

# **WARRINGTON & VALE ROYAL COLLEGE**

**Annual Report and Financial Statements  
For the Year Ended 31 July 2019**

# WARRINGTON & VALE ROYAL COLLEGE

## CONTENTS

---

Strategic Report.....	2
Key management personnel, Board of Governors and professional advisers.....	14
Statement of Corporate Governance and Internal Control.....	15
Statement of Regularity, Propriety and Compliance .....	21
Statement of Responsibilities of the Members of the Corporation .....	22
Independent Auditor's Report to the Corporation of Warrington & Vale Royal College.....	23
Statement of Comprehensive Income.....	26
Statement of Changes in Reserves .....	27
Balance Sheet as at 31 July.....	28
Statement of Cash Flows .....	29
Notes to the Financial Statements .....	30
Reporting Accountant's Assurance Report on Regularity .....	54

# WARRINGTON & VALE ROYAL COLLEGE

## STRATEGIC REPORT

---

### **Nature, Objectives and Strategies:**

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

### **Legal Status**

The Corporation was established under The Further and Higher Education Act 1992 for the purpose of conducting Warrington & Vale Royal College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

The Corporation was incorporated as Warrington Collegiate. On 27 July 2017, the Secretary of State granted consent to the Corporation to change the College's name to Warrington & Vale Royal College with effect from 1 August 2017.

Following a review of Further Education provision across Cheshire and Warrington the College Corporation agreed to merge with Mid Cheshire College on 1 August 2017. It was on this date that Warrington Collegiate changed its name to Warrington & Vale Royal College. This process saw Mid Cheshire College dissolve and transfer all its assets and liabilities to Warrington & Vale Royal College at fair value on 1 August 2017.

### **Public Benefit**

Warrington & Vale Royal College is an exempt charity under Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 15 and 16.

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

In delivering its vision and 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)

### **Vision, Mission, Values, Strategic Aims and Key Priorities**

Established in August 2017 from a merger between Warrington Collegiate and Mid Cheshire College, Warrington & Vale Royal College is a new college for Cheshire, delivering qualifications to around 10,000 learners across the towns and surrounding areas of Warrington, Northwich and Winsford. Warrington & Vale Royal College was ranked in the top 10 nationally, for the third consecutive year, for pass rates in the DfE achievement tables published in 2019.

Following consultation with the College Management Team (CMT) and wider staff, the College has refreshed its Mission and Values and has outlined 12 key priorities to be achieved during the period 2019-22, linked to two strategic aims as follows:

# WARRINGTON & VALE ROYAL COLLEGE

## STRATEGIC REPORT

---

### Our Mission

Realising potential; transforming lives.

### Our Values

**Our core values and conduct will be at the heart of every decision we make.**

1. **We put our learners and customers first** - prioritising learners and their learning and progress, delighting our customers
2. **We recognise that people are our greatest asset** – retain and recruit the most talented staff, investing in them to fulfil their potential, creating a wealth of opportunities for personal development and progression, creating a culture of co-prosperity
3. **We pursue excellence in all we do** – a passion for high quality education, training and skills solutions, holding ourselves to the highest possible standards, meeting (and exceeding) targets, making improvements, valuing creativity
4. **We are open to change** – looking forward to the future, anticipating market needs and demands, maintaining a growth mind-set, exploring new routes to partnership, collaboration and growth
5. **We operate ethically and responsibly** - acting with integrity, with high levels of accountability and complete transparency, treating others fairly and with respect

### Warrington & Vale Royal College Strategic Aims and Priorities 2019 - 2022

#### Strategic Aim 1: Becoming an outstanding College

1	<b>Secure Ofsted recognition as good or better.</b>
2	<b>Secure outstanding achievement rates in education and training for all age groups across classroom based learning (CBL) and apprenticeships, overall and timely. Ensure there is clear evidence of the development of learners' skills, knowledge and behaviour.</b>
3	<b>Invest in the learning infrastructure to support new, creative and independent learning.</b>
4	<b>Improve achievement against target in English and maths, especially at the 3-4 grade boundary.</b>
5	<b>Work collaboratively to invest in a range of high quality and impactful professional learning opportunities.</b>
6	<b>Embed a holistic learner wellbeing strategy and action plan that supports and promotes good mental health and physical wellbeing, positively impacting upon learners' progress.</b>
7	<b>Continue to develop and embed key college processes to ensure that they are fit for purpose and efficient.</b>
8	<b>Achieve at least requires improvement, leading to good, financial health and meet all</b>

# WARRINGTON & VALE ROYAL COLLEGE

## STRATEGIC REPORT

	<b>financial objectives.</b>
9	<b>Prepare a fully costed curriculum plan that is responsive to local needs and skills requirements, is realistic and meets all income targets. Invest in opportunities for growth, especially those articulated in the Local Industrial Strategy, the Cheshire and Warrington SEP and local employers.</b>

### Strategic Aim 2: Stability, Growing in Size and Reputation

10	<b>Develop and resource a coherent marketing and business development (sales) strategy that enables the college to meet all its income targets.</b>
11	<b>Successfully deliver the Adult and Community Learning (ACL) Strategy “Resilience 2020” ensuring that ACL is characterised by excellent outcomes, progression, high levels of learner satisfaction, value for money and engagement of hard to reach adults.</b>
12	<b>Consider the college estate and its operation so that it delivers the curriculum plan and areas for growth whilst improving space utilisation and energy efficiency.</b>

## CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

In 2018-19 the College has delivered activity that has produced £15,571K in recurrent grant funding from the Education and Skills Funding Agency ‘ESFA’ and the Office for Students ‘OFS’ (2017/18 - £17,634K).

### Student numbers

Student type	Student Number
Total funded	7,082
16-19	1,635
19+	4,328
Apprenticeships	1,119
Subcontracted	1,612
Non funded	510
Adult learner loans	382
HE	423

### Performance indicators 2018-19

The performance of key quality indicators for college activity are identified below:

		2018-19	PGA (2018-19)
16-18 Overall	Retention	90.0%	91.2%
	Pass	96.0%	90.8%
	Achievement	86.3%	82.8%
19+ Overall	Retention	94.0%	94.5%
	Pass	97.8%	94.3%

# WARRINGTON & VALE ROYAL COLLEGE

## STRATEGIC REPORT

	Achievement	91.9%	89.1%
All Overall	Retention	92.2%	92.8%
	Pass	97.1%	92.6%
	Achievement	89.8%	85.9%
		<b>2018/19</b>	<b>National Rate – All providers (2018-19)</b>
Apprenticeship Overall Achievement Rates	Overall All Ages	63.2%	67.8%
	Overall 16-18	52.3%	69.1%
	Overall 19-23	77.2%	70.4%
	Overall 24+	61.8%	67.4%
Apprenticeship Timely Achievement Rates	Timely All Ages	52.3%	59.6%
	Timely 16-18	41.1%	61.5%
	Timely 19-23	66.5%	62.0%
	Timely 24+	54.5%	56.8%

The 2018-19 KPIs were set at the same level as for Warrington Collegiate, prior to the merger, which resulted in very ambitious targets for achievement above the PGA (Provider Group Average). All areas on classroom based learning, apart from retention have returned results above the PGA. The apprenticeship provision, particularly at 16-18 has not met the national rate.

The College Improvement Plan reflected the strategic aims and the areas for improvement identified in the 2017-18 Self-Assessment Report, which were confirmed in the Ofsted Monitoring report in October 2018. The plan was updated with progress for the monthly Executive Leadership Team (ELT) monitoring meetings and was reported termly to the Curriculum and Standards committee of the Board of Governors. The vast majority of the actions in the plan reported good progress and any outstanding actions transferred into the 2019-20 Development Plan.

### 2018-19 Self-Assessment

The college completes an annual self-assessment report which is aligned to the Ofsted Education Inspection Framework (EIF) and grading criteria.

<b>WVR College</b>	
<b>Key Judgements</b>	
Overall Effectiveness	<b>Good</b>
Quality of Education	<b>Good</b>
Behaviour and Attitudes	<b>Good</b>
Personal Development	<b>Good</b>
Leadership and Management	<b>Good</b>
Education programmes for young people	<b>Good</b>
Adult learning programmes	<b>Good</b>
Apprenticeships	<b>Requires Improvement</b>
Provision for learners with high needs	<b>Good</b>
Safeguarding	<b>Effective</b>

# WARRINGTON & VALE ROYAL COLLEGE

## STRATEGIC REPORT

---

The College's Ofsted inspection – 8-11 October 2019 validated the self-assessment grades and confirmed Warrington & Vale Royal to be a 'Good' college.

### **Quality Assurance**

The College is committed to observing the importance of sector measures and indicators and uses them to monitor performance throughout the year at course and curriculum level. The breadth, regularity and rigour of quality assurance activities to inform the quality of teaching, learning and assessment further improved in 2018-19, providing leaders and managers with timely, detailed and frequent information as identified on the Quality Calendar.

The College focuses upon and directs resource towards important areas, especially those requiring improvement, and rigorously reviews the impact of actions taken to ensure students achieve their potential resulting in 2018-19 with an ALPS score of 3 which is identified as very good.

Learner surveys using QDP and FE Choices were conducted with classroom based learners and apprentices. Responses to the QDP survey (May 2019) indicated high levels of learner satisfaction across all sites and the majority of responses in Quartile A for each of the summary sections. Survey analysis is used by managers and teams to ensure timely action and improvement takes place where a concern is identified and that this is communicated promptly to learners.

Warrington & Vale Royal College was assessed for the annual Investors in People (IIP) assessment and in June 2019 for the Matrix Award and was successful on both counts having received very positive reports acknowledging the high quality and effective processes that had positively impacted students and staff.

### **FINANCIAL POSITION**

#### **Financial Results**

The College made a deficit of £1,206k (2017/18 surplus of £5,535k). Total comprehensive income was (£4,946k), (2017/18 £13,119k positive). The total comprehensive income in 2017/18 is stated after accounting for the merger with Mid-Cheshire College.

The College has accumulated reserves of £5,814k (2017/18 £10,760k) and cash balances of £351k (2017/18 £168k) including endowments. The College wishes to accumulate reserves and cash balances in order to further strengthen its financial position. If the pension liability was excluded from the balance sheet the accumulated reserves position would be £16,814k (2017/18: £17,535k).

The College has significant reliance on the Education and Skills Funding Agency 'ESFA' and the Office for Students 'OFS' for its principal funding source, largely from recurrent grants. In 2018/19 the ESFA and OFS provided 82% of the College's total income.

Staff costs have decreased significantly in 2018/19 to £13,025k from £16,595k due to the impact of the merger and the subsequent restructuring exercise to address the staffing requirements for the future business.

The College has two subsidiary companies, Company Plus Limited and Warrington Business School Limited which were dormant throughout the year.

# WARRINGTON & VALE ROYAL COLLEGE

## STRATEGIC REPORT

---

### **Treasury Policies and Objectives**

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

The College has a separate treasury management policy in place.

Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum. Further detail on borrowing is contained within the Going Concern policy below.

### **Cash Flows**

Cash inflows total £183k (2017/18 outflow of £66k), operating cash flow from operating activities has risen compared to the previous year due to costs associated with the merger included in 2017/18.

### **Liquidity**

There are loans totalling £7,331k at 31 July 2019. On merger the College restructured its finance facilities, details of which are in Note 18.

### **Reserves Policy**

The Corporation reviews the reserve levels of the College annually at the year end and as part of its budget planning. This review encompasses the nature of the income and expenditure streams, the need to match income with commitments and the nature of reserves. The longer term aim is to provide sufficient working capital to cover delays between spending and receipt of grants and to provide a cushion to deal with unexpected emergencies such as urgent maintenance.

### **Payment performance**

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2018 to 31 July 2019, the College paid 11.35% per cent of its invoices within 30 days.

### **Post-balance Sheet Events**

There were no post balance sheet events.

### **Future Developments**

The original merger proposal outlined the aspiration for the new college - Warrington & Vale Royal College - to become a highly successful, financially sustainable and economically resilient institution which meets the needs of the communities it serves, in the Warrington & Vale Royal areas.

The College has worked very hard to embed a culture of high aspirations and accountability and has been listed as a top ten college nationally for pass rates for the third year running. (National Achievement Rate Tables, March 2019). Post-merger, the college has secured significant and tangible improvements across its provision, with outcomes and student feedback well above national averages. Furthermore, almost all learners at the college continue to progress onto positive destinations, apprenticeships, employment, higher education etc.

# WARRINGTON & VALE ROYAL COLLEGE

## STRATEGIC REPORT

---

Whilst the learning experience for learners studying at the college has improved, the requirement to ensure value for money, viable delivery of curriculum and improved utilisation of the estate have become ever more important and these aspects remain critical to the future financial stability of the college.

Guided by the commitments made in the original merger proposal and the principle of best value for money, the College remains committed to the efficient use of its estate and in-parallel curriculum specialisation to address the Local Enterprise Partnership's (LEP) strategic economic priorities and skills' gaps. This, in turn, will facilitate investment in specialist 'best in class' facilities and resources to meet and exceed industry standards, some of which will be situated on one - rather than all - campus(es). The College has already made an investment in the Winsford campus of over £300k to ensure it was ready to accommodate the range of curriculum required in September 2019. Further investment will be made in Northwich to ensure we meet the adult education market together with a dedicated facility for Engineering and advanced manufacturing in the Vale Royal area. Above all the college aims to provide an excellent learning experience and a breadth of provision across the college estate, providing a range of clear progression routes at all levels, from Entry upwards, into positive destinations; higher level study and/or fulfilling careers.

### Going Concern

Notwithstanding the deficit for the year of £1,206,000 and the net current liabilities of £4,048,000, these financial statements have been prepared on a going concern basis which assumes the College will be able to pay its liabilities as they fall due for a period of at least 12 months from the approval of these financial statements.

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Strategic Report. The financial position of the College, its cashflow, liquidity and borrowings are described in the financial statements and accompanying notes.

The College meets its day to day working capital requirements primarily through cash generated from its day to day activities and the financing arrangements that it has with its bankers, Barclays Bank plc (Barclays). At 31 July 2019, the College has a number of financing arrangements in place with Barclays, as follows:

- Three loans which at 31 July 2019 had a balance of £2.9m due for repayment over a period of 12 years and £2.4m due for repayment over a period of 3 years.
- A revolving loan facility of up to £2.5m of which £2.0m was drawn down at 31 July 2019. The facility reduces to £1.0m from 31 July 2020.

The College's forecasts and financial projections indicate that the College will manage short-term cash flow concerns through working capital management, negotiating extended credit terms with suppliers in-line with prior year arrangements and also negotiating additional finance with Barclays. As a result, in January 2020 the College's Corporation agreed to a new finance facility with Barclays for an overdraft facility of £1m. The facility, as it currently stands, is repayable on demand and required to be repaid in full by 31 July 2020.

The College's forecasts and financial projections indicate that the College will be unable to repay the bank overdraft facility of £1m and the revolving loan facility of £1m, by 31 July 2020, as required in the terms of both facilities, without the sale of assets. The College is expecting to secure planning permission for the sale of the Hartford Campus which will realise a significant receipt and allow the College to meet these required repayments and

# WARRINGTON & VALE ROYAL COLLEGE

## STRATEGIC REPORT

---

also significantly reduce its other loan facilities with Barclays. However, a delay in the expected planning committee date has occurred which has been communicated to, and is being considered by, Barclays. In addition, the College's forecasts and financial projections indicate that the College will be in breach of the terms of its loan facilities when they are next subject to review, if the sale of the Hartford Campus has not completed by the next measurement date, being 31 July 2020. To date, Barclays have repeatedly waived breaches in covenants. These factors indicate a material uncertainty, as a result of a potential delay in the College being able to secure planning permission may impact upon the timeliness of the completion of the sale, anticipated by 31 July 2020. In these circumstances, the College will need to secure agreement with Barclays for its continued support beyond 31 July 2020, or secure alternative funding to meet the required repayments. The Corporation continues to keep Barclays up to date pending further discussions to amend the terms of the facilities in the event the sale of the Hartford Campus does not take place by 31 July 2020. The corporation have not yet sought to secure the continuing support of Barclays or sought to raise alternative funding and therefore the availability of this in the future is inherently uncertain.

The factors outlined above represent a material uncertainty that may cast significant doubt upon the College's ability to continue as a going concern. Nevertheless, having considered the uncertainties described above, the Board has a reasonable expectation that the College has adequate resources to continue in operational existence for the foreseeable future, being a period of not less than 12-months from the date of approval of these financial statements. For these reasons, they continue to adopt the going concern basis in preparing the annual report and accounts.

### **Staff and Student Involvement**

The College Marketing and Communication strategy highlights the means of communication with staff which the college considers to be effective including a weekly briefing, alongside the cycle of management and team meetings. These are augmented by the Principal's meeting schedule. Staff comments and suggestions are collected through a variety of methods and are used to inform action planning.

Student involvement is facilitated through the Learner Involvement Strategy. Direct feedback is through a system of course representatives, the Student Leadership Team, student focus groups and representation on formal committees by students drawn from course representatives. Student views are actively sought through representative meetings with the Principal, benchmarked surveys, course representative dialogue with course teams and Curriculum Managers.

### **Taxation**

The College is not liable for any Corporation Tax arising from its activities during the year.

### **RESOURCES**

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

Tangible resources include the main college sites at Warrington, Winsford and Hartford and £351k including endowments held in cash at the year-end date.

### **Financial**

The College has £5.8 million of net assets (including £11 million pension liability) and bank loans of £7.3 million. Post year end the College has agreed an additional £1m overdraft facility with the bank.

# WARRINGTON & VALE ROYAL COLLEGE

## STRATEGIC REPORT

---

### **People**

The College employs 279 people (expressed as full time equivalents), of whom 144 are teaching staff.

### **Reputation**

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

### **PRINCIPAL RISKS AND UNCERTAINTIES**

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

Strategic risks to the College are identified and allocated to a Senior Post holder (Risk Owner) to manage. The risk is assessed as to the severity of likelihood and impact if it was not managed, and assigned a numerical value for each (from 1-5) based on this assessment. Existing controls are identified and considered as to the level they reduce the potential impact of the risk, again with a numerical value assigned to provide the managed risk score. The Risk Owner determines if further controls are needed as required. Detailed guidance on the level of risk considered to be acceptable/unacceptable by the College is set out in the risk management strategy. The Strategic risks are reported to Audit Committee at least termly and are managed through Senior Management meetings.

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

#### **1. Government Funding**

The College has considerable reliance on continued government funding through the ESFA and OFS. In 2018/19, 82% of the College's revenue was from such funding contracts. Given cuts to public funding the College has identified the need to diversify income sources in the future and this is explicit in the College's Strategic Statement. The College, in conjunction with its stakeholders, is developing a strategy for growth in response to the devolution agenda.

The 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. Tuition fee policy**

Ministers have confirmed that the fee assumption remains at 50%. In line with the majority of other colleges, Warrington & Vale Royal 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

# WARRINGTON & VALE ROYAL COLLEGE

## STRATEGIC REPORT

---

- Close monitoring of the demand for courses as prices change

### 3. Maintain adequate funding of pension liabilities

The financial statements report the share of the 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 Cheshire Pension Scheme.

### 4. Failure to secure requires improvement (leading to good) financial health, including an effective response to the Financial Notice to Improve and the insolvency regime.

The College's current financial health grade is classified as inadequate. Notwithstanding that, 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.

This risk is mitigated in a number of ways:

- By rigorous budget setting procedures and sensitivity analysis
- Monthly budget monitoring
- Robust financial controls
- Exploring ongoing procurement efficiencies
- Financial recovery plan (FRP) put in place in August 2019
- A milestones and actions report against the FRP is produced and monitored by the Finance & Resources Committee.

### 5. Failure to prepare adequately for Brexit

This risk is mitigated by following AOC guidance and exploring ongoing procurement efficiencies regarding non-pay costs.

### 6. Failure to secure the sale of the Hartford campus

This risk is mitigated by appointment of a management company to secure the sale.

## STAKEHOLDER RELATIONSHIPS

Warrington & Vale Royal College has a wide range of stakeholders who include: Students, Education sector funding bodies, Staff, local employers (with specific links), Local Authorities, Local Enterprise Partnerships (LEPs), the local community, other FE/HE institutions, Trade unions and professional bodies.

The College recognises the importance of these relationships and engages in regular communication with all partners and stakeholders.

## Equality

The College's commitment to Equality is confirmed through the College mission, values and strategic aims. The College promotes equality amongst its staff, learners, employers, parents and other stakeholders. It is the aim of the College that all students, staff and stakeholders work together, showing respect for each other and valuing differences. Equality is promoted through a variety of means including strategic documents, policies and procedures, publications, and special events, and curriculum design and delivery.

The Equality Policy demonstrates the College's commitment to ensuring that equality issues are at the heart of its work. Leadership and commitment at all levels of the College are central to the success of the policy and the College works proactively to reinforce the benefits of a diverse student-staff population, enhancing the learning process, the programmes offered and the local and regional impact and reputation of the College.

# WARRINGTON & VALE ROYAL COLLEGE

## STRATEGIC REPORT

---

The College's Equality Policy and action plan are published on the College's Internet site.

The College is committed to the Two Ticks Award for supporting workers with disabilities and offering an automatic interview where their skills and experience meet the required criteria. The College automatically sends any vacant posts to the Employment team at Warrington Disability Partnership to enable them to promote the vacancies.

The College works with Access to Work to ensure individual members of staff are able to participate fully in College life, for example buying specialist equipment for a member of lecturing staff. A significant number of staff have also used health and safety funding to secure adapted chairs, foot rests and gel mats to aid long term medical conditions, such as back pain and repetitive strain injury.

The staff induction programme and continuing professional development events ensure effective training for staff and managers with regards their respective roles and responsibilities in terms of equality and diversity.

### **Disability Statement**

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

- The College rebuild, completed in 2007, was designed under Part M of Building Regulations to ensure full access and meet DDA requirements. A full access audit of the Warrington site has been undertaken by external experts based in Warrington Disability Partnership and a full access audit was conducted at the Hartford site in 2002-2003 and has been updated for new buildings and site modifications.
- Learning support needs are addressed particularly through the Learner Facilitator Team:
  - The Additional Learning Support Manager is notified of any additional support needs during the admissions process and attends interviews when necessary. The ALS Manager provides information and guidance and arranges support in class, at lunchtimes and breaks and for transport.
  - Specialist equipment such as Dictaphones, laptops etc. are available for loan. Readers and scribes are also provided to support in class or during exams and British Sign Language interpreters assist learners with hearing impairments. Assistive technology is available in the Learning Resource Centre and in IT rooms.
  - Learning Facilitators are provided to assist all learners to access the full range of curriculum and to help them achieve their full potential. Staff development and specialist training is undertaken to ensure skills and qualifications are kept up to date.
- The Admissions Policy and Procedure including the Appeals Procedure are published on the College Internet site.
- Specialist programmes are published in the College prospectus and success rates included in College performance reports.
- Counselling and welfare services are available through Learner Services. Students are made aware of these services through information at interview, on enrolment, on the Internet, Intranet, published materials, induction programme and the Learning mentor system.

If appropriate, risk assessments are undertaken for students with disabilities or medical needs.

# WARRINGTON & VALE ROYAL COLLEGE

## STRATEGIC REPORT

---

### 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

Numbers of employees who were relevant period	FTE employee number
5	4.2

Percentage of time	Number of employees
0%	0
1-50%	5
51-99%	0
100%	0

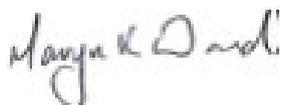
Total cost of facility time	£6,672
Total pay bill	£12.8m
Percentage of total bill spent on facility time	0.05

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

### Disclosure of Information to Auditors

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

Approved by order of the members of the Corporation on 7<sup>th</sup> February 2020 and signed on its behalf by:



Mr M Ward  
Chair

# WARRINGTON & VALE ROYAL COLLEGE

---

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

### **Key Management Personnel**

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

Nichola Newton, Principal and CEO, Accounting Officer

Michelle Seeley, Deputy Principal Finance and Resources

Victoria Roberts, Deputy Principal Curriculum and Quality (from 1 April 2019 to 31 December 2019)

Susan Treacy, Deputy Principal Curriculum and Quality (to 30 June 2019)

Victoria Harte, Assistant Principal Employer and Commercial Services (to 19 August 2019)

Andrew Williams, Interim Assistant Principal (from 1 May 2019)

### **Board of Governors**

A full list of Governors is given on pages 15-16 of these financial statements.

Laura Churchill acted as Clerk to the Corporation from 1 May 2019 and Anita Boothman acted as Clerk from 1 August 2018 to 30 April 2019 as Laura was on maternity leave.

### **Principal Place of Business**

Warrington & Vale Royal College, Winwick Road, Warrington, WA2 8QA

### **Professional Advisors**

#### **Financial Statements Auditors and Reporting Accountants**

Grant Thornton UK LLP

Chartered Accountants and Statutory Auditor

4 Hardman Square

Spinningfields

Manchester

M3 3EB

#### **Internal Auditors**

RSM Risk Assurance Services LLP

3 Hardman Street

Manchester

M3 3HF

#### **Bankers**

Barclays

1<sup>st</sup> Floor, 3 Hardman Street

Spinningfields

Manchester

M3 3AX

#### **Solicitors**

DWF LLP

1 Scott Place

2 Hardman Street

Manchester

M3 3AA

# WARRINGTON & VALE ROYAL COLLEGE

## 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 1 August 2018 to 31 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”);

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 2015, which it formally adopted in October 2015.

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

### THE CORPORATION

The members who served the Corporation during the year and up to the date of signature of this report were as listed in the table below:

Name	Date of Appointment	Term of Office	Date of Resignation	Status of Appointment	Committees Served	Attendance in 2018/19*
Peter Fitzhenry	12 Mar 2014 Reappointed August 2017 (on merger) for a period of 4 years	4 years		External Member	Chair Audit Committee	100%
John Joyce	6 Dec 2006 6 Dec 2010 4 Dec 2014 Reappointed August 2017 for a period of 2 years	2 years		External Member	Audit Committee	75%
Nichola Newton	17 Feb 2016	Ex officio		Principal/Chief Executive	Finance, HR and Estates Search and Governance Standards and Curriculum	75%
Afthkar Quayyum	5 Dec 2012 Reappointed August 2017	4 years		External Member	Chair of Finance and Resources; Search and Governance Senior Staff Salaries	100%
Jake Love	September 2018	1 year		Student Governor	Standards and Curriculum	50%
Annette McIntosh Scott	9 September 2016 Reappointed August 2017	4 years		External Member	Standards and Curriculum Committee; Senior Staff Salaries	100%

# WARRINGTON & VALE ROYAL COLLEGE

## STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

Name	Date of Appointment	Term of Office	Date of Resignation	Status of Appointment	Committees Served	Attendance in 2018/19*
Val Armstrong	MCC November 2015 Reappointed August 2017	4 years		External Member	Search and Governance Committee	75%
Stephen Broomhead	August 2017	4 years		External Member	Finance and Resources Committee; Senior Staff Salaries Committee	75%
Julie Burnett	August 2017	2 years		External Member	Audit Committee	75%
Tim Evans	December 2017	4 years		Staff Governor	Standards and Curriculum Committee	75%
Mervyn Ward	9 December 2016 Reappointed August 2017	4 years		External Member (Chair)	Finance and Resources; Search and Governance; Senior Staff Salaries	100%
Lauren Dower	January 2019	1 year in the first instance		Staff Governor	Full Corporation	100%
Michelle Cloney	1 August 2018	4 years		External Member	Audit Committee	100%
Laura Churchill	31 May 2016		Maternity leave from 4 August 2019- 7May 2019	Clerk to the Corporation	All Committees served during period	Full Corporation served during period
Anita Boothman	30 May 2019	31 August 2019	Resigned 6 May 2019	Interim Clerk to the Corporation	All Committees served during period	Full Corporation served during period

It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues. The Corporation meets each term.

The Corporation conducts its business through a number of committees. Each committee has terms of reference which have been approved by the Corporation. These committees are: Audit, Finance and Resources, Senior Staff Salaries, Search and Governance and Standards and Curriculum.

# WARRINGTON & VALE ROYAL COLLEGE

## STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

---

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

Warrington & Vale Royal College  
Winwick Road  
Warrington  
WA2 8QA

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

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

Formal agendas, papers and reports are supplied to Governors in a timely manner, prior to Board meetings. Briefings are 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 Chair of the Corporation and the Principal of the College are separate.

### **CORPORATION PERFORMANCE**

The Board completes annually a robust self-assessment review of individual Members' contributions and the performance of the Board as a whole. The self-assessments are further supported by individual governance discussions held between the Chair and each Corporation Member to accurately identify areas of strength and areas for development in governance. The Board's performance is also assessed against the Code of Good Governance for English Colleges. A governance action plan is in place to strengthen the Board's performance and is monitored by the Search and Governance Committee. Performance of the Corporation is also assessed within the leadership and management section of the College's Self-Assessment Review.

### **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 comprising four Members 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 four years.

### **SENIOR STAFF SALARIES COMMITTEE**

Throughout the year ending 31 July 2019, the College's Senior Staff Salaries Committee comprised five Members. 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 9 to the financial statements.

# WARRINGTON & VALE ROYAL COLLEGE

## STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

---

### **AUDIT COMMITTEE**

The Audit Committee comprises four Members of the Corporation (excluding the Principal and Chair). The Committee operates in accordance with written terms of reference approved by the Corporation with a particular emphasis on risk management.

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

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

Management are responsible for the implementation of agreed audit 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, regularity and financial statement auditors and their remuneration for both audit and non-audit work as well as reporting annually to the Corporation.

### **INTERNAL CONTROL**

#### **Scope of Responsibility**

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

The Corporation has delegated 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 she is personally responsible in accordance with the responsibilities assigned to her in the Financial Memorandum between Warrington & Vale Royal College and the funding bodies. She is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

#### **The Purpose of the System of Internal Control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically. The system of internal control has been in place in Warrington & Vale Royal College for the year ended 31 July 2019 and up to the date of approval of the annual report and accounts.

#### **Capacity to Handle Risk**

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

# WARRINGTON & VALE ROYAL COLLEGE

## STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

---

2019 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

### **The Risk and Control Framework**

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

- comprehensive budgeting systems with an annual budget which is reviewed and agreed by the 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

Warrington & Vale Royal College has an internal audit service which operates in accordance with the requirements of the ESFA's Post 16 Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. At minimum, annually, the Head of Internal Audit provides the Corporation with a report on internal audit activity in the College. The report includes the Head of Internal Audit'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. Her review of the effectiveness of the system of internal control is informed by:

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

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

The Principal and senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Principal and senior management team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2019 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2019 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2019.

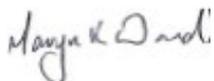
# WARRINGTON & VALE ROYAL COLLEGE

## STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

---

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”.

Approved by order of the members of the Corporation on 7<sup>th</sup> February 2020 and signed on its behalf by:

Signed 

Date: 7<sup>th</sup> February 2020  
Mervyn Ward, Chair

...

Signed 

Date: 7<sup>th</sup> February 2020  
Nichola Newton, Accounting Officer

# WARRINGTON & VALE ROYAL COLLEGE

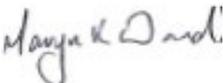
## STATEMENT OF REGULARITY, PROPRIETY AND COMPLIANCE

---

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 the 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 the ESFA.

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

Signed 

Date: 7<sup>th</sup> February 2020  
Mervyn Ward, Chair

Signed 

Date: 7<sup>th</sup> February 2020  
Nichola Newton, Accounting Officer

# WARRINGTON & VALE ROYAL COLLEGE

## STATEMENT OF 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 the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements and an operating and financial review for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's college accounts direction and the UK's Generally Accepted Accounting Practice, and which gives a true and fair view of the state of affairs of the College and its surplus/deficit of income over expenditure for that year.

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

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

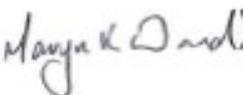
The Corporation is also required to prepare a strategic report, which describes what it is trying to do and how it is going about it, including the information about legal and administrative status of the College.

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

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

Members of the Corporation are responsible for ensuring that 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. Members of the Corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure they are used properly. In addition, Members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the ESFA are not put at risk.

Approved by order of the members of the Corporation on 7<sup>th</sup> February 2020 and signed on its behalf by:

Signed: 

Mervyn Ward, Chair

Date: 7<sup>th</sup> February 2020

# WARRINGTON & VALE ROYAL COLLEGE

## INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF WARRINGTON & VALE ROYAL COLLEGE

---

### **Independent auditor's report to the Corporation of Warrington & Vale Royal College**

We have audited the financial statements of Warrington & Vale Royal College (the 'College') for the year ended 31 July 2019, which comprise the Statement of comprehensive income, the Statement of changes in reserves, the Balance sheet, the Statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2019 and of its deficit of income over expenditure for the year then ended; and
- have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice – Accounting for Further and Higher Education issued in March 2014.

### **Basis for opinion**

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

### **Material uncertainty related to going concern**

We draw attention to the going concern note within note 2 in the financial statements, which indicates the College incurred a net deficit of £1,206,000 during the year ended 31 July 2019 and, as of that date, the College's current liabilities exceed its current assets by £4,048,000. In addition, the going concern note within note 2 to the financial statements indicates that the College will be unable to repay its bank overdraft facility of £1m and revolving loan facility of £1m by 31 July 2020 without the sale of assets, and that there is a material uncertainty as a result of a potential delay in the College being able to secure planning permission to enable the sale of the assets, being the Hartford Campus, to complete, resulting in the need for the College to secure agreement with Barclays for its continued support beyond 31 July 2020 or a need to secure alternative funding to meet the required repayments, neither of which have yet been sought by the Corporation and therefore the availability of this in the future is inherently uncertain. As stated within the going concern note within note 2, these events or conditions, along with the other matters as set forth within the going concern note within note 2, indicate that a material uncertainty exists that may cast significant doubt on the College's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

# WARRINGTON & VALE ROYAL COLLEGE

## INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF WARRINGTON & VALE ROYAL COLLEGE CONTINUED

---

### **Other information**

The Corporation is responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

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

- the Corporation has not kept adequate accounting records; or
- the annual accounts are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of the Corporation for the financial statements**

As explained more fully in the Statement Responsibilities of the members of the Corporation set out on page 22, the College's Corporation is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

# WARRINGTON & VALE ROYAL COLLEGE

## INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF WARRINGTON & VALE ROYAL COLLEGE CONTINUED

---

### **Use of our report**

This report is made solely to the College's Corporation, as a body, in accordance with the terms of our engagement letter dated 7 October 2019. Our audit work has been undertaken so that we might state to the College's 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 College's Corporation as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Manchester  
7<sup>th</sup> February 2020

# WARRINGTON & VALE ROYAL COLLEGE

## STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 July 2019

	Notes	2019 £'000	2018 £'000
<b>INCOME</b>			
Funding Body Grants	3	16,951	19,504
Tuition fees and education contracts	4	2,537	3,472
Other grants and contracts	5	1	22
Other income	6	926	2,233
Investment income	7	2	1
Fair value of assets on merger with Mid Cheshire College		-	21,056
<b>TOTAL INCOME</b>		<b>20,417</b>	<b>46,288</b>
<b>EXPENDITURE</b>			
Staff costs	8	12,995	15,764
Fundamental restructuring costs	8	30	831
Other operating expenses	10	6,454	6,103
Merger costs	10	-	152
Depreciation	13	1,503	1,894
Impairment of fixed assets	13	-	15,577
Loss/(profit) on disposal of assets		10	(407)
Interest and other finance costs	11	631	839
<b>TOTAL EXPENDITURE</b>		<b>21,623</b>	<b>40,753</b>
(Deficit) /Surplus before tax		(1,206)	5,535
Taxation	12	-	-
(Deficit) /Surplus for the year		(1,206)	5,535
<b>OTHER COMPREHENSIVE INCOME</b>			
Actuarial (loss)/gain in respect of pension schemes	21	(3,740)	7,584
<b>Total comprehensive Income for the year</b>		<b>(4,946)</b>	<b>13,119</b>
Represented by:			
Unrestricted comprehensive income		(4,946)	13,119
Restricted comprehensive income		-	-

All activities are classed as continuing activities.

The (deficit)/surplus for the year and total comprehensive income is attributable to Warrington & Vale Royal College. There are no non-controlling interests.

# WARRINGTON & VALE ROYAL COLLEGE

STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 JULY 2019

---

	<b>Income and Expenditure Account £'000</b>	<b>Revaluation Reserve £'000</b>	<b>Restricted Reserve £'000</b>	<b>Total £'000</b>
BALANCE AT 1 August 2017	<b>(4,001)</b>	<b>1,604</b>	<b>38</b>	<b>(2,359)</b>
Surplus from the income and expenditure account	5,535	-	-	<b>5,535</b>
Other comprehensive income	7,584	-	-	<b>7,584</b>
Transfers between revaluation and income and expenditure reserves	20	(20)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	13,139	(20)	-	13,119
	<hr/>	<hr/>	<hr/>	<hr/>
BALANCE AT 31 JULY 2018	<b>9,138</b>	<b>1,584</b>	<b>38</b>	<b>10,760</b>
Deficit from the income and expenditure account	(1,206)	-	-	<b>(1,206)</b>
Other comprehensive income: Actuarial gain	(3,740)	-	-	<b>(3,740)</b>
Transfers between revaluation and income and expenditure reserves	20	(20)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	(4,926)	(20)	-	(4,946)
	<hr/>	<hr/>	<hr/>	<hr/>
BALANCE AT 31 JULY 2019	<b>4,212</b>	<b>1,564</b>	<b>38</b>	<b>5,814</b>

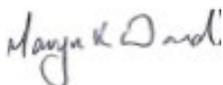
# WARRINGTON & VALE ROYAL COLLEGE

BALANCE SHEET As at 31 July 2019

	Notes	2019 £'000	2018 £'000
<b>NON CURRENT ASSETS</b>			
Tangible assets	13	40,295	40,622
Investments	14	100	100
<b>TOTAL NON CURRENT ASSETS</b>		<b>40,395</b>	<b>40,722</b>
<b>CURRENT ASSETS</b>			
Stock		96	7
Trade and other receivables	15	1,178	1,294
Cash and cash equivalents	20	351	168
<b>Total Current Assets</b>		<b>1,625</b>	<b>1,469</b>
Less: Creditors - amounts falling due within one year	16	(5,673)	(5,158)
<b>NET CURRENT LIABILITIES</b>		<b>(4,048)</b>	<b>(3,689)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>36,347</b>	<b>37,033</b>
Creditors - amounts falling due after more than one year	17	(18,378)	(18,278)
<b>PROVISIONS:</b>			
Defined benefit obligation	21	(11,000)	(6,775)
Other provisions	19	(1,155)	(1,220)
<b>TOTAL NET ASSETS/(LIABILITIES)</b>		<b>5,814</b>	<b>10,760</b>
<b>UNRESTRICTED RESERVES</b>			
Income and expenditure account		4,212	9,138
Revaluation reserve		1,564	1,584
<b>TOTAL UNRESTRICTED RESERVES</b>		<b>5,776</b>	<b>10,722</b>
<b>RESTRICTED RESERVES</b>		<b>38</b>	<b>38</b>
<b>TOTAL RESERVES</b>		<b>5,814</b>	<b>10,760</b>

The financial statements on pages 26 to 53 were approved and authorised for issue by the Corporation on 7<sup>th</sup> February 2020 and were signed on its behalf by:

- Mervyn Ward  
- Chair



- Nichola Newton  
- Accounting Officer



# WARRINGTON & VALE ROYAL COLLEGE

## STATEMENT OF CASH FLOWS

For the year ended 31 July 2019

	Notes	2019 £'000	2018 £'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
(Deficit)/Surplus for the year		(1,206)	5,535
<b>Adjustment for non-cash items</b>			
Depreciation		1,503	1,894
Impairment		-	15,577
Fair value of assets on merger with Mid Cheshire College		-	(21,056)
Increase in stock		(89)	-
Decrease in debtors		116	33
Decrease in creditors due within one year		(475)	(6,967)
(Decrease)/increase in creditors due more than one year		(215)	2,612
(Decrease)/increase in provisions		(65)	456
Pensions costs less contributions payable		485	991
Taxation		-	-
<b>Adjustment for investing or financing activities</b>			
Investment income		(2)	(1)
Interest payable		419	443
Loss/(profit) on sale of fixed assets		10	(407)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>481</b>	<b>(889)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Cash transferred from Mid Cheshire College		-	349
Investment income		2	1
Proceeds from sale of fixed assets		290	496
Payments made to acquire fixed assets		(83)	(571)
		<b>209</b>	<b>275</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Interest paid		(403)	(415)
Interest element of finance lease rental payments		(16)	(28)
New unsecured loans		550	1,450
Repayments of amounts borrowed		(517)	(382)
Capital element of finance lease rental payments		(121)	(77)
		<b>(507)</b>	<b>548</b>
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS IN THE YEAR</b>		<b>183</b>	<b>(66)</b>
Cash and cash equivalents at beginning of year	20	168	234
Cash and cash equivalents at end of year	20	<b>351</b>	<b>168</b>

# WARRINGTON & VALE ROYAL COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2019

---

### 1 LEGAL STATUS AND REGISTERED OFFICE

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Warrington & Vale Royal College. The College is incorporated in England and is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

The College's registered office and principal place of business is Winwick Road, Warrington, WA2 8QA.

### 2 ACCOUNTING POLICIES

#### **STATEMENT OF ACCOUNTING POLICIES**

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

#### **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.

The financial statements are presented in £ sterling.

#### **BASIS OF ACCOUNTING**

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets and in accordance with applicable United Kingdom Accounting Standards.

#### **GOING CONCERN**

Notwithstanding the deficit for the year of £1,206,000 and the net current liabilities of £4,048,000, these financial statements have been prepared on a going concern basis which assumes the College will be able to pay its liabilities as they fall due for a period of at least 12 months from the approval of these financial statements.

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Strategic Report. The financial position of the College, its cashflow, liquidity and borrowings are described in the financial statements and accompanying notes.

The College meets its day to day working capital requirements primarily through cash generated from its day to day activities and the financing arrangements that it has with its bankers, Barclays Bank plc (Barclays). At 31 July 2019, the College has a number of financing arrangements in place with Barclays, as follows:

- Three loans which at 31 July 2019 had a balance of £2.9m due for repayment over a period of 12 years and £2.4m due for repayment over a period of 3 years.

# WARRINGTON & VALE ROYAL COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2019

---

- A revolving loan facility of up to £2.5m of which £2.0m was drawn down at 31 July 2019. The facility reduces to £1.0m from 31 July 2020.

The College's forecasts and financial projections indicate that the College will manage short-term cash flow concerns through working capital management, negotiating extended credit terms with suppliers in-line with prior year arrangements and also negotiating additional finance with Barclays. As a result, in January 2020 the College's Corporation agreed to a new finance facility with Barclays for an overdraft facility of £1m. The facility, as it currently stands, is repayable on demand and required to be repaid in full by 31 July 2020.

The College's forecasts and financial projections indicate that the College will be unable to repay the bank overdraft facility of £1m and the revolving loan facility of £1m, by 31 July 2020, as required in the terms of both facilities, without the sale of assets. The College is expecting to secure planning permission for the sale of the Hartford Campus, which will realise a significant receipt and allow the College to meet these required repayments and also significantly reduce its other loan facilities with Barclays. However, a delay in the expected planning committee date has occurred which has been communicated to, and is being considered by, Barclays. In addition, the College's forecasts and financial projections indicate that the College will be in breach of the terms of its loan facilities when they are next subject to review, if the sale of the Hartford Campus has not completed by the next measurement date, being 31 July 2020. To date, Barclays have repeatedly waived breaches in covenants. These factors indicate a material uncertainty, as a result of a potential delay in the College being able to secure planning permission may impact upon the timeliness of the completion of the sale, anticipated by 31 July 2020. In these circumstances, the College will need to secure agreement with Barclays for its continued support beyond 31 July 2020, or secure alternative funding to meet the required repayments. The Corporation continues to keep Barclays up to date pending further discussions to amend the terms of the facilities in the event the sale of the Hartford Campus does not take place by 31 July 2020. The corporation have not yet sought to secure the continuing support of Barclays or sought to raise alternative funding and therefore the availability of this in the future is inherently uncertain.

The factors outlined above represent a material uncertainty that may cast significant doubt upon the College's ability to continue as a going concern. Nevertheless, having considered the uncertainties described above, the Board has a reasonable expectation that the College has adequate resources to continue in operational existence for the foreseeable future, being a period of not less than 12-months from the date of approval of these financial statements. For these reasons, they continue to adopt the going concern basis in preparing the annual report and accounts.

### **BASIS OF CONSOLIDATION**

The financial statements present information about the College as an individual undertaking and not about its group. The subsidiaries have been excluded from consolidation on the grounds that they are immaterial. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2019.

### **MERGER**

After due consideration of the appropriate accounting treatment for the particular circumstances of the merger, and by reference to Section 34 of FRS102 (public benefit entity) the College has adopted the acquisition method of accounting.

# WARRINGTON & VALE ROYAL COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2019

---

### **RECOGNITION OF INCOME**

#### ***Revenue grant funding***

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

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

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

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.

#### ***Capital grant funding***

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

#### ***Fee income***

Income from tuition fees is stated gross of any expenditure which is not a discount and is recognised in the period for which it is received and includes all fees payable by students or their sponsors.

#### ***Investment income***

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

#### ***Agency arrangements***

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

### **ACCOUNTING FOR POST-EMPLOYMENT BENEFITS**

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

# WARRINGTON & VALE ROYAL COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2019

---

### ***Teachers' Pension Scheme (TPS)***

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method.

The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as an expense in the statement of comprehensive income in the periods during which services are rendered by employees.

### ***Cheshire Local Government Pension Scheme (LGPS)***

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs incurred.

Net interest on the net defined benefit liability 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 in other comprehensive income.

### **SHORT TERM EMPLOYMENT BENEFITS**

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

### **ENHANCED PENSIONS**

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

### **TANGIBLE FIXED ASSETS**

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

# WARRINGTON & VALE ROYAL COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2019

---

### **LAND AND BUILDINGS**

Freehold buildings are depreciated over their expected useful economic life to the College; this is normally 50 years. Freehold land is not depreciated as it is considered to have an infinite useful life. Buildings fixtures have been separately identified and are now recognised as an asset class in their own right.

Land and Buildings inherited from the Local Education Authority are stated in the balance sheet at deemed cost on the date of transition. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account on an annual basis.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred income account within creditors and are released to the income and expenditure account over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

The College has a 50 year lease to occupy a building which is currently owned (under a long leasehold agreement) by the Department for Communities and Local Government ('DCLG') with an annual peppercorn rent. The land on which this building sits is owned by the College and is valued within land and buildings as above. The land has been leased to DCLG under a long leasehold arrangement over 125 years, which commenced in August 2014. The lease for the land has been treated as an operating lease with £nil being reflected, being the annual peppercorn rent. The lease for the building has been treated as a finance lease as the College has the right to use the building for 50 years and bears the risks and rewards of ownership for this period. FRS102 requires finance leases to be recognised at the present value of the minimum lease payments. However, in accordance with the College's Accounts direction, the fair value of this asset has been recognised on the balance sheet with a corresponding entry to deferred income. The value of the asset will be depreciated over the term of the lease and the deferred income will be released over the same period to reflect the fact that the College has a right to use this building and will receive future economic benefits as a result.

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

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 2014, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

Interest on borrowings to finance property development is capitalised. Interest is capitalised from the date work starts on the development to practical completion.

#### *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.

### **FIXTURES AND EQUIPMENT**

Fixtures and Equipment costing less than £1,000 per individual item (£250 for computer equipment) is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost.

# WARRINGTON & VALE ROYAL COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2019

---

Capitalised fixtures and equipment are depreciated over their useful economic life on a straight line basis as follows:

Fixtures	-	13.3% per annum
General equipment	-	25.0% per annum
Computer equipment	-	25.0% per annum

No depreciation charge is charged in the year of acquisition.

Where fixtures and equipment are acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred income account within creditors and are released to the Statement of Comprehensive Income over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

### LEASED ASSETS

Costs in respect of operating leases are charged on a straight-line basis over the lease term to the Statement of Comprehensive Income. Any lease premiums or incentives relating to leases signed after 1 August 2014 are spread over the minimum 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.

Assets held under finance leases are recognised initially at the fair value of the leased asset at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

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

### INVESTMENTS

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

### INVENTORIES

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

### 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.

# WARRINGTON & VALE ROYAL COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2019

---

### **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, instruments and short term deposits held by the College 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 College has calculated that the difference between the historical cost and amortised cost 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.

### **MAINTENANCE OF PREMISES**

The cost of routine corrective maintenance is charged to the statement of comprehensive income in the period it is incurred.

### **FOREIGN CURRENCY TRANSLATION**

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

### **TAXATION**

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered in 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, so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

### **PROVISIONS AND CONTINGENT LIABILITY**

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.

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.

### **JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

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

# WARRINGTON & VALE ROYAL COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2019

---

- Determine whether leases entered into by the College as 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.
- The accounting treatment of the building leased by the College from DCLG. The College has a right to use this asset and has therefore reflected its fair value in the balance sheet. The corresponding entry has been to deferred income as the building was funded by government grants and is leased from DCLG. Although the College owns the land and the freehold reverts back to the College when the 125 year lease with DCLG comes to an end, it only has the ability to control the use of the buildings and takes on the risks and rewards of ownership during the 50 year lease period. Therefore management believe it is appropriate to reflect a value for the building in the balance sheet as a finance lease and over the period of the lease.
- Determine whether there are indicators of impairment of the College's tangible fixed assets. Factors taken into consideration in reaching such as a decision include the economic viability and expected future financial performance of the asset.
- Determine whether amounts included within deferred capital grants have a future useful economic life. Those grants not repayable have been released in year.
- Debtors are provided for in full when deemed irrecoverable.

Other key sources of estimation uncertainty

- Value of leasehold building  
A building has been leased to the College by the Department for Communities and Local Government for a period of 50 years. The lease has been valued at fair value on the start date based upon the value per square metre of a similar building that the College sold during 2018/19 as this building was utilised for similar educational provision prior to sale and was also restricted for educational use, as is this building. The useful economic life of the similar building which was sold was similar to the length of time that the College has use of the building under the lease.
- Tangible fixed assets  
Tangible fixed assets are depreciated over their useful economic 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.
- Impairment of fixed assets  
The College considers whether tangible fixed assets are impaired. Where an indication of impairment is identified the estimation of the recoverable amount of the asset or the recoverable amount of the cash-generating unit is required. These will require an estimation of the future cash flow and the selection of an appropriate discount rate in order to calculate the net present value of those cash flows. During 2017/18 a decision was made to sell two buildings. The impairment was calculated as the net book value of the buildings less the agreed net sales proceeds. One of these sales was realised in 2018/19. The expected agreed net sales proceeds of the other building for sale has been reviewed and no further impairment is required.
- 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 result 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.

# WARRINGTON & VALE ROYAL COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 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.

# WARRINGTON & VALE ROYAL COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2019

---

### 3 FUNDING BODY GRANTS

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
<b>Recurrent grants</b>		
Education and Skills Funding Agency – adult	4,227	4,109
Education and Skills Funding Agency – 16-18	8,652	10,469
Education and Skills Funding Agency – apprenticeships	2,278	2,408
Office for Students	414	648
Construction Skills	52	67
<b>Specific grants</b>		
Education and Skills Funding Agency	1,113	595
Releases of government capital grants	215	1,208
<b>Total</b>	<b>16,951</b>	<b>19,504</b>

---

### 4 TUITION FEES AND EDUCATION CONTRACTS

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Adult education fees	482	728
Apprenticeship fees and contracts	63	24
Fees for FE loan supported courses	692	791
Fees for HE loan supported courses	1,030	1,599
Total tuition fees	2,267	3,142
Education contracts	270	330
<b>Total</b>	<b>2,537</b>	<b>3,472</b>

---

### 5 OTHER GRANTS AND CONTRACTS

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Erasmus	-	-
European Commission	-	-
Other grants and contracts	1	22
<b>Total</b>	<b>1</b>	<b>22</b>

---

# WARRINGTON & VALE ROYAL COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2019

---

### 6 OTHER INCOME

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Release of non-government capital grants	179	1,655
Catering income	141	175
Conferencing and facilities income	-	1
Other income generating activities	93	65
Examination income	133	168
Other miscellaneous income	380	169
<b>Total</b>	<b>926</b>	<b>2,233</b>

---

### 7 INVESTMENT INCOME

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Other interest receivable	<u>2</u>	<u>1</u>

### 8 STAFF COSTS

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

	<b>2019</b>	<b>2018</b>
	<b>No.</b>	<b>No.</b>
Teaching staff	144	267
Non-teaching staff	135	129
	<u>279</u>	<u>396</u>
<b>Staff costs for the above persons</b>		
	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	9,518	11,378
Social security costs	897	1,074
Other pension costs	2,324	2,940
	<u>12,739</u>	<u>15,392</u>
<b>Payroll sub total</b>	<b>12,739</b>	<b>15,392</b>
Contracted out staffing services	256	372
	<u>12,995</u>	<u>15,764</u>
Fundamental restructuring costs		
-Contractual	30	786
-Non-Contractual	-	45
	<u>30</u>	<u>831</u>
<b>Total Staff Costs</b>	<b>13,025</b>	<b>16,595</b>

---

# WARRINGTON & VALE ROYAL COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2019

---

The severance payments included in restructuring costs were approved by the College's Corporation.

### 9 KEY MANAGEMENT PERSONNEL

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Leadership Team which comprises the Principal, Deputy Principals and Assistant Principals.

#### Emoluments of key management personnel, Accounting Officer and other higher paid staff

	2019 No.	2018 No.
The number of key management personnel including the Accounting Officer was:	<u>5</u>	<u>4</u>

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

	Key management personnel		Other staff	
	2019 No.	2018 No.	2019 No.	2018 No.
£25,001 to £60,000	1	-		
£60,001 to £65,001	1	1	-	-
£70,001 to £80,000	-	-	-	-
£80,001 to £85,000	1	-	-	-
£90,001 to £95,000	1	2	-	-
£130,000 to £135,000	1	-	-	-
£140,001 to £145,000	-	1	-	-
	<u>5</u>	<u>4</u>	<u>-</u>	<u>-</u>

One member of staff included above only commenced employment in April 2019 and therefore her salary has only been included since then.

Key management personnel compensation is made up as follows:

	2019 £'000	2018 £'000
Salaries	394	393
Employers National Insurance	49	50
Benefits in kind	-	-
	<u>443</u>	<u>443</u>
Pension contributions	72	69
<b>Total key management personnel compensation</b>	<u><b>515</b></u>	<u><b>512</b></u>

# WARRINGTON & VALE ROYAL COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2019

---

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

The above emoluments includes amounts payable to the Principal and Chief Executive who is the Accounting Officer and who is also the highest paid member of staff. Their pay and remuneration is as follows:

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Salaries	135	141
Benefits in kind	-	-
	<hr/>	<hr/>
	135	141
Pension contributions	22	22
	<hr/>	<hr/>
	157	163
	<hr/>	<hr/>

The Corporation has adopted AOC's Senior Staff Remuneration Code in December 2019 and will assess pay in line with its principles in future.

The remuneration of senior postholders, including the Principal and Chief Executive, is subject to annual review by the Senior Staff Salaries Committee of the Corporation who use benchmarking information to provide objective guidance.

The Principal and Chief Executive reports to the Chair of Corporation, who undertakes an annual review of her performance against the college's overall objectives using both qualitative and quantitative measures of performance.

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

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Principal's basic salary as a multiple of the median of all staff	8.7	10.9
Principal and CEO's total remuneration as a multiple of the median of all staff	8.9	11.1

The members of the Corporation other than the Accounting Officer and the staff members did not receive any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

# WARRINGTON & VALE ROYAL COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2019

---

### 10 OTHER OPERATING EXPENSES

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Teaching costs	3,614	2,794
Non-teaching costs	1,577	1,841
Premises costs	1,263	1,468
	<hr/>	<hr/>
	6,454	6,103
Non-teaching costs – merger related	-	152
	<hr/>	<hr/>
<b>Total</b>	<b>6,454</b>	<b>6,255</b>

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
<b>Other operating expenses include:</b>		
Auditors' remuneration:		
Financial statements audit	40	35
Internal audit	23	21
Other services provided by the financial statements auditors – Teachers Pension Return	1	1
Other services provided by the internal auditors	-	-
Hire of assets under operating leases	26	26
	<hr/>	<hr/>

### 11 INTEREST AND OTHER FINANCE COSTS

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
On bank loans, overdrafts and other loans	403	415
Pension finance costs (note 21)	193	369
On finance leases	16	28
On enhanced pension	19	27
Total	<hr/>	<hr/>
	631	839

### 12 TAXATION

The members do not believe the College was liable for any Corporation Tax arising out of its activities during the year or the prior year.

# WARRINGTON & VALE ROYAL COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2019

### 13 TANGIBLE FIXED ASSETS

	Land & Buildings				Total
	Freehold	Long Leasehold	Fixtures	Equipment	
	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>					
At 1 August 2018	55,121	12,942	1,692	9,445	79,200
Additions	-	1,413,	-	63	1,476
Disposals	(844)	-	-	(53)	(897)
<b>At 31 July 2019</b>	<b>54,277</b>	<b>14,355</b>	<b>1,692</b>	<b>9,455</b>	<b>79,779</b>
<b>Depreciation</b>					
At 1 August 2018	27,429	1,359	1,574	8,216	38,578
Charge for the year	556	267	78	602	1,503
Elimination in respect of disposals	(544)	-	-	(53)	(597)
<b>At 31 July 2019</b>	<b>27,441</b>	<b>1,626</b>	<b>1,652</b>	<b>8,765</b>	<b>39,484</b>
<b>Net book value at 31 July 2019</b>	<b>26,836</b>	<b>12,729</b>	<b>40</b>	<b>690</b>	<b>40,295</b>
<b>Net book value at 31 July 2018</b>	<b>27,692</b>	<b>11,583</b>	<b>118</b>	<b>1,229</b>	<b>40,622</b>

On merger the assets transferred from Mid Cheshire College were transferred at fair value. Land and buildings were valued at depreciated replacement cost by an independent chartered surveyor, GVA.

If fixed assets had not been revalued before being deemed as cost on transition they would have been included at the following historical cost amounts:

	<b>2019</b>
	<b>£'000</b>
Cost	-
Aggregate depreciation based on cost	-
Net book value based on cost	-

Land and buildings were revalued on 31 August 2014 at depreciated replacement cost by Lambert, Smith, Hampton, a firm of independent chartered surveyors. Fixed assets include assets with a net book value of £28,398k partially funded by grants from the ESFA and RDA. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum, to surrender some of the proceeds. The depreciation charge on these assets for the year was £816k (2018: £816k).

The net book value of tangible fixed assets in relation to equipment includes an amount of £137,767 (2018: £389,948) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £131,711 (2018: £21,228).

# WARRINGTON & VALE ROYAL COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2019

---

### 14 NON-CURRENT INVESTMENTS

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Investments in subsidiary companies	100	100

The College owns 100% of the issued ordinary £1 shares of Company Plus Limited, a company incorporated in England and Wales. The principal business activity of Company Plus Limited is the provision of conference and training facilities. The company ceased trading on 28<sup>th</sup> February 2006.

The College also owns 100% of the issued ordinary £1 shares of Warrington Business School Limited, a company incorporated in England and Wales. The company has never traded.

### 15 TRADE AND OTHER RECEIVABLES

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
<b>Amounts falling due within one year</b>		
Trade receivables	348	440
Prepayments and accrued income	392	356
Other debtors	1	1
Amounts owed by the ESFA	437	497
<b>Total</b>	<b>1,178</b>	<b>1,294</b>

An impairment loss of £19k (2018: £73k) was recognised against debtors.

### 16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Bank loans and overdrafts (note 18)	1,517	517
Obligations under finance leases (note 18)	86	124
Payments received in advance	568	561
Trade payables	845	1,142
Amounts owed to subsidiary undertakings	100	100
Other taxation and social security	769	477
Accruals	1,164	1,553
Amounts owed to the ESFA	123	81
Deferred income – government capital grants	422	573
Other creditors	79	30
	<b>5,673</b>	<b>5,158</b>

Included within accruals is an accrual for holiday pay of £292k (2018: £391k).

# WARRINGTON & VALE ROYAL COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2019

### 17 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Bank loans (note 18)	5,814	6,782
Obligations under finance leases (note 18)	49	131
Deferred income – government capital grants	12,515	11,365
	<hr/>	<hr/>
	18,378	18,278
	<hr/>	<hr/>

### 18 MATURITY OF DEBT

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
<b>Bank loans and overdrafts</b>		
Bank loans and overdrafts are repayable as follows:		
In one year or less	1,517	517
Between one and two years	493	517
Between two and five years	3,403	4,118
In five years or more	1,918	2,147
	<hr/>	<hr/>
Total	7,331	7,299
	<hr/>	<hr/>

Three bank loans are secured on the freehold land and buildings of the College. The first at a rate comprising 4.96% fixed rate, and a 2.7% fixed margin and payable by instalments falling due between 1 August 2019 and 28 February 2031, totalling £2,939,160. The second at a rate comprising 3% above the base rate, payable by instalments falling due between 1 August 2019 and 1 August 2022 with a final balloon balance of £880,576. The third loan is at a rate of 3% margin above the base rate. This is repayable by instalments from 1 August 2019 to 1 February 2021 with a final balloon balance of £576,450. The College also has a revolving credit facility of £2m of which £1m is due for repayment on 31 July 2020. Post year end the College agreed a new finance facility with its bankers resulting in a new overdraft facility of £1m.

### Finance Leases

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

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
In one year or less	86	124
Between one and two years	32	82
Between two and five years	17	49
In five years or more	-	-
	<hr/>	<hr/>
Total	135	255
	<hr/>	<hr/>

# WARRINGTON & VALE ROYAL COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2019

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

### 19 PROVISIONS FOR LIABILITIES AND CHARGES

	<b>Defined Benefit Obligation £'000</b>	<b>Restructuring £'000</b>	<b>Enhanced Pensions £'000</b>	<b>Total £'000</b>
At 1 August 2018	6,775	408	812	7,995
Expenditure in the period	(1,409)	(311)	(30)	(1,750)
Movement in the period	5,634	196	80	5,910
At 31 July 2019	11,000	293	862	12,155

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

The restructuring provision relates to the exceptional restructuring of costs arising from the merger.

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

	<b>2019</b>	<b>2018</b>
Price inflation	2.0%	2.3%
Discount rate	2.2%	1.3%

### 20 CASH AND CASH EQUIVALENTS

	<b>At 1 August 2018 £'000</b>	<b>Cashflows £'000</b>	<b>Acquisitions £'000</b>	<b>At 31 July 2019 £'000</b>
Cash in hand, and at bank	130	183	-	313
Endowment asset investments	38	-	-	38
Cash and cash equivalents	168	183	-	351
Overdraft	-	-	-	-
Total	168	183	-	351

# WARRINGTON & VALE ROYAL COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2019

---

### 21 PENSIONS AND SIMILAR OBLIGATIONS

The College's employees belong to two principal pension schemes: the Teachers' Pensions Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Cheshire West and Chester Council. Both are defined-benefit schemes.

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
<b>Total pension cost for the year</b>		
Teachers' Pension Scheme: contributions paid	765	893
Local Government Pension Scheme: Contributions paid	1,409	1,526
FRS102 (28) charge	<u>292</u>	<u>622</u>
Charge to the Statement of Comprehensive Income	3,110	2,148
Enhanced pension credit to Statement of Comprehensive Income	<u>(142)</u>	<u>(101)</u>
<b>Total pension cost for year within staff costs</b>	<b><u>2,324</u></b>	<b><u>2,940</u></b>

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

#### 21 PENSIONS AND SIMILAR OBLIGATIONS (continued)

There were no prepaid contributions at either the beginning or the end of the financial year. Contributions amounting to £343k (2018: £240k) were payable to the schemes at 31 July and are included within creditors.

#### Teachers' Pension Scheme

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

# WARRINGTON & VALE ROYAL COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2019

---

### 21 PENSIONS AND SIMILAR OBLIGATIONS (continued)

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

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

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (the Department) in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £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 2019/19). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2018-19 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 £764,833 (2018: £893,307).

### LOCAL GOVERNMENT PENSION SCHEME (LGPS)

The LGPS is a funded defined benefit plan, with the assets held in separate funds administered by Cheshire West and Chester Council. The total contributions made for the year ended 31 July 2019 were £1,659k of which employers contributions totalled £1,409k and employee's contributions totalled £250k. The agreed contribution rates for future years are 21.3% for employers and range from 5.5% and 12.5% for employees, depending on salary according to a national scale.

### 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.

<b>Principal Actuarial Assumptions</b>	<b>At 31 July 2019</b>	<b>At 31 July 2018</b>
Rate of increase in salaries	2.0%	2.0%
Rate of increase for pensions in payment / inflation	2.4%	2.4%
Discount rate for scheme liabilities	2.1%	2.8%
Inflation Assumption (CPI)	2.4%	2.4%
Commutation of pensions to lump sums – Pre April 2008 scheme	50%	50%
Commutation of pensions to lump sums – Post April 2008 scheme	75%	75%

# WARRINGTON & VALE ROYAL COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2019

### 21 PENSIONS AND SIMILAR OBLIGATIONS (continued)

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

	<b>At 31 July 2019</b>	<b>At 31 July 2018</b>
<i>Retiring today/current pensioners</i>		
Males	21.2	22.3
Females	23.5	24.5
<i>Retiring in 20 years/future pensioners</i>		
Males	22.1	23.9
Females	25.0	26.5

#### Sensitivity analysis

The sensitivities regarding the principal assumptions used to measure scheme liabilities are set out below:

	<b>At 31 July 2019</b>	<b>At 31 July 2018</b>
	<b>£000</b>	<b>£000</b>
Discount rate -0.5%	8,048	6,821
Salary increase rate +0.5%	1,278	1,119
Pension increase +0.1%	n/a	n/a
Pension increase +0.5%	6,621	5,622

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

	<b>Fair Value at 31 July 2019</b>	<b>Fair Value at 31 July 2018</b>
	<b>£'000</b>	<b>£'000</b>
Equity instruments	27,448	25,910
Debt instruments	27,448	24,221
Property	4,879	4,506
Cash	1,220	1,690
<b>Total fair value of plan assets</b>	<b>60,995</b>	<b>56,327</b>

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

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Fair value of plan assets	60,995	56,327
Present value of plan liabilities	(71,995)	(63,102)
<b>Net pensions (liability)</b>	<b>(11,000)</b>	<b>(6,775)</b>

# WARRINGTON & VALE ROYAL COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2019

### 21 PENSIONS AND SIMILAR OBLIGATIONS (continued)

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

	2019 £'000	2018 £'000
<b>Amounts included in staff costs</b>		
Current service cost	1,449	1,896
Past service cost	252	252
<b>Total</b>	<b>1,701</b>	<b>2,148</b>
<b>Amounts included in interest and other finance costs</b>		
Net interest expense	193	369
	<b>193</b>	<b>369</b>
<b>Amounts recognised in Other Comprehensive Income</b>		
Return on pension plan assets	2,840	3,245
Experience losses arising on defined benefit obligations	-	-
Changes in assumptions underlying the present value of plan liabilities	(6,580)	4,339
<b>Total</b>	<b>(3,740)</b>	<b>7,584</b>
<b>Movement in net defined benefit (liability) during the year</b>		
Net defined benefit (liability) in scheme at 1 August	(6,775)	(8,403)
Movement in year:		
Current service cost	(1,449)	(1,896)
Employer contributions	1,409	1,526
Past service cost	(252)	(252)
Net interest on the defined (liability)	(193)	(369)
Actuarial (loss)/gain	(3,740)	7,584
Effect of business combinations	-	(4,965)
<b>Net defined benefit (liability) at 31 July</b>	<b>(11,000)</b>	<b>(6,775)</b>

# WARRINGTON & VALE ROYAL COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2019

---

### 21 PENSIONS AND SIMILAR OBLIGATIONS (continued)

#### Changes in the present value of defined benefit obligations

	2019 £'000	2018 £'000
<b>Defined benefit obligations at start of period</b>	63,102	34,674
Current Service cost	1,449	1,896
Interest cost	1,773	1,755
Contributions By Scheme participants	250	303
Experience gains and losses on defined benefit obligations	-	-
Changes in financial assumptions	6,580	(4,339)
Estimated Benefits paid	(1,411)	(1,318)
Past Service cost (including curtailments)	252	252
Effect of business combinations	-	29,879
<b>Defined benefit obligations at end of period</b>	<b>71,995</b>	<b>63,102</b>

#### Changes in the fair value of plan assets

<b>Fair value of plan assets at start of period</b>	56,327	26,271
Interest on plan assets	1,580	1,386
Return on plan assets	2,840	3,245
Employer contributions	1,409	1,526
Contributions By Scheme participants	250	303
Estimated Benefits paid	(1,411)	(1,318)
Effect of business combinations	-	24,914
<b>Fair value of plan assets at end of period</b>	<b>60,995</b>	<b>56,327</b>

These accounts show a past service cost of £215,000 estimated in respect of the McCloud/Sergeant judgement which ruled that the transitional protection for some members of public service schemes implemented when they were reformed constituted age discrimination. This provision is 2% of the total scheme liability as at 31 July 2019. The calculation of adjustment to past service costs, arising from the outcome of the Court of Appeal judgement is based on a number of key assumptions including:

- The form of remedy adopted
- How the remedy will be implemented
- Which members will be affected by the remedy
- The earning assumptions
- The withdrawal assumption

The other financial and demographic assumptions adopted to calculate the past service cost are the same as those used to calculate the overall scheme liability. Adopting different assumptions, or making other adjustments to reflect behavioural changes stemming from the judgement, would be expected to change the disclosed past service cost. Similarly, allowing for variations in individual members' future service or salary progression is expected to produce higher costs. The past service cost is particularly sensitive to the difference between

# WARRINGTON & VALE ROYAL COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2019

---

assumed long term general pay growth and the CPI. If the long term salary growth assumptions were 0.5% lower, then the past service cost disclosed here would be expected to reduce by 50% and conversely a 0.5% pa increase would increase the estimated costs by 65%.

### 22 EVENTS AFTER THE REPORTING PERIOD

In order to facilitate ongoing costs of the College, prior to the receipt of proceeds of sale of the Hartford campus, the College agreed a new finance facility with its bankers resulting in a new overdraft facility of £1m to 31 July 2020.

### 23 CAPITAL AND OTHER COMMITMENTS

	2019 £'000	2018 £'000
Commitments contracted for at 31 July	-	-
Commitments under finance leases entered into but not yet provided for in the financial statements	-	-

### 24 LEASE OBLIGATIONS

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

	2019 £'000	2018 £'000
<b>Land and Buildings</b>		
Not later than one year	-	-
Later than one year and not later than five years	-	-
Later than five years	-	-
	-	-
<b>Other</b>		
Not later than one year	26	26
Later than one year and not later than five years	26	26
Later than five years	-	-
	52	52

### 25 CONTINGENT LIABILITY

The College has been in receipt of significant income from Erasmus and the European Regional Development fund (ERDF) in recent years, including £367k in the year ended 31 July 2017, and further receipts of £425k in 2014-2015, £253k in 2015-2016, £10k in 2011-2012 and £8k in 2012-2013. The College takes all reasonable steps to ensure it complies with the terms attaching to the receipt of all ESF income. However, the College recognises that this is a complex area and there is

# WARRINGTON & VALE ROYAL COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2019

---

a risk that some funding could become repayable as a result of a possible inspection by the funding provider of the ESF Verification and Audit Section. It is not possible to estimate the value or timing of such repayments although a provision for £34k has been made in these financial statements for Erasmus payments relating to 2014-2017.

### 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 in accordance with the College's financial regulations and normal procurement procedures.

The total expenses paid to or on behalf of the Governors during the year was £788, (2018: £850). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2018: None).

Transactions with the ESFA and HEFCE/OFS are detailed in notes 3, 15 and 16.

Warrington & Vale Royal College is the sponsor of Warrington Collegiate Education Trust.

During the year Warrington & Vale Royal College purchased goods and services on behalf of and provided services to Warrington Collegiate Education Trust ('WCET') with a total value of £1,782 (2018: £19,811). The balance outstanding at 31<sup>st</sup> July 2019 was £nil (2018: £nil) which is included in trade receivables.

### 27 AMOUNTS DISPERSED AS AGENTS

#### LEARNER SUPPORT FUNDS

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Funding body grants – hardship support	-	-
Funding body grants – childcare support	-	-
Funding body grants – residential bursaries	-	-
Other Funding bodies grants	31	43
Interest earned	-	-
	<hr/>	<hr/>
	31	43
Disbursed to students	(20)	(32)
Administration costs	-	(2)
	<hr/>	<hr/>
Balance unspent as at 31 July, included in creditors	11	9

# WARRINGTON & VALE ROYAL COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2019

---

Funding body grants are available solely for students. In the circumstances, where the College only acts as a paying agent, the grants and related disbursements are therefore excluded from the Statement of Comprehensive Income.

# WARRINGTON & VALE ROYAL COLLEGE

## REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY

---

### **Reporting accountant's assurance report on regularity**

#### **To the corporation of Warrington & Vale Royal College and Secretary of State for Education acting through Education and Skills Funding Agency ('ESFA')**

In accordance with the terms of our engagement letter dated 7 October 2019 and further to the requirements and conditions of funding in ESFA's grant funding agreements and contracts, or those of any other public funder, 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 Warrington & Vale Royal 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 ('the Code') issued by ESFA. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record returns, for which ESFA has other assurance arrangements in place.

#### **Respective responsibilities of Warrington & Vale Royal College and the reporting accountant**

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

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

- an assessment of the risk of material irregularity and impropriety across the college's activities;
- evaluation of the processes and controls established and maintained in respect of regularity and propriety for the use of public funds through observation of the arrangements in place and enquiries of management;
- consideration and corroboration of the evidence supporting the Accounting Officer's statement on regularity, propriety and compliance and that included in the self-assessment questionnaire (SAQ); and
- limited testing, on a sample basis, of income and expenditure for the areas identified as high risk and included on the SAQ.

## **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.

## **Use of our report**

This report is made solely to the corporation of Warrington & Vale Royal College and ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of Warrington & Vale Royal College and ESFA those matters we are required to state in a limited assurance 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 Warrington & Vale Royal College, as a body, and ESFA, as a body, for our work, for this report, or for the conclusion we have formed.

Grant Thornton UK LLP  
Chartered Accountants  
Manchester  
7<sup>th</sup> February 2020