATION OF WESTON COLLEGE GROUP AND THE SECRETARY OF STATE FOR EDUCATION ACTING THROUGH EDUCATION AND SKILLS FUNDING AGENCY

Conclusion

We have carried out an engagement, in accordance with the terms of our engagement letter dated 21 May 2019 and further to the requirements of the grant funding agreements and contracts with the Education and Skills Funding Agency (the "ESFA"), to obtain limited assurance about whether the expenditure disbursed and income received by Weston College Group during the period 1 August 2018 to 31 July 2019 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

Basis for conclusion

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

We are independent of the Weston College Group in accordance with the ethical requirements that are applicable to this engagement and we have fulfilled our ethical requirements in accordance with these requirements. We believe the assurance evidence we have obtained is sufficient to provide a basis for our conclusion.

Responsibilities of Corporation of Weston College Group for regularity

The Corporation of Weston College Group is responsible, under the grant funding agreements and contracts with the ESFA and 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. The corporation of Weston College Group is also responsible for preparing the Governing Body's Statement of Regularity, Propriety and Compliance.

Reporting accountant's responsibilities for reporting on regularity

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 ACoP.

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 the procedures performed vary in nature and timing from, and are less in extent than for a reasonable assurance engagement; consequently a limited assurance engagement 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.

We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2018 to 31 July 2019 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities including the specific requirements of the grant funding agreements and contracts with the ESFA and high level financial control areas where we identified a material irregularity is likely to arise. We undertook detailed testing, on a sample basis, on the identified areas where a material irregularity is likely to arise where such areas are in respect of controls, policies and procedures that apply to classes of transactions.

This work was integrated with our audit of the financial statements and evidence was also derived from the conduct of that audit to the extent it supports the regularity conclusion.

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Use of our report

This report is made solely to the Corporation of Weston College Group and the Secretary of State for Education acting through the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Corporation of Weston College Group and the Secretary of State for Education acting through the ESFA 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 Group and the Secretary of State for Education acting through the ESFA for our work, for this report, or for the conclusion we have formed.

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Date

04/12/19

