

LOUGHBOROUGH COLLEGE

Report of the Members of the Corporation and Financial Statements

for the year ended 31 July 2019

Loughborough College

Key Management Personnel, Board of Governors and Professional advisers

Key Management Personnel

Key management personnel are defined as members of the College Executive Team and were represented by the following in 2018/19:

Mr J Doherty - Chief Executive Officer; Accounting officer

Mr H Khurmi - Vice Principal Finance and Infrastructure

Mr C Butler - Vice Principal People, Planning and Marketing

Ms D Donnarumma - Vice Principal Curriculum, Quality and Learner Experience (until 31st December 2018)

Ms S Townes - Vice Principal Curriculum, Quality and Learner Experience (from 1st January 2019)

Board of Governors

A full list of Governors is given on page 17 of the report of the Members.

Mr I Jones acted as Clerk to the Corporation.

Registered Office

Radmoor Road
Loughborough
Leicestershire
LE11 3BT

Professional advisers

Financial Statements Auditors and Reporting Accountants

PricewaterhouseCoopers LLP
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

Independent Assurance Advisors

PricewaterhouseCoopers LLP
Donington Court
Pegasus Business Park
Castle Donington
DE74 2UZ

Bankers

Lloyds Bank Plc
1st Floor, Butt Dyke House
33 Park Row
Nottingham
NG1 6GY

Royal Bank of Scotland
1st Floor
5 Market Street
Leicester
LE1 6DN

Loughborough College

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Loughborough College

Members' Report

Nature, Objectives and Strategies

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

Legal Status

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

Vision

The College's vision is "To be in the top 10% of education, training and apprenticeship providers in the UK"

Meaning that we are...

- Recognised as a provider and partner of choice, locally, nationally and internationally, for delivering relevant and innovative education and training; and
- Inspiring our learners to achieve and progress in employment or on to further study.

Public Benefit

Loughborough College is an exempt charity under Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on page 17.

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

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

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

Loughborough College

Members' Report (continued)

Implementation of Strategic Plan

In July 2016 the College adopted a strategic plan for the period 1 August 2016 to 31 July 2020. This strategic plan includes property and financial plans. The Corporation monitors the performance of the College against these plans. The plans are reviewed and updated each year. The College's continuing strategic objectives are to achieve the following by July 2020:

- All our learners make better-than-expected progress;
- We have achievement rates for all areas in the top 5% of providers;
- At least 95% of learners progress to further study, an apprenticeship or work;
- Our learners are satisfied with their experience – giving us 95% positive feedback;
- External regulatory bodies, such as Ofsted, recognise us as an excellent provider;
- We are regarded as the region's higher education college of choice;
- We have created Loughborough College business school;
- We have launched an employer-sponsored apprenticeship academy, delivering growth in line with the Leicester and Leicestershire Enterprise Partnership's (LLEP) priorities;
- We have established an international presence through partnerships with businesses and schools/colleges in at least two continents;
- We have established a community affiliation scheme (gym/spa/restaurant/nursery) for all Leicestershire residents;
- We are recognised as a great place to work;
- We have an outstanding financial rating, with income having grown to over £35 million organically and producing an operating surplus greater than 3% of income;
- Our reliance on government direct revenue grants has reduced to 40%;
- Our estate is modern, engaging and fit for purpose;
- Our health and safety processes have a Five Star British Safety Council rating; and
- Reflecting our environmental commitment, we have achieved ISO 14001 Accreditation.

The College is now in the process of updating its strategic plan and supporting strategic objectives to 2025. It is anticipated that this will be finalised in early 2020.

Loughborough College

Members' Report (continued)

Financial Objectives

The College's financial objectives for 2019/20 are:

- To achieve robust and improving financial health and a financial rating of no lower than Good;
- To achieve turnover of £31.55m;
- To achieve a breakeven operational performance;
- To achieve an EBITDA of £1.675m or 5.38% of income by the 31st July 2020;
- To achieve an adjusted current ratio of 1.09 by the 31st July 2020;
- To generate a cash inflow from operations of £1.754m by the 31st July 2020;
- To achieve cash days of 39 days by the 31st July 2020;
- To maintain borrowing at 17.5% of adjusted income by the 31st July 2020, this excludes the needs of any future estates strategy or other major developments where this may be agreed to rise; Compliance with banking covenants;
- Staff costs as a % of income at or below 62.33%; and
- Generating sufficient funds to allow for £0.573m of capital expenditure investment for equipment and estates infrastructure needs, this excludes the needs of any future estates strategy where this may be agreed to change.

Performance Indicators

The College specific objectives for 2018/19 and the achievement of those objectives are addressed below:

Budget Objectives 2018/19	Achievement Status 2018/19
Total Income £32.45m	Total Income £31.72m
Operating deficit of £350k excluding FRS102 pension adjustments	Comprehensive Income of £17k excluding FRS102 pension adjustments.
EBITDA of £1.564m or 4.88% of income	EBITDA of £1.707m or 5.46% of income
Financial Health Category: Satisfactory	Financial Health Category: Good
Adjusted Current Ratio: 0.84	Adjusted Current Ratio: 1.02
Cash inflow from operations £1.693m	Cash inflow from operations £2.135m
Cash days of 23 days	Cash days of 37 days
Borrowing as a % of Income 17.74%	Borrowing as a % of Income 18.54%
Staff costs as a % of Income 61.7%	Staff costs as a % of Income 62.3% (excluding FRS102 pensions adjustments)
Capital expenditure £1.10m	Capital expenditure £ 0.81m

The College is committed to observing the importance of sector measures and indicators and uses the FE Choices data available on the GOV.UK website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the Education and Skills Funding Agency (ESFA).

The College was assessed by the ESFA as having a "Satisfactory" financial health grading for 2017/18. The current self-assessed rating of Good for 2018/19 is considered a positive outcome.

Loughborough College

Members' Report (continued)

Financial Position

Financial Results

The Group generated total comprehensive expense of £5,449,000 (2017/18 comprehensive income of £1,472,000). The total comprehensive expense in 2018/19 is stated after accounting for the actuarial deficit on pension schemes. The results prior to pension costs and adjustments was total comprehensive income of £17,000 (2017/18 total comprehensive expense of £648,000). The FRS102 'Pension Adjustment' set out in the table below are non cash adjustments posted to the financial statements. The entries are based on an independent actuarial review of the adequacy of the payments the College makes to its Local Government Pension Scheme.

The table below highlights the consolidated underlying performance before accounting for the pension adjustment.

Consolidated Underlying Performance

	Year ended 31 July 2019		
	Group Result (including Pension Adjustment) £'000	Pension Adjustment £'000	Group Result (excluding Pension Adjustment) £'000
Total Income	31,719	0	31,719
Total Expenditure	33,383	(1,682)	31,701
(Deficit)/ Surplus before other Gains and Losses	(1,664)	1,682	18
Loss on Disposal of Assets	(1)	0	(1)
Comprehensive (expense)/ income	(1,665)	1,682	17
Loss on Investments	(11)	0	(11)
Total Tax	0	0	0
(Deficit)/ Surplus for the year	(1,676)	1,682	6
Actuarial Deficit in respect of Pensions Schemes	(3,773)	3,773	0
Total Comprehensive (Expense)/Income for the year	(5,449)	5,455	6

In 2018/19 the College delivered to 3,426 16-18 year old learners against an allocation amounting to 3,544 learners.

The Group has accumulated reserves of £13,906,000 (College £14,735,000) and cash and short term investment balances of £3,196,000. The Group wishes to continue to accumulate reserves and cash balances in order to create a contingency fund.

Tangible fixed asset additions during the year amounted to £805,000. This was split between land and buildings acquired of £411,000 and equipment purchased of £394,000.

The Group has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2018/19 the FE funding bodies provided 68.7% of the Group's total income (2017/18 66.9%).

Loughborough College

Members' Report (continued)

Financial Results (continued)

The College has only one subsidiary company, The Leicestershire College Ltd. This has reduced from three subsidiary companies in 2016/17. Loughborough College Enterprises Ltd and Loughborough College Properties Ltd were formally dissolved in 2017/18 and had not traded since March 2015 and were in the process of liquidation in 2016/17.

The Leicestershire College Ltd operates on private sector principles, which includes having its own defined pension scheme and its own terms and conditions of supply. The Leicestershire College Ltd was set up in 2016/17, was dormant in 2017/18 and has started to trade from the beginning of 2018/19. The Leicestershire College Ltd provides support to Loughborough College with its development and ability to increase competitiveness in the economy whilst providing opportunity for improved quality and efficiency.

Treasury Policies and Objectives

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

The College has a separate treasury management policy in place.

Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum. The College had £5,674,000 of unsecured bank loans at 31st July 2019 used to fund the creation of the Hub building and the refurbishment of the sixth form building.

Cash Flows, Liquidity and Going Concern

The size of the College's total borrowing and its approach to interest rates has been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cash flow. During the year this margin was comfortably exceeded. The Group and the College are in a net current liabilities position of £355,000 and £402,000 respectively at 31 July 2019. The Members of the Corporation have concluded the College can continue as a going concern due to the current self-assessed health at Good status and projected health of the College also being at Good status and the strength of underlying cash generation from operations.

Reserves Policy

The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation, and ensures that there are adequate reserves to support the College's core activities. The Group has reserves of £13,906,000 comprising of £8,450,000 in general reserves, £5,168,000 in revaluation reserves and £288,000 in a restricted permanent endowment reserve. It is the Corporation's intention to increase reserves over the life of the strategic plan through the generation of annual operating surpluses.

Current and Future Development and Performance

Financial Health

The College's health has been assessed by the ESFA as Satisfactory for 2017/18. Based on these financial statements the College's health will be Good for 2018/19. A two year financial plan was submitted to the ESFA in July 2019 and it is the College's intention to maintain Good financial health.

The College has no current or forecast issues with respect to banking covenants attached to its banking facilities.

Loughborough College

Members' Report (continued)

Student Numbers

In 2018/19 the College has delivered activity that has produced £21,804,000 in funding body main allocation funding (2017/18 – £19,198,000). The College had approximately 8,300 funded and 1,155 non-funded students. The College also achieved 3,426 16-18 year old learners against an allocation of 3,544 learners.

Learner Achievements

The College was rated as Good by Ofsted in May 2017, the most recent Ofsted rating, and will self-grade its SAR for 2018/19 as Good.

Timely Achievement for Education and Training programmes/FE (Inspection rules applied) has improved in 2018/19 by 1% overall. Timely Achievement for Employer Responsive/Apprenticeships has improved in 2018/19 overall by 3% (subject to final data ratification).

Outcomes for 16-18 year old learners in 2018-19 are considered to be good and have improved by 3% and outcomes for apprenticeships are good with an improvement of 3%.

The College will continue its focus on improving 19+ learner outcomes as these are 3% below that achieved by the 16-18 years cohort in 2018/19.

Achievement gaps between different groups of learners are generally closing, although there are some areas that continue to be a focus for improvement. The gap between male and females has closed from 5% to 1%, with males improving by 3% overall.

The College has been rated in 2018/19 as 'Gold' for higher education provision as part of the Teaching Excellence Framework.

The College achieved the full Matrix standard in 2016-17. The Matrix Standard is being reassessed in 2019/20 commencing November 2019.

Positive feedback from learners' internal surveys improved significantly across 2018-19, with surveys monitored via College Key Performance Indicators, achieving or exceeding targets in every instance. The focus in 2019/20 will be on external survey engagement via FE Choices and the Employer Survey as well as NSS

Curriculum Developments

The College offers provision in all sector subject areas except construction and land-based. Provision is organised from pre-entry to degree level and covers a range of the local, regional and LLEP priority sectors. The College has an international reputation for sport and has strong partnerships with Loughborough University, sharing a range of facilities, Leicester University, and a range of significant employers and relevant partners.

The College has been approved as a provider of technical qualifications (T Quals/Levels) from September 2021 as part of the Government's phase 2 rollout of the new provision. The comprehensive and wide ranging T Level Implementation plan is tracked and monitored by the DfE and is in operation to support the transition for the College over the next two year period. Quarterly updates are made to the DfE and ESFA are in close contact with the College providing guidance and support. The College is currently in receipt of ESFA Capacity and Delivery Funds to support the change required to deliver T Levels. Rapid progress has been made since February 2019 to meet DfE's expectations in this area. The College has a target of delivering 260 Industry Placements (315 hours) for learners in 2019/20. Engagement with employers to support the IP target is progressing well and we are on course to meet this target.

Loughborough College

Members' Report (continued)

Curriculum Developments (continued)

The College is reviewing its curriculum offer via a newly developed and developing framework identified as 'curriculum lens testing'. This internally devised framework is and will enable colleagues at every level in the organisation to 'test' via various 'lens' the rationales in place underpinning why we are delivering or wish to deliver current and future proposed provision. This approach also aligns with the new Ofsted EIF under the category of intent. The 'lenses' which are applied to our current offer and potential future provision are related to data and information from a variety of external and internal sources, including from EMSI, LLEP, LMI, as well as our internal data premised on quality, finances and contributions, learner outcomes, feedback, destinations, progression and so forth. Our strategic objectives and vision are also being subjected to this process to ensure our offer is robust, valid and of value to our learners and partners. The first high level phase has been completed and shared with Governors. This is a multi-phased project (under development) which will extend into 2020/21 and will become a key component in supporting and informing the College and the Board on the desired direction of curriculum development in meeting and addressing the skills needs of our local and regional economies, the communities we serve, our learners and key partners' needs and ensuring our learners destination opportunities are clear and of value to them, their need to lead independent lives and their future employers.

The College has a partnership with the National Space Academy in Leicester, delivering programmes and apprenticeships in Space Engineering. The College has apprenticeships provision across all ages in Business, Engineering, Customer Service, Logistics, Sport, IT, Logistics and Service Industries. It is developing a number of new standards and is exploring the introduction of degree apprenticeships with relevant partners.

The College has a significant HE offer, with provision offered at HNC/D, Foundation Degree and Honours Degrees, mainly as "top up". They are validated by a range of partner universities, including Loughborough, Nottingham Trent, Warwick and Derby. The offer includes Business and management, Computing and Media, Dance, Early Years, Engineering, Music, Public Services, Sport, Exercise and Fitness, Teacher Training and Access to Higher Education.

Proposed Merger

During 2017-18, Loughborough College started the process of a proposed merger with Stephenson College, originally planned for 2019-20. This process has now ceased with both organisations agreeing to bring the project to a close. Loughborough College will now continue to pursue its individual direction.

Resources

The College has various resources that it can deploy in pursuit of its strategic objectives. Tangible resources include the main college site, which contain the recently built HUB building and fully refurbished Sixth Form building.

Financial

The Group has £13,906,000 of net assets (including £13,758,000 pension liability) and long term debt of £5,674,000.

People

The Group employs 567 people (expressed as full time equivalents), of whom 303 are teaching staff.

Reputation

The College has a good reputation locally and nationally. Maintaining a quality brand is essential for the College's success at attracting students and external relationships.

Loughborough College

Members' Report (continued)

Stakeholder Relationships

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

- Students;
- Education sector funding bodies;
- Sixth Form /FE Commissioner;
- Staff;
- Local employers;
- Local authorities;
- Local Enterprise Partnerships (LEPs);
- The local community;
- Other FE institutions;
- Trade unions; and
- Professional bodies.

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

Key Performance Indicators

The College measures itself and is measured externally by certain key performance indicators.

First and foremost, student recruitment, retention and achievement are measured internally and is also scrutinised externally via Ofsted inspections.

The financial health of the College is assessed via a suite of prescribed ESFA formulae. The College is required to submit a two year plan to the funding body each July which sets out its anticipated performance over the life of the plan. This model includes all the key ratios widely used in the sector to assess performance.

In terms of staffing the College carries out a staff survey each year.

Principal Risks and Uncertainties:

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

Based on the strategic plan, the executive team and heads of departments undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the executive team will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

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

This is supported by a risk management training programme to raise awareness of risk throughout the College.

The Corporate risk register which is regularly maintained and monitored highlights the top key principal risks that the College currently manages as part of risk management planning. For 2019/20 the College corporate risk register highlighted eleven key risks for monitoring and management and not all of these are within the College's control. Some of these key risks are highlighted below in more detail including associated risk mitigation measures.

Loughborough College

Members' Report (continued)

1 Failure to maintain the short term and long term viability of the College

The College's financial health is self-assessed as Good for 2018/19, as described further above (Satisfactory for 2017/18). This is largely a consequence of rigorous and accurate planning, management and monitoring of College finances. Notwithstanding that, the continuing challenges to the College's financial position remains the constraint on further and higher education funding arising from cuts in public sector funding increased competition in the market place whilst maintaining the student experience.

The risk is mitigated in a number of ways:

- Rigorous budget setting procedures and sensitivity analysis
- Regular in year business planning forecasts and monitoring of budgets
- Robust financial controls
- Up to date long term financial strategies supporting key income streams
- Regular long term financial plan modelling
- Detailed planning and costing of the curriculum to support budgets
- Accurate and timely management accounts
- Procurement efficiencies constantly being explored

2 Reducing the Quality of Teaching, Learning and Assessment

The College had a Good rating from Ofsted in 2017 and a Gold TEF rating for its higher education provision but nevertheless the risk is that quality outcomes for learners starts to reduce and also falls below national benchmarks.

This risk is mitigated in a number of ways:

- An appropriate quality team and structure is in place
- A robust quality cycle is in place supported by learner progress reviews and curriculum development reviews
- Regular quality review of offsite programme and subcontractor performance ie monthly reviews
- Regular review of retention and attendance rates by the executive team and senior management
- Regular review of progress on apprenticeships programmes to ensure timely achievements
- OFSTED Good rating secured in July 2017
- TEF Gold rating for HE secured in 2019
- A robust Self assessment process and action plan. Implementation of CDR & CPR framework
- A Subcontracting framework for appointing and monitoring performance
- An appropriate structure in place for learning support

3 Reducing Apprenticeships Income

The risk is that the College's work with large and small employers on Levy and Non Levy programmes is impacted by further government reforms and a downturn in relation to the economic climate leading to the College not meeting its income targets and growth plans in these areas.

This risk is mitigated in a number of ways:

- An Apprenticeship strategic plan in place
- An effective sales team in place to support new starts
- Effective policies and procedures in place
- A robust apprenticeship business planning and budget setting process
- Quality assurance and standards framework in place
- Rigorous Self assessment process in place

Loughborough College

Members' Report (continued)

4 Reducing Higher Education Income

The risk is that Higher education activity is negatively affected by government policy changes in the future, a reducing demographic trend and increasing competition.

This risk is mitigated in a number of ways:

- TEF status at Gold achieved in July 2019
- Robust HE leadership structure in place to oversee HE activities
- Robust HE business planning and budget setting process
- Fee agreement set which is competitively market tested and benchmarked
- A HE Strategic plan in place
- Effective policies and procedures in place
- Quality assurance and standards framework in place
- Rigorous Self Assessment process in place

5 Loss of High Quality Staff

The risk is that the College fails to retain and recruit high quality staff.

The risk is mitigated in a number of ways:

- The reputation of the College
- Benchmarking of salaries across the board via Hays methodology of Job evaluation
- Promotion and access to staff benefits
- Promotion of access to pension schemes for those eligible during the recruitment process
- Market supplements to reflect national sectors
- Staff forum and regular staff briefings.
- Annual Staff Survey completed with supporting action plan in place

Equality

The College is committed to ensuring equality of opportunity for all learners and staff and works hard to ensure that discrimination in any forms is eliminated, diversity is celebrated and achievement gaps between different groups of learners are reduced. Regular staff training takes place to ensure that all staff are familiar with, and recognise the importance of, the protected characteristics and responsibilities within the Equality Act. The college has a link governor for Equality and Diversity.

The College employs an Equality and Diversity Manager to oversee and support the College in ensuring best practice within the curriculum and across other functions. There is an Equality and Diversity strategic group, who regularly monitor and review the annual plan for equality and diversity. The College carries out Equality Impact Assessments on all new policies and procedures and employs a Welfare and Development Team, to ensure that all aspects of diversity are celebrated within the curriculum and across the college.

Loughborough College

Members' Report (continued)

Disability Statement

Loughborough College is committed to making reasonable adjustments and offering additional support to ensure that learners, who may otherwise be disadvantaged due to learning difficulties and disabilities and medical conditions, have an equal chance of completing their programme of learning and achieving successful outcomes. This will be done whilst promoting independence and maintaining dignity. The College recognises learning difficulties and disabilities as defined within the Equality Act 2010.

Loughborough College has an inclusive culture whereby the learning needs of learners are promoted and supported throughout their learning. Reasonable adjustments will be made by those overseeing teaching, learning and assessment within the learning environment. Additional support is offered based on an assessment of each individual's needs.

The College will promote independence by reviewing learners' needs and making adjustments to levels of support offered.

The College has strong links with local authorities and complies with current SEND (Special Educational Needs and Disabilities) legislation to ensure best endeavours are applied throughout a learner's journey. The College has regard for the SEND Code of Practice and fulfils its statutory duty towards children and young people (0-25) with SEN or disabilities.

The College is committed to eliminating discrimination, promoting equality of opportunity and fostering good relations between disabled and non-disabled children and young people.

The College has a published local offer in line with The Special Educational Needs (local offer) Regulations 2014 for more information on services and support.

Trade Union Facility Time

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

The College had 9.8 employees (FTE) who were trade union representatives from 1 April 2018 to 31 March 2019, with the time being spent and approximate costs shown below.

Percentage of working hours spent on facility time	Number of Employees
0%	0
1-50%	10
51-99%	0
100%	0

Total cost of facility time	£21,164
Total pay bill	£18,783,870
Percentage of total bill spent on facility time	0.11%

Time spent on paid trade union activities as a percentage of total paid facility time	0%
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Loughborough College

Members' Report (continued)

Payment Performance

The Late Payment of Commercial Debts (Interest) Act 1998, in the absence of agreement to the contrary, requires organisations. During the accounting period 1 August 2018 to 31 July 2019, the College paid 74.6% of its invoices within 30 days of receipt. The College incurred £80 in respect of late payment for this period.

Disclosure of Information to Auditors

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

Financial Instruments and Related Disclosures

A financial instrument is a contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another entity. The nature of the Group's activities means that exposure to risk, although not eliminated, is reduced.

The key risks that the Group has identified are as follows:

1. Financial Risk

The Group's financial assets and liabilities are generally generated by day-to-day operational activities rather than being held to change the risks facing the Group in undertaking its activities.

The Group's treasury management operations are carried out by the finance department, within parameters defined formally within the Group's standing financial instructions and policies agreed by the Corporation. Group treasury activity is subject to review by the Finance Committee.

2. Currency Risk

The Group is principally a domestic organisation with majority of transactions, assets and liabilities being in the UK and Sterling based. The Group therefore has low exposure to currency rate fluctuations.

3. Market (Interest Rate) Risk

All of the Group's financial assets and all of its financial liabilities carry nil or fixed rates of interest. The Group is not therefore, exposed to significant interest rate risk.

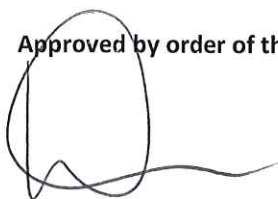
4. Credit Risk

The majority of the Group's income comes from contracts/funding grants with other public sector bodies, resulting in low exposure to credit risk. The Group mitigates its exposure to credit risk through regular review of debtor balances and by calculating a bad debt provision at the end of the year.

5. Liquidity Risk

The Group continues to monitor its monthly and future cash position through its ESFA finance submissions and has governance arrangements in place to manage cash requirements throughout the year. The Group is not, therefore, exposed to significant liquidity risks.

Approved by order of the members of the Corporation on 16th December 2019 and signed on its behalf by:



Wendy Coy
Chair of Governors

Loughborough College

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and 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 and best practice.

In the opinion of the Governors, the College complies with/exceeds all the provisions of the Code, and it has complied throughout the year ended 31 July 2019. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges which it formally adopted on 20th July 2015, with effect from 1st August 2015.

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.

Loughborough College

The Corporation

The members who served on the Corporation during the year 1 August 2018-31 July 2019 and up to the date of signature of this report were as listed in the table below.

	Date of Appointment	Term of office	Date of Resignation/ expiry of term	Status of appointment	Committees served in addition to Corporation Board in year 2018/19 and up to date of signature	% overall attendance inc. Board & Committees in year 2018-19	Corporation Board Attendance in year 2018-19 (as percentage of possible attendance)
*Lewis Bates	Aug 2019	1 year		Student Governor (FE)	QTLA	n/a	n/a
Ms E Compson	May 2019 <i>reappointed for 2nd term of office</i>	4 years		Independent Governor	Chairs Standing, QTLA	94% (16/17)	80% (4/5)
Mrs W Coy	July 2018	4 years		Chair w.e.f. 01.01.19 (<i>prev. Chair Designate</i>)	FPEC, QTLA Remuneration Chairs Standing	96% (26/27)	100% (5/5)
Mr P Dickson	October 2016	2 years	31.10.18	Staff Governor	Audit & Risk	67% (2/3)	100% (1/1)
Mr J Doherty	November 2017	n/a		Chief Executive	FPEC Chairs Standing, QTLA	100% (23/23)	100% (5/5)
*Mr G Grieve	October 2019	4 years		Independent Governor	QTLA		
Ms K Herbert	November 2019 <i>reappointed for 2nd term of office</i>	4 years		Staff Governor	QTLA	100% (12/12)	100% (5/5)
Mr S Lindeman	May 2016	4 years		Vice-Chair	Audit & Risk Chairs Standing	94% (16/17)	100% (5/5)
Prof. C Linton	May 2016	4 years		Independent Governor	Remuneration	85% (11/13)	100% (5/5)
Mr C Manton	Nov 2018	4 years		Staff Governor	FPEC	100% (12/12)	100% (5/5)
Mr I Marron	Sept 2017	4 years		Independent Governor	FPEC (pre-Oct 2018, post Nov 2019) Audit & Risk (Oct 2018 – Nov 2019)	77% (10/13)	60% (3/5)
Mr J Morgan	June 2017	4 years		Vice-Chair	Remuneration Chairs Standing QTLA	86% (19/22)	80% (4/5)
Mr M Pearson	September 2019 <i>reappointed for 2nd term of office</i>	4 years		Independent Governor	FPEC Chairs Standing	91% (21/23)	100% (5/5)
Miss F Royle	July 2018	1 year	31.07.19	Student Governor	QTLA	20% (2/10)	20% (0/5)
Mr D Scott	September 2018	4 years	08.10.18	Independent Governor	Audit & Risk	100% (2/2)	100% (1/1)
Mr I Sharpe	September 2018	4 years		Independent Governor	FPEC	79% (11/14)	80% (4/5)
Mrs R Slingsby	October 2018	1 year	31.07.19	Student Governor (HE)	QTLA	91% (10/11)	100% (5/5)
Mrs A Traynor	May 2017	2 years	17.12.18	Chair of Corporation	FPEC Remuneration Chairs Standing	100% (11/11)	100% (2/2)
Ms J Vincent	November 2015	4 years	31.07.19	Independent Governor	QTLA	92% (11/12)	80% (4/5)
*Mr M Vyner	October 2019	4 years		Independent Governor	Audit & Risk		

Note

*Members appointed after 31 July 19 up to the date of signature of this report

Chairs Standing Committee includes Search Committee function

QTLA – Quality, Teaching, Learning & Assessment Committee

FPEC – Financial Performance & Efficiency Committee

Loughborough College

The Corporation (*continued*)

John Doherty was the college Chief Executive for the period.

Ian Jones was the Clerk for the period, designated Director of Governance and Legal Services with effect from July 2019 and the FTE of the role increased to include Data Protection Officer and lead on the College legal provision.

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 approximately twice per term and holds additional Away Days for strategic development.

The Corporation conducts its business through board meetings, 5 committees and task and finishing groups, as required. Each committee has terms of reference, which have been approved by the Corporation at its Board Meeting in July 2019 and presented to each of the individual committees. These committees are Audit & Risk Committee, Chair's Standing Committee (including Search Committee function), Quality of Teaching, Learning & Assessment Committee, Financial Performance & Efficiency Committee and Remuneration Committee. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website [at www.loucoll.ac.uk] or from the Director of Governance & Legal Services at:

Loughborough College, Radmoor Road, Loughborough, LE11 3BT.

The Director of Governance & Legal Services 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 Director of Governance & Legal Services, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Director of Governance & Legal Services 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.

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. Appointments are made on the recommendation of the Chair's Standing Committee consisting of 6 members of the Corporation. The Corporation is responsible for ensuring that appropriate training is provided as required. Appointments are made on the basis of skills and experience.

Members of the Corporation are appointed for a term of office not exceeding four years but may be reappointed for a second term of office.

Loughborough College

The Corporation (*continued*)

Corporation performance

During the year to July 2019, the Corporation Board's work was focused on the quality of the College's provision, on its financial performance, on its long-term strategy and on ensuring the College has the right people and structures to deliver these aims.

John Doherty was Chief Executive for the period, appointed with effect from 1 November 2017. Another member of the College's Executive Team, the Vice Principal (Curriculum Quality & Learner Experience) left the College at the end of the year.

A range of corporate policies was also reviewed during the year, including the Fees Policy and Freedom of Speech Policy, as well as the College's Vision, Strategy and Financial Regulations. In support of the focus on improving the quality of provision for all learners and strengthening the College's financial performance, the Board agreed and monitored a range of Key Performance Indicators and reviewed the College's long-term strategic direction, alongside a close review of the College's current financial position and planning. During the year, the Board considered a potential merger with another local provider, but did not proceed.

The Corporation formally reviewed its own performance during the Autumn of 2018, with both a self-assessment and a skills audit. The areas of strength included Challenge & Support, Collaborative Partnership, Safeguarding, Performance Planning and Sustainability of Provision. Areas for improvement included use of learner destination information and obtaining stakeholder views on the performance of the Board itself. The skills audit confirmed that the Board benefits from a good range of backgrounds and experiences, with Vision & Strategic Planning, Understanding & Experience of Governance and Financial Oversight being particular strengths. The audit confirmed a focus on HR experience, employer links and pedagogy experience for future recruitment, and appointments were made to strengthen each of the areas towards the end of the academic year.

Wendy Coy was appointed as an independent governor and as Chair Designate in July 2018, becoming substantive Chair following Audrey Traynor's resignation as Chair in December 2018.

Remuneration Committee

As at the year ended 31 July 2019 the College's Remuneration Committee comprised four members of the Corporation. The Committee's responsibilities are to make recommendations to the Board on 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 the financial statements.

Audit & Risk Committee

The Audit & Risk Committee comprises four members (excluding the Accounting Officer and Chair), two of whom are co-opted members. The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit & Risk Committee meets at least termly 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 independent assurance advisers 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 & Risk Committee.

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

Loughborough College

The Corporation (continued)

The Audit & Risk Committee also advises the Corporation on the appointment of independent assurance advisors, 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 Chief Executive 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 her in the Financial Memorandum/Financial Agreement between Loughborough 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 Loughborough 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 ended 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.

Loughborough College has an independent assurance service, whose work is informed by an analysis of the risks to which the College is exposed, and annual plans are also based on this analysis. The analysis of risks and the assurance plans are endorsed by the Corporation on the recommendation of the audit committee. At minimum, annually, the governing body is provided with a report on assurance activity in the College. The report includes an independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Loughborough College

The Corporation (continued)

Review of effectiveness

As Accounting Officer, the Principal and Chief Executive 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 independent assurance advisers
- 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 in their management letters and other reports.

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

The Executive team receives reports from senior management 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 & Risk Committee also receive regular reports from the independent assurance advisers and other sources of assurance, which include recommendations for improvement. The Audit & Risk 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 & Risk Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At the September 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 independent assurance advisers, and taking account of events since 31 July 2019.

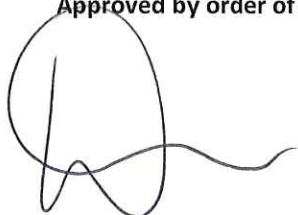
Based on the advice of the Audit & Risk Committee and the Chief Executive, the Corporation is of the opinion that the College has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for *"the effective and efficient use of resources,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

Going concern

After making appropriate enquiries including consideration of the financial forecast plan, the budget for 2019/20, short and long term cash flow forecasts and current banking facilities, 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.

The College's financial health was rated as a Satisfactory by ESFA for 2018/19 based on the financial plan return made in July 2018 and is currently in early intervention and prevention. The actual outturn for 2018/19 indicates that the College will have achieved a Good health rating. This demonstrates to ESFA that the College has met and bettered ESFA funding conditions of early intervention for 2018/19. Further long term financial planning models indicate improving and sustainable health with Good health rating for 2019/20 and the College also preparing to exit early intervention in the first quarter of 2020.

Approved by order of the members of the Corporation on 16th December 2019 and signed on its behalf by:



Wendy Coy
Chair of Governors



John Doherty
Chief Executive

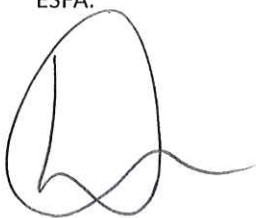
Loughborough College

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

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

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



Wendy Coy
Chair of Governors
16th December 2019



John Doherty
Chief Executive
16th December 2019

Statement of Responsibilities of the Members of the Corporation in respect of the Financial Statements

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

Within the terms and conditions of the College's grant funding agreements and contracts with ESFA, the corporation – through its accounting officer – is required to prepare financial statements and an operating and financial review for each financial year in accordance with the *2015 Statement of Recommended Practice – Accounting for Further and Higher Education*, ESFA's *college accounts direction* and the UK's Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland," and applicable law) which give a true and fair view of the state of affairs of the Group and College and its surplus / deficit of income over expenditure for that period.

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK 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 Group and College will continue in operation.

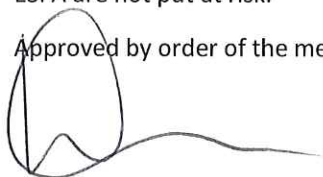
The corporation is also required to prepare a Members' Report which describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the College.

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

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

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

Approved by order of the members of the Corporation on 16th December 2019 and signed on its behalf by:



Wendy Coy

Chair of Governors

Loughborough College

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the group's and of the parent institution's affairs as at 31 July 2019 and of the group's and of the parent institution's income and expenditure and the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

We have audited the financial statements, included within the Report of the members of the Corporation and Financial Statements (the "Annual Report"), which comprise the consolidated and College Balance Sheets as at 31 July 2019; the Consolidated Statement of Comprehensive Income for the year then ended; the consolidated and College Statements of Changes in Reserves for the year then ended; the Consolidated Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Basis for opinion

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

Independence

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

Independent auditors' report (Continued)

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and parent institution's ability to continue as a going concern.

For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Corporation's activities, students, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Corporation is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the Corporation for the financial statements

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

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

Independent auditors' report (Continued)

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other Required Reporting

Opinions on other matters prescribed in the Post -16 Audit Code of Practice issued by the Education and Skills Funding Agency

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

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

We have no exception to report arising from this responsibility.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

18 December 2019

Loughborough College

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

In accordance with the terms of our engagement letter dated 29 August 2019 and further to the requirements of the financial memorandum with the Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Loughborough College during the period 1 August 2018 to 31 July 2019 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

Respective responsibilities of Loughborough College and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Post-16 Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 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 as set out in the Association of Colleges Accounts Direction 2018 to 2019.

Loughborough College

Independent Reporting Accountant's Assurance Report (Continued)

Approach

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

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

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

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

The work undertaken to draw to our conclusion includes:

- Obtaining an understanding of Loughborough College's key policies, procedures and controls;
- Reviewing a sample of payments to governors, expenses; and
- Confirming that activities during the year reflect the controls, policies and procedures identified.

Conclusion

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

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

18 December 2019

Loughborough College

Consolidated and College Statements of Comprehensive Income and Expenditure Year Ended 31 July 2019

	Note	Year ended 31 July 2019		Year ended 31 July 2018	
		Group £'000	College £'000	Group £'000	College £'000
Income					
Funding body grants	2	21,804	21,804	19,198	19,198
Tuition fees and education contracts	3	5,575	5,575	5,767	5,767
Other grants and contracts	4	0	0	0	0
Other income	5	4,338	4,360	3,743	3,743
Endowment and Investment Income	6	2	2	3	3
Donations and Endowments	7	0	0	0	0
Total Income		31,719	31,741	28,711	28,711
Expenditure					
Staff costs	8	21,002	20,748	19,487	19,487
Other operating expenses	9	9,999	10,279	8,832	8,832
Depreciation	12	1,996	1,996	2,226	2,226
Interest and other finance costs	10	386	386	479	479
Total Expenditure		33,383	33,409	31,024	31,024
Deficit before other gains and losses		(1,664)	(1,668)	(2,313)	(2,313)
(Loss)/Gain on disposal of assets	12	(1)	(1)	104	104
Loss on investments		(11)	(11)	(10)	(10)
Share of operating result in joint venture/associate		0	0	0	0
Deficit for the year before tax		(1,676)	(1,680)	(2,219)	(2,219)
Taxation	11	0	0	0	0
Deficit for the year		(1,676)	(1,680)	(2,219)	(2,219)
Unrealised surplus on revaluation of assets		0	0	0	0
Actuarial (deficit)/ surplus in respect of pensions schemes		(3,773)	(3,773)	3,691	3,691
Total Comprehensive (Expense)/Income for the year		(5,449)	(5,453)	1,472	1,472
Represented by:					
Unrestricted comprehensive (Expense)/Income		(5,438)	(5,442)	1,482	1,482
Restricted comprehensive income		(11)	(11)	(10)	(10)
		(5,449)	(5,453)	1,472	1,472

All Income and Expenditure relates to continuing activities.

Loughborough College

Consolidated and College Statements of Changes in Reserves Year Ended 31 July 2019

	Income and Expenditure account	Revaluation reserve	Restricted permanent endowment reserve	Total reserves
	£'000	£'000	£'000	£'000
Group				
Balance at 1st August 2017	12,304	5,270	309	17,883
Other	0	0	0	0
Deficit from the income and expenditure account	(2,219)	0	0	(2,219)
Other comprehensive income	3,691	0	0	3,691
Endowment investments	10	0	(10)	0
Transfers between revaluation and income and expenditure reserves	51	(51)	0	0
Total Comprehensive Income for the year	1,533	(51)	(10)	1,472
Balance at 31st July 2018	13,837	5,219	299	19,355
Other	0	0	0	0
Deficit from the income and expenditure account	(1,676)	0	0	(1,676)
Other comprehensive expense	(3,773)	0	0	(3,773)
Endowment investments	11	0	(11)	0
Transfers between revaluation and income and expenditure reserves	51	(51)	0	0
Total Comprehensive Income/(Expense) for the year	(5,387)	(51)	(11)	(5,449)
Balance at 31st July 2019	8,450	5,168	288	13,906

College

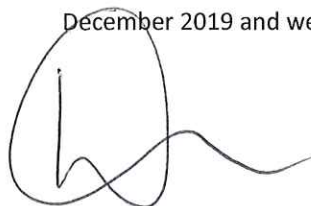
Balance at 1st August 2017	13,137	5,270	309	18,716
Other	0	0	0	0
Deficit from the income and expenditure account	(2,219)	0	0	(2,219)
Other comprehensive income	3,691	0	0	3,691
Endowment investments	10	0	(10)	0
Transfers between revaluation and income and expenditure reserves	51	(51)	0	0
Total Comprehensive Income for the year	1,533	(51)	(10)	1,472
Balance at 31st July 2018	14,670	5,219	299	20,188
Other	0	0	0	0
(Deficit)/result from the income and expenditure account	(1,680)	0	0	(1,680)
Other comprehensive expense	(3,773)	0	0	(3,773)
Endowment investments	11	0	(11)	0
Transfers between revaluation and income and expenditure reserves	51	(51)	0	0
Total Comprehensive Expense for the year	(5,391)	(51)	(11)	(5,453)
Balance at 31st July 2019	9,279	5,168	288	14,735

Loughborough College

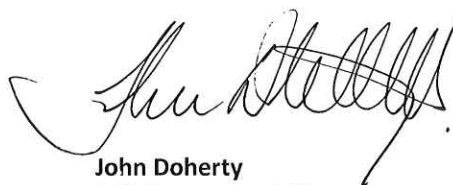
Consolidated and College Balance Sheets as at 31 July 2019

	Note	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Fixed Assets					
Tangible Fixed Assets	12	46,918	47,793	48,110	48,985
Investments	13	288	288	299	299
Pensions Asset	25	0	0	0	0
		47,206	48,081	48,409	49,284
Current Assets					
Stocks		8	8	6	6
Trade and Other Receivables	14	901	901	911	911
Investments	15	0	0	0	0
Cash and Cash Equivalents	20	3,196	3,183	2,218	2,218
		4,105	4,092	3,135	3,135
Less: Creditors – Amounts Falling Due Within One Year	16	(4,460)	(4,493)	(4,078)	(4,120)
Net Current Liabilities		(355)	(401)	(943)	(985)
Total Assets less Current Liabilities		46,851	47,680	47,466	48,299
Less: Creditors – Amounts Falling Due After More Than One Year	17	(18,676)	(18,676)	(19,322)	(19,322)
Provisions					
Defined Benefit Obligations	19, 25	(13,758)	(13,758)	(8,303)	(8,303)
Other Provisions	19	(511)	(511)	(486)	(486)
Total Net Assets		13,906	14,735	19,355	20,188
Restricted Reserves					
Income & Expenditure Account - Endowment Reserve		288	288	299	299
Total Restricted Reserves		288	288	299	299
Unrestricted Reserves					
Income and Expenditure Account		8,450	9,279	13,837	14,670
Revaluation Reserve		5,168	5,168	5,219	5,219
Total Unrestricted Reserves		13,618	14,447	19,056	19,889
Total Reserves		13,906	14,735	19,355	20,188

The financial statements on pages 29 to 61 were approved and authorised for issue by the Corporation on 16th December 2019 and were signed on its behalf on that date by:



Wendy Coy
Chair of Governors



John Doherty
Chief Executive Officer

Loughborough College

Consolidated Statement of Cash Flows Year ended 31 July 2019

	Note	2019 £'000	2018 £'000
Cash inflow from operating activities			
Deficit for the Year		(1,676)	(2,219)
Adjustment for non-cash items			
Depreciation		1,996	2,226
(Increase)/decrease in Stocks		(2)	1
Decrease in Debtors		10	256
Increase in Creditors Due Within One Year		350	136
Decrease in Creditors Due After One Year		(404)	(295)
Increase/(decrease) in Provisions		25	(87)
Decrease in Endowments		11	10
Pensions Costs less Contributions Payable		1,682	1,560
Taxation		0	0
Adjustment for Investing or Financing Activities			
Investment Income		(2)	(3)
Interest Payable		134	180
Taxation Paid		0	0
Loss/ (Gain) on Sale of Fixed Assets		1	(104)
Net Cash Flow from Operating Activities		<u>2,125</u>	<u>1,661</u>
Cash Flows from Investing Activities			
Proceeds from Sale of Fixed Assets		0	265
Disposal of Non-Current Asset Investments		0	0
Investment Income		2	3
Withdrawal of Deposits		0	0
New Deposits		0	0
Payments Made to Acquire Fixed Assets		(651)	(965)
Total Investing Activities		<u>(649)</u>	<u>(697)</u>
Cash Flows from Financing Activities			
Interest Paid		(132)	(180)
Interest Element of Finance Lease Rental Payments		(2)	0
New Unsecured Loans		0	0
Repayments of Amounts Borrowed		(333)	(333)
Capital Element of Finance Lease Rental Payments		(31)	0
Total Financing Activities		<u>(498)</u>	<u>(513)</u>
Increase in Cash and Cash Equivalents in the Year		<u>978</u>	<u>451</u>
Cash and Cash Equivalents at Beginning of the Year	20	2,218	1,767
Cash and Cash Equivalents at End of the Year	20	<u><u>3,196</u></u>	<u><u>2,218</u></u>

Loughborough College

Notes to the Statements

1 Statement of accounting policies and estimation techniques

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

Basis of preparation

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

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

Basis of accounting

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

Basis of consolidation

The consolidated financial statements include the College and its subsidiaries, Loughborough College Enterprises Limited, Loughborough College Properties Limited (both prior year only) and The Leicestershire College Limited, controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2019.

Going concern

The activities of the Group and College, together with the factors likely to affect its future development and performance are set out in the Members' Report. The financial position of the Group and College, its cash flow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

The College currently has £5.674m of unsecured loans outstanding with bankers on terms negotiated in 2008 & 2015. The terms of the existing agreements are for 25 years. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

Accordingly, the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

Loughborough College

Notes to the Statements (continued)

1 Statement of accounting policies and estimation techniques (continued)

Recognition of income

Revenue grant funding

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under achievement for the Adult Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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

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

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

Capital grant funding

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

Fee income

Income from tuition fees is stated gross of any expenditure which is not a discount and is recognised in the period for which it is received.

Investment Income

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned on a receivable basis.

Agency Arrangements

The College acts as an agent in the collection and payment of certain discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Loughborough College

Notes to the Statements (continued)

1 Statement of accounting policies and estimation techniques (continued)

Accounting for post-employment benefits

Post-employment benefits to employees of the College are principally provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit plans, which are externally funded and contracted out of the State Second Pension.

Teachers' Pension Scheme (TPS)

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method. The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

Leicestershire County Council Local Government Pension Scheme (LGPS)

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

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

Short term employment benefits 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 ongoing pension to a former member of staff is paid by the College annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the College's income in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the funding bodies.

Subsidiary Pension Scheme

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pensions cost charge represents contributions payable by the company to the existing scheme.

Loughborough College

Notes to the Statements (continued)

1 Statement of accounting policies and estimation techniques (continued)

Non-current Assets - Tangible fixed assets

Tangible fixed assets are stated at cost / deemed cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Land and buildings

Freehold buildings are depreciated on a straight line basis over their expected useful lives as follows:

- New buildings – 45 to 50 years
- Major refurbishments – 10 to 30 years

Freehold land is not depreciated as it is considered to have an infinite useful life.

Freehold buildings are depreciated over their expected useful economic life to the College of between 45 to 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 10 and 30 years.

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.

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1996, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

Assets under construction

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

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets after initial purchase it is charged to income in the period it is incurred, unless it increases the future benefits to the College, in which case it is capitalised and depreciated on the relevant basis.

Equipment

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

Capitalised equipment is depreciated on a straight-line basis over its remaining useful economic life as follows:

- | | |
|------------------------------------|---------------|
| • technical equipment | 2 to 10 years |
| • motor vehicles | 5 years |
| • computer equipment | 3 years |
| • furniture, fixtures and fittings | 2 to 10 years |

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

Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred.

Notes to the Statements (continued)

1 Statement of accounting policies and estimation techniques (continued)

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term to the Statement of Comprehensive Income and Expenditure. Any lease premiums or incentives relating to leases signed after 1st August 2014 are spread over the minimum lease term. The College has taken advantage of the transitional exemptions in FRS 102 and has retained the policy of spreading lease premiums and incentives to the date of the first market rent review for leases signed before 1st August 2014.

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as finance leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as an obligation under finance leases. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Investments

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

Other investments

Listed investments held as non-current assets and current asset investments, which may include listed investments, are stated at fair value, with movements recognised in Comprehensive Income. Investments comprising unquoted equity instruments are measured at fair value, estimated using a valuation technique.

Inventories

Inventories are stated at the lower of their cost and net realisable value, being selling price less costs to complete and sell. Where necessary, provision is made for obsolete, slow-moving and defective items.

Cash and cash equivalents

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

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

Loughborough College

Notes to the Statements (continued)

1 Statement of accounting policies and estimation techniques (continued)

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

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

Foreign currency translation

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial period with all resulting exchange differences being taken to income in the period in which they arise.

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax, so that it can only recover 3.89% of the 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 subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

Provisions and contingent liabilities

Provisions are recognised when:

- the College has a present legal or constructive obligation as a result of a past event;
- it is probable that a transfer of economic benefit will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the statement of comprehensive income in the period it arises.

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

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

Loughborough College

Notes to the Statements (continued)

1 Statement of accounting policies and estimation techniques (continued)

Agency arrangements

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the College's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- *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.

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 25, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2019. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Notes to the Statements (continued)

1 Statement of accounting policies and estimation techniques (continued)

Financial instruments

The Group has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

- *Financial assets*

Basic financial assets, including trade and other receivables, cash and bank, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the Statements of Comprehensive Income and Expenditure.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the Statements of Comprehensive Income and Expenditure.

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in the Statements of Comprehensive Income and Expenditure, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

- *Financial liabilities*

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow Group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Loughborough College

Notes to the Statements (continued)

2 Funding Body Grants

	Year Ended 31 July		Year Ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent Grants				
Education and Skills Funding Agency - Adult	1,214	1,214	1,129	1,129
Education and Skills Funding Agency - 16-18	17,430	17,430	13,942	13,942
Education and Skills Funding Agency - Apprenticeships	1,897	1,897	2,760	2,760
Office for Students	491	491	589	589
Specific Grants				
Education and Skills Funding Agency - Loans to Learners	346	346	322	322
Releases of Government Capital Grants	426	426	456	456
Total	21,804	21,804	19,198	19,198

3 Tuition Fees and Education Contracts

	Year Ended 31 July		Year Ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult Education Fees	0	0	0	0
Apprenticeship Fees and Contracts	43	43	25	25
Fees for FE Loan Supported Courses	76	76	158	158
Fees for HE Loan Supported Courses	4,823	4,823	4,981	4,981
International Students Fees	633	633	599	599
Total Tuition Fees	5,575	5,575	5,763	5,763
Education Contracts	0	0	4	4
Total	5,575	5,575	5,767	5,767

4 Other Grants and Contracts

	Year Ended 31 July		Year Ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Erasmus	0	0	0	0
UK-Based Charities	0	0	0	0
European Commission	0	0	0	0
Other Grants and Contracts	0	0	0	0
Total	0	0	0	0

Loughborough College

Notes to the Statements (continued)

5 Other Income

	Year Ended 31 July		Year Ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering and Residences	1,484	1,484	1,428	1,428
Other Income Generating Activities*	2,242	2,265	1,900	1,900
Other Grant Income	100	100	0	0
Non Government Capital Grants	13	13	12	12
Miscellaneous Income	499	498	403	403
Total	4,338	4,360	3,743	3,743

* College figure includes Subsidiary Undertakings of: 23 0

6 Endowment and Investment Income

	Year Ended 31 July		Year Ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other Investment Income	2	2	3	3
Other Interest Receivable	0	0	0	0
	2	2	3	3
Net Return on Pension Scheme (note 25)	0	0	0	0
Total	2	2	3	3

7 Donations and Endowments

	Year Ended 31 July		Year Ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Unrestricted Donations	0	0	0	0
Total	0	0	0	0

Loughborough College

Notes to the Statements (continued)

8 Staff Costs

The average number of persons (including key management personnel) employed by the College during the year, described as full-time equivalents, was:

	Year Ended 31 July		Year Ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	No.	No.	No.	No.
Teaching Staff	303	303	285	285
Non Teaching Staff	264	250	254	254
	567	553	539	539

Staff Costs for the Above Persons

	Year Ended 31 July		Year Ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Wages and Salaries	15,482	15,247	14,259	14,259
Social Security Costs	1,297	1,283	1,246	1,246
Other Pension Costs	3,834	3,829	3,495	3,495
Payroll Sub Total	20,613	20,359	19,000	19,000
Contracted out Staffing Services	389	389	487	487
	21,002	20,748	19,487	19,487
Fundamental Restructuring Costs - Contractual	0	0	0	0
Non Contractual	0	0	0	0
	21,002	20,748	19,487	19,487

Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Executive Team which comprises the Principal and Chief Executive and Vice Principals. Staff costs include compensation paid to key management personnel for loss of office.

Emoluments of Key Management Personnel, Accounting Officer and other Higher Paid Staff

	31 July	31 July
	2019	2018
	No.	No.
The Number of Key Management Personnel Including the Accounting Officer was:	4	5

Notes to the Statements (continued)

8 Staff Costs (continued)

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

	Key management personnel		Other staff	
	Year Ended		Year Ended	
	31 July 2019	31 July 2018	31 July 2019	31 July 2018
	No.	No.	No.	No.
£65,001 to £70,000 p.a.	0	1	0	0
£70,001 to £80,000 p.a.	0	0	0	0
£80,001 to £85,000 p.a.	3	3	0	0
£85,001 to £110,000 p.a.	0	0	0	0
£110,001 to £115,000 p.a.	0	1	0	0
£115,001 to £145,000 p.a.	0	0	0	0
£145,001 to £150,000 p.a.	1	0	0	0
	4	5	0	0

Where bandings have zero staff, they have been consolidated.

Key Management Personnel Emoluments are made up as follows:

	Year Ended	
	31 July 2019	31 July 2018
	£'000	£'000
Salaries- Gross of Salary Sacrifice and Waived	396	436
Social Security Costs	50	55
Benefits in Kind	0	0
	446	491
Pension Contributions	79	71
Total Emoluments	525	562

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

Notes to the Statements (continued)

8 Staff Costs (continued)

The emoluments on page 43 include amounts payable to the Accounting Officer (who is also the highest paid officer) of:

	Year Ended 31 July 2019	Year Ended 31 July 2018	
	Principal and Chief Executive	Principal and Chief Executive	Acting Principal
		(From Nov 2017)	(Aug 2017 to Oct 2017)
	£'000	£'000	£'000
Salaries	150	113	25
Benefits in Kind	0	0	0
	150	113	25
Social Security Costs	20	15	3
Pension Contributions	31	23	4

In April 2017 The College appointed an acting Principal and new accounting officer who replaced the Interim Principal. In November 2017 The College appointed a new Principal who replaced the Acting Principal.

The governing body adopted the HE Remuneration Code in June 2018, and assesses senior pay in line with the principles of the Code. The subsequent AoC Senior Staff Remuneration Code is based on the HE Remuneration Code, and the two Codes are broadly equivalent.

The remuneration package of key management staff, including the Chief Executive, is subject to annual review by the Remuneration Committee of the governing body who use benchmarking information to provide objective guidance.

The Chief Executive reports to the Chair of Governing Body who undertakes an annual review of his performance against the College's overall objectives using both qualitative and quantitative measures of performance.

Relationship of Principal/Chief Executive pay and remuneration expressed as a multiple

	Year Ended 31 July 2019	31 July 2018
Principal's basic salary as a multiple of the median of all staff	6.5	6.0
Principal and CEO's total remuneration as a multiple of the median of all staff	6.5	6.0

Compensation for Loss of Office Paid to Former Key Management Personnel

The severance payments are approved by the College's remuneration committee. There were none in the current financial year (2018 Nil).

Loughborough College

Notes to the Statements (continued)

9 Other Operating Expenses

	Year Ended		Year Ended	
	31 July	31 July	31 July	31 July
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching Costs	3,523	3,523	2,739	2,739
Non Teaching Costs *	4,630	4,912	4,491	4,491
Premises Costs	1,846	1,844	1,602	1,602
Total	9,999	10,279	8,832	8,832

* College figure includes Subsidiary Undertakings of:

298

0

Other Operating Expenses Include:

	Year	Year	Year	Year
	Ended	Ended	Ended	Ended
	31 July	31 July	31 July	31 July
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Auditors' Remuneration:				
Financial Statements Audit**	76	68	25	25
Independent Assurance	17	17	52	52
Other Services Provided by the Financial Statements Auditors	3	2	11	11
Other Services Provided by the Internal Auditors	0	0	0	0
Losses on Disposal of Tangible Fixed Assets (where not material)	0	0	0	0
Hire of Assets Under Operating Leases	0	0	0	0

** College includes £30,000 in respect to 2018 and £38,000 in respect to 2019.

Notes to the Statements (continued)

10 Interest and Other Finance Costs - Group Only

	Year Ended	
	31 July 2019	31 July 2018
	£'000	£'000
On Bank Loans, Overdrafts and Other Loans:	132	180
	132	180
On Finance Leases	2	0
Net Interest on Defined Pension Liability (note 25)	252	299
Total	386	479

11 Taxation - Group Only

	Year Ended	
	31 July 2019	31 July 2018
	£'000	£'000
United Kingdom Corporation Tax	0	0
Provision for Deferred Corporation Tax in the Accounts of the Subsidiary Company	0	0
Total	0	0

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

12 Tangible Fixed Assets - (Group)

	Land and Buildings		Equipment	Assets Under Construction	Total
	Freehold	Long Leasehold			
	£'000	£'000	£'000	£'000	£'000
Cost or Valuation					
At 1 August 2018	63,657	0	3,376	0	67,033
Additions	411	0	394	0	805
Transfers	3	0	(3)	0	0
Disposals	0	0	(689)	0	(689)
At 31 July 2019	64,071	0	3,078	0	67,149
Accumulated Depreciation					
At 1 August 2018	16,753	0	2,170	0	18,923
Charge for the Year	1,412	0	584	0	1,996
Transfers	0	0	0	0	0
Elimination in Respect of Disposals	0	0	(688)	0	(688)
At 31 July 2019	18,165	0	2,066	0	20,231
Net Book Value at 31 July 2019	45,906	0	1,012	0	46,918
Net Book Value at 31 July 2018	46,904	0	1,206	0	48,110

Loughborough College

Notes to the Statements (continued)

12 Tangible Fixed Assets (continued) - (College only)

	Land and Buildings		Equipment	Assets under Construction	Total
	Freehold	Long Leasehold			
	£'000	£'000	£'000	£'000	£'000
Cost or Valuation					
At 1 August 2018	64,196	0	3,359	0	67,555
Additions	411	0	394	0	805
Transfers	3	0	(3)	0	0
Disposals	0	0	(689)	0	(689)
At 31 July 2019	64,610	0	3,061	0	67,671
Accumulated Depreciation					
At 1 August 2018	16,415	0	2,155	0	18,570
Charge for the Year	1,412	0	584	0	1,996
Transfers	0	0	0	0	0
Elimination in Respect of Disposals	0	0	(688)	0	(688)
At 31 July 2019	17,827	0	2,051	0	19,878
Net Book Value at 31 July 2019	46,783	0	1,010	0	47,793
Net Book Value at 31 July 2018	47,781	0	1,204	0	48,985

The cost and net book value of the College's land and buildings is higher than that of the Group because in 2016, certain property owned by a previous subsidiary undertaking (that was subsequently liquidated), was transferred to the College at a cost that reflected fair value at that date. The amounts in the Group continue to reflect the original cost to the Group.

The net book value of equipment includes an amount of £123,825 (2017/18 – £0) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £30,956 (2017/18 – £0).

Loughborough College

Notes to the Statements (continued)

13 Non Current Investments - Group & College

	2019 £'000	2018 £'000
Investments in Subsidiary Companies	0	0
Other Non Current Investments	288	299
Total	288	299

The Leicestershire College Limited was set up in 2016/17 but was inactive during 2017/18 and effectively commenced trading from 1st August 2018. The company is incorporated in England and Wales and Loughborough College holds 100% of the ordinary share capital. The registered office address is Loughborough College, Radmoor Road, Loughborough, LE11 3BT.

14 Trade and Other Receivables

	2019 Group £'000	2019 College £'000	2018 Group £'000	2018 College £'000
Amounts Falling Due Within One Year:				
Trade Receivables	222	222	286	286
Amounts Owed by Group Undertakings:				
Subsidiary Undertakings	0	0	0	0
Prepayments and Accrued Income	679	679	625	625
Amounts Owed by the ESFA	0	0	0	0
Total	901	901	911	911

Amounts owed by group undertakings are trading balances repayable on demand and are non-interest bearing.

Loughborough College

Notes to the Statements (continued)

15 Current Investments

	31 July 2019 Group £'000	31 July 2019 College £'000	31 July 2018 Group £'000	31 July 2018 College £'000
Short Term Deposits	0	0	0	0
Total	0	0	0	0

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

16 Creditors - Amounts Falling Due Within One Year

	31 July 2019 Group £'000	31 July 2019 College £'000	31 July 2018 Group £'000	31 July 2018 College £'000
Bank Loans and Overdrafts	335	335	333	333
Obligations Under Finance Leases	31	31	0	0
Trade Payables	682	681	733	733
Amounts Owed to Group Undertakings:				
Subsidiary Undertakings	0	35	0	0
Corporation Tax	0	0	0	0
Other Taxation and Social Security	609	598	583	583
Accruals and Deferred Income	2,348	2,361	1,961	2,003
Holiday Accrual	33	30	(0)	(0)
Deferred Income - Government Capital Grants	422	422	468	468
Amounts Owed to the ESFA	0	0	0	0
Total	4,460	4,493	4,078	4,120

Amounts owed by group undertakings are trading balances repayable on demand and are non-interest bearing.

17 Creditors - Amounts Falling Due After More Than One Year

	31 July 2019 Group £'000	31 July 2019 College £'000	31 July 2018 Group £'000	31 July 2018 College £'000
Bank Loans	5,339	5,339	5,675	5,675
Obligations Under Finance Leases	93	93	0	0
Deferred Income - Government Capital Grants	13,244	13,244	13,647	13,647
Total	18,676	18,676	19,322	19,322

Notes to the Statements (continued)

18 Maturity of Debt

(a) Bank Loans and Overdrafts

Bank Loans and Overdrafts are Repayable as Follows:

	31 July 2019 Group £'000	31 July 2019 College £'000	31 July 2018 Group £'000	31 July 2018 College £'000
In One Year or Less	335	335	333	333
Between One and Two Years	335	335	333	333
Between Two and Five Years	1,005	1,005	999	999
In Five Years or More	3,999	3,999	4,343	4,343
Total	5,674	5,674	6,008	6,008

The current bank loans are unsecured and were used to fund capital building replacement and refurbishment projects. Loan 1 is for £1m and repayable over 25 years at 5.62% interest. Loan 2 is for £6m and repayable over 20 years at base +1.65% interest.

(b) Finance leases

The net finance lease obligations to which the institution is committed are:

	31 July 2019 Group £'000	31 July 2019 College £'000	31 July 2018 Group £'000	31 July 2018 College £'000
In One Year or Less	31	31	0	0
Between Two and Five Years	93	93	0	0
In Five Years or More	0	0	0	0
Total	124	124	0	0

Finance lease obligations are secured on the assets to which they relate. The carrying value is £151,000. There are no contingent rents or subleasing arrangements.

Loughborough College

Notes to the Statements (continued)

19 Provisions

	Group and College				
	Defined Benefit Obligations	Restructuring	Enhanced Pensions	Other	Total
	£'000	£'000	£'000	£'000	£'000
At 1 August 2018	8,303	0	486	0	8,789
(Income)/ Expenditure in the Period	0	0	25	0	25
Transferred from Income and Expenditure Account	5,455	0	0	0	5,455
At 31 July 2019	13,758	0	511	0	14,269

20 Cash and Cash Equivalents

Group	At 1 August 2018 £'000	Cash Flows £'000	Other Changes £'000	At 31 July 2019 £'000
Cash and Cash Equivalents	2,218	978	0	3,196
Overdrafts	0	0	0	0
Total	2,218	978	0	3,196

College	At 1 August 2018 £'000	Cash flows £'000	Other changes £'000	At 31 July 2019 £'000
Cash and Cash Equivalents	2,218	965	0	3,183
Overdrafts	0	0	0	0
Total	2,218	965	0	3,183

21 Capital Commitments

	Group and College	
	2019 £'000	2018 £'000
Commitments Contracted for at 31 July	2	4

Loughborough College

Notes to the Statements (continued)

22 Lease Obligations - Group and College

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

	31 July 2019 £'000	31 July 2018 £'000
Future Minimum Lease Payments Due		
Land and Buildings		
Not Later Than One Year	0	0
Later Than One Year and Not Later Than Five Years	0	0
Later than Five Years	0	0
	<u>0</u>	<u>0</u>
Other		
Not Later Than One Year	66	70
Later Than One Year and Not Later Than Five Years	63	119
Later than Five Years	0	0
	<u>129</u>	<u>189</u>
Total Lease Payments Due	<u>129</u>	<u>189</u>

The impact of these lease payments on the Income and Expenditure account was £53,000

23 Contingent Liabilities - Group and College

There are no events during the reporting period (2018 Nil).

24 Events after the balance sheet date - Group and College

There are no adjusting/ non-adjusting events after the reporting period.

Loughborough College

Notes to the Statements (continued)

25 Defined benefit obligations - Group and College

Total Pension Cost for the Year	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
Teachers' Pension Scheme: Contributions Paid	1,085	988
Scottish Widows Pension Scheme: Contributions Paid	12	0
Local Government Pension Scheme:		
Contributions Paid	1,341	1,244
FRS 102 (28) Charge	1,430	1,261
Charge to the Statement of Comprehensive Income	2,771	2,505
Enhanced Pension Charge to Statement of Comprehensive Income	(25)	87
Total Pension Cost for the Year	3,843	3,580

All items relate to the college other than the Scottish Widows Pension Scheme.

Loughborough College

Notes to the Statements (continued)

25 Defined Benefit Obligations - Group and College (continued)

FRS 102 (28)

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

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

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Leicestershire County Council. The total contribution made for the year ended 31 July 2019 was £1,744,000, of which employer's contributions totalled £1,341,000 and employees' contributions totalled £403,000. The agreed contribution rates for future years are 21.4% Y/E 31 March 2019, 22.3% Y/E 31 March 2020 for employers and range from 5.5% to 12.5% for employees, depending on salary.

Principal Actuarial Assumptions

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

	Year ended	
	31 July 2019	31 July 2018
Rate of Increase in Salaries	3.40%	3.40%
Future Pensions Increases	2.40%	2.40%
Discount Rate for Scheme Liabilities	2.10%	2.80%
Inflation Assumption (CPI)	2.40%	2.40%
Commutation of Pensions to Lump Sums	75%	75%

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

	Year ended	
	31 July 2019 years	31 July 2018 years
<i>Retiring Today</i>		
Males	21.20	22.10
Females	23.40	24.30
<i>Retiring in 20 Years</i>		
Males	22.20	23.80
Females	24.70	26.20

Loughborough College

Notes to the Statements (continued)

25 Defined Benefit Obligations - Group only (continued)

Local Government Pension Scheme (Continued)

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

	Year Ended	
	31 July 2019	31 July 2018
	£'000	£'000
Fair Value of Plan Assets	35,532	31,854
Present Value of Plan Liabilities	(49,290)	(40,157)
Net Pensions Liability (Note 19)	(13,758)	(8,303)

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

	Year Ended	
	31 July 2019	31 July 2018
Amounts Included in Staff Costs		
Current Service Cost	2,357	2,505
Past Service Cost	414	0
Total	2,771	2,505

Amounts Included in Investment Income

Net Interest Cost	252	299
	252	299

Amounts Recognised in Other Comprehensive Income

Return on Pension Plan Assets	1,710	1,714
Experience Gains Arising on Defined Benefit Obligations	0	0
Changes in Assumptions Underlying the Present Value of Plan Liabilities	(5,483)	1,977
Amount Recognised in Other Comprehensive Income	(3,773)	3,691

Loughborough College

Notes to the Statements (continued)

25 Defined Benefit Obligations - Group and College (continued) Local Government Pension Scheme (Continued)

Movement in Net Defined Benefit Liability During The Year

	Year Ended	
	31 July 2019	31 July 2018
	£'000	£'000
Deficit in Scheme at 1 August	(8,303)	(10,434)
Movement in Year:		
Current Service Cost	(2,357)	(2,505)
Past Service Cost	(414)	0
Employer Contributions	1,341	1,244
Net Interest on the Defined Liability	(252)	(299)
Actuarial (Loss)/ Gain	(3,773)	3,691
Net Defined Benefit Liability at 31 July	(13,758)	(8,303)

Asset and Liability Reconciliation

	Year Ended	
	31 July 2019	31 July 2018
	£'000	£'000
Changes in the Present Value of Defined Benefit Obligations		
Defined Benefit Obligations at Start of Period	40,157	38,768
Current Service Cost	2,357	2,505
Past Service Cost	414	0
Interest Cost	1,158	1,077
Contributions by Scheme Participants	403	404
Estimated Benefits Paid	(682)	(620)
Experience Gains on Defined Benefit Obligations	0	0
Changes in Financial Assumptions	5,483	(1,977)
Curtailments and Settlements	0	0
Defined Benefit Obligations at End of Period	49,290	40,157

Reconciliation of Assets

Fair Value of Plan Assets at Start of Period	31,854	28,334
Interest on Plan Assets	906	778
Contributions by Scheme Participants	403	404
Employer Contributions	1,341	1,244
Estimated Benefits Paid	(682)	(620)
Return on Plan Assets	1,710	1,714
Fair Value of Plan Assets at End of Period	35,532	31,854

Notes to the Statements (continued)

25 Defined Benefit Obligations - Group and College (continued) Local Government Pension Scheme (Continued)

These financial statements show a past service cost of £414,000 in respect of the McCloud / Sergeant judgement which ruled that the transitional protection for some members of public service schemes implemented when they were reformed constituted age discrimination. This provision is just under 2% of the total scheme liability as at 31 March 2019. The calculation of adjustment to past service costs, £7 billion, arising from the outcome of the Court of Appeal judgement is based on a number of key assumptions including:

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

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

25 Defined Benefit Obligations - Group only (continued)

Teachers' Pension Scheme

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

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

Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension plan. The College is unable to identify its share of the underlying assets and liabilities of the plan. Accordingly, the College has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The College has set out above the information available on the plan and the implications for the College in terms of the anticipated contribution rates.

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

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (the Department) in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £196 billion giving a notional past service deficit of £22 billion.

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

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

The pension costs paid to TPS in the year amounted to £1,085,000 (2018: £988,000).

Subsidiary Pension Scheme

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pensions cost charge represents contributions payable by the company to the existing scheme.

Loughborough College

Notes to the Statements (continued)

26 Related Party Transactions - Group only

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

The total expenses paid to or on behalf of the Governors during the year was £2,913; 3 governors (2018: £1,888; 2 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No governors received any remuneration or waived payments from the College during 2018/19 (£0 for 2017/18). The Chair of the corporation was entitled to £10,000 remuneration for undertaking the role but decided to waive her entitlement to the monies. This money is now earmarked to support governor development activities in 2019/20

Loughborough College wholly owns The Leicestershire College Limited and the principal activity of the company is the provision of support services to Loughborough College.

Company

Other than the transactions disclosed in the Group note above, the Company's other related party transactions were with its wholly owned subsidiary.

27 Amounts Disbursed as Agent - Group and College

Learner Support Funds

	Year ended	
	31 July 2019	31 July 2018
	£'000	£'000
Funding Body Grants – Bursary Support	686	643
Funding Body Grants – Discretionary Learner Support	0	0
Funding Body Grants – Residential Bursaries	0	0
Other Funding Body Grants	0	0
Interest Earned	0	0
	686	643
Disbursed to Students	(660)	(602)
Administration Costs	(31)	(29)
Balance (Overspent)/ Underspent as at 31 July, Included in Creditors	(5)	12

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.

Loughborough College

Notes to the Statements (continued)

28 Financial Instruments

The Group has the following financial instruments:

	Note	2019 Group £'000	2019 College £'000	2018 Group £'000	2018 College £'000
Financial Assets measured at amortised cost					
Trade Receivables	14	222	222	286	286
Accruals	14	259	259	302	302
Total		481	481	588	588
Financial Liabilities measured at amortised cost					
Bank Loans and Overdrafts	16,17	5,674	5,674	6,008	6,008
Obligations Under Finance Leases	16,17	124	124	0	0
Trade Payables	16	682	681	733	733
Amounts Owed to Subsidiary Undertakings	16	0	35	0	0
Accruals	16	1,612	1,625	1,287	1,329
Holiday Accrual	16	34	31	(0)	(0)
Total		8,126	8,170	8,027	8,069

