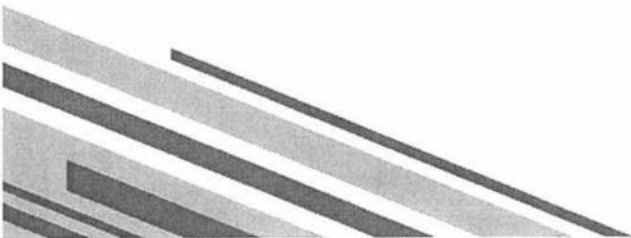


# **Members' Report and Financial Statements**

**For the Year Ended  
31 July 2018**



**COVENTRY**  
**COLLEGE**

## KEY MANAGEMENT PERSONNEL, BOARD OF GOVERNORS AND PROFESSIONAL ADVISERS

### Key Management Personnel

Key management personnel are defined as members of the College Senior Leadership Team and were represented by the following in 2017-18:

Peter Brammall	Principal; Accounting Officer
Richard Bateman	Vice Principal (left 31/08/2017)
Mark Payne	Vice Principal
Sharon Dowling	Vice Principal
Debra Wright	Assistant Principal
Jo Lawrence	Assistant Principal
Clare Hatton	Assistant Principal (left 27/04/2018)
Kirsti Lord	Acting Principal (left 13/08/2017)
Jim Edwards	Clerk to the Corporation
Elise Scotford	Clerk to the Corporation (left 31/03/2018)

### Board of Governors

A full list of Governors is provided on pages 13-14 of these financial statements.

### Professional Advisers

Financial statements auditors and reporting accountants	RSM UK Audit LLP Chartered Accountants St Philips Point Temple Row BIRMINGHAM B2 5AF
Internal Auditor	Gateway Assure MCH House, 21 Bailey Drive, Gillingham Business Park, Gillingham, Kent ME8 0PZ
Bankers	Barclays Bank 6 <sup>th</sup> Floor, PO Box 3333, One Snowhill, Snow Hill Queensway, Birmingham, B3 2WN
Solicitor (general advice)	Band Hatton Button 25 Warwick Road COVENTRY CV1 2EZ
Solicitor (merger and banking)	Rollits LLP Citadel House, 58 High Street Hull HU1 1QE

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## MEMBERS' REPORT

### NATURE, OBJECTIVES AND STRATEGIES

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

#### Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Henley College Coventry. The Corporation approved a merger with City College Coventry whereby the assets, rights and liabilities of City College transferred to Henley College on 1 August 2017. The secretary of state approved a change of name for Henley College to Coventry College on 1 August 2017.

The College is an exempt charity for the purposes of the Charities Act 1993 as amended by the Charities Act 2011.

#### Mission, Vision and Values

The College reviewed and updated its strategic plan in 2017-18 and has adopted a new plan for the period 2018-2021, including a new mission, vision and values.

The College's mission is:

*Coventry College will provide exceptional education, skills and training to meet the needs of individuals, businesses and communities.*

The vision is:

*Coventry College will provide exceptional education and training that impacts by:*

- *Transforming lives*
- *Enhancing business*
- *Enabling communities.*

The values are:

- **Student first** – the success of our students will be at the heart of all of our work
- **Excellence** – we will promote quality in all our work, enabling our students to strive for excellence and realise their full potential
- **Inclusivity** – we will ensure that our College is open to all, offers a safe environment and celebrates the diversity of our community
- **Trust** – we will earn and put our trust in our colleagues, students, stakeholders and partners, promoting mutual respect and a culture of openness
- **Transparency** – we will engage with all stakeholders, consulting and seeking their input and welcoming feedback in a spirit of openness.

#### Implementation of Strategic Plan

The strategic plan is underpinned by a number of strategies, sub-plans and KPIs under the following overarching objectives:

- Student experience and outcomes
- Valuing our people
- Financial strength
- Stakeholder partnerships
- The College offer

The strategies and sub-plans, incorporating detailed action plans, reflect the College's focus on improving quality, developing a stable financial base, building the capacity and resilience to prosper in the more commercial environment facing Colleges and business growth, as follows.

- Student Experience Strategy
- Employee Engagement Strategy
- Teaching, Learning and Assessment Strategy
- People Strategy
- Marketing Strategy
- Quality Improvement Plan
- Financial forecast
- Accommodation Strategy
- Risk register

#### **Public Benefit**

Coventry College is an exempt charity under part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. 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.

Coventry College contributes to the social, economic, physical and cultural well-being of the community and stakeholders that it serves, through the delivery of education, training and learning to support the development of individuals and businesses. By adhering to its values, the College encourages and advocates participation through its partnerships, and seeks to develop a sense of pride and ownership throughout its community.

#### **FINANCIAL POSITION**

##### **Financial Plan and Financial Objectives**

The College manages its finances responsibly. In particular, the College is committed to maximising the resources available for teaching and learning whilst ensuring that robust financial health is maintained. In support of this the College constructs its financial plans and projections on the basis of key financial objectives and these are approved by the Corporation. The Corporation approved the financial objectives, budget and forecast for 2018-2021 at its meeting of 13 July 2018. The financial objectives frame the priorities for the College in implementing the financial plan. Some key aspirational financial targets have been determined to enable the Governing Body to monitor the financial performance of the College, as follows:

- Effectiveness – achieve an underlying operating surplus
- Liquidity – cash days in hand greater than 30
- Solvency – current ratio greater than 1:1
- Efficiency – pay costs not to exceed 65% of income
- Gearing – bank borrowing not to exceed 40% of income
- Strength – financial rating of GOOD

### **Financial results**

The College generated an operating deficit in the year of £711,000 after charges of £1,197,000 for pensions under FRS102 (2016/17 – deficit of £1,278,000). The College has accumulated balance sheet funds of £7,620,000 (2016/17 - £3,564,000) of which cash balances and deposits are £5,542,000 (2016/17 - £5,445,000). Net current assets are £418,000 (2016/17 – net current liabilities £693,000).

### **Cash flows**

Cash inflow from operations was £1,256,000 (2016/17 - £2,389,000).

### **Liquidity**

The College ended the year with cash balances and deposits of £5,542,000 (2016/17 - £5,445,000).

### **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 Corporation keeps the Treasury activities of the College under ongoing review. The Swanswell Land & Buildings premises were financed in part by loan finance with Barclays Bank against a term loan. The loan was refinanced in December 2014 and, again, in August 2017 as part of the merger of City College and Henley College. Associated with the historic relocation of the City College premises the College entered into finance lease arrangements and has a deferred VAT liability scheme ('Lennartz') approved by HMRC. Surplus cash balances are invested with a limited number of institutions in accordance with the limits prescribed in the Financial Regulations.

### **Performance Indicators**

The College monitors financial performance against a number of key indicators. Figures for 2017/18 are set out below:

- Underlying operating surplus (excluding FRS102 pension) of £486,000 (2016/17 – deficit £192,000).
- Cash balances of £5.542 million (2016/17 - £5.445 million)
- Cash days in hand of 82 (2016/17 – 74)
- Current ratio of 1.07:1 (2016/17 –0.90:1)
- Pay as a % of income of 69% (2016/17 –66%)

## **Reserves Policy**

The College's key objective is to secure robust financial health and in so doing to invest in the buildings and equipment to ensure the curriculum plan can be delivered efficiently and effectively.

## **CURRENT AND FUTURE DEVELOPMENTS AND PERFORMANCE**

### **Funding 2017/18 and student numbers**

In 2017/18 the College exceeded EFA 16-18 contract numbers with 3,041 against an allocation of 2,945 (103%). The College achieved 90% of the adult education budget allocation. Performance against the allocation for apprentices was 111% of the original allocation. The financial statements include provisions for any amounts due to be repaid to funding agencies.

### **Student achievements**

Overall success rates for classroom delivery in 2017-18 were 83% (2016-17 – 83%).

### **College and curriculum developments**

The College has had two overriding priorities following the merger in 2017, namely, to ensure consistently high quality provision across both campuses and to maintain a stable financial platform. Increasingly, therefore, College strategies are being underpinned by a strong alignment of quality and financial measures. The Corporation has established business growth as one of the key strategic priorities moving forward and to support that the College is in the process of fundamentally reviewing the broad offer and the ways in which the offer is marketed and promoted and employers and stakeholders are engaged. This will include stronger more purposeful relationships with schools, establishing employer forums to inform and advise on curriculum development and an improved interface with employers with end-to-end SLAs and employer feedback driving better performance.

Following merger, the College has already reviewed curriculum locations between the two campuses and made some changes to ensure provision is located within the best possible facilities: sports and science provision has transferred to the Henley campus and Hair and Beauty and Digital and Media has transferred to City campus. Mathematics, English, work experience and extended work placements remain a core element of all study programmes and the College has further strengthened its commitment in these areas utilising premium maths funding and funding from capacity development fund.

The College continues to be a significant provider of education and training in the local area and, as such, will look to further extend and strengthen relationships with key partners including the local enterprise partnership (LEP), local employers, the local authority, other further education colleges, schools, Coventry University and the University of Warwick.

### **Payment Performance**

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by treasury for payment to suppliers within 30 days is 95 per cent.

The college continued with adherence to its payment terms of net monthly account. During the accounting period 1 August 2017 to 31 July 2018, the college paid 96% of its invoices within 60 days with 62% of those payments being met within 30 days. The college incurred no interest charges in respect of late payment for this period.

#### **Events After The End of The Reporting Period**

There are no events after the end of the reporting period.

#### **Future Prospects**

The College has produced its financial statements as a going concern and has financial plans for 2018-2021 which will see the College achieve a financial health rating of Good. The College's focus is on improving quality outcomes and maintaining a sound financial base with business growth targeted through an improved College offer and better engagement with local partners and stakeholders.

#### **RESOURCES**

Tangible resources include the two main college sites, Henley campus and City campus. The two main sites include specialist facilities and equipment for a very broad curriculum offer reflecting the College's position as the only general further education college in Coventry, namely: heavy vehicle and light vehicle workshops; catering and hospitality kitchens and restaurant facilities; engineering and telecommunications workshops; construction crafts and construction services workshops; dance studios; hair salons; beauty therapy salons; science laboratories, art, design, graphics and fashion workshops; music performance and music technology studios; health care workshop; digital television studio and editing facilities; independent living facilities for students with learning difficulties and disabilities.

The College makes extensive use of IT and ILT for teaching and learning, communications and business operations and operates a model of 'minimum classroom standards' such that each classroom is equipped to a good specification. In addition, workshops are well equipped with modern and safe equipment.

The College employs 442 people (expressed as full time equivalents) of whom 202 are teaching staff.

#### **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 Senior Leadership Team 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 Senior Leadership Team will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

A risk register is maintained at the College level, which is reviewed at every meeting by the Audit Committee. The risk register identifies the key risks, the likelihood of those risks occurring, their



potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system. Outlined below is a description of the principal risk factors that may affect the College. Not all the factors are within the College's control and other factors besides those listed below may also adversely affect the College:

- Changes in government funding levels and over-reliance on them
- Failure to recruit sufficient students (in a competitive local environment)
- Failure to achieve high student outcomes and achieve a good Ofsted rating
- Failure to maintain good industrial relations (in the post-merger period, including harmonisation)
- Failure to provide an effective IT infrastructure and equipment (in the post-merger period)
- Failure to meet financial targets and banking covenants (if student recruitment is not sufficient).
- Failure to maintain adequate funding of pension liabilities

### **STAKEHOLDER RELATIONSHIPS**

The College has extensive stakeholder relationships which have been very successful over time. The new strategic plan includes a strategic priority to collaborate with local, national and international partners and to explore strategic partnerships. Key stakeholders include:

- Students
- Staff
- Governors
- The local community
- Local employers (with specific links)
- The City Council, including Children's Services, Adult Education, Strategic Development
- The Sidney Stringer Academy
- Other schools and academies in the City
- Funding Agencies
- Regional and national employers
- Other FE institutions, both locally and nationally
- Coventry and Warwick Universities
- Trade Unions
- Professional bodies.

The College recognises the importance of these relationships and engages in regular communication with them through a variety of means.

## Trade Union Facility Time

### Relevant union officials

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
4	3.8

### Percentage of time spent on facility time

Percentage of time - %	Number of employees
0	0
1-50	4
51-99	0
100	0

### Percentage of pay bill spent on facility time

Total cost of facility time	£11,463
Total pay bill	£15,849,000
% of total pay bill spent on facility time	0.1%

### Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours	100%
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## Equality, diversity and inclusion

Everyone that works for, or learns with, Coventry College is encouraged to reach their full potential, in an environment which is respectful and that values individual difference. The latest Equality and Diversity Policy was updated and approved by the Corporation in October 2018 and sets out how the College will meet its legal requirements under the Equalities Act 2010 along with setting clear expectations of the College ethos with regard to equality and diversity.

The policy requires that all individuals working, studying or visiting Coventry College:

- Have the right to be free from harassment and bullying of any description
- Are treated fairly and with respect in all interactions with the college
- Are not discriminated against or suffer any unwanted behaviour because of a protected characteristic
- Have an equal chance to achieve their full potential, irrespective of any defining features that may give rise to discrimination

The Equality and Diversity Policy is published on the staff intranet site and the college website alongside the Annual Equality & Diversity Report and the Targets and Objectives for the college.

To ensure that the legal requirements are met the college will:

- Actively promote equality, value diversity and seek to eradicate bullying, discrimination, radicalisation and extremism.
- Embed equality and diversity into all areas of the college curriculum and all aspects of College life.
- Monitor and address any gaps in the satisfaction, retention, achievement and success of any identified group of staff and students.
- Take positive action to address any under-representation or stereotyping of staff or students and to improve access to the college in order to attract non-traditional staff and students and widen participation.
- Develop an inclusive and safe environment where the voice of staff, students, and other stakeholders, (particularly those from groups with protected characteristics), is heard and acted upon.
- Celebrate and value the diversity brought to the organisation by individual students and members of staff.

#### **Disability Statement**

The College seeks to achieve the objectives set down in the Equality Act 2010:

- a) There is a list of specialist equipment, such as radio aids, which the College can make available for use by students and a range of assistive technology is available in our Learner Support Centre.
- b) The admissions policy for all students is available on the College internet. Appeals against a decision not to offer a place can be dealt with under the complaints policy.
- c) The College has made a significant investment in the appointment of specialist teachers and support staff to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
- d) Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.
- e) Counselling and welfare services are described in the Student Handbook, which is issued to students at induction.

#### **Disclosure of information to auditors**

The members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College's auditors are unaware; and

each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditors are aware of that information.

Approved by order of the members of the Corporation on 11 December 2018 and signed on its behalf by:

A handwritten signature in dark ink, appearing to read "Sue Noyes". The signature is written in a cursive, flowing style.

Sue Noyes  
Chair

## STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1st August 2017 to 31st July 2018.

In 2016-17 the College endeavoured 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").

The College was committed to exhibiting best practice in all aspects of corporate governance, and, in particular, the College has adopted and complied with the Code, and therefore does 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 complied with all the provisions of the Code throughout the year ended 31 July 2018. 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 took full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015.

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

Name	Initial appointment	Re-appointment	Term of Office	Resignation	Status	Committees served on in 2017-18
Jasmin Baguley	1 <sup>st</sup> August 2017		1 year	31 <sup>st</sup> July 2018	Student	
John Barrett	October 2016	1 <sup>st</sup> August 2017	1 year	3 <sup>rd</sup> July 2018	Independent	Resources, Audit
Lee Barratt	October 2016		4 years	N/A	Academic Staff	Standards

Ashley Boon	1 <sup>st</sup> September 2016		3 years	N/A	Student	Standards
Charlotte Bosworth	1 <sup>st</sup> August 2017		1 year	24 <sup>th</sup> April 2018	Independent	Standards
Dave Busst	October 2014	1 <sup>st</sup> August 2018	2 years		Independent	Audit
Peter Brammall	17 <sup>th</sup> July 2017		Ex officio	N/A	Principal	Resources, Standards, Search & Governance
Anne Brennan	October 2014	1 <sup>st</sup> August 2018	2 years	N/A	Independent	Standards
Stuart Brand	1 <sup>st</sup> August 2017	N/A	4 years	22 <sup>nd</sup> January 2018	Support Staff	Audit
Chris Cooper	1 <sup>st</sup> August 2017	N/A	1 year	3 <sup>rd</sup> July 2018	Independent	Standards
Stewart Fergusson	1 <sup>st</sup> August 2017	1 <sup>st</sup> August 2018	2 years	N/A	Independent	Resources, Standards
Chris Hinde	1 <sup>st</sup> August 2004	1 <sup>st</sup> August 2017	1 year	3 <sup>rd</sup> July 2018	Independent	Resources
Helena Marston	3 <sup>rd</sup> July 2018		3 years	N/A	Independent	
Jackie Mathers	3 <sup>rd</sup> July 2018		3 years	N/A	Independent	
Peter Matthews	October 2006	1 <sup>st</sup> August 2018	1 year	N/A	Independent	Search & Governance, Remuneration
Tony Minhas	October 2015	1 <sup>st</sup> August 2018	3 years	N/A	Independent	
Vangeya Murphy	24 <sup>th</sup> April 2018		4 years	N/A	Independent	Standards
Sue Noyes	1 <sup>st</sup> January 2018		2 years	N/A	Chair	Resources, Remuneration, Search & Governance
Carl Pearson	1 <sup>st</sup> August 2017		3 years	31 <sup>st</sup> December 2017	Independent	Search & Governance and Remuneration
Neelam Raju	24 <sup>th</sup> April 2018		4 years	N/A	Support Staff	Standards
Adam Wheatley	24 <sup>th</sup> April 2018		4 years		Independent	Audit

Mr Jim Edwards and Ms Elise Scotford undertook the roles of Clerks to the Corporation on a job share basis for the period 1st August 2017 - 31<sup>st</sup> March 2018. Mr Jim Edwards undertook the role of Clerk to the Corporation 1<sup>st</sup> April – 31<sup>st</sup> July 2018.

Governors' overall attendance at meetings was 88% against the target of 80%:-

- Corporation = 79%
- Audit Committee = 79%
- Search and Governance Committee = 100%
- Resources Committee = 90%
- Standards Committee = 85%

It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct. The Corporation was 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 including the management of health and safety.

The College adopted a traditional committee structure in 2017-18. Each committee has terms of reference, which have been approved by the Corporation. Changes to the governance structure have supported the continued focus on quality improvement and financial health, the impact of which saw good progress in achieving the financial objectives in the merger business case, and an Ofsted assessment of 'reasonable progress' in respect of the College's governance.

Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College website and from the Clerk to the Corporation at:

City College Coventry

50 Swanswell Street

Coventry CV1 5DG

The Clerk to the Corporation maintained 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 had access to the Clerk to the Corporation, who was responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment and removal of the Clerk were matters for the Corporation as a whole. Formal agendas, papers and reports were supplied to governors in a timely manner, prior to Board meetings. Briefings were also provided on an ad-hoc basis.

The Corporation has a strong and independent non-executive element and no individual or group dominated its decision making process. The Corporation considered that each of its non-executive members was independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

There was a clear division of responsibility in that the roles of the Chair and Accounting Officer are separate.

## **Appointments to the Corporation**

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search and Governance Committee, which is comprised of the Chair, two Independent Governors, and the Principal, and which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding three years. They may be re-appointed for a second term, and, in exceptional circumstances, for a third term.

## **Corporation Performance**

### **Strategic Leadership**

The Governing Body:

- provide good support and challenge to senior managers and hold them to account accordingly. They understand the key strengths and weaknesses of the College, as well the challenges facing the organisation
- agreed challenging but realistic key performance indicators for 2017-18, and continued to seek to embed a culture of high expectation and ambition, particularly in respect of teaching, learning and assessment, learner performance, and financial health, which remained as their priorities.
- Reviewed its membership and appointed new governors to ensure that it had the capacity to lead the College in its first year of merger and beyond.

### **Quality and Curriculum**

The Governing Body:

- are clear about their roles and responsibilities and maintain a continual focus on learner performance; value added; the quality of teaching, learning and assessment; performance management; and progression to further education, higher education, and employment
- have a good understanding of learner performance and are able to interpret data presented via the dashboard at each meeting. A wide range of reports are received; for example, on attendance, retention, success rates, observations of teaching and learning, and English and maths
- in 2017-18 overall student achievement rates were 83%, in line with 2016-17.

### **Learner Voice**

- Governors continued to advocate the importance of the learner voice and received regular reports throughout the year. There are two student governors on the Corporation.



## **Governance and Risk Management**

- Governors reviewed and scrutinised a range of key governance matters through the Search and Governance Committee.
- longer-serving Governors know the work of the College well, and others have taken steps to enhance their own knowledge and understanding further. The introduction of independent governors as stewards, supporting senior managers on a number of key strategic issues, strengthened this further.
- Governors, through their Audit Committee, paid close attention to the College's risk management arrangements, and ensured the establishment of an updated and thorough risk register. The Audit Committee monitored the impact of management controls and mitigation on the residual risks to the College, and a termly report was submitted to the full Corporation. Governors demonstrated their understanding of risk management and need for robust scrutiny.

## **Internal and External Audit**

- Governors effectively monitored the College's internal and external audit processes through the Audit Committee, which met three times during the year.
- the Audit Committee's terms of reference were met fully, and Governors maintained a positive impact on internal systems and controls, and compliance with external regulations.
- Governors ensured the timely and full completion of the internal audit plan, and considered the reports arising from the audit reviews in detail. The statutory provisions within the Joint Audit Code of Practice were met, and appropriate scrutiny was applied to the external audit appointment.
- senior managers were particularly held to account over outstanding internal audit recommendations, and Governors continued to monitor their timely and proper implementation.

## **Financial Strategy**

- the impact of the College's financial performance was measured against the key financial indicators and was reviewed at each meeting of the Corporation. The self-assessment of the College's financial health is 'Satisfactory' and that is consistent with the ESFA's assessment. Governors are suitably skilled and demonstrated their financial acumen in successfully handling some key issues; for example, funding, staff restructuring, and significant amendments to the financial recovery plan.

## **Safeguarding**

- collectively, Governors have a good understanding of their safeguarding obligations. There is a Lead Governor for safeguarding, and he liaises on a termly basis with the College's Designated Senior Safeguarding Officer.

- the College's safeguarding procedures properly refer to local inter-agency arrangements, and Governors are updated on the work of senior staff in liaising closely with the local authority, the police, and other agencies on a range of safeguarding issues, including Prevent. The procedures also include guidance on the handling of allegations against staff and children. A Prevent strategy is in place, and the Safeguarding policy was reviewed and approved by the Corporation during the year.
- the Corporation receives a monthly update, as well as a termly safeguarding report, and an annual report. This provides Governors with assurance over recruitment and management of staff; training of staff; skills and qualifications of staff on the safeguarding team; awareness raising of safeguarding and Prevent for students; and the Learner Voice.
- Governors take an active interest in safeguarding issues and initiated the College's recent partnership with Coventry's Child Exploitation Team. Similarly, the issue of Young Carers was raised by Governors as an area for review and development.
- Governors recognise safeguarding as a key risk in the College's risk register, and, through the Audit Committee and the Corporation, monitor the implementation of management controls and mitigating actions in seeking to reduce risk levels.

### **Equality and Diversity**

- Governors fulfil their statutory obligations in ensuring that the College institution is compliant with equality law.
- Governors complied with the specific duties in the Equality Act 2010 by ensuring the timely publication of the College's Annual Equality and Diversity Report for 2017-18.
- Governors monitored learner performance and satisfaction data by age, gender, race, disability, learning difficulty, and also by social background. Data on other protected characteristics and students that fall into the 10% most deprived wards was also provided.

### **Remuneration Committee**

The committee's responsibilities are to make recommendations to the Board on the remuneration and conditions of service of the Accounting Officer, Senior Post holders and the Clerk.

Details of remuneration for the year ended 31 July 2018 are set out in note 6 to the financial statements.

### **Audit Committee**

The Audit Committee comprises three members of the Corporation (excluding the Principal and Chair). The committee operates in accordance with written terms of reference approved by the Corporation.

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

The College's internal auditors review the systems of internal control, risk management controls and governance processes, in accordance with a plan of input agreed with the Audit Committee and the Corporation and report their findings to management and the Audit Committee.

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

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

## **Internal Control**

### *Scope of responsibility*

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

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum between City College Coventry 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 Coventry College for the year ended 31 July 2018 and up to the date of approval of the annual report and accounts.

### *Capacity to handle risk*

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

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

#### *Review of effectiveness*

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

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

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

The Accounting Officer and Senior Leadership Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Senior Leadership Team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Senior Management Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At the 11 December 2018 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2018 by considering the Annual Report of the Audit Committee which included documentation from internal audit and taking account of events since 31 July 2018.

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

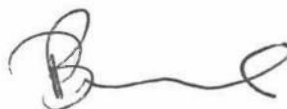
#### **Going Concern**

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

Approved by order of the members of the Corporation on 11 December 2018 and signed on its behalf by:



Chair  
Sue Noyes



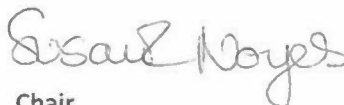
Accounting Officer  
Peter Brammall

**Governing Body's Statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding**

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

We confirm, on behalf of the Corporation, that after due enquiry, and to the best of our knowledge, we are not 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 the Education and Skills Funding Agency.

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



Chair  
Sue Noyes

Date



Accounting Officer  
Peter Brammall

Date

## Statement of Responsibilities of the Members of the Corporation

The members of the Corporation (who act as trustees for the charitable activities of the College) are required to present audited financial statements for each financial year.

The law applicable to charities in England and the terms and conditions of the Financial Memorandum between the Education and Skills Funding Agency and the Corporation of the College, requires the Corporation of the college to prepare financial statements and the Report of the Governing Body for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions the annual Accounts Direction issued by the Education and Skills Funding Agency and applicable United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and which give a true and fair view of the state of affairs of the College and of the College's 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 Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation.

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

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

Members of the Corporation are responsible for ensuring that funds from the Education and Skills Funding Agency are used only in accordance with the authorities that govern them as defined by and in accordance with Further & Higher Education Act 1992, subsequent legislation and related regulations and the Financial Memorandum with the Education and Skills Funding Agency and any other conditions that may be prescribed from time to time.

Approved by order of the members of the Corporation on 11<sup>th</sup> December 2018 and signed on its behalf by:



**Sue Noyes**  
Chair of Governors

## **INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF COVENTRY COLLEGE**

### **Opinion**

We have audited the financial statements of Coventry College (the "College") for the year ended 31 July 2018 which comprise the statement of comprehensive income, the statement of changes in reserves, the balance sheet, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2018 and of the College's deficit of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

### **Basis for opinion**

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

### **Conclusions relating to going concern**

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

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

### **Other information**

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

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

We have nothing to report in this regard.



### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice 2017 to 2018 issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

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

### **Responsibilities of the Corporation of Coventry College**

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

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

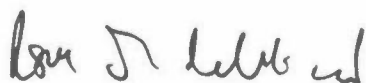
### **Auditor's responsibilities for the audit of the financial statements**

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

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

### **Use of our report**

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



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

Date: 27 October 2018

**Coventry College**  
**Statement of Comprehensive Income**  
**for the Year Ended 31 July 2018**

	Notes	2018 £'000	2017 £'000
<b>INCOME</b>			
Funding body grants	2	20,822	21,888
Tuition fees and education contracts	3	2,298	2,992
Other income	4	1,488	2,125
Investment income	5	11	5
<b>Total income</b>		<b>24,619</b>	<b>27,010</b>
<b>EXPENDITURE</b>			
Staff costs	6	16,830	16,850
Restructuring costs - contractual	6	100	937
Restructuring costs - Non contractual	6	-	520
Other operating expenses	7	5,123	6,432
Depreciation	10	2,167	2,351
Interest and other finance costs	8	1,110	1,198
<b>Total expenditure</b>		<b>25,330</b>	<b>28,288</b>
<b>Surplus/(Deficit) for the year</b>		<b>(711)</b>	<b>(1,278)</b>
Remeasurement of net defined benefit and enhanced pension liability		4,767	8,592
<b>Other Comprehensive Income for the year</b>		<b>4,767</b>	<b>8,592</b>
<b>Total Comprehensive Income for the year</b>		<b>4,056</b>	<b>7,314</b>


**Coventry College**  
**Statement of Changes in Reserves**

	Income and Expenditure account	Revaluation Reserve	Total
	£'000	£'000	£'000
<b>Balance at 31st July 2016</b>	<u>(6,902)</u>	<u>3,152</u>	<u>(3,750)</u>
Surplus/(deficit) from the income and expenditure account	(1,278)		(1,278)
Other comprehensive income	8,592		8,592
Transfer between the revaluation reserve and income and expenditure reserves	72	(72)	-
<b>Total comprehensive income for the year</b>	7,386	(72)	7,314
<b>Balance at 31st July 2017</b>	484	3,080	3,564
Surplus/(deficit) from the income and expenditure account	(711)	-	(711)
Other comprehensive income	4,767	-	4,767
Transfer between the revaluation reserve and income and expenditure reserves	72	(72)	-
<b>Total comprehensive income for the year</b>	<u>4,128</u>	<u>(72)</u>	<u>4,056</u>
<b>Balance at 31st July 2018</b>	<u><b>4,612</b></u>	<u><b>3,008</b></u>	<u><b>7,620</b></u>

**Coventry College**  
**Balance sheet as at 31 July 2018**

	Notes	2018 £'000	2017 £'000
<b>Fixed assets</b>			
Tangible fixed assets	10	60,120	62,112
		<b>60,120</b>	<b>62,112</b>
<b>Current assets</b>			
Stock		9	9
Debtors	11	678	881
Cash at bank and in hand	17	5,542	5,445
		<b>6,229</b>	<b>6,335</b>
<b>Less: Creditors – amounts falling due within one year</b>	12	(5,811)	(7,028)
<b>Net current assets / (liabilities)</b>		<b>418</b>	<b>(693)</b>
<b>Total assets less current liabilities</b>		<b>60,538</b>	<b>61,419</b>
<b>Less: Creditors – amounts falling due after more than one year</b>	13	(33,442)	(34,724)
<b>Provisions</b>			
Defined benefit pension scheme	16	(17,519)	(21,085)
Other provisions	16	(1,957)	(2,046)
<b>Total net assets</b>		<b>7,620</b>	<b>3,564</b>
<b>Reserves</b>			
Income and expenditure account		4,612	484
Revaluation Reserve		3,008	3,080
<b>Total Reserves</b>		<b>7,620</b>	<b>3,564</b>

The financial statements on pages 26 to 55 were approved and authorised for issue by the Corporation of Coventry College on 11 December 2018 and were signed on its behalf on that date by:

  
**Sue Noyes**  
 Chair of Coventry College

  
**Peter Brammall**  
 Accounting Officer of Coventry College

**Coventry College**  
**Statement of Cash Flows**  
**for the Year Ended 31 July 2018**

	Notes	2018 £'000	2017 £'000
<b>Cash inflow from operating activities</b>			
Surplus/(deficit) for the year		(711)	(1,278)
<b>Adjustment for :</b>			-
Depreciation		2,167	2,351
(Increase) / Decrease in stocks		-	(2)
(Increase) / Decrease in debtors		203	(30)
(Decrease) / Increase in creditors due within one year		(1,204)	479
(Decrease) in creditors due after one year		(785)	(550)
(Decrease) in provisions		(89)	(128)
Pensions costs less contributions payable		576	354
Pension finance interest costs		553	711
Interest on enhanced pension provision		71	65
Investment income		(11)	(5)
Interest payable		486	422
		<u>1,256</u>	<u>2,389</u>
<b>Net cash flow from operating activities</b>			
<b>Cash flows from investing activities</b>			
Investment income		11	5
Payments made to acquire fixed assets		(175)	(506)
		<u>(164)</u>	<u>(501)</u>
<b>Cash flows from financing activities</b>			
Interest paid		(266)	(197)
Interest element of finance lease rental payments		(220)	(225)
Repayments of amounts borrowed		(401)	(400)
Capital element of finance lease rental payments		(108)	(103)
		<u>(995)</u>	<u>(925)</u>
<b>Increase in cash and cash equivalents in the year</b>		<u>97</u>	<u>963</u>
Cash and cash equivalents at beginning of the year	17	5,445	4,482
Cash and cash equivalents at end of the year	17	5,542	5,445

**Coventry College  
Notes to the Accounts  
for the Year Ended 31 July 2018**

**1. Accounting policies**

**Statement of Accounting Policies**

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

**General information**

Coventry College is a corporation established under the Further and Higher Education Act 1992 as an English general college of further education. A merger between City College Coventry and Henley College Coventry took place on 1 August 2017. The address of the College's principal place of business is given on page 15. The nature of the College's operations is set out in the Members' Report.

**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) under the historical cost convention. The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

The merger between City College Coventry and Henley College Coventry has been accounted for as a group reconstruction using merger accounting in order to gain a continuous financial record for the College that reflects the fact that the College's have merely changed their legal form and that their purposes and beneficiary class remain unchanged. Hence the financial statements include the results of City College Coventry for the year ended 31 July 2017 as if it had always been part of the College.

The financial statements are presented in sterling which is also the functional currency of the College.

Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

## **Coventry College Notes to the Accounts (Continued)**

### **1. Accounting Policies (continued)**

#### **Going concern**

The activities of the 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 College, its cash flow, liquidity and borrowings are described in the Financial Statements and accompanying notes.

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

#### **Recognition of income**

Government revenue grants are accounted for under the accrual model and are recognised where a reliable estimate of the fair value of the asset received or receivable can be made on a systematic basis over the periods in which the related costs for which the grant compensates are recognised.

Funding body recurrent grant for Adult Education Budget (AEB) is measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under achievement of the Adult Education 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 at the end of November following the year end and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments, and is recognised when received.

Non-recurrent grants from the funding bodies or other bodies received in respect of the acquisition of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

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

Income from grants, contracts and other services rendered is included to the extent the conditions of the funding have been met or the extent of the completion of the contract or service concerned.

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

#### **Retirement benefits**

Retirement benefits to employees of the College are principally provided by Teachers' Pensions Scheme (TPS) and the Local Government Pension Scheme (LGPS), which are multi-employer defined benefit plans.

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 the Government Actuary on the basis of valuations using a projected unit method. The TPS is a multi-employer scheme but sufficient information is not available to use defined benefit accounting and therefore it is accounted for as a defined contribution scheme, with the amount charged to the statement of comprehensive income being the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

## **Coventry College**

### **Notes to the Accounts (Continued)**

#### **1. Accounting Policies (continued)**

The LGPS is a funded scheme, and the assets of the scheme are held separately. Pension schemes are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. 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. The net interest cost on the net defined benefit liability/asset is charged to comprehensive income and included within finance costs. Re-measurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

#### **Short term Employment benefits**

Short term employment benefits such as salaries and compensated absences (holiday pay) are recognised as an expense in the year in which the employees render service to the College. The cost of any unused holiday entitlement the College expects to pay in future periods is recognised in the period the employees' services are rendered.

#### **Tangible fixed assets**

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

##### *Land and buildings*

Land and buildings are stated at cost (or deemed cost for land and buildings held at valuation at the date of transition to FRS 15 or FRS 102) less accumulated depreciation and accumulated impairment losses.

##### *Equipment*

Equipment costing less than £1000 per individual item or set of items acquired together is recognised as expenditure in the period of acquisition. All other equipment is capitalised and recognised at cost less accumulated depreciation and accumulated impairment losses.

##### *Depreciation and residual values*

Freehold land is not depreciated. Depreciation on other assets is calculated, using the straight line basis, to write off the cost of each asset to its estimated residual value over its expected useful lives, as follows:

Freehold buildings - over 50 years  
Leasehold properties - period of lease  
Equipment - over 3 - 10 years



## **Coventry College**

### **Notes to the Accounts (Continued)**

#### **1. Accounting Policies (continued)**

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

Subsequent costs, including replacement parts, are only capitalised when it is probable that such costs will generate future economic benefits. Any replaced parts are then derecognised. All other costs of repairs and maintenance are expensed as incurred.

#### **Impairments of fixed assets**

An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, an estimate is made of the recoverable amount of the asset.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use, are recognised as impairment losses. Impairment of revalued assets, are treated as a revaluation loss. All other impairment losses are recognised in comprehensive income.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in comprehensive income or, for revalued assets, as a revaluation gain. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

#### **Borrowing costs**

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

#### **Leased assets**

Costs in respect of operating leases are charged on a straight-line basis over the lease term. 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 a finance lease obligation. 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.

## **Coventry College**

### **Notes to the Accounts (Continued)**

#### **1. Accounting Policies (continued)**

##### **Stock**

Stock is valued at the lower of cost and estimated selling price less costs to complete and sell. Where necessary, provision is made for obsolete, slow moving and defective items.

##### **Taxation**

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

The College is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

##### **Provisions**

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

##### **Agency arrangements**

The College acts as an agent in the collection some student support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the Income and Expenditure account.

**Coventry College**  
**Notes to the Accounts (Continued)**

**1. Accounting Policies (continued)**

**Financial Instruments**

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

***Financial assets and liabilities***

Financial assets and financial liabilities are recognised when the college becomes a party to the contractual provisions of the instrument.

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 financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets measured at fair value through the profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. A financial asset or financial liability that is payable or receivable in one year is measured at the undiscounted amount expected to be received or paid net of impairment, unless it is a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and financial liabilities are offset only when there is a current legally enforceable right to set off the recognised amounts and the intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

**Critical accounting judgements and estimation uncertainty**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

***Critical areas of judgement***

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.

***Critical accounting estimates and assumptions***

- Tangible fixed assets

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

## Coventry College

### Notes to the Accounts (Continued)

#### 1. Accounting Policies (continued)

- 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 21, 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 2018. 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.

- Impairment of fixed assets

The College considers whether tangible fixed assets are impaired. Where an indication of impairment is identified the estimation of the recoverable amount of the asset or the recoverable amount of the cash-generating unit is required. These will require an estimation of the future cash flow and selection of an appropriate discount rate in order to calculate the net present value of those cash flows.

**Coventry College**  
**Notes to the Accounts (continued)**

**2 Funding body grants**

	2018 £'000	2017 £'000
<b>Recurrent grants</b>		
Education and Skills Funding Agency - adult	3,546	4,669
Education and Skills Funding Agency - 16-18	14,505	14,328
Education and Skills Funding Agency - apprenticeships	1,844	1,936
Higher Education Funding Council	129	202
<b>Specific Grants</b>		
Releases of government capital grants	781	749
HE grant	17	4
<b>Total</b>	<b>20,822</b>	<b>21,888</b>

**3 Tuition fees and education contracts**

	2018 £'000	2017 £'000
Adult education fees	568	609
Fees for FE loan supported courses	780	847
Fees for HE loan supported courses	376	579
International student fees	136	278
Education Contracts	438	679
<b>Total</b>	<b>2,298</b>	<b>2,992</b>

**Coventry College**  
**Notes to the Accounts (continued)**

**4 Other income**

	<b>2018 £'000</b>	<b>2017 £'000</b>
Other income generating activities	761	821
Non-government capital grants	-	27
Other grant income	727	1,277
	<hr/>	<hr/>
<b>Total</b>	<b><u>1,488</u></b>	<b><u>2,125</u></b>

**5 Investment income**

	<b>2018 £'000</b>	<b>2017 £'000</b>
Other interest receivable	11	5
	<hr/>	<hr/>
<b>Total</b>	<b><u>11</u></b>	<b><u>5</u></b>

**Coventry College**  
**Notes to the Accounts (continued)**

**6 Staff costs and key management personnel and other high paid staff**

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

	2018 No.	2017 No.
Teaching staff	202	225
Non teaching staff	240	253
	<u>442</u>	<u>478</u>
<b>Staff costs for the above persons</b>	<b>2018 £'000</b>	<b>2017 £'000</b>
Wages and salaries	11,874	12,268
Social security costs	1,059	1,101
Other pension costs	2,916	2,548
	<u>15,849</u>	<u>15,917</u>
Payroll sub total	15,849	15,917
Contracted out staffing services	981	933
	<u>16,830</u>	<u>16,850</u>
Restructuring costs -	Contractual	100
	Non Contractual	-
	<u>16,930</u>	<u>18,307</u>

**Key management personnel compensation and other high paid staff**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Senior Leadership Team which, during the year, comprised the Principal, a Vice Principal, Director of Finance and Resources (and Vice Principal), Assistant Principals and Clerk to the Corporation. 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**

	2018 No.	2017 No.
The number of key management personnel including the Accounting Officer was:	<u>10</u>	<u>12</u>

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

**Key Management  
Personnel**

	2018 No.	2017 No.
£0 to £10,000	-	-
£10,000 to £20,000	-	-
£20,001 to £30,000	2	1
£30,001 to £40,000	-	2
£40,001 to £50,000	3	4
£50,001 to £60,000	1	1
£60,001 to £70,000	2	1
£70,001 to £80,000	-	1
£80,001 to £90,000	-	1
£90,001 to £100,000	-	1
£100,001 to £110,000	1	-
£110,001 to £120,000	-	1
£120,001 to £130,000	1	-
£130,001 to £140,000	-	-
	<u>10</u>	<u>12</u>

**Coventry College**  
**Notes to the Accounts (continued)**

**6 Staff costs and key management personnel and other high paid staff (continued)**

Key management personnel total compensation (including Accounting Officer) is made up as

	2018 £'000	2017 £'000
Salaries	546	684
Employers National Insurance	67	83
	<u>613</u>	<u>767</u>
Pension contributions	<u>83</u>	<u>137</u>
<b>Total emoluments</b>	<b><u>696</u></b>	<b><u>904</u></b>

There were no payments made to key management personnel engaged as interim managers in 2018, (2017: £130,000). There were no amounts due to key management personnel that were waived in the year, nor any salary sacrifice arrangements in place.

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

	2018 £'000	2017 £'000
Salaries	<u>142</u>	<u>291</u>
	<u>142</u>	<u>291</u>
Pension contributions	<u>22</u>	<u>24</u>
<b>Total</b>	<b><u>164</u></b>	<b><u>315</u></b>

The figures above include the costs of three Principals for year ended July 2017; the interim principal's contract ended on 31 March 2017 (salary £125,000) and was replaced by an acting principal at City College Coventry (salary, £45,000 and pension contribution £7,000) on 1 April 2017; the costs also include principal costs for Henley College Coventry (salary £121,000 and pension contributions £17,000).

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

	2018 £'000	2017 £'000
Compensation paid to the former post-holder - contractual	-	156
Estimated Value of other benefits inc. provisions for pension benefits	-	116
	<u>-</u>	<u>272</u>

**Governors' remuneration**

The accounting officer and the staff members only receive remuneration in respect of services they provide undertaking their roles of Principal and staff members under contracts of employment and not in respect of their roles as governors. The other members of the Corporation did not receive any payments from the College in respect of their roles as governors.

During the year, total expenses of £604 (2017 - £1,787) were paid to or on behalf of three governors (2017- five) in respect of travel and subsistence and other out of pocket expenses incurred in the course of their duties.



**Coventry College**  
**Notes to the Accounts (continued)**

**7 Other operating expenses**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Teaching costs	1,176	1,808
Non teaching costs	2,035	2,638
Premises costs	1,912	1,986
	<u>5,123</u>	<u>6,432</u>
<b>Total</b>	<b><u>5,123</u></b>	<b><u>6,432</u></b>

**Other operating expenses include:**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Auditors' remuneration:		
Financial statements audit	35	49
Other services provided by the financial statements auditor	-	74
Internal audit	15	37
Hire of plant and machinery - operating leases	81	176
	<u>131</u>	<u>336</u>

**Coventry College**  
**Notes to the Accounts (continued)**

**8 Interest payable**

	2018 £'000	2017 £'000
Interest on bank loans and overdrafts	266	197
	<u>266</u>	<u>197</u>
Interest on finance leases	220	225
Net interest on defined pension liability (note 21)	553	711
Interest on enhanced pension provisions	71	65
<b>Total</b>	<u><u>1,110</u></u>	<u><u>1,198</u></u>

**9 Taxation**

The College was not liable for Corporation Tax arising out of its activities during the year.

**Coventry College**  
**Notes to the Accounts (continued)**

**10 Tangible fixed assets**

	Land and buildings		Equipment	Total
	Freehold property	Long leasehold property		
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At 1 August 2017	69,634	6,038	10,929	86,601
Additions	56	-	119	175
<b>At 31 July 2018</b>	<b>69,690</b>	<b>6,038</b>	<b>11,048</b>	<b>86,776</b>
<b>Depreciation</b>				
At 1 August 2017	14,158	858	9,473	24,489
Charge for the year	1,435	100	632	2,167
<b>At 31 July 2018</b>	<b>15,593</b>	<b>958</b>	<b>10,105</b>	<b>26,656</b>
<b>Net book value at 31 July 2018</b>	<b>54,097</b>	<b>5,080</b>	<b>943</b>	<b>60,120</b>
Net book value at 31 July 2017	55,476	5,180	1,456	62,112

The net book value of £60,120,000 is partly funded from exchequer funds through, for example, the receipt of capital grants. Should these assets be sold the College may be liable under the terms of the financial memorandum, to surrender some or all of the proceeds.

The net book value of tangible fixed assets includes an amount of £3,891,000 (2017: £4,001,000) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £110,000 (2017: £160,000).

**Coventry College**  
**Notes to the Accounts (continued)**

**11 Debtors**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Amounts falling due within one year:		
Trade receivables	267	549
Prepayments and accrued income	152	254
Amounts owed by the Education and Skills Funding Agency	259	78
<b>Total</b>	<b>678</b>	<b>881</b>

**Coventry College**  
**Notes to the Accounts (continued)**

**12 Creditors: amounts falling due within one year**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Bank loans and overdrafts	400	418
Obligations under finance leases	113	108
Trade payables	333	686
Payments received in advance	23	-
Other creditors	-	-
Other taxation and social security	491	825
Accruals and deferred income	3,036	4,004
Deferred income - government capital grants	740	787
Amounts owed to the Education and Skills Funding Agency	675	200
<b>Total</b>	<b><u>5,811</u></b>	<b><u>7,028</u></b>

**13 Creditors: amounts falling due after one year**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Bank loans	9,414	9,797
Obligations under finance leases	3,931	4,045
Other taxation and social security	-	98
Deferred income - government capital grants	20,097	20,784
<b>Total</b>	<b><u>33,442</u></b>	<b><u>34,724</u></b>

**Coventry College**  
**Notes to the Accounts (continued)**

**14 Maturity of debt**

**(a) Bank loans and overdrafts**

Bank loans and overdrafts are repayable as follows:

	<b>2018</b> <b>£'000</b>	<b>2017</b> <b>£'000</b>
In one year or less	400	418
Between one and two years	400	431
Between two and five years	9,014	9,366
<b>Total</b>	<b><u>9,814</u></b>	<b><u>10,215</u></b>

Security over freehold and leasehold property is held by Barclays in respect of the bank loan totalling £9,814,000.

The loan is redeemable after 3 years based on an 19 year payment profile and an interest rate margin of 2.15% per annum. The loan is repayable by instalments falling due between 01/11/2017 and 01/05/2020.

**(b) Finance leases**

Finance lease obligations are repayable as follows:

	<b>2018</b> <b>£'000</b>	<b>2017</b> <b>£'000</b>
In one year or less	113	108
Between two and five years	512	488
In five years or more	3,419	3,556
<b>Total</b>	<b><u>4,044</u></b>	<b><u>4,152</u></b>

Finance lease obligations are secured on the assets to which they relate.

**15 Financial instruments**

The College has the following financial instruments

	<b>2018</b> <b>£000s</b>	<b>2017</b> <b>£000s</b>
<b>Financial Assets</b>		
Debt instruments at amortised cost	<u>526</u>	<u>627</u>
<b>Financial Liabilities</b>		
Financial liabilities at amortised cost	<u>17,452</u>	<u>19,252</u>

**Coventry College**  
**Notes to the Accounts (continued)**

**16 Provisions**

	Defined benefit obligations	Enhanced pensions	Total
	£'000	£'000	£'000
At 1 August 2017	21,085	2,046	23,131
Expenditure in the period	(1,354)	(156)	(1,510)
Transferred from income and expenditure account	2,551	71	2,622
Actuarial Gain	(4,763)	(4)	(4,767)
<b>At 31 July 2018</b>	<b>17,519</b>	<b>1,957</b>	<b>19,476</b>

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 21.

The enhanced pension provision relates to the cost of staff who have already left the College's employment. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:

	2018	2017
Price inflation	1.30%	1.30%
Discount rate	2.30%	2.30%

**17 Cash at bank and in hand**

	At 31 July 2018 £'000	At 31 July 2017 £'000
Cash and cash equivalents	5,542	5,445
<b>Total</b>	<b>5,542</b>	<b>5,445</b>

**18 Capital commitments**

	2018 £'000	2017 £'000
Commitments contracted for at 31 July	256	-

**Coventry College**  
**Notes to the Accounts (continued)**

**19 Lease Obligations**

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

	2018 £'000	2017 £'000
<b>Future minimum lease payments due</b>		
<b>Other</b>		
Not later than one year	68	51
Later than one year and not later than five years	74	62
	<u>142</u>	<u>113</u>

**20 Contingent liabilities**

The College had no contingent liabilities as at 31 July 2018.



## Coventry College Notes to the Accounts (continued)

### 21 Defined benefit obligations

The College's employees belong to two principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by the West Midlands Metropolitan Authorities Pension Fund. Both are multi-employer defined-benefit schemes.

Total pension cost for the year	2018 £'000	2017 £'000
Teachers Pension Scheme: contributions paid	785	979
Local Government Pension Scheme:		
Contributions paid	1,354	1,119
FRS 102 (28) charge	<u>621</u>	<u>356</u>
Charge to the Statement of Comprehensive Income	1,975	1,475
Enhanced pension charge to Statement of Comprehensive Income	156	94
<b>Total Pension Cost for Year</b>	<b><u>2,916</u></b>	<b><u>2,548</u></b>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2016.

#### Teachers' Pension Scheme

The teachers' pension scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. The TPS is an unfunded scheme and members contribute on a pay as you go basis - these contributions, along with those made by employers, are credited to the Exchequer. There were no prepaid or outstanding contributions in the year.

#### Valuation of the Teachers' Pension Scheme

Not less than every 4 years the Government actuary (GA), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors.

The latest actuarial valuation was carried out as at 31 March 2012 and in accordance with the public service pensions (valuations and employer cost cap) directions 2014. The valuation report was published in June 2014. The key results of the valuation and subsequent consultation are:

- Total scheme liabilities for service (pensions currently payable and the estimated cost of future benefits) of £191.5 billion
- Value of notional assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) of £176.6 billion.
- Notional past service deficit of £14.9 billion
- Assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings
- Rate of real earnings growth is assumed to be 2.75%
- Assumed notional rate of return is 5.06%.

The TPS valuation for 2012 determined an employer rate of 16.48% (including a 0.081% administration fee), which was payable from September 2015. The next valuation of the TPS is currently underway based on March 2017 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The pension costs paid to TPS in the year amounted to £785,000 (2017: £979,000)

The TPS is a multi-employer pension plan and there is insufficient information to account for the scheme as defined benefit plan so it is accounted for as a defined contribution plan.

#### Local Government Pension Scheme

The LGPS is a funded defined benefit plan, with the assets held in separate funds administered by Wolverhampton MBC. The total contributions made for the year ended 31 July 2018 were £1,672,000, of which employer's contributions totalled £1,354,000 and employees' contributions totalled £318,000. The agreed contribution rates for future years are 17.5% for employers and range from 5.5% to 12.5% for employees, depending on salary.

**Coventry College**  
**Notes to the Accounts (continued)**

**21 Defined benefit obligations (continued)**

The current valuation does not reflect the expected increase in benefits and therefore liability as a result of Guaranteed Minimum Pension ('GMP') equalisation between men and women which is required as a result of the removal of the Additional State Pension. Methodologies for a long-term solution are still being investigated by the Government as set out in the published (January 2018) outcome of the Government Consultation 'Indexation and Equalisation of GMP in Public Sector Pensions Schemes' and therefore the expected impact cannot be reliably estimated and consequently no provision/liability has been recognised.

**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

	<b>At 31 July 2018</b>	<b>At 31 July 2017</b>
Rate of increase in salaries	3.85%	4.10%
Future pensions increases	2.35%	2.60%
Discount rate for scheme liabilities	2.65%	2.70%
Inflation assumption (CPI)	2.35%	2.60%
Commutation of pensions to lump sums	50.00%	50.00%

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

	<b>At 31 July 2018 years</b>	<b>At 31 July 2017 years</b>
<i>Retiring today</i>		
Males	21.9	21.8
Females	24.4	24.3
<i>Retiring in 20 years</i>		
Males	24.1	23.9
Females	26.7	26.6

**Coventry College**  
**Notes to the Accounts (continued)**

**21 Defined benefit obligations (continued)**

**Local Government Pension Scheme (Continued)**

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

	Fair Value at 31 July 2018	Fair Value at 31 July 2017
	£'000	£'000
Equities	34,575	32,973
Government Bonds	3,930	3,813
Other Bonds	2,023	2,007
Property	4,434	3,810
Cash	2,049	2,593
Other	7,627	6,923
<b>Total fair value of assets</b>	<b>54,638</b>	<b>52,119</b>

<b>Actual return on plan assets</b>	<b>2,571</b>	<b>7,339</b>
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The amount included in the balance sheet in respect of the defined benefit pension plan is as follows:

	2018 £'000	2017 £'000
Fair value of plan assets	54,638	52,119
Present value of plan liabilities	(72,157)	(73,204)
<b>Net pensions (liability)/asset</b>	<b>(17,519)</b>	<b>(21,085)</b>

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

	2018 £'000	2017 £'000
<b>Amounts included in staff costs</b>		
Current Service cost	1,807	1,421
Past Service Cost	168	54
<b>Total</b>	<b>1,975</b>	<b>1,475</b>

<b>Amounts in other operating expenses</b>		
Administration costs	23	19

**Amounts included in interest costs**

Net interest cost	553	711
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**Amounts recognised in Other Comprehensive Income**

Return on pension plan assets	1,164	6,542
Other actuarial gains/(losses) on assets	-	1,962
Change in demographic assumptions	-	2,537
Experience gain/(loss) on defined benefit obligations	-	3,160
Changes in financial assumptions	3,599	(5,648)
<b>Amount recognised in Other Comprehensive Income</b>	<b>4,763</b>	<b>8,553</b>

**Coventry College**  
**Notes to the Accounts (continued)**

**21 Defined benefit obligations (continued)**

**Local Government Pension Scheme (Continued)**

**Movement in net defined benefit (liability)/asset during the year**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Deficit in scheme at 1 August	(21,085)	(28,552)
Movement in year:		-
Service Cost	(1,807)	(1,475)
Past service costs including curtailments	(168)	
Employer contributions	1,354	1,119
Administration charge	(23)	(19)
Net interest on the defined (liability)/asset	(553)	(711)
Actuarial gain or (loss)	4,763	8,553
<b>Net defined benefit liability at 31 July</b>	<b><u>(17,519)</u></b>	<b><u>(21,085)</u></b>

**Asset and Liability Reconciliation**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
<b>Changes in the present value of defined benefit obligations</b>		
<b>Defined benefit obligations at start of period</b>	73,204	71,096
Current Service cost	1,807	1,421
Interest cost	1,960	1,791
Contributions by Scheme participants	318	333
Changes in financial assumptions	(3,599)	5,648
Estimated benefits paid	(1,701)	(1,442)
Change in demographic assumptions	-	(2,537)
Experience (gain) on defined benefit obligation	-	(3,160)
Past Service cost	168	54
<b>Defined benefit obligations at end of period</b>	<b><u>72,157</u></b>	<b><u>73,204</u></b>

**Reconciliation of Assets**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
<b>Fair value of plan assets at start of period</b>	52,119	42,544
Interest on plan assets	1,407	1,080
Return on plan assets	1,164	6,542
Other actuarial gains/(losses)	-	1,962
Employer contributions	1,354	1,119
Contributions by Scheme participants	318	333
Administration expenses	(23)	(19)
Estimated benefits paid	(1,701)	(1,442)
<b>Assets at end of period</b>	<b><u>54,638</u></b>	<b><u>52,119</u></b>

**Coventry College**  
**Notes to the Accounts (continued)**

**22 Related party transactions**

Key management compensation and governors' expenses disclosure is given in note 6. There are no other related party transactions.

**Coventry College**  
**Notes to the Accounts (continued)**

**23 Merger Disclosure**

City College Coventry and Henley College Coventry merged with effect from 1 August 2017 under a Type B merger with Henley College Coventry the surviving entity. On the same date the name of the College was changed to Coventry College following approval of this name by the Department for Education on 1 August 2017.

**Analysis of Total Comprehensive Income -  
for the year ended 31 July 2017**

	City College Coventry	Henley College Coventry	Total
	2017 £'000	2017 £'000	2017 £'000
<b>INCOME</b>			
Funding body grants	12,969	8,919	21,888
Tuition fees and education contracts	1,377	1,615	2,992
Other income	925	1,200	2,125
Investment income	3	2	5
<b>Total income</b>	<b>15,274</b>	<b>11,736</b>	<b>27,010</b>
<b>EXPENDITURE</b>			
Staff costs	8,973	7,877	16,850
Restructuring costs	157	1,300	1,457
Other operating expenses	3,420	3,012	6,432
Depreciation	1,723	628	2,351
Interest and other finance costs	907	291	1,198
<b>Total expenditure</b>	<b>15,180</b>	<b>13,108</b>	<b>28,288</b>
<b>Surplus/(Deficit) for the year</b>	<b>94</b>	<b>(1,372)</b>	<b>(1,278)</b>
Remeasurement of net defined benefit and enhanced pension liability	5,717	2,875	8,592
<b>Other comprehensive income for the year</b>	<b>5,717</b>	<b>2,875</b>	<b>8,592</b>
<b>Total Comprehensive Income for the year</b>	<b>5,811</b>	<b>1,503</b>	<b>7,314</b>

Coventry College  
Notes to the Accounts (continued)

Balance sheet as at 31 July 2017

	City College Coventry	Henley College Coventry	Total
	2017 £'000	2017 £'000	2017 £'000
<b>Fixed assets</b>			
Tangible fixed assets	48,690	13,422	62,112
	<b>48,690</b>	<b>13,422</b>	<b>62,112</b>
<b>Current assets</b>			
Stock	0	9	9
Trade and other receivables	390	491	881
Cash at bank and in hand	2,026	3,419	5,445
	<b>2,416</b>	<b>3,919</b>	<b>6,335</b>
<b>Less: Creditors – amounts falling due within one year</b>	<b>(4,087)</b>	<b>(2,941)</b>	<b>(7,028)</b>
<b>Net current assets / (liabilities)</b>	<b>(1,671)</b>	<b>978</b>	<b>(693)</b>
<b>Total assets less current liabilities</b>	<b>47,019</b>	<b>14,400</b>	<b>61,419</b>
<b>Less: Creditors – amounts falling due after more than one year</b>	<b>(31,246)</b>	<b>(3,478)</b>	<b>(34,724)</b>
<b>Provisions</b>			
Defined benefit pension scheme	(12,788)	(8,297)	(21,085)
Other provisions	(1,214)	(832)	(2,046)
<b>Total net assets</b>	<b>1,771</b>	<b>1,793</b>	<b>3,564</b>
<b>Reserves</b>			
Income and expenditure account	1,771	(1,287)	484
Revaluation Reserve		3,080	3,080
<b>Total Reserves</b>	<b>1,771</b>	<b>1,793</b>	<b>3,564</b>

No significant adjustments were required when aligning the colleges' accounting policies.

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

**Conclusion**

We have carried out an engagement, in accordance with the terms of our engagement letter and further to the requirements of the grant funding agreements and contracts with the Education and Skills Funding Agency (the "ESFA"), to obtain limited assurance about whether the expenditure disbursed and income received by Coventry College during the period 1 August 2017 to 31 July 2018 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

**Basis for conclusion**

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

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

**Responsibilities of Corporation of Coventry College for regularity**

The Corporation of Coventry College is responsible, under the grant funding agreements and contracts with the ESFA and the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. The corporation of Coventry College is also responsible for preparing the Governing Body's Statement of Regularity, Propriety and Compliance.

**Reporting accountant's responsibilities for reporting on regularity**

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the ACoP.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity. A limited assurance engagement is more limited in scope than a reasonable assurance engagement and the procedures performed vary in nature and timing from, and are less in extent than for a reasonable assurance engagement; consequently a limited assurance engagement does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.



**INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON REGULARITY TO THE CORPORATION OF COVENTRY COLLEGE AND THE SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE EDUCATION AND SKILLS FUNDING AGENCY (continued)**

We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2017 to 31 July 2018 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

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

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

**Use of our report**

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



**RSM UK AUDIT LLP**

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Date: 27 October 2018

