Moulton College

Group report and financial statements

for the year ended 31 July 2019

Key Management Personnel, Board of Governors and Professional Advisors

Key management personnel

Key management personnel are defined as members of the College Leadership Team and are as follows:

Mrs Corrie Harris – Principal and CEO; Accounting Officer (Joined July 2019)

Mrs Ann Turner – Principal and CEO; Accounting Officer (Left July 2019)

Mr Gerald Davies – Deputy Principal

Miss Alicia Bruce – Chief Finance Officer

Mrs Jacky Matthews – Director of Curriculum and Quality Improvement (Left July 2019)

Mr David Aldridge – Director of Human Resources

Mr Craig Jackson – Director of Further Education, Curriculum and Student Experience (Left August 2018)

Mr Martin Simmons – Vice Principal Curriculum, HE and Quality (Left June 2019)

Mr John O'Shea – Vice Principal Curriculum, HE and Quality (Joined August 2019)

Board of Governors

A full list of Governors is given on pages 12-13 of these financial statements.

Mrs Geraldine Hulley – Clerk to the Corporation

Professional advisers

Financial statements auditors:	KPMG LLP One Snowhill, Snow Hill Queensway, Birmingham, B4 6GH
Internal auditors:	Icca Education, Training and Skills The McLaren Building, 46 The Priory, Queensway, Birmingham. B4 7LR
Solicitors:	Arnold Thomson 205 Watling Street West, Towcester, Northants. NN12 6BX
	Eversheds 105 Colmore Row, Birmingham. B3 3AL
Bankers:	Santander UK plc 1 Cornwall Street, Birmingham. B3 2DX
Farms Advisors:	ADAS Woodthorne, Wergs Road, Wolverhampton. WV6 8TQ

Members' report and financial statements

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Members' report

Objectives and strategy

The governing body present their annual report together with the financial statements and auditor's report for Moulton College for the year ended 31 July 2019.

Legal Status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Moulton College. The College is an exempt charity for the purposes of the Charities Act 2011 and is not liable to Corporation Tax.

Mission

The College mission as approved by its members is as follows:

"To provide high quality education and training opportunities".

Public Benefit

Moulton College is an exempt charity under Part 3 of the Charities Act 2011 and from 1st September 2013, was regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England. Following the Machinery of Government changes in 2016 this responsibility transferred to the Department for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 12-13.

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

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

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

Members' Report *(continued)*

Objectives and achievements

The College has a strategic plan which has five strategic aims:

- To provide an outstanding and personalised student experience;
- To maintain a highly skilled and motivated staff;
- To provide a high quality learning environment;
- To focus on growing the College; and
- To ensure financial viability and sustainability.

A series of strategic aims have been devised (the latest covering the period to 2021) 72.1% which are supported by the setting of annual operating plan and objectives devised and agreed by the middle management teams of operational areas across the College. These objectives are reviewed annually to take into account any changes in the internal and external operating environments.

For 16 – 18 year olds, the overall achievement rate was 61.0% *(2018: 72.1%)*; for adult students 77.3% *(2018: 84.9%)*. The overall achievement rate is 65.5% *(2018: 76.4%)*.

Financial objectives

The key objectives which underpin the aim of ensuring financial viability and sustainability are:

- Develop operational financial information to support critical business decision making and accountability;
- Achieve a satisfactory grade for financial health as defined by the ESFA in each financial year;
- Maximise growth of student numbers to meet agreed three and five year projections;
- Manage within the Colleges financial envelop, generate cash surpluses, meet the bank covenants;
- Seek and exploit emerging opportunities that add value and increase income to the College; and
- Review processes to optimise operational effectiveness.

The Group generated an operating deficit for the year of £1,210k *(2018: £1,035k surplus)* (College: £1,185k *(2018: £611k surplus)*).

Following transfers from reserves and actuarial pension adjustments, the Group generated a comprehensive income and expenditure deficit of £4,114k *(2018: £3,628k surplus)* (College: £4,099k *(2018: £3,204k surplus)*).

As at 31 July 2019, the Group had accumulated reserves of £23,119k *(2018: £27,233k)* (College: £20,913k (2018: *£25,012k*)) and cash reserves of £1,875k *(2018: £2,252k)*. (College: £1,797k (2018: *£2,168k*)).

Group tangible fixed asset additions in year amounted to £1,030k *(2018: £2,850k)* as the College continues to invest in its campus and facilities.

Members' Report *(continued)*

The inclusion of FRS 102 (28) pension costs has a significant impact on the presentation of the accounts. From 2015/16 the pension finance cost element of the pension charge is reported at the underlying operating position level and a provision is made for holiday pay.

The College completes the annual finance record for the ESFA. The ESFA assess the financial health of the College based on receipt of the financial plan (due by 31 July) and finance record (financial statements) (due by 31 December). The College is assessed using the ESFA's methodology at these two points. The College was assessed as having a 'Satisfactory' financial health grading in 2017 and 2018 and 'Inadequate' in 2019 due to the Revolving Credit Facility moving from long term creditors to creditors due within one year.

The financial plan approved by the Board in July 2019 continues to show the College with 'Inadequate' financial health rating in 2019/20.

Treasury Policy and objectives

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

Moulton College has a separate Treasury Management policy in place. All borrowing requires the authorisation of the Corporation. The College had loans totalling £18,432k *(2018: £18,893k)* as at 31st July 2019 with Santander.

Cash flows and liquidity

The College's cash and cash equivalents at the end of the year amounted to £1,875k (*2018: £2,252k*); this represents a net cash outflow of £377k in the year (*2018: £154k inflow*). The College's approach to borrowing and interest rates has been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cash flow.

Reserves policy

The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation, and ensures that there are adequate reserves to support the College's core activities. The College Group reserves include £1,176k *(2018: £1,176k)* held as restricted reserves. As at the balance sheet date the Income and Expenditure reserve stands at £19,473k *(2018:£ 23,518k)*.

Current and future development and performance

Financial health

Improving the College's financial health continues to be a key priority and the renegotiation of banking facilities and loan covenants in June 2017 was a key milestone in achieving that aim, with further amendments to covenants successfully negotiated in July 2018 and 2019. The College developed a recovery plan in response to the Financial Notice of Concern issued in January 2017, and this is incorporated into the overall strategic plan to ensure that all areas of the College continue to develop for the benefit of its learners.

Members' Report *(continued)*

Payment performance

It is the College's policy to pay all of its suppliers within 28 days of the end of the month in which it receives the goods or services, provided that the College is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The College does not follow any code or standard on payment practice nor is it the College's policy to agree terms of payment in advance with suppliers.

The number of days that purchases were outstanding for payment by the College at the year-end was 19 days.

Student numbers

In 2018/19 Moulton College has delivered activity that has produced £14,070k of funding body grant *(2018: £16,942k)*. That funding supports some 3,239 *(2018: 4,110)* learners, which include approximately 1,542 *(2018:1,689)* 16-18 learners and 1,373 *(2018: 1,962)* adults and 324 *(2018: 459)* HE students from a diverse range of social and educational backgrounds.

Student achievements

Overall, the College achieved a pass rate of 78.1% in 2018/19 *(2018: 86.5%)*.

Curriculum developments

In line with ongoing changes in Government expectations for 16-18 full time learners, Moulton College provides a comprehensive range of employment opportunities and work experience which ensures we continue to perform beyond the expectations of the Study Programme.

Ofsted

The College received a full inspection in March 2019 and its performance was judged to be 'inadequate' for overall effectiveness.

The Governing Body and Senior Leadership Team have taken significant actions to address the findings of the report.

The College remains in formal intervention a result of the Ofsted inspections. The ESFA issued a Notice to Improve in April 2018 and removed the College from the Register of Apprenticeship Training Providers at this time.

Future developments

The Governing Body and Senior Leadership Team are working to restore the quality of the provision and provide an enhanced stimulating curriculum offer that is fit for purpose and provides growth opportunities. A recovery plan has been developed that provides the basis for the future of the College as a specialist College delivering courses from entry to postgraduate level within land based, sport and construction.

It is envisaged that the College will work in partnership with other local and specialist Colleges and Universities for the benefit of the wider region, meeting the skills needs of the economy within a supportive environment, along with further targeted growth in higher education provision. It is essential that the College achieves an improved Ofsted grading and returns to the Register of Apprenticeship Training Providers.

Principal risks and uncertainties

The College has maintained its 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

Members' Report *(continued)*

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

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. Other factors besides those listed below may also adversely affect the College.

The College has produced a board assurance framework which identifies where assurance is provided against the management of significant risks.

1. Government funding

The College has considerable reliance on continued government funding through the further education sector funding bodies and through the Office for Students. In 2018/19, 60% *(2018: 53%)* of the College's revenue was ultimately publicly funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The College is aware of several issues which may impact on future funding, including apprenticeship reforms and the devolution of the adult education budget. The College, in conjunction with its key stakeholders, is developing a strategy for growth in response to the devolution agenda and to the apprenticeships reform. It is recognised that the introduction of the apprenticeship levy will significantly affect that marketplace though the full implications are not yet known as government policy continues to develop.

The Government is continuing to review its priorities for the adult skills sector following the Leitch report into the skills required for the UK to compete successfully in the global economy. This risk is mitigated in a number of ways:

- Funding is derived through a number of direct and indirect contractual arrangements
- By ensuring the College is rigorous in delivering high quality education and training
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding.
- Regular dialogue with funding bodies

2. Failure to maintain the financial viability of the College

The College's current financial health grade is Inadequate. The continuing challenge to the College's financial position remains the constraint on further education funding arising from the ongoing cuts in public sector spending whilst maintaining the student experience and outcome of the Ofsted inspection on reputation and restrictions placed on activities such as new apprenticeship activity. This risk is mitigated in a number of ways:

- By rigorous budget setting procedures and sensitivity analysis
- Regular in year budget monitoring
- Robust financial controls
- Exploring ongoing procurement efficiencies
- Seek and exploit emerging opportunities that add value and increase income to the college

Members' Report *(continued)*

- Ensuring the curriculum in all areas is regularly reviewed to ensure it meets the current and future needs of learners, employers and other stakeholders
- Working with a strategic delivery partners to ensure the ongoing provision of apprenticeships at the College
- Seeking a merger partner to secure the long-term financial viability of the College

3. Tuition Fee Policy

The College set fee assumptions in line with the ESFA guidance. In line with the majority of other colleges, Moulton College will seek to increase tuition fees in accordance with the fee assumptions. The risk for the College is that demand falls off as fees increase. This will impact on the growth strategy of the College.

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students
- Close monitoring of the demand for courses as prices change

4. Maintain adequate funding of pension fund liabilities

The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS 102.

This risk is mitigated by an agreed deficit recovery plan with the Northamptonshire Local Government Pension Scheme.

Staff and learner involvement

The College considers good communication with its staff to be very important and to this end publishes a weekly calendar and is looking to introduce a new college newsletter, which is available to all staff. Social media is widely used to communicate with students, employers and other interested parties. These are complemented by subject specific newsletters that are produced periodically throughout the year, targeting specific audiences.

The College encourages staff and student involvement through membership of formal committees, including the Employee Consultation Forum (ECF), Student Voice/Experience Committees for Further and Higher Education, Further Education and Higher Education Academic Boards, Equality, Diversity and Inclusion Monitoring Group, Health & Safety Committee and Governing Body. The College has a staff and student represented Board member on the Governing Body.

Equality

Moulton is committed to achieving equality of opportunity for all people who work and study at the College and the Equality Policy is intended to respond to the spirit of the Equality Act 2010. The College also aims to promote all other forms and strands of equality and human rights that may be relevant to its work. The College meets its public sector equality duty under Section 149 of the Equality Act and published updated equality objectives in April 2016.

The College seeks to employ a workforce which reflects the diverse community at large, because it values the individual contributions of all people. The College treats all employees with dignity and respect and provides a working environment free from unlawful discrimination, harassment or victimisation. To this end, within the framework of the law and best employment practice, the College is committed, wherever practicable, to achieving and maintaining a workforce which broadly reflects the local community.

The College provides a suitable learning environment for the education and training of all students of varying abilities and interests and does this without creating unnecessary barriers to this provision.

Members' Report *(continued)*

Employment of disabled persons

The College considers all applications for employment from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where a disabled applicant is the most suitable candidate for a post, due consideration is given to any reasonable adjustments which may be necessary to enable the individual to work effectively. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. Reasonable adjustments to the role or environment are considered as are opportunities for redeployment. The College's policy is to provide training, career development and opportunities for promotion, which are, as far as possible, identical to those for other employees.
The College, in particular, makes the following commitments.

a) as part of the redevelopment of the buildings it is installing lifts, ramps, automated doors, hearing loops etc., so that eventually most of the facilities will allow access to people with a disability;

b) there is a list of specialist equipment, large text screens, laptop computers, etc., which the College can make available for use by students;

c) the admissions policy for all students is described in the admissions policy. Appeals against a decision not to offer a place are dealt with under the complaints policy;

d) the College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and disabilities. There are a number of student support assistants who can provide specialist support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate in-class support for students who have learning difficulties and/or disabilities;

e) specialist programmes are described in programme information guides, and achievements and destinations are recorded and published in the standard College format;

f) specialist residential accommodation, supervised 24 hours a day, is provided for up to 7 students with moderate/severe learning difficulties and/or disabilities.

g) counselling and welfare services are described in the Student Handbook.

h) the College received a Care Standards inspection by Ofsted in January 2018 and its performance was judged to be 'good' for overall effectiveness.

Freedom of Information

The Freedom of Information Act 2000 requires public authorities to adopt and maintain a publication scheme, which has been approved by the Information Commissioner.

The College has adopted the model publication scheme developed for the Further Education sector and is therefore committed to publishing the information it describes. The College's subsidiary companies were obliged to adopt bespoke schemes and these have been approved by the Information Commissioner.

To request information available through our publication scheme, please contact the Clerk to the Corporation.

Trade union facility time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require the college to publish information on facility time arrangements for trade union officials at the college. The College does not have any Trade Union representation, therefore the facility time is nil.

Members' Report *(continued)*

Local collaboration

The College is actively involved in the South East Midlands Local Enterprise Partnership (SEMLEP). The College is also actively involved with the Northants Heads and Principals group, the Northamptonshire County Council Local Safeguarding Board, the Daventry Education Forum (formerly Daventry Learning Partnership), the East Northants College (TENC), Landex and Association of Colleges (AoC).

Moulton seeks to maximise the opportunities available to learners studying within the county's colleges and schools, and to minimise the duplication of provision and resources

Disclosure of information to auditor

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

Approved by order of the members of the Corporation on 30th January 2020 and signed on its behalf by:

David McVean

D McVean
Chairman

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 2018 to 31st July 2019 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);

ii. in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the Code"); and

iii. having due regard to the UK Corporate Governance Code 2014 ("the Code") insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the College has adopted and complied with the Code. We have not adopted and therefore do not apply the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.

In the opinion of the Governors, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2019. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2016, which it formally adopted in September 2016.

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

The Corporation

The members who served the Corporation during the year and up to the date of this report were as follows:

Name	**Date of appointment**	**Term of office**	**Date of resignation**	**Status of appoint-ment**	**Committees served**	**Board Attendance 2018/19**
Mr R Thompson (Chair)	Feb 2003-19	4	28/02/19	External	Chair; Search and Governance; Finance and Resources; Remuneration	5/5
Ms A Turner	Apr 2018	4	30/06/19	Principal	Search and Governance; Teaching, Learning and Assessment, Finance and Resources	8/8
Mr L Howarth	Feb 2014 – Sept 2019	4	09/09/2019	Staff	Teaching, Learning and Assessment	9/9
Mr T Neville	Jul 2011 -	4		External	Finance and Resources; Search and Governance; Remuneration	8/9

Name	Date of appointment	Term of office	Date of resignation	Status of appoint-ment	Committees served	Board Attendance 2018/19
Mr R Sadler (Vice Chair)	Nov 2016-Feb 2019	4	28/02/19	External	Search and Governance; Finance and Resources; Remuneration	5/5
Mr A Thomson	Feb 2016	4		External	Teaching, Learning and Assessment; Search and Governance; Remuneration	7/9
Mr M Wakeford	Nov 2018	4		External	Finance and Resources; Teaching, Learning and Assessment	4/6
Mr A Clarkson	Sept 2016	4		External	Audit; Search and Governance; Remuneration	7/9
Mrs K Delamain-Blunt	May 2017 to Sept 2019	4		External	Teaching, Learning and Assessment	7/9
Ms L Knapp	Sept 2017	4		External	Audit	8/9
Mr I James	Oct 2017	4		External	Finance and Resources	7/9
Mr B Hansford	Nov 2017	4		External	Teaching, Learning and Assessment; Audit	7/9
Mr C Matts (Vice Chair)	Jul 2018	4		External	Finance and Resources; Search and Governance; Remuneration	7/9
Mr D McVean (Chair)	Nov 2018	4		External	Teaching, Learning and Assessment; Search and Governance; Remuneration	6/7
Mrs C Harris	July 2019	4		Principal	Teaching, Learning and Assessment; Finance and Resources; Search and Governance;	1/1
Mrs P Hawkesford	Feb 2019	4		External	Teaching, Learning and Assessment	4/4
Mr A Eastland	Sept 2017	1		Student	Teaching, Learning and Assessment	7/9
Miss L Watson	Sept 2019	1		Student	Teaching, Learning and Assessment	
Ms S O'Connor	Sept 2019	4		Staff	Teaching, Learning and Assessment	

Re-elected: + July 2018, % July 2014, * January 2016, = July 2016, ~ September 2016.

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

The Board and its committees met during the year as follows:

Board	9
Search and Governance Committee	4
Audit Committee	3
Teaching, Learning and Assessment Committee	4
Remuneration Committee	1
Finance Committee (now the Finance and Resources Committee)	8

Mrs G Hulley is the Clerk to the Corporation.

The following persons also acted as directors of the College's wholly owned subsidiaries:

Moulton College Developments Limited	*Moulton Trading Limited*	*Moulton College Enterprises Limited*
Mr R U Thompson (Resigned February 2019)	Mr R U Thompson (Resigned February 2019)	Mr R U Thompson (Resigned February 2019)
Mr D McVean (Appointed February 2019)	Mr D McVean (Appointed February 2019)	Mr D McVean (Appointed February 2019)
Mr I James (Appointed February 2019)	Mr I James (Appointed February 2019)	Mr I James (Appointed February 2019)
Miss A Bruce (Appointed February 2019)	Miss A Bruce (Appointed February 2019)	Miss A Bruce (Appointed February 2019)
		Mr G Davies (Appointed August 2019)

It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct. The responsibilities of the Corporation and Principal are set out in article 3 of the College's Instrument and Articles of Government with a statement of what each may not delegate in articles 9 to 11.

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues. The Corporation met monthly apart from August, December and June.

The Corporation conducts its business through a number of committees: Search and Governance, Remuneration, Teaching, Learning and Assessment, Finance and Resources Committee and Audit Committee. Each committee has terms of reference, which have been approved by the Corporation. Minutes of Board and Committee meetings, except those deemed to be confidential by the Corporation, are available on the College website at www.moulton.ac.uk or from the Clerk to the Corporation at the College address: Moulton College, West Street, Moulton, Northampton, NN3 7RR.

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

All governors are able to take independent professional advice in furtherance of their duties at the College's expense and all have access to the Clerk to the Corporation, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment and removal of the Clerk are matters for the Corporation as a whole.

Formal agendas, papers and reports are supplied to governors in a timely manner, prior to the Board meetings. Briefings are also provided on an ad-hoc basis.

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

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

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search and Governance Committee consisting of five members of the Corporation which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required. Members of the Corporation are appointed for a term of office not exceeding 4 years.

Remuneration Committee

Throughout the year ending 31 July 2019 the College's Remuneration Committee comprised five members of the Corporation. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal and other senior post-holders. Details of remuneration for the year ended 31 July 2019 are set out in note 8 to the financial statements.

Audit Committee

The Audit Committee comprises four members of the Corporation (excluding the Principal) and a co-opted financial specialist. 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 external 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 funding bodies as they affect the College's business. The College's internal auditors review the systems of internal control in accordance with an agreed plan of input and report their findings to management and the Audit Committee. Management are responsible for the implementation of agreed recommendations and internal audit undertake periodic follow up reviews to ensure such recommendations have been implemented. The Audit Committee also advises the Corporation on the appointment of internal and financial statements auditors and their remuneration for both audit and non-audit work, as well as reporting annually to the Corporation.

Finance and Resources Committee

The Finance and Resources Committee comprises five members of the Corporation, including the Principal and can have up to two co-opted members. The Committee operates in accordance with written terms of reference approved by the Corporation. The Committee meets monthly to review and monitor financial performance and advises the Corporation on the effectiveness of the College's procedures for monitoring finance and other resources.

Teaching, Learning and Assessment Committee

The Teaching, Learning and Assessment Committee comprises eight members of the Corporation and operates in accordance with written terms of reference approved by the Corporation. The Committee meets on a termly basis to review and monitor performance in all areas of activity and advises the Corporation on the effectiveness of the College's procedures for monitoring quality and standards.

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 they are personally responsible, in accordance with the responsibilities assigned to them in the Financial Memorandum between Moulton College and the Education and Skills Funding Agency. They are also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal financial control.

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

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.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2019 and up to the date of approval of the annual report and financial statements.

The risk and control framework

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

- Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Corporation
- Regular reviews by the Corporation of periodic and annual financial reports which indicate financial performance against forecasts
- Setting targets to measure financial and other performance
- Clearly defined capital investment control guidelines
- The adoption of formal project management disciplines, where appropriate

The College has an Internal Audit Service (IAS), which operates in accordance with requirements of the Joint Audit Code of Practice. The work of the IAS 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.

The College has produced a board assurance framework which identifies where assurance is provided against the management of significant risks.

As a minimum, the Head of Internal Audit (HIA) annually provides the Corporation 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. The Principal's review of the effectiveness of the system of internal control is informed by:

- The work of the IAS
- 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 in their management letters and other reports
- Sources of assurance as identified in the board assurance report.

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

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

The College has established a Risk Management Group comprising members of the Senior Leadership Team and other key individuals which considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the College Divisions and reinforced by raising risk awareness. The Principal and Senior Leadership Team and the Audit Committee receive regular reports from this committee and from the IAS, 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 Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

Based on the advice of the Audit Committee and the Principal, 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

Notwithstanding net current liabilities of £3,048K as at 31 July 2019, a deficit for the year then ended of £1,200K and operating cash outflows for the year of £377K, the financial statements have been prepared on a going concern basis which the Corporation considers to be appropriate for the following reasons.

The Corporation has prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the College will have sufficient funds from the sales of assets and the reliance on facilities from its banker to meet its liabilities as they fall due for that period.

The College has total net assets of £23,119K which includes bank loans with Santander totalling £18,432K at 31 July 2019, of which £4.4m is current as at 31 July 2019. The College intends to request a one year extension for the £3.5m revolving credit facility, due to mature in June 2020, in line with the extension terms in March 2020.

The College has renegotiated its loan covenants with Santander, who have indicated their willingness to continue to provide financial support. Based on the College's financial projections, the College has forecasted that it will meet the revised covenants at 31 July 2020.

The College is dependent on the continued support of its bankers for the continued provision of a revolving credit facility which is due to mature in June 2020, and is dependent on the disposal of surplus properties.

The Corporation set a deficit budget for 2019/20 in line with the College's Recovery and Financial Plans as a result of decreasing Education and Skills Funding Agency (ESFA) funding related to falling 16-18 student numbers, falling apprenticeship and HE numbers. Adverse enrolment in September 2019 has continued to have a negative effect on the financial recovery strategy of the College.

In line with the College's Recovery Plan, the College has and is expecting to further dispose of surplus properties valued in excess of £5M. Since 31 July 2019, the College has received proceeds of £0.6m from the disposal of properties, and is in advanced negotiations to realise a further £4.8m from the sale of land and properties. Within the next 12 months, the net sales proceeds will be applied to further reduce the bank debt and fund working capital requirements as the College seeks to focus on growing student numbers and improving its Ofsted grade.

The College remains subject to the formal intervention and monitoring process of the FE Commissioner. In addition, the ESFA continues to support the College and monthly case meetings are in place to review progress.

Based on the above indications, and the College's financial projections, the Corporation believes it is appropriate to prepare the financial statements on a going concern basis. However, the College's current circumstances represent a material uncertainty which may cast significant doubt on the College's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Approved by order of the members of the Corporation on 30th January 2020 and signed on its behalf by:

D McVean
Chairman

C Harris
Principal

Statement of Regularity, Propriety and Compliance

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

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

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

David McVea

D McVean
Chairman
30th January 2020

C Harris
Principal
30th January 2020

Statement of the responsibilities of the members of the Corporation

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

Within the terms and conditions of the college's grant funding agreements and contracts with ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the *2015 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *College Accounts Direction 2018 to 2019* issued by the ESFA, and which give a true and fair view of the state of affairs of the group and the parent College and the result for that year.

In preparing the group and parent College 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
- assess the group and parent College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent College or to cease operations, or have no realistic alternative but to do so.

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

The Corporation is responsible for keeping adequate accounting records which disclose with reasonable accuracy, at any time, the financial position of the parent College, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation including the Further and Higher Education Act 1992 and Charities Act 2011 and other relevant accounting standards. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for taking steps that are reasonably open to it in order to safeguard the assets of the group 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 expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the ESFA are used only in accordance with the ESFA's grant funding agreements and contracts and any other conditions that may be prescribed from time to time by ESFA and any other public funder. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the group and parent College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the ESFA and any other public bodies are not put at risk.

Approved by order of the members of the Corporation on 30th January 2020 and signed on its behalf by:

David McVean

D McVean

Chair of Governors

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF MOULTON COLLEGE

Opinion

We have audited the financial statements of Moulton College ("the College") for the year ended 31 July 2019 which comprise the Consolidated and College Statements of Comprehensive Income and Expenditure, the Consolidated and College Statement of Changes in Reserves, the Consolidated and College Balance Sheets, the Consolidated Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the College's affairs as at 31 July 2019, and of the Group's and the College's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended; and

- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland,* and with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education.*

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Material uncertainty related to going concern

We draw attention to the Going Concern disclosures in note 1 to the financial statements which indicate that the Group and College is dependent on the continued support of the Group's bankers for the continued provision of a revolving credit facility which is due to mature in June 2020, and is dependent on the disposal of surplus properties. These events and conditions, along with other matters explained in note 1 constitute a material uncertainty that may cast significant doubt on the Group's and the College's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The Corporation is responsible for the other information, which comprises the Members Report and the Corporation's statement of corporate governance and internal control. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Matters on which we are required to report by exception

Under the Post-16 Audit Code of Practice 2018 to 2019 (February 2019) issued jointly by the Education and Skills Funding Agency we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent College; or
- the parent College's financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Corporation's responsibilities

As explained more fully in their statement set out on page 20, the Corporation is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the parent College or to cease operations, or has no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF MOULTON COLLEGE *(continued)*

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Corporation, in accordance with Article 22 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the Corporation for our audit work, for this report, or for the opinions we have formed.

M.S.Dawson

Mark Dawson
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

31/01/2020

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

In accordance with the terms of our engagement letter dated 4 September 2017 and further to the requirements of the financial memorandum with Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Moulton College during the period 1 August 2018 to 31 July 2019 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

Respective responsibilities of Moulton College and the reporting accountant

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

Our responsibilities for this engagement are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Post-16 Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2018 to 31 July 2019 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

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

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

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

The work undertaken to draw our conclusion included:

- Documenting the framework of authorities which govern the activities of the College;
- Undertaking a risk assessment based on our understanding of the general control environment and any weaknesses in internal controls identified by our audit of the financial statements;
- Reviewing the self-assessment questionnaire which supports the representations included in the Chair of Governors and Accounting Officer's statement on regularity, propriety and compliance with the framework of authorities;
- Testing transactions with related parties;
- Confirming through enquiry and sample testing that the College has complied with its procurement policies and that these policies comply with delegated authorities; and
- Reviewing any evidence of impropriety resulting from our work and determining whether it was significant enough to be referred to in our regularity report.

Reporting Accountant's Report on Regularity to the Corporation of Moulton College and the Secretary of State for Education acting through the Education and Skills Funding Agency *(continued)*

This list is not exhaustive and we performed additional procedures designed to provide us with sufficient appropriate evidence to express a limited assurance conclusion on regularity consistent with the requirements of the Post-16 Audit Code of Practice.

Conclusion

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

M.S. Dawson

Mark Dawson
For and on behalf of KPMG LLP, Reporting Accountant
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

31/01/2020

Consolidated and College Statement of Comprehensive Income and Expenditure

for the year ended 31 July 2019

	Note	2019 Group £000	2019 College £000	2018 Group £000	2018 College £000
Income					
Funding body grants	*2*	**14,070**	**14,070**	16,942	16,942
Tuition fees and education contracts	*3*	**2,656**	**2,656**	3,825	3,825
Other grants and contracts	*4*	**101**	**101**	103	103
Other income	*5*	**4,682**	**4,576**	5,222	4,921
Investment income	*6*	**11**	**64**	15	68
Total income		**21,520**	**21,467**	26,107	25,859
Expenditure					
Staff costs	*7*	**12,467**	**12,330**	13,524	13,382
Restructuring costs	*7*	**211**	**211**	262	262
Other operating expenses	*9*	**7,875**	**8,055**	8,461	8,911
Depreciation	*13,14*	**1,970**	**1,859**	1,959	1,827
Interest and other finance costs	*10*	**794**	**794**	866	866
Total expenditure		**23,317**	**23,249**	25,072	25,248
(Deficit) / Surplus before other gains and losses		**(1,797)**	**(1,782)**	1,035	611
Profit on disposal of assets		**597**	**597**	-	-
(Deficit) / Surplus before tax		**(1,200)**	**(1,185)**	1,035	611
Taxation	*11*	-	-	-	-
(Deficit) / Surplus for the year	*12*	**(1,200)**	**(1,185)**	1,035	611
Actuarial (loss) / gain in respect of pensions scheme	*21*	**(2,914)**	**(2,914)**	2,593	2,593
Total comprehensive (deficit) / income for the year		**(4,114)**	**(4,099)**	3,628	3,204

The statement of comprehensive income is in respect of continuing activities.

The notes on pages 31 to 52 form part of these financial statements

Consolidated and College statement of changes in reserves

for the year ended 31 July 2019

Group	Income & Expenditure Account £'000	Revaluation reserve £'000	Restricted reserves £'000	Total £'000
Balance at 31 July 2017	19,820	2,609	1,176	23,605
Surplus from the income and expenditure account	1,035	-	-	1,035
Other comprehensive income	2,593	-	-	2,593
Total comprehensive income for the year	3,628	-	-	3,628
Transfers between reserves	70	(70)	-	-
Balance at 31 July 2018	23,518	2,539	1,176	27,233
(Deficit) from the income and expenditure account	(1,200)	-	-	(1,200)
Other comprehensive income	(2,914)	-	-	(2,914)
Total comprehensive income for the year	(4,114)	-	-	(4,114)
Transfers between reserves	69	(69)	-	-
Balance at 31 July 2019	**19,473**	**2,470**	**1,176**	**23,119**

Consolidated and College statement of changes in reserves *(continued)*

College	Income & Expenditure Account £'000	Revaluation reserve £'000	Restricted reserves £'000	Total £'000
Balance at 31 July 2017	19,199	2,609	-	21,808
Surplus from the income and expenditure account	611	-	-	611
Other comprehensive income	2,593	-	-	2,593
Total comprehensive income for the year	3,204	-	-	3,204
Transfers between reserves	70	(70)	-	-
Balance at 31 July 2018	22,473	2,539	-	25,012
Surplus from the income and expenditure account	(1,185)	-	-	(1,185)
Other comprehensive income	(2,914)	-		(2,914)
Total comprehensive income for the year	(4,099)	-	-	(4,099)
Transfers between reserves	69	(69)	-	-
Balance at 31 July 2019	**18,443**	**2,470**	-	**20,913**

Consolidated balance sheet
at 31 July 2019

	Note	2019 £000	2018 £000
Non-current assets			
Tangible fixed assets	13	**50,161**	51,458
Investments	14	**-**	22
		50,161	51,480
Current assets			
Stock	16	**571**	701
Trade and other receivables	17	**885**	1,298
Investments	15	**15**	15
Cash and cash equivalents		**1,875**	2,252
		3,346	4,266
Creditors: amounts falling due within one year	18	**(6,394)**	(4,334)
Net current assets / (liabilities)		**(3,048)**	(68)
Total assets less current liabilities		**47,113**	51,412
Creditors: amounts falling due after more than one year	19	**(14,071)**	(18,032)
Provisions			
Defined benefit obligations	21	**(9,923)**	(6,147)
Total net assets		**23,119**	27,233
Unrestricted reserves			
Income and expenditure account		**19,473**	23,518
Revaluation reserve		**2,470**	2,539
Total unrestricted reserves		**21,943**	26,057
Restricted reserves			
Restricted reserve – endowment		**1,161**	1,161
Restricted reserve – non-endowment		**15**	15
Total reserves		**23,119**	27,233

The financial statements on pages 25 to 52 were approved by the Corporation on 30th January 2020 and were signed on its behalf by:

David McVean

D McVean
Chairman

C Harris
Principal

College balance sheet
at 31 July 2019

	Note	2019 £000	2018 £000
Non-current assets			
Tangible fixed assets	13	**47,347**	48,533
Investments	14	**994**	994
		48,341	49,527
Current assets			
Stock	16	**568**	697
Trade and other receivables (including £1,100,000 due after more than one year)	17	**2,325**	2,491
Investments	15	-	-
Cash at bank and in hand		**1,797**	2,168
		4,690	5,356
Creditors: Amounts falling due within one year	18	**(8,124)**	(5,692)
Net current assets / (liabilities)		**(3,434)**	(336)
Total assets less current liabilities		**44,907**	49,191
Creditors: Amounts falling due after more than one year	19	**(14,071)**	(18,032)
Provisions			
Defined benefit obligations	21	**(9,923)**	(6,147)
Total net assets		**20,913**	25,012
Unrestricted Reserves			
Income and expenditure account		**18,443**	22,473
Revaluation reserve		**2,470**	2,539
Total reserves		**20,913**	25,012

The financial statements on pages 25 to 52 were approved by the Corporation on 30th January 2020 and were signed on its behalf by:

David McVean

D McVean
Chairman

C Harris
Principal

Consolidated Statement of Cash Flows
for the year ended 31 July 2019

	2019 £000	2018 £000
Cash flow from operating activities		
(Deficit) / Surplus for the year	**(1,200)**	1,035
Adjust for non-cash items		
Depreciation (note 13)	**1,970**	1,959
Profit on disposal of fixed assets	**(597)**	-
Decrease / (increase) in stocks (note 16)	**130**	48
Decrease / (Increase) in debtors (note 17)	**413**	405
(Decrease) in creditors due within one year (note 18)	**(1,440)**	(597)
Increase / (Decrease) in creditors due after one year (note 19)	**-**	-
Write-down in investment value	**22**	-
Pension costs less contributions payable (note 21)	**680**	795
Taxation(note 11)	-	-
Adjustment for investing activities		
Interest receivable (note 6)	**(11)**	(15)
Interest payable and other finance costs (note 10)	**794**	866
Taxation paid	**-**	-
Net cash flow from operating activities	**761**	4,496
Cash flows from investing activities		
Proceeds from sales of fixed assets	**954**	-
Investment income	**11**	15
Payments made to acquire fixed assets (notes 13 and 14)	**(1,030)**	(2,850)
Net cash flow from investing activities	**(65)**	(2,835)
Cash flows from financing activities		
Interest paid	**(612)**	(646)
New loans	**400**	-
Repayments of amounts borrowed	**(861)**	(861)
Net cash flow from financing activities	**(1,073)**	(1,507)
(Decrease) / Increase in cash and cash equivalents in the year	**(377)**	154
Cash and cash equivalents at beginning of the year	**2,252**	2,098
Cash and cash equivalents at end of the year	**1,875**	2,252

The notes on pages 25 to 52 form part of these financial statements.

Notes
(forming part of the financial statements)

1 Statement of accounting policies and estimation techniques

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

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (the 2015 FE HE SORP), the College Accounts Direction for 2018 to 2019 and in accordance with Financial Reporting Standard 102 – "*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*" (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Basis of accounting

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

Basis of consolidation

The consolidated financial statements of the group include the financial statements of the College and its subsidiary undertakings and those organisations controlled by the College, together with the group's share of the profit less losses and reserves of associated undertakings. All financial statements are made up to 31 July 2019. On incorporation the College Board of Governors took over the trusteeship of The Thomas Harrison Trust, a registered charity and consequently the assets and reserves of the trust are consolidated within the group accounts. The main assets of the trust consist of land, investments and cash. The group's use of the assets of the Trust is restricted in accordance with the Trust's charitable purpose and trust deed. The reserves of the group relating to the trust are consequently described as restricted.

Under the acquisition method of accounting, the results of subsidiary and associated undertakings acquired or disposed of during the year are included in the consolidated income and expenditure account from or up to the date on which control of the undertaking passes. Intra-group sales and profits are eliminated fully on consolidation.

Going concern

Notwithstanding net current liabilities of £3,048K as at 31 July 2019, a deficit for the year then ended of £1,200K and operating cash outflows for the year of £377K, the financial statements have been prepared on a going concern basis which the Corporation considers to be appropriate for the following reasons.

The Corporation has prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the College will have sufficient funds from the sales of assets and the reliance on facilities from its banker to meet its liabilities as they fall due for that period.

The College has total net assets of £23,119K which includes bank loans with Santander totalling £18,432K at 31 July 2019, of which £4.4m is current as at 31 July 2019. The College intends to request a one year extension for the £3.5m revolving credit facility, due to mature in June 2020, in line with the extension terms in March 2020.

The College has renegotiated its loan covenants with Santander, who have indicated their willingness to continue to provide financial support. Based on the College's financial projections, the College has forecasted that it will meet the revised covenants at 31 July 2020.

The College is dependent on the continued support of its bankers for the continued provision of a revolving credit facility which is due to mature in June 2020, and is dependent on the disposal of surplus properties.

The Corporation set a deficit budget for 2019/20 in line with the College's Recovery and Financial Plans as a result of decreasing Education and Skills Funding Agency (ESFA) funding related to falling 16-18 student numbers, falling apprenticeship and HE numbers. Adverse enrolment in September 2019 has continued to have a negative effect on the financial recovery strategy of the College.

In line with the College's Recovery Plan, the College has and is expecting to further dispose of surplus properties valued in excess of £5M. Since 31 July 2019, the College has received proceeds of £0.6m from the disposal of properties, and is in advanced negotiations to realise a further £4.8m from the sale of land and properties. Within the next 12 months, the net sales proceeds will be applied to further reduce the bank debt and fund working capital requirements as the College seeks to focus on growing student numbers and improving its Ofsted grade.

The College remains subject to the formal intervention and monitoring process of the FE Commissioner. In addition, the ESFA continues to support the College and monthly case meetings are in place to review progress.

Based on the above indications, and the College's financial projections, the Corporation believes it is appropriate to prepare the financial statements on a going concern basis. However, the College's current circumstances represent a material uncertainty which may cast significant doubt on the College's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Recognition of income

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

Funding body recurrent grants represent the funding allocations attributable to the current financial year and are credited direct to the income and expenditure account. Recurrent grants are recognised in line with planned activity. Any under-achievement for the Adult Education Budget against this planned activity is adjusted in-year 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. 16-18 programme funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

Non recurrent grants from government sources received in respect of the acquisition of fixed assets are accounted for under the performance model and recognised within the Statement of Comprehensive Income once the performance related conditions have been met, otherwise they are held as deferred income on the balance sheet.

The recurrent grant from HEFCE / Office for Students represents the funding allocations attributable to the current financial year and is credited direct to the income and expenditure account.

Non recurrent grants from HEFCE / Office for Students are recognised in line with the underlying activity to which they relate, specifically the period of study for the additional students allocated under the Fund.

Where the College receives and disburses funds in which it has no direct beneficial interest, such funds are excluded from the income and expenditure account on the grounds that the College does not have direct control over the future economic benefits derived from these funds. The College has applied this policy to certain funds received during the year from the funding bodies.

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

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

Income from grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned

Agency Arrangements

The College acts as an agent in the collection and payment of certain discretionary learner support funds. Related income received from the ESFA and its predecessor bodies and subsequent disbursements to students are excluded from the income and expenditure account (and are shown separately in note 27), except for the 5% of the grant received which is available to the College to cover administration costs relating to the grant.

Notes *(continued)*

1 Statement of accounting policies and estimation techniques *(continued)*

Accounting for post-employment benefits

Post-employment benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Northamptonshire Local Government Pension Scheme (LGPS). These are defined benefit schemes which are externally funded.

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

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

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

Further details of the pension schemes are given in note 21.

Short term Employment benefits

Short term employment benefits such as salaries and compensated absences (holiday pay) are recognised as an expense in the year in which the employees render service to the College. Any unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

Intangible fixed assets

Purchased milk quotas are capitalised as intangible assets at their purchase cost and depreciated over their useful economic life. No value is ascribed to quotas inherited or obtained for nil cost.

Tangible fixed assets

Land and buildings

Land and buildings inherited from the Local Education Authority, excluding the non-domestic campus and dormitory buildings, are stated in the balance sheet at open market valuation. This is intended to mean the best price at which the freehold interest might reasonably have been expected to be sold by private treaty at the date of the valuation. Land and buildings acquired since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of 50 years, with the exception of pre-fabricated buildings which are depreciated over 25 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life.

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1994, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

Finance costs which are directly attributable to the construction of land and buildings are not capitalised as part of the cost of those assets.

A review of impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

Notes *(continued)*

1 Statement of accounting policies and estimation techniques *(continued)*

Subsequent expenditure on existing fixed assets

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

Assets under construction

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

Equipment

Equipment costing less than £1,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost. Equipment inherited from the Local Education Authority is included in the balance sheet at valuation.

Inherited equipment is depreciated on a straight line basis over its remaining useful economic life to the College of 6 years. All other equipment is depreciated over its useful economic life as follows:

General equipment	-	6 years
Fixtures and fittings	-	10 years

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.

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as finance leases. The relevant assets are capitalised at their fair value (or, if lower, the present value of minimum lease payments) at the inception of the lease and depreciated over the shorter of the lease term or the useful economic lives of equivalently owned assets. The capital element outstanding is shown as obligations under finance leases.

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

Investments

Fixed asset investments are carried at historical cost less any provision for impairment in their value.

Listed investments held as fixed assets or endowment assets are stated at market value.

Current asset investments, which may include listed investments, are stated at the lower of their cost and net realisable value.

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

Stocks

a) Farm and estates

The stocks have been valued by an independent professional valuer in accordance with the professional practices. The valuation was in accordance with the HMRC requirements. Purchased stocks, livestock, stores, growing crops and corn in store and garden centre stocks have been valued at cost. Silage has been valued at cost of production

b) Catering

Catering stock has been valued in house at current purchase price

c) Retail

Stocks and work-in-progress are valued at the lower of cost and net realisable value on a FIFO basis after making due allowance for obsolete and slow moving items

d) Bar

Bar stock has been valued in house at current purchase price

e) Fuel

Fuel stock has been valued in house at current purchase price.

Maintenance of premises

The cost of routine maintenance is charged to the income and expenditure account in the period it is incurred.

Taxation

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

The College is partially exempt in respect of Value Added Tax, as its main activity is the supply of education which is an exempt supply for the purposes of VAT. Accordingly, it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on supplies and services received is included in the related costs in the financial statements. It is also added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

As the VAT on supplies and services received exceeds the VAT on sales, VAT represents a net cost to the College.

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

Provisions and contingent liabilities

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

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

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

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

Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounting and taxation purposes, which are expected to reverse in the future calculated at the rates at which it is expected that tax will arise.

Cash and cash equivalents

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

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

Notes *(continued)*

1 Statement of accounting policies and estimation techniques *(continued)*

Financial liabilities and equity

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

All loans, investments and short term deposits held by the Group are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the Group has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

Other key sources of estimation uncertainty

- Tangible fixed assets

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and

maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- Local Government Pension Scheme

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

Notes *(continued)*

2 Funding body grants

	Group and College	
	2019	2018
	£000	£000
Recurrent grants		
Education and Skills Funding Agency - adult	**1,078**	1,058
Education and Skills Funding Agency - 16-18	**10,727**	11,109
Education and Skills Funding Agency - apprenticeships	**1,107**	1,478
HEFCE / Office for Students	**464**	517
Specific grants		
Releases of government capital grants	**694**	2,780
Total	**14,070**	16,942

3 Tuition fees and education contracts

	Group and College	
	2019	2018
	£000	£000
Adult education fees	**404**	372
Apprenticeship fees and contracts	**194**	258
Fees for FE loan supported courses	**-**	77
Fees for HE loan supported courses	**1,500**	2,619
Total tuition fees	**2,098**	3,326
Education contracts	**558**	499
Total	**2,656**	3,825

4 Other grants and contracts

	Group and College	
	2019	2018
	£000	£000
European Commission	**101**	103

5 Other income

	2019		2018	
	Group	College	Group	College
	£000	**£000**	£000	£000
Catering and residences	**1,492**	**1,492**	1,897	1,897
Farming activities	**506**	**506**	473	473
Other income generating activities	**2,101**	**1,995**	2,260	1,959
Miscellaneous income	**583**	**583**	592	592
	4,682	**4,576**	5,222	4,921

Notes *(continued)*

6 Investment income

	Group 2019 £000	College 2019 £000	Group 2018 £000	College 2018 £000
Other interest receivable	11	64	15	68

7 Staff numbers and costs

The average number of persons employed by the group (including key management personnel and all full and part-time members of staff) during the year, expressed as full-time equivalents (FTE), was as follows:

	2019 Number	2018 Number
Teaching staff	105	118
Non-teaching staff	183	181
	288	299

Staff costs for the above persons were as follows:

	2019		2018	
	Group £000	College £000	Group £000	College £000
Wages and salaries	7,478	7,366	8,349	8,236
Social security costs	692	685	715	707
Other pension costs (including FRS 102 (28) adjustments of £680,000 *(2018: £795,000)*	1,850	1,832	2,095	2,080
Payroll sub total	10,020	9,883	11,159	11,023
Temporary and Agency Staff costs	2,221	2,221	2,045	2,045
Redundancy and restructuring costs	133	133	262	262
Holiday pay accrual	226	226	320	314
	12,600	12,463	13,786	13,644

Notes *(continued)*

8 Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and comprises of the Principal, and five members of the Senior Leadership team. During the year the number of personnel who served on the Senior Leadership Team was 8 (2018 – 9). 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

	2019 Number	2018 Number
The average number of key management personnel including the Accounting Officer	**6**	6

The number of key management personnel who received annual emoluments, excluding employer contributions to national insurance and pensions but including benefits in kind, in the following ranges was:

	2019 Key Management personnel	2018 Key Management Personnel
£10,000 to £15,000	**1**	-
£15,001 to £20,000	**-**	1
£25,001 to £30,000	**1**	1
£35,001 to £40,000	**1**	-
£45,001 to £50,000	**-**	1
£55,001 to £60,000	**1**	-
£60,001 - £65,000	**-**	2
£65,001 to £70,000	**1**	1
£75,001 - £80,000	**1**	1
£95,001 - £100,000	**1**	1
£120,001 - £125,000	**-**	1
£130,001 - £135,000	**1**	-

The number of other staff who received emoluments greater than £60,000 was nil (2018 – nil).

Key management personnel compensation is made up as follows:

	2019 £000	2018 £000
Salaries	**481**	426
Employers National Insurance	**61**	67
Benefits in kind	**5**	27
	547	520
Pension contributions	**52**	64
Compensation for loss of office – contractual	**23**	97
Compensation for loss of office – non-contractual	**-**	165
	622	846

Notes *(continued)*

8 Key management personnel *(continued)*

The above emoluments also include amounts payable to the Accounting Officer (who is also the highest paid officer). During the year the Principal and Accounting Officer position was held by two people:

	To July 2019 £000	July 2019 £000	Total 2019 £000	Total 2018 £000
Salary	**132**	**10**	**142**	115
Benefits in kind	-	-	-	2
	132	**10**	**142**	117
Pension contributions	-	**2**	**2**	14
Compensation for loss of office – contractual	-	-	-	97
Compensation for loss of office – non-contractual	-	-	-	10
	132	**12**	**144**	238

An interim Principal was in post until July 2019, having been appointed in May 2018. The Landex Land Based Colleges group assisted in identifying a suitable candidate, and the remuneration reflected both the short-term nature of the term, and the prevailing market rate for such a role.

The current Principal was appointed in July 2019. The remuneration package was set based upon benchmarking of the role against regional and national comparatives, and reflecting the level of experience required to fufil the objectives of the role.

The pension contributions in respect of the Principal and key management personnel are in respect of employer's contributions to the Teachers' Pension and Local Government Pension Schemes and are paid at the same rate as for other employees.

The remuneration packages of key management personnel, including the Principal, Deputy Principal and Chief Finance Officer, are reviewed by the Remuneration Committee who use benchmarking information to provide objective guidance.

The Principal reports to the Chair of the Corporation who undertakes an annual performance review against the objectives set.

The Principal's compensation expressed a as a multiple of the median pay is:

	2019
To July 2019	
Principal's basic salary as a multiple of the median of all other staff	**5.4**
Principal's total remuneration as a multiple of the median of all other staff	**5.4**
From July 2019	
Principal's basic salary as a multiple of the median of all other staff	**5.2**
Principal's total remuneration as a multiple of the median of all other staff	**5.2**

The median pay was calculated using the FTE of all other staff, including that of the recently appointed Principal, but excluding hourly paid and agency staff, both of whom have variable earnings. Any compensation for loss of office was excluded.

The members of the Corporation other than the Accounting Officer and the staff member did not receive any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties. However, the College pays a Governor and Officer Liability insurance premium on their behalf.

Notes *(continued)*

9 Other operating expenses

	2019		2018	
	Group	**College**	Group	College
	£000	**£000**	£000	£000
Teaching costs	**955**	**955**	682	682
Non-teaching costs	**4,785**	**4,965**	5,553	6,003
Premises costs	**2,135**	**2,135**	2,226	2,226
	7,875	**8,055**	8,461	8,911

	£000	**£000**	£000	£000
Other operating expenses include:				
Auditors remuneration:				
External	40	**34**	34	29
Internal audit	**19**	**19**	12	12
Other services from external audit	**12**	**2**	15	12

10 Interest payable

	Group and College	
	2019	2018
	£000	£000
Bank loans (note 20)	**612**	647
Pension finance costs (note 21)	**182**	219
	794	866

11 Taxation

	2019	2018
	£000	£000
Group corporation tax for the year	-	-

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

Notes *(continued)*

12 Deficit on continuing operations for the year

The deficit on continuing operations for the year is made up as follows:

	2019	2018
	£000	£000
College's (deficit) / surplus for the year	**(1,402)**	607
Surplus generated by subsidiary undertakings and transferred to the College under Gift Aid	**217**	428
Retained by subsidiary undertakings and trusts	**(15)**	-
	(1,200)	**1,035**

13 Tangible fixed assets

Group

	Freehold land and buildings		**Assets in the course of construction**		
	Land	**Buildings**	**construction**	**Equipment**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Cost or valuation					
At 1 August 2018	2,488	59,845	2,776	10,012	75,121
Additions	-	78	648	304	1,030
Transfers	-	3,166	(3,424)	258	-
Disposals	(115)	(861)	-	(28)	(1,004)
At 31 July 2019	2,373	62,228	-	10,546	75,147
Depreciation					
At 1 August 2018	-	15,164	-	8,499	23,663
Charge for the year	-	1,536	-	434	1,970
On disposals	-	(619)	-	(28)	(647)
At 31 July 2019	-	16,081	-	8,905	24,986
Net book value					
At 31 July 2019	**2,373**	**46,147**	**-**	**1,641**	**50,161**
At 31 July 2018	2,488	44,681	2,776	1,513	51,458

Land with a value of £1,161k (2018: *£1,161k*) is held by the Thomas Harrison Trust. The purpose of the Trust is to operate a demonstration farm, and the College has use of the land owned by the Trust provided it is used for this purpose. There is no formal lease agreement governing either the use of the land or rent payable thereon.

Notes *(continued)*

13 Tangible fixed assets *(continued)*

College

	Freehold land and buildings				
	College land £000	Buildings £000	Assets in the course of construction £000	Equipment £000	Total £000
Cost or valuation					
At 1 August 2018	1,327	56,988	2,776	8,864	69,955
Additions	-	78	648	304	1,030
Transfers	-	3,166	(3,424)	258	-
Disposals	(115)	(861)	-	(28)	(1,004)
At 31 July 2019	1,212	59,371	-	9,398	69,981
Depreciation					
At 1 August 2018	-	13,929	-	7,493	21,422
Charge for the year	-	1,454	-	405	1,859
On disposals	-	(619)	-	(28)	(647)
At 31 July 2019	-	14,764	-	7,870	22,634
Net book value					
At 31 July 2019	**1,212**	**44,607**	**-**	**1,528**	**47,347**
At 31 July 2018	1,327	43,059	2,776	1,371	48,533

Land and buildings, excluding the non-domestic campus and dormitory buildings, were valued for the purpose of the 1994 financial statements on an open market basis by Richard E Moore, a firm of independent chartered surveyors, in accordance with the RICS Statement of Asset Valuation Practice and Guidance notes. The non-domestic campus and dormitory buildings have been valued at gross replacement cost. Other tangible fixed assets inherited from the local authority at incorporation have been valued by an independent valuer at open market value.

Fixed assets with a net book value of £2,726,704 have been financed from exchequer funds, through the receipt of capital grants. Should these assets be sold, the College may be liable, under the terms of the financial memorandum with the Education Skills Funding Agency, to surrender the proceeds.

Land and buildings were all transferred to the College under the Further and Higher Education Act 1992.

Notes *(continued)*

14 Non-current investments

Shares in subsidiary companies at cost	Moulton College Developments Limited £000	Moulton Trading Limited £000	Moulton College Enterprises Limited £000	Total £000
At 31 July 2018 and 2019	**951**	**1**	**42**	**994**

The College owns 100% of the issued ordinary £1 shares of Moulton College Developments Limited, a company incorporated in Great Britain and registered in England and Wales. The principal business activity is that of undertaking developments for the College. The interest was acquired in June 1993 on its incorporation, and additional shares were purchased on their issue in July 2001. The remaining share was purchased in July 2008.

The College also owns 100% of the issued ordinary £1 shares of Moulton Trading Limited, a company incorporated in Great Britain and registered in England and Wales. The principal business activity is that of providing services to students and facilitating developments within the College. The interest was acquired in August 1995, on its incorporation. A further share was acquired in July 2007, maintaining the College's 100% holding.

The College also owns 100% of the issued ordinary £1 shares of Moulton College Enterprises Limited, a company incorporated in Great Britain and registered in England and Wales. The principal business of Moulton College Enterprises Limited is to lease assets to the College. The interest was acquired in August 1998, on its incorporation. On 15th October 2014, Moulton College Enterprises Limited subscribed for 26% of the issued share capital of The Oxford Partnership LLC, a company registered in Saudi Arabia. The initial cost of the shares was 130,000 Saudi Arabian Riyals. The investment was recorded in Moulton College Enterprise's accounts at the rate of exchange ruling at the date of the investment (cost of £21,656). The investment was disposed of after the year end at nil value, and the valuation at 31 July 2019 has been adjusted to reflect the write-down in value.

The amounts owed by The Oxford Partnership LLC at the year-end were £nil *(2018: £455K)*. Transactions in the year to 31st July 2019 were sales of £1,144K *(2018: £620K)*. There were no purchases from or amounts owed to The Oxford Partnership LLC at the year-end.

All of these companies are included in the consolidation.

The College is a member of the following companies limited by guarantee, incorporated in Great Britain and registered in England and Wales, the College was a subscriber at incorporation:

- Landex Land Based Colleges Aspiring to Excellence (incorporated on 3rd May 2006)
- National Land Based College (incorporated on 11th June 2015)
- Land Based Assessments Limited (incorporated on 29th September 2017)

The College also owns 20% of the issued ordinary £1 shares of Cultiva Limited, a company incorporated in Great Britain and registered in England and Wales. The principal business of Cultiva Limited is to enhance education, training and research programmes in land-based studies. The interest was acquired in February 2005.

The College holds a non-controlling interest all of these companies and therefore do not form part of the consolidation.

All transactions involving organisations where the College has a non-controlling interest are conducted at arms' length and in accordance with the College's financial regulations and normal procurement procedures.

Transactions in the year to 31st July 2019 with Landex were sales of £nil *(2018: £nil)* and purchases of £8K *(2018: £21K)*. The amount owed to Landex at the year-end was £99 (2018-£nil).

There were no transactions and amounts owed to or by National Land Based College or Land Based Assessments Limited during or at the year end *(2018: £nil)*.

Transactions in the year to 31st July 2019 Cultiva Limited purchases of £3K *(2018: £nil)*. There were no sales or amounts owed to or by Cultiva Limited at the year-end. This company was wound up after the year end.

Notes *(continued)*

15 Current asset investments

	2019		2018	
	Valuation £000	**Cost £000**	Valuation £000	Cost £000
Group				
Thomas Harrison (or Moulton) Scholarship Trust:				
Investments (CCLA)	**15**	**15**	15	15

Investments are stated at their cost.

16 Stock

	2019		2018	
	Group £000	**College £000**	Group £000	College £000
Farm livestock and crops	**482**	**482**	527	527
Garden Centre	**-**	**-**	50	50
Small animals	**36**	**36**	42	42
Catering, bar and retail stocks	**15**	**12**	22	20
Workshop material	**29**	**29**	50	50
Fuel stock	**2**	**2**	2	-
Stationery	**7**	**7**	8	8
	571	**568**	701	697

Farm and other estate activities stock has been valued by independent professional valuers, Berrys. Farm stocks have been valued in accordance with professional practices.

17 Debtors

	2019		2018	
	Group £000	**College £000**	Group £000	College £000
Amounts falling due within one year:				
Trade debtors	**786**	**786**	431	431
Amounts owed by subsidiary undertakings	**-**	**299**	-	97
Other debtors	**-**	**-**	-	-
Prepayments and accrued income	**99**	**140**	867	863
	885	**1,225**	1,298	1,391
Amounts falling due after more than one year:				
Amounts owed by subsidiary undertakings	**-**	**1,100**	-	1,100
	885	**2,325**	1,298	2,491

Notes *(continued)*

18 Creditors: amounts falling due within one year

	2019		2018	
	Group £000	**College £000**	Group £000	College £000
Bank loans and overdrafts and other loans	**4,361**	**4,361**	861	861
Trade creditors	**329**	**328**	227	373
Amounts owed to subsidiary undertakings	**-**	**1,791**	-	1,297
Other taxation and social security	**354**	**309**	409	372
Other creditors	**207**	**173**	156	135
Holiday pay accrual	**226**	**226**	320	314
Deferred income – unspent capital grants	**-**	**-**	720	720
Accruals and deferred income	**849**	**868**	1,401	1,380
Amounts owed to the funding bodies	**68**	**68**	240	240
	6,394	8,124	4,334	5,692

19 Creditors: amounts falling due after more than one year

	2019		2018	
	Group £000	**College £000**	Group £000	College £000
Bank loans and overdraft and other loans	**14,071**	**14,071**	18,032	18,032

20 Analysis of borrowings of the College

Bank loans and overdrafts and other loans

	2019		2018	
	Group £000	**College £000**	Group £000	College £000
Bank loans and overdrafts and other loans are repayable as follows				
Within one year	**4,361**	**4,361**	861	861
Between one and two years	**861**	**861**	3,961	3,961
Between two and five years	**5,199**	**5,199**	2,583	2,583
After five years	**8,011**	**8,011**	11,488	11,488
	18,432	**18,432**	18,893	18,893

A £15M loan owing to Santander UK plc is repayable by quarterly instalments with terms until 14th February 2036. Interest rates have been fixed with £5M fixed until 15 November 2021 at 3.99%, £5M fixed until 14 May 2025 at 3.67%, £5M floating rate until the end of the term.

A loan of £4M owing to Santander UK plc is repayable by quarterly instalments with terms until 4th December 2023. £2M has been fixed at 3.85% until 4 December 2023 and £2M on a floating rate until the end of the term.

A Revolving Credit Facility of £3.5M from Santander UK plc is in place and is fully repayable in June 2020, £3.5M of this facility was drawn down at 31st July 2019. The College intends to request a one year extension in line with the terms of the agreement in March 2020.

Notes *(continued)*

21 Defined benefit obligations

The College's employees belong to two principal pension schemes, the Teachers' Pension scheme (TPS) and the Northamptonshire Local Government Pension Scheme (LGPS).

Total pension cost for the year

	2019		2018	
	£000	**£000**	£000	£000
Teachers' pension scheme: contributions paid		**507**		570
LGPS:				
Contributions paid	**709**		730	
FRS 102 (28) charge	**680**		795	
Charge to the Statements of Comprehensive Income Account (staff costs)		**1,389**		1,525
Total pension costs for year		**1,896**		2,095
Pension finance costs		**182**		219
Total pension costs for year		**2,078**		2,314

Teachers' Pension Scheme

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

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

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

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

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

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

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

Notes *(continued)*

21 Defined benefit obligations *(continued)*

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (the Department in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.

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

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

The pension costs paid to TPS in the year amounted to £507k *(2018: £580k).*

FRS 102 (28)

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

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

Northamptonshire Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 July 2019 was £925k *(2018: £970k)*, of which employer's contributions totalled £709k *(2018: £730k)* and employees' contributions totalled £216k *(2018: £240k)*. The employee rate is variable depending on salary bands. The range during the year was 5.50% to 12.50%. These bands are set by the Government and may be revised annually. The agreed employer rate was 18% during the period plus a monthly payment totalling £49k during 2018/19.

Principal Actuarial Assumptions

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

	At 31 July 2019	At 31 July 2018
Rate of increase in salaries	**2.7%**	2.7%
Rate of increase for pensions in payment / inflation (CPI)	**2.4%**	2.4%
Discount rate for liabilities	**2.1%**	2.8%
Commutation of pensions to lump sums	**50%**	50%

Notes *(continued)*

21 Defined benefit obligations *(continued)*

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

	At 31 July 2019 years	At 31 July 2018 Years
Retiring today		
Males	**21.2**	22.1
Females	**23.3**	24.2
Retiring in 20 years		
Males	**22.3**	23.9
Females	**24.7**	26.1

The College's share of the assets in the scheme and the expected rates of return were:

	Long-term rate of return expected at 31 July 2018 %	**Value at 31 July 2019 £000**	Long-term rate of return expected at 31 July 2017 %	Value at 31 July 2018 £000
Equities	**2.40%**	**17,306**	2.40%	16,317
Bonds	**2.40%**	**3,793**	2.40%	3,308
Property	**2.40%**	**2,134**	2.40%	1,764
Cash	**2.40%**	**474**	2.40%	661
Total market value of assets		**23,707**		22,050
Present value of scheme liabilities				
- Funded		**(33,630)**		(28,197)
Deficit in the scheme		**(9,923)**		(6,147)

Analysis of the amount charged to the statement of comprehensive income

	2019	2018
Amounts included in staff costs	**£000**	£000
Employer service cost (net of employee contributions)	**1,389**	1,525
Losses on curtailment	**-**	-
Total operating charge	**1,389**	1,525
Amounts included in interest payable		
Expected return on pension scheme assets	**623**	540
Interest on pension liabilities	**(805)**	(759)
Net pension interest cost	**(182)**	(219)

Notes *(continued)*

21 Defined benefit obligations *(continued)*

Amounts recognised in Other Comprehensive Income

	2019 £000	2018 £000
Actual return less expected return on pension scheme assets	586	1,243
Experience gains and losses arising on the defined benefit obligation	-	-
Changes in assumptions underlying the present value of plan liabilities	(3,500)	1,349
Amounts recognised in Other Comprehensive Income	(2,914)	2,592

Movement in deficit during year

	2019 £000	2018 £000
Deficit in scheme at 1 August	(6,147)	(7,725)
Movement in year:		
Employer service cost (net of employee contributions)	(1,389)	(1,525)
Employer contributions	709	730
Losses on Curtailment	-	-
Net interest on assets	(182)	(219)
Actuarial (loss)/gain	(2,914)	2,592
Deficit in scheme at 31 July	(9,923)	(6,147)

Asset and liability reconciliation

	2019 £000	2018 £000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at the start of the period	28,197	27,474
Service cost	1,389	1,525
Interest cost	805	759
Employee contributions	216	240
Actuarial loss/(gain)	3,500	(1,349)
Benefits paid	(477)	(452)
Losses on Curtailment	-	-
Defined benefit obligations at the end of the period	33,630	28,197

Notes *(continued)*

21 Defined benefit obligations *(continued)*

Changes in fair value of plan assets

	2019 £000	2018 £000
Fair value of plan assets at the start of the period	**22,050**	19,749
Expected return on assets	**623**	540
Actuarial (loss)/gain	**586**	1,243
Employer contributions	**709**	730
Employee contributions	**216**	240
Benefits paid	**(477)**	(452)
Fair value of plan assets at the end of the period	**23,707**	22,050

Employer contributions for the year ending 31 July 2020 will be approximately £750k.

On 26 October, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits, "GMP". The Government will need to consider this outcome in conjunction with the Government's recent consultation on GMP indexation in public sector schemes before concluding on any changes required to LGPS schemes.

Deficit contributions

The College has entered into an agreement with the LGPS to make contributions in addition to normal funding levels until the next full valuation at which point the situation will be reviewed again. In 2018/19 these totalled £49k.

22 Events after the end of the reporting period

Details of post balance sheet events are given in the Report of the Members of the Corporation.

23 Capital commitments

	2019		2018	
	Group £000	**College £000**	Group £000	College £000
Commitments contracted for at 31 July	**56**	**-**	720	-

Capital commitments relating to completion of the Food and Drink Innovation Centre.

24 Financial commitments

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

Group	2019		2018	
	Land and buildings £000	**Other £000**	Land and buildings £000	Other £000
Future minimum lease payments due				
Not later than one year	**150**	**76**	244	78
Later than one year and not later than five years	**600**	**38**	731	11
Later than five years	**1,050**	**-**	1,167	-
	1,800	**114**	2,142	89

Notes *(continued)*

24 Financial commitments *(continued)*

College	2019		2018	
	Land and buildings £000	**Other £000**	Land and buildings £000	Other £000
Future minimum lease payments due				
Not later than one year	**150**	**76**	283	37
Later than one year and not later than five years	**600**	**38**	785	5
Later than five years	**1,050**	**-**	1,167	-
	1,800	**114**	2,235	42

Financial assets and liabilities

	2019 £000	2018 £000
Financial assets measured at amortised cost	**786**	431
Financial liabilities measured at amortised cost	**18,968**	19,387

Financial assets and liabilities reflect contractual obligations to and from the College that will be settled in cash.

Financial assets measured at amortised cost comprise trade debtors, other debtors, amounts owed by joint ventures and associated undertakings.

Financial liabilities measured at amortised cost comprise bank loans and overdrafts, trade creditors, other creditors.

25 Contingent liabilities

On 19th August 2014, on behalf of the College, Santander UK plc issued letters of guarantee to the Kingdom of Saudi Arabia Colleges of Excellence Company in the total sum of 29,922,000 Saudi Riyals (£5 million). The letters of guarantee expired on 31 August 2019. Santander UK plc has the guarantee 80% underwritten by UK Export Finance.

26 Related Party Transactions

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

Mr T Neville holds the position of Chief Operating Officer at the University of Northampton and is a Director of UNO Buses (Northampton) Limited. The University validates the degree programmes offered by the College, the College contracts bus services from UNO. The College draws funding from the Funding Agencies in respect of Further Education programmes offered at the University. The amount owed to the University at the year-end was £nil *(2018: £nil)*. Transactions in the year to 31st July 2019 were sales £3k *(2018: £15k)* and purchases of £190k *(2018: £251k)*. The amount owed to the UNO at the year-end was £nil *(2018: £nil)*. Transactions in the year to 31st July 2019 were sales £nil *(2018: £nil)* and purchases of £10k *(2018: £15k)*.

The total expenses paid to or on behalf of the Governors during the year was £400; 1 governor *(2018: £90; 1 governor)*. This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity. No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year *(2018: None)*.

Transactions with the funding bodies and the Office for Students and The Oxford Partnership LLC and other non-controlling interests are detailed in notes 2, 14, 17, 18 and 27.