

**GRANTHAM COLLEGE**

**Report and Financial Statements  
for the year ended 31 July 2019**

# GRANTHAM COLLEGE

Financial Statements for the Year Ended 31 July 2019

## Key Management Personnel, Board of Governors and Professional advisers

### Key management personnel

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

Paul Deane, Principal & CEO: Accounting Officer  
Claire Temprell, Vice Principal HR & Student Services  
Tracy Scarborough, Vice Principal Quality & Curriculum  
Lara Steptoe, Vice Principal Business Development  
Steven Peacock, Assistant Principal Higher Education  
Tracey Hart, Director of Planning, Information & Marketing  
Anita Harrison, Director of Finance

### Board of Governors

A full list of Governors is given on page 13 of these financial statements.

### Professional advisers

#### Financial statements auditors and reporting accountants:

Cooper Parry Group Limited  
Chartered Accountants & Statutory Auditor  
One Central Boulevard  
Blythe Valley Business Park  
Solihull  
West Midlands  
B90 8BG

#### Internal auditors:

RSM Risk Assurance Services LLP  
Suite A, 7th Floor  
City Gate East  
Tollhouse Hill  
Nottingham  
NG1 5FS

#### Bankers:

Lloyds Bank Plc  
St. Peter's Hill  
Grantham  
NG31 6QF

#### Solicitors:

Andrews & Co  
St Swithins Square  
Lincoln  
LN2 4GR

# GRANTHAM COLLEGE

Financial Statements for the Year Ended 31 July 2019

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# GRANTHAM COLLEGE

Financial Statements for the Year Ended 31 July 2019

## Members' 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 Grantham College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

#### Mission

The College's mission is "Inspire, Empower, Achieve".

To deliver **inspirational** vocational, technical, professional and higher education and training that **empowers** people, businesses and the community to **achieve** their goals

#### Public Benefit

Grantham College is an exempt charity under part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on page 13.

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

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

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

#### Implementation of strategic plan

In December 2018 the College adopted a strategic plan for the period 2019 to 2022 and the college approves a 2 year financial plan each July. The Corporation monitors the performance of the College against these plans. The plans are reviewed and updated each year. The College's strategic objectives are:

- Ensuring that student and apprentice progression, employability and career opportunities are central to everything we do so that we help to improve social mobility, reduce employers' skills gaps and support the creation of a thriving local economy and community.
- Develop and deliver a vocational, technical, professional and higher education curriculum which supports the above whilst increasing access & inclusivity.
- Maintaining a financially robust and sustainable organisation that allows us to continue to invest in delivering our mission.
- Create a values driven organisation where all staff are supported & empowered to deliver the above, continuously improve & inspire our students to strive for and achieve the highest standards.

# GRANTHAM COLLEGE

## Financial Statements for the Year Ended 31 July 2019

### Members' Report (continued)

The College is on target for achieving these objectives.

#### Financial objectives

The College has set financial targets and reviews these annually and this includes a review of the ESFA financial dashboard for the college. Currently our financial health is assessed as "Good".

The financial targets are:

- To achieve an overall ESFA financial health grade of "Good" or better
- To ensure no more than 1 of the 3 ESFA financial health sub grades falls below "Good" and none are rated "inadequate"
- To ensure pay expenditure (excluding year end pension adjustments) is no more than 74% of income unless the above can still be achieved with a higher percentage

Of the above financial targets, all 3 have been achieved in 2018/19 and the budget and financial plan agreed by the board in July 2019 delivers on all of these in 2019/20 and 2020/21 and supports the delivery of the college's Strategic Plan. For target 2 the college ensured that no more than 1 of the 3 ESFA financial health sub grades fell below "Good", in fact 2 were rated outstanding, the EBITDA measure was rated "satisfactory". However, overall financial health is assessed as "Good" in 2018/19.

#### Performance indicators

The College uses a number of key performance indicators to monitor its performance in relation to the curriculum offer. The main indicators are set out below:

- student number growth and achievement of ESFA funding targets
- student attendance, retention, pass and achievement rates
- student satisfaction
- growth in other funding streams to include higher education, international and full cost
- effectiveness and efficiency of curriculum delivery
- effectiveness and efficiency of staff utilisation

In 2018/19 the College student number targets in the 16-18 year old category were below expectation with 728 16-18 year old students being enrolled against a forecast of 756 in the July 2018 Financial Plan, meaning the college hit 96% of target and student numbers were below target by 28 students. Our ESFA adult numbers achieved 98% of the allocation meaning no clawback of funds. Overall Apprentice income grew in 2018/19 by 16%.

The College continues to work towards becoming an outstanding organisation, and internal quality and curriculum processes are in place to push the organisation towards that goal. The effective implementation of the Post Inspection Action Plan has had a positive impact on standards resulting in an improved Ofsted grade of 'Good' for overall effectiveness and 'Good' across all areas in the inspection conducted in September 2017. Attendance in 2018/19 overall was good at 87%. The College Achievement Rate for non-apprentice provision is 78.4% which is slightly below the national average for the qualifications we offer for both 16-18 and 19+. Overall apprenticeship success rates were 66.3% which is below the national average, however, in those areas that the college continues to deliver apprenticeship provision it was 75.6%. The college also achieved a Teaching Excellence Framework (TEF) Silver Award for its Higher Education provision in June 2018.

# **GRANTHAM COLLEGE**

## **Financial Statements for the Year Ended 31 July 2019**

### **Members' Report (continued)**

Curriculum efficiency and effectiveness will continue to be monitored closely throughout 2019/20 to ensure that the College is maximising the use of funding and resourcing to ensure the best educational experience for the students. Curriculum efficiency is monitored for all curriculum areas to ensure that courses are constructed in the most efficient way possible and that staff are teaching to their contracted hours thereby increasing staff utilisation.

Aside from ESFA funding the College is continually looking to secure other methods and sources of funding and will continue to source additional funding as well as through the growth of full cost and higher education.

The College is committed to monitoring performance compared to relevant sector measures and indicators and uses the data available on the GOV.UK website and from the AoC to drive improvement including measures such as National achievement rates tables, student and employer satisfaction, college accounts benchmarking and reports from the FE Commissioner, Ofsted and the Office for Students. The College is required to complete the annual Finance Record for the Education and Skills Funding Agency ("ESFA"). The College is assessed by the ESFA as having a "Good" financial health grading.

#### **FINANCIAL POSITION**

##### **Financial results**

The College generated a deficit before other gains and losses in the year of £252,000 (2018 – deficit of £562,000) with total comprehensive income deficit of £1,082,000 (2018: surplus of £737,000).

The College has accumulated reserves of £4,517,000 (2018: £5,599,000) and cash balances of £2,060,000 (2018: £2,174,000). The College wishes to continue to accumulate reserves and cash balances in order to create a contingency fund.

Tangible fixed asset additions during the year amounted to £396,000. This was split between land and buildings refurbishment of £187,000 and equipment purchased of £209,000. In the main, this related to the refurbishment of Elsham House which has become the new HE Centre, increasing capacity of Student Accommodation, investment in Curriculum areas, plumbing upgrades including boiler replacement, and the addition and replacement of computer equipment.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2018/19 the funding bodies provided 79% of the College's total income.

##### **Treasury policies and objectives**

Treasury management is the management of the College's cash flows, its banking and money 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 Principal. Such arrangements are restricted by limits in the College's Financial Memorandum previously agreed with the ESFA. All other borrowing requires the authorisation of the Corporation and shall comply with any requirements of the Financial Memorandum.

The College also has a gifts and hospitality policy which covers the procedure for receipt of gifts/hospitality by staff.

The size of the College's total borrowing and its approach to interest rates has been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cash flow. During the year this margin was comfortably exceeded.

# GRANTHAM COLLEGE

## Financial Statements for the Year Ended 31 July 2019

### Members' Report (continued)

#### Cash flows and liquidity

There was a net operating cash inflow of £170,000 (2018: £233,000 inflow).

#### Reserves Policy

The College recognises that it has two major sources of income and these are not guaranteed. It is crucial therefore to ensure there are sufficient reserves to support the College while other sources of income are secured and fundraising is considered or to allow the College to wind up while meeting its obligation to staff and service users, if existing sources of income are lost.

The College is dependent on ESFA funding to sustain its activities, as other streams of income alone would not allow the College to continue operating. This means that if there were to be a significant fall in this funding source it is likely that the College would have to restructure or close down.

To avoid closure if funding difficulties were to occur the Board of Governors has agreed to keep a certain level of financial reserves to ensure that main operations can continue for a period of 9 months.

The main concerns of the Board of Governors are to ensure:

- that staff can continue working
- that there is time to secure new funding
- that students are supported to move on to other services
- it has sufficient resources to meet its liabilities

Funding is determined annually and this has exposed the College to quite significant falls in income in the past. It has been calculated that reserves of £5.7m would be needed to continue running for at least 9 months.

The reserves will be built up from the unrestricted (earned) income. At 31 July 2019, the Income and Expenditure reserve totalled £2.1m.

The level of reserves will be monitored and reported on within the monthly management accounts and reviewed by the Board of Governors.

The Board of Governors will review this policy annually or whenever there are significant changes in income or operating costs.

#### CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

In 2018/19 the College has delivered activity that has produced £4,632,000 in funding body main allocation funding (2017/18 – £4,512,000). The College had the following student numbers

16 – 18: 728

19+ Adult FE: 1,081

HE: 135

Apprentices in learning:

16-18: 247

19+: 274

HLA: 33

# **GRANTHAM COLLEGE**

**Financial Statements for the Year Ended 31 July 2019**

## **Members' Report (continued)**

### **Student achievements**

Students continue to prosper at the College. The Ofsted inspection in September 2017 confirmed that Grantham College has improved and is now a 'Good' college. The College Achievement Rate for non-apprentice provision is 78.4% which is slightly below the national average for the qualifications we offer for both 16-18 and 19+. Overall apprenticeship achievement rates were 66.3% which is below the national average, however, in those areas that the college continues to deliver apprenticeship provision it was 75.6%. The college also achieved a Teaching Excellence Framework (TEF) Silver Award for its Higher Education provision in June 2018.

### **Curriculum developments**

The College offers programmes of learning in all 15 of the prescribed sector subject areas as well as offering bespoke programmes for 14-16 year olds from local schools. Grantham continues to offer a range of courses from entry level, through to levels 1, 2 and 3 as well as a small but growing amount of Higher Education, offering HNC/Ds and Foundation degrees in partnership with the University of Bedfordshire and Bishop Grosseteste University as well as its own direct HEFCE/OfS funded provision.

The college recognised the need for greater local demographic data, data on competitors and Labour Market Intelligence in curriculum planning back in 2013/14 and introduced the RCU Vector and MIDES LMI tools in 2014/15 which utilise the latest demographic, competitor data and UKCES data on Labour Market Intelligence. Since then when planning the curriculum every curriculum area has been required to review the information above along with local LEP skills strategies and information on priorities for community provision from the Local Authorities to ensure the curriculum offer meets local need as well as being aligned to the strengths and capabilities of the college.

The College continues to use Community Learning funding to widen participation by offering a range of taster provision and other short courses to encourage adults to return to learning.

### **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 93 per cent of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

### **Events after the end of the reporting period**

There were no significant post balance sheet events.

### **Future prospects**

The Ofsted inspection in September 2017 has confirmed that the college has the capacity and capability to deliver significant improvement and is now a good college that meets the needs of the local area, individuals and employers. The Area Review concluded that the college should continue to stand alone but continue to work in collaboration with other colleges. It also confirmed that the college should continue to meet the vocational needs of the local area and seek to ensure financial viability. The college has demonstrated that it can both improve quality and ensure 'Good' financial health whilst effectively meeting the needs of the local area and it has good prospects for continuing to do this in the future.

# GRANTHAM COLLEGE

## Financial Statements for the Year Ended 31 July 2019

### Members' Report (continued)

In June 2018, the college received a silver award for Higher Education teaching excellence by the Office of Students. The Teaching Excellence and Student Outcomes Framework (TEF) recognises excellent teaching in UK higher education providers and helps prospective students choose where to study. The college also opened its University Centre in September 2018 which is housed in Elsham House.

The College was also successful in the collaborative Institute of Technology Stage 1 & Stage 2 bidding process with a consortium of Lincolnshire colleges and the University of Lincoln. The college bid is for £2.6m capital investment towards the refurbishment of Stonebridge House and specialist equipment.

#### RESOURCES:

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

Tangible resources include the College main sites on Stonebridge Road and the Barracks site. There were no significant developments during 2018/2019. The college continues to rationalise estates with the investment into Stonebridge House through the Institute of Technology project, and the college continues to lease property on Belton Lane.

#### Financial

The College has £4,517,000 (2018: £5,599,000) of net assets (including £4,122,000 pension liability (2018: £2,756,000 pension liability) and long-term debt of £555,000 (2018: £651,000 long term debt).

#### People

The College employs 195 people (expressed as full-time equivalents), of whom 62 are teaching staff.

#### Reputation

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

#### PRINCIPAL RISKS AND UNCERTAINTIES:

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

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

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

This is supported by a risk management training programme to raise awareness of risk throughout the College. Outlined below is a description of the principal risk factors that may affect the College. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

# GRANTHAM COLLEGE

Financial Statements for the Year Ended 31 July 2019

## Members' Report (continued)

### 1. Government Funding

The College has considerable reliance on continued government funding through the ESFA and its successor organisations. In 2018/19, 79% of the College's revenue was ultimately public funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The College is aware of a number of issues which may impact on future funding and financial stability:

- Changes in demography and the introduction of Academies, UTCs and Free Schools plus growth/expansion of 6<sup>th</sup> form provision in local schools have meant increased competition for 16-18 year olds.
- Slow growth in the Local, Regional and National economy has meant little growth in disposable income for both individuals and organisations which have affected adult numbers.
- Implementation of 19+ loans, the apprentice levy and real terms cuts in funding.
- Continuing limits on spending for post 16 education.
- European Funding and exit from the EU.
- Devolution.
- Tightening visa controls on international students.
- Increasing employer pensions contributions.

The risks are mitigated in a number of ways:

- Ensuring that the curriculum offer is responsive to each market and is developed to meet demands.
- Ensuring the College delivers a high quality product measured by achievement rates, customer satisfaction and student progression.
- Continued investment in its resources, both human and physical.
- Funding is derived through a number of direct and indirect contractual arrangements.
- Strategic analysis of the sector and region, with established relationships with all the key stakeholders.
- Continuing collaboration to improve efficiency and effectiveness.
- Ensuring current and potential future funders are aware of the contribution of FE to the local and regional economy and national and regional policy objectives.
- Regular reviews of fee levels to ensure viability and competitiveness.
- Close scrutiny of costs and viability to ensure the college maintains good financial health.

# GRANTHAM COLLEGE

Financial Statements for the Year Ended 31 July 2019

## Members' Report (continued)

### 2. Tuition fee policy (continued)

In line with the majority of other colleges, Grantham College will seek to increase tuition fees annually in accordance with the fee assumptions. The price elasticity of adult learning does seem to show that adult learning is price sensitive and show that demand both locally and nationally reduces as fees increase. This potential reduction in adult numbers combined with the reduction in qualifications funded and the increased restriction on the classification of benefits entitled for funding remission will impact on the growth strategy of the College in relation to its adult and employer based work.

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.
- Monitoring the impact of advanced learning loans for adults. Monitoring the impact of adult funding changes.
- Close monitoring of the demand for courses as prices change.
- Review curriculum offer to match the skills gaps identified within the local and regional economy.

### 3. Maintain adequate funding of pension liabilities

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

This risk is mitigated by an agreed deficit recovery plan with the Lincolnshire County Council pension scheme.

## STAKEHOLDER RELATIONSHIPS

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

- Students;
- Education sector funding bodies and regulators;
- Staff;
- Local employers (with specific links);
- LEP;
- Local Authorities;
- Government Offices;
- The local community;
- Other FE & HE institutions;
- Trade unions;
- Professional bodies.

# **GRANTHAM COLLEGE**

**Financial Statements for the Year Ended 31 July 2019**

## **Members' Report (continued)**

### **STAKEHOLDER RELATIONSHIPS (continued)**

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

### **Equal opportunities**

In 2011/12 the College updated its Equality and Diversity Policy to reflect the requirements of the Equality Act 2010. The College published its Equality Objectives in line with the Act. A commitment to Equality, Diversity and Inclusion is a strategic priority for the College. The College seeks to promote and value diversity and to take positive action to increase participation from underrepresented groups. The College welcomes applications from all sectors of society in terms of its employment of people with disabilities. The College works to the disability two ticks award. The College also supports the Time to Change initiative.

### **Disability statement**

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

- a) As part of its estates strategy the College conducts a full access audit of its estates and these are regularly updated as a result of any improvements.
- b) The College has staff that provides information, advice and feedback and arranges support where necessary for students or staff with disabilities.
- c) There is a list of specialist equipment which the College can make available for use by students or staff and a range of assistive technology is available in the learning centre.
- d) The admissions policy for all students is described in the College Charter. Appeals against a decision not to offer a place are dealt with under the complaints policy.
- e) The College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
- f) Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.
- g) Counselling and welfare services are described in the College Student Guide, which is issued to students at induction and is available on the College website.

# GRANTHAM COLLEGE

Financial Statements for the Year Ended 31 July 2019

## Members' Report (continued)

### 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

During this period both Unison and UCU were the recognised unions at the establishment. No appointed representatives were in post during this time and as a result no remission was given or asked for relating to Trade Union facility time.

### Relevant Union Officials

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
0	192.77

### Percentage of time spent on facility time

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

### Percentage of pay bill spent on facility time

First Column	Figures
Provide the total cost of facility time	£0
Provide the total pay bill	£6,506,373
Provide the percentage of the total pay bill spent on facility time, calculated as:  (Total cost of facility time ÷ by total pay bill) x 100	0%

### Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as;  (Total hours spent on paid trade union activities by relevant union officials during the relevant period ÷ total paid facility time hours) x 100	0%
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Note: The next publication of this information will be for the period 01 April 2019 to 31 March 2020 which will be published by 31 July 2020.

# GRANTHAM COLLEGE

## Financial Statements for the Year Ended 31 July 2019

### 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 17 December 2019 and signed on its behalf by:

.....

A Mosek

Chair

# GRANTHAM COLLEGE

## Financial Statements for the Year Ended 31 July 2019

### Governance Statement

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"); and
- iii. having due regard to the UK Corporate Governance Code 2016 insofar as it is applicable to the further education sector.

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

In the opinion of the Governors, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2019. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 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 on the Corporation during the year and up to the date of signature of this report were as listed in the table overleaf.

# GRANTHAM COLLEGE

Financial Statements for the Year Ended 31 July 2019

## Governance Statement (continued)

### Grantham College Corporation Attendance 2018/19

	Committee Membership	Corporation Meetings attended	Total meetings
Mr G Brewis	Finance & Resources, Standards	4	5
Mr P Cartwright (STAFF)	Standards	5	5
Mr P Deane (STAFF and Accounting Officer)	Finance & Resources, Standards, GRSC	5	5
Mr G Hayton-Hill	Finance & Resources	2	5
Mr I Hyland	Finance & Resources, Standards, GRSC	5	5
Mr M Kalbassi	Finance & Resources, Standards, GRSC	4	5
Ms S Macpherson	Standards	1	5
Mr N Manoussakis	Finance & Resources	4	5
Mrs A Mosek (Chair from 15 October 2018)	Finance & Resources, Standards, GRSC	5	5
Mr S Parsons (STAFF)	Standards	5	5
Mrs J Smith (appointed 4/7/19)	TBC	0	0
Miss N Skins	Audit	3	5
Mr B Slater (resigned 24/6/19)	Audit	1	4
Mr S Welton (Vice Chair from 18 December 2017)	Standards, Audit, GRSC	5	5

### Student Governors

Mr J Addlesee	Standards	1	4
Ms D Matchett	Standards	0	4

GRSC – Governance, Remuneration & Search Committee

# GRANTHAM COLLEGE

## Financial Statements for the Year Ended 31 July 2019

### Governance Statement (continued)

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 at least once 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

- Finance and Resources
- Standards
- Search and Governance
- Senior Post Holder Employment and Remuneration and
- Audit.

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

Grantham College, Stonebridge Road, Grantham, NG31 9AP

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 members 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 members 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 Chairman and Principal and Chief Executive.

#### Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search and Governance committee consisting of four members plus two lay members (P Deane / I Hyland / S Welton / A Mosek and lay members). The Search and Governance committee is responsible for the selection and nomination of any new members 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.

# **GRANTHAM COLLEGE**

## **Financial Statements for the Year Ended 31 July 2019**

### **Governance Statement (continued)**

#### **Corporation performance**

The Corporation operates a traditional structure with five Committees and also holds regular training/strategic workshops for Governors on current issues and policies of importance to the Corporation. These workshops, which last for around two hours, are a key element of the Governor role. The Committees are as noted on page 14. These Committees have been established to examine the detail of the key areas of quality of teaching, learning and assessment, finance and resources; the minutes of meetings are reported back to Corporation. The Corporation meets four times a year. Most Governors are members of the Corporation and a member of one or more of the Committees. Quality of teaching, learning and assessment is afforded a high priority on the Corporation agenda, being a key element of the Principal's Report which also considers topics of strategic interest at particular times within the academic year. The business and finance elements of the College are also seen as critical to success and reported at every meeting of the Corporation. The Corporation emphasises the culture and values of the College and partnership working based on mutual trust between the senior management team and Governors. A clear focus on teaching and learning, on the experiences of learners, and continuous improvement is controlled by a strong and capable Chair; the Corporation has used a rigorous process of self evaluation throughout the year.

#### **Senior Post Holder Employment and Remuneration Committee**

Throughout the year ending 31 July 2019, the College's committee comprised of four members plus one lay member (I Hyland / S Welton / A Mosek/M Kalbassi and lay member C Ford). The committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other key management personnel.

Details of remuneration for the year ended 31 July 2019 are set out in note 7 to the financial statements.

The College has adopted the Association of Colleges Code of Good Governance Remuneration Code.

# GRANTHAM COLLEGE

## Financial Statements for the Year Ended 31 July 2019

### Governance Statement (continued)

#### Audit Committee

The Audit Committee comprises four members (M Argyle/S Welton / N Skins / B Slater). The Committee operates in accordance with written terms of reference approved by the Corporation.

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

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

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

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

#### Internal control

##### *Scope of responsibility*

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

The Corporation has delegated the day-to-day responsibility to the Principal & Chief Executive, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which they are personally responsible, in accordance with the responsibilities assigned to them in the Financial Memorandum between Grantham College and the funding bodies. They are also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

##### *The purpose of the system of internal control*

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

##### *Capacity to handle risk*

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

# GRANTHAM COLLEGE

## Financial Statements for the Year Ended 31 July 2019

### Governance Statement (continued)

#### *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.

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

#### *Review of effectiveness*

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

- the work of the internal auditors
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework
- comments made by the College's financial statements auditors, the reporting accountant for regularity assurance, the appointed funding auditors (for colleges subject to funding audit), in their management letters and other reports.

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

# GRANTHAM COLLEGE

## Financial Statements for the Year Ended 31 July 2019

### Governance Statement (continued)

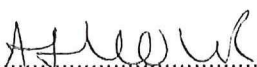
The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and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

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

#### Going concern

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

Approved by order of the members of the Corporation on 17 December 2019 and signed on its behalf by:



A Mosek  
Chair



P Deane  
Accounting Officer

# GRANTHAM COLLEGE

Financial Statements for the Year Ended 31 July 2019

## Statement of regularity, propriety and compliance

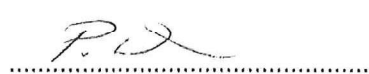
The Corporation has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the Corporation's grant funding agreement and contracts with the ESFA. As part of our consideration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

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



**A Mosek**  
Chair



**P Deane**  
Accounting Officer

Date: 17 December 2019

Date: 17 December 2019

# GRANTHAM COLLEGE

## Financial Statements for the Year Ended 31 July 2019

### 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 agreement 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 give a true and fair view of the state of affairs of the College and its surplus/(deficit) of income and expenditure for that period.

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

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

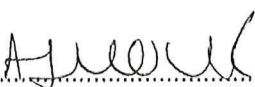
The Corporation is also required to prepare a Members' Report which describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the College.

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

The Corporation is responsible for the maintenance and integrity of the College's website; the work carried out by 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 agreement 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 in order 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 17 December 2019 and signed on its behalf by:



.....

**A Mosek**  
**Chair**

# **GRANTHAM COLLEGE**

## **Financial Statements for the Year Ended 31 July 2019**

### **Independent auditor's report to the Corporation of Grantham College**

#### **Opinion**

We have audited the financial statements ("the financial statements") of Grantham 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 the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', the 2015 Statement of Recommended Practice-Accounting for Further and Higher Education and the College Accounts Direction 2018 to 2019 issued by the Education and Skills Funding Agency.

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 the surplus of expenditure over income for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education and the College Accounts Direction 2018 to 2019 issued by the Education and Skills Funding Agency.

#### **Basis of Opinion**

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

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

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

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

# **GRANTHAM COLLEGE**

**Financial Statements for the Year Ended 31 July 2019**

## **Independent auditor's report to the Corporation of Grantham College (continued)**

### **Other information**

The members are 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**

In the light of our knowledge and understanding of the College and its environment obtained in the course of the audit, we have not identified material misstatements in the members' report.

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

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

### **Responsibilities of members**

As explained more fully in the members' responsibilities statement set out on page 20, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

# GRANTHAM COLLEGE

Financial Statements for the Year Ended 31 July 2019

## Independent auditor's report to the Corporation of Grantham College (continued)

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the college's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the members.
- Conclude on the appropriateness of the members' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the college's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the college to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### Use of our report

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



### Cooper Parry Group Limited

Chartered Accountants & Statutory Auditor

Park View

One Central Boulevard

Blythe Valley Business Park

Solihull B90 8BG

Date:

19/12/2019

# **GRANTHAM COLLEGE**

## **Financial Statements for the Year Ended 31 July 2019**

### **Reporting Accountants' Assurance report on regularity**

**To: The Corporation of Grantham College and Secretary of State for Education acting through Education and Skills Funding Agency (ESFA)**

In accordance with the terms of our engagement letter and further to the requirements and conditions of funding in ESFA's grant funding agreements and contracts 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 Grantham 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 the ESFA. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record returns, for which the ESFA has other assurance arrangements in place.

This report is made solely to the Corporation of Grantham 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 Grantham College and the ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation of Grantham College and the ESFA for our work, for this report, or for the conclusion we have formed.

#### **Respective responsibilities of Grantham College and the reporting accountant**

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

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

# GRANTHAM COLLEGE

Financial Statements for the Year Ended 31 July 2019

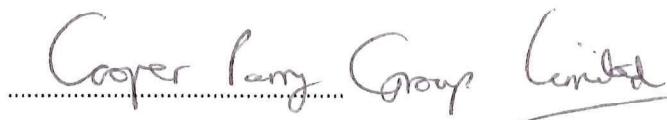
## Reporting Accountants' Assurance report on regularity (continued)

The work undertaken to draw our conclusion includes:

- Making enquiries of management;
- Analytical review procedures;
- Evaluation of controls through walk throughs on a sample basis;
- Review of the board and committee meeting minutes;
- Review of Internal audit reports.

### 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.

  
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### Cooper Parry Group Limited

Chartered Accountants & Statutory Auditor  
Park View  
One Central Boulevard  
Blythe Valley Business Park  
Solihull  
B90 8BG

Date: 19/12/2019

# GRANTHAM COLLEGE

Financial Statements for the Year Ended 31 July 2019

## Statement of Comprehensive Income

	Notes	2019 £'000	2018 £'000
<b>INCOME</b>			
Funding body grants	2	6,398	5,959
Tuition fees and education contracts	3	1,395	1,690
Other grants and contracts	4	564	560
Other income		1,007	956
Investment income	5	8	3
<b>Total income</b>		<b>9,372</b>	<b>9,168</b>
<b>EXPENDITURE</b>			
Staff costs	6	7,092	6,954
Other operating expenses	8	1,814	1,960
Depreciation	11	628	713
Interest and other finance costs	9	90	103
<b>Total expenditure</b>		<b>9,624</b>	<b>9,730</b>
<b>Deficit before other gains and losses</b>		<b>(252)</b>	<b>(562)</b>
Actuarial (loss)/gain in respect of pensions schemes		(830)	1,299
<b>Total comprehensive (deficit)/income for the year</b>		<b>(1,082)</b>	<b>737</b>
<b>Represented by:</b>			
<b>Unrestricted comprehensive (deficit)/income</b>		<b>(1,082)</b>	<b>737</b>

The income and expenditure account is in respect of continuing activities.

# GRANTHAM COLLEGE

Financial Statements for the Year Ended 31 July 2019

## College Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
<b>Balance at 1 August 2017</b>	2,330	2,532	4,862
Surplus from the income and expenditure account	737	-	737
Transfers between revaluation and income and expenditure reserves	48	(48)	-
<b>Balance at 31 July 2018</b>	<u>3,115</u>	<u>2,484</u>	<u>5,599</u>
Deficit from the income and expenditure account	(1,082)	-	(1,082)
Transfers between revaluation and income and expenditure reserves	48	(48)	-
<b>Balance at 31 July 2019</b>	<u>2,081</u>	<u>2,436</u>	<u>4,517</u>

# GRANTHAM COLLEGE

Financial Statements for the Year Ended 31 July 2019

## Balance sheet as at 31 July 2019

	Notes	2019 £'000	2018 £'000
<b>Fixed assets</b>			
Tangible Fixed assets	11	8,705	9,085
<b>Current assets</b>			
Stocks		33	27
Trade and other receivables	12	536	628
Cash and cash equivalents	17	2,060	2,174
		<b>2,629</b>	<b>2,829</b>
<b>Less: Creditors – amounts falling due within one year</b>	13	(1,013)	(1,698)
<b>Net current assets</b>		<b>1,616</b>	<b>1,131</b>
<b>Total assets less current liabilities</b>		<b>10,321</b>	<b>10,216</b>
Creditors – amounts falling due after more than one year	14	(1,646)	(1,826)
<b>Provisions</b>			
Defined benefit obligations	20	(4,122)	(2,756)
Other provisions	16	(36)	(35)
<b>Total net assets</b>		<b>4,517</b>	<b>5,599</b>
<b>Unrestricted Reserves</b>			
Income and expenditure account		2,081	3,115
Revaluation reserve		2,436	2,484
<b>Total unrestricted reserves</b>		<b>4,517</b>	<b>5,599</b>

The financial statements on pages 26 to 47 were approved and authorised for issue by the Corporation on 17 December 2019 and were signed on its behalf on that date by:



A Mosek  
Chair



P Deane  
Accounting Officer

# GRANTHAM COLLEGE

Financial Statements for the Year Ended 31 July 2019

## Statement of Cash Flows

	Notes	2019 £'000	2018 £'000
<b>Cash flow from operating activities</b>			
(Deficit)/surplus for the year		(1,082)	737
<b>Adjustment for non-cash items</b>			
Depreciation		628	713
Decrease in stocks		(6)	-
Increase in debtors		92	6
Decrease in creditors due within one year		(582)	(173)
Increase/(decrease) in provisions		1,367	(778)
<b>Adjustment for investing or financing activities</b>			
Interest payable		10	9
Interest received		-	-
(Profit)/loss on sale of fixed assets		(257)	(122)
Capital grant income		-	(159)
<b>Net cash inflow from operating activities</b>		<u>171</u>	<u>233</u>
<b>Cash flows from investing activities</b>			
Proceeds from sale of fixed assets		396	144
Interest received		-	-
Withdrawal of deposits		-	-
Payments made to acquire fixed assets		(387)	(240)
		<u>9</u>	<u>(96)</u>
<b>Cash flows from financing activities</b>			
Deferred capital grant released		(200)	(320)
Revenue grant released		(4)	(4)
Interest paid		(10)	(9)
New loans received		30	-
Repayments of bank loan		(109)	(109)
Capital grants received		-	159
		<u>(293)</u>	<u>(283)</u>
<b>Decrease in cash and cash equivalents in the year</b>		<b>(114)</b>	<b>(146)</b>
 Cash and cash equivalents at beginning of the year	17	2,174	2,320
 Cash and cash equivalents at end of the year	17	<u>2,060</u>	<u>2,174</u>

# GRANTHAM COLLEGE

Financial Statements for the Year Ended 31 July 2019

## Notes to the Accounts

### 1. Accounting policies

#### Statement of accounting policies and estimation techniques

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

#### Basis of preparation

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

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

#### Basis of accounting

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

#### Going concern

The Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. The College has a positive 2 year plan and a good current ratio. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

#### Recognition of income

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 or over achievement for the Adult Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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

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

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

# GRANTHAM COLLEGE

## Financial Statements for the Year Ended 31 July 2019

### Notes to the Accounts

#### 1. Accounting policies (continued)

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

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.

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

#### Accounting for post-employment benefits

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

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

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

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

##### Lincolnshire Local Government Pension Scheme (LGPS)

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

Net interest on the net defined benefit liability 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.

#### Non-current Assets - Tangible fixed assets

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

Freehold land is not depreciated.

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

# GRANTHAM COLLEGE

## Financial Statements for the Year Ended 31 July 2019

### Notes to the Accounts

#### 1. Accounting policies (continued)

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.

#### *Equipment*

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

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

- |                                    |                     |
|------------------------------------|---------------------|
| • Plant and machinery              | 4% - 10% per annum  |
| • Motor vehicles                   | 14% per annum       |
| • Computer equipment               | 14% per annum       |
| • Furniture, fixtures and fittings | 10% - 20% per annum |

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

#### **Leased assets**

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

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

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

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

#### **Stock**

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

# GRANTHAM COLLEGE

## Financial Statements for the Year Ended 31 July 2019

### Notes to the Accounts

#### 1. Accounting policies (continued)

##### 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.

##### Financial liabilities and equity

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

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

##### Taxation

The College is not liable to UK corporation.

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

##### Provisions and contingent liabilities

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

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

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

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

# GRANTHAM COLLEGE

## Financial Statements for the Year Ended 31 July 2019

### Notes to the Accounts

#### Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

#### Other key sources of estimation uncertainty

##### • *Tangible fixed assets*

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

##### • *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 20, will impact the carrying amount of the pension liability.

Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2019. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

# GRANTHAM COLLEGE

## Financial Statements for the Year Ended 31 July 2019

### Notes to the Accounts

#### 2 Funding body grants

	2019 £'000	2018 £'000
<b>Recurrent grants</b>		
Education and Skills Funding Agency – adult	741	755
Education and Skills Funding Agency – 16 -18	3,891	3,757
Education and Skills Funding Agency – apprenticeships	1,354	1,003
<b>Specific grants</b>		
Release of deferred capital grant	200	320
Projects	59	59
Projects – National Apprenticeship Service	84	40
Other ESFA income	33	12
Income from schools	35	12
Partnership funding	1	1
<b>Total</b>	<b>6,398</b>	<b>5,959</b>

#### 3 Tuition fees and education contracts

	2019 £'000	2018 £'000
Adult education fees	356	500
Fees for HE loan supported courses	406	631
Employer contribution re apprentices	24	35
<b>Total tuition fees</b>	<b>786</b>	<b>1,166</b>
Education contracts	609	523
<b>Total</b>	<b>1,395</b>	<b>1,690</b>

#### 4 Research grants and contracts

	2019 £'000	2018 £'000
European Commission	536	526
Other grants and contracts	28	34
<b>Total</b>	<b>564</b>	<b>560</b>

#### 5 Investment income

	2019 £'000	2018 £'000
Other interest receivable	8	3
<b>Total</b>	<b>8</b>	<b>3</b>

# GRANTHAM COLLEGE

## Financial Statements for the Year Ended 31 July 2019

### Notes to the Accounts

#### 6 Staff costs

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

	2019	2018
	No.	No.
Teaching staff	62	63
Non-teaching staff	133	126
	<u>195</u>	<u>189</u>

#### Staff costs for the above persons

	2019	2018
	£'000	£'000
Wages and salaries	5,324	5,263
Social security costs	379	370
Other pension costs	1,389	1,321
<b>Total Staff costs</b>	<u><b>7,092</b></u>	<u><b>6,954</b></u>

#### 7 Key Management Personnel

Key management personnel are identified as those people having authority and responsibility for planning, directing and controlling activities of the College. Details of key management personnel are listed on the key management personnel, board of governors and professional advisers page at the beginning of the financial statements. Staff costs include compensation paid to key management personnel for loss of office.

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

	2019	2018
	No.	No.
The number of key management personnel including the Accounting Officer was:	<u>7</u>	<u>6</u>

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

	Key management personnel		Other staff	
	2019	2018	2019	2018
	No.	No.	No.	No.
£25,001 to £30,000 p.a.	1	-	-	-
£30,001 to £35,000 p.a.	-	1	-	-
£35,001 to £40,000 p.a.	1	2	-	-
£40,001 to £45,000 p.a.	2	1	-	-
£50,001 to £55,000 p.a.	2	1	-	-
£95,001 to £100,000 p.a.	-	1	-	-
£115,001 to £120,000 p.a.	1	-	-	-
	<u>7</u>	<u>6</u>	<u>-</u>	<u>-</u>

# GRANTHAM COLLEGE

## Financial Statements for the Year Ended 31 July 2019

### Notes to the Accounts

Key management personnel emoluments are made up as follows:

	2019	2018
	£'000	£'000
Salaries	401	359
Employers' National Insurance	46	34
	<u>447</u>	<u>393</u>
Employers' Pension contributions	85	59
	<u>532</u>	<u>452</u>

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

	2019	2018
	£'000	£'000
Salaries	<u>115</u>	<u>97</u>
Pension contributions	<u>24</u>	<u>21</u>

The pension contributions in respect of the Principal & Accounting Officer and senior post-holder in respect of employer's contributions are paid to the Teachers' Pension Scheme and the Local Government Pension Scheme at the same rate as for other employees.

The members of the Corporation other than the Principal & Chief Executive and the staff members did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

Relationship of Chief Executive pay and remuneration expressed as a multiple:

	2019	2018
Principal's basic salary expressed as a multiple of the median of all staff	<u>5.66</u>	<u>5.61</u>
Principal and CEO's total remuneration as a multiple of the median of all staff	<u>5.66</u>	<u>5.61</u>

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

	2019	2018
	£'000	£'000
Compensation paid to the former post holder	<u>39</u>	<u>-</u>
Estimated value of other benefits, including provisions for pension benefits	<u>-</u>	<u>-</u>

# GRANTHAM COLLEGE

## Financial Statements for the Year Ended 31 July 2019

The severance payment was approved by the College's Senior Post Holder Employment and Remuneration Committee.

The member of the Corporation other than the Accounting Officer and the staff members did not receive any payments from the institution other than the reimbursements of travel and subsistence expenses incurred in the course of their duties.

## Notes to the Accounts

### 8 Other operating expenses

	2019	2018
	£'000	£'000
Teaching costs	301	364
Non-teaching costs	1,061	1,014
Premises costs	452	582
<b>Total</b>	<b>1,814</b>	<b>1,960</b>

### Other operating expenses include:

	2019	2018
	£'000	£'000
Auditors' remuneration:		
Financial statements audit	14	14
Internal audit	13	11
(Profit) on disposal of non-current assets	(257)	(122)
Hire of assets under operating leases	175	175

### 9 Interest and other finance costs

	2019	2018
	£'000	£'000
On bank loans, overdrafts and other loans:	10	9
Pension finance costs (note 20)	80	94
<b>Total</b>	<b>90</b>	<b>103</b>

### 10 Taxation

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

# GRANTHAM COLLEGE

## Financial Statements for the Year Ended 31 July 2019

### Notes to the Accounts

#### 11 Tangible fixed assets

	Freehold land and buildings £'000	Equipment £'000	Total £'000
<b>Cost or valuation</b>			
At 1 August 2018	18,158	6,910	25,068
Additions	187	209	396
Disposals	(148)	(26)	(174)
<b>At 31 July 2019</b>	<b>18,197</b>	<b>7,093</b>	<b>25,290</b>
<b>Depreciation</b>			
At 1 August 2018	9,641	6,342	15,983
Charge for the year	397	231	628
Elimination in respect of disposals	-	(26)	(26)
<b>At 31 July 2019</b>	<b>10,038</b>	<b>6,547</b>	<b>16,585</b>
<b>Net book value at 31 July 2019</b>	<b>8,159</b>	<b>546</b>	<b>8,705</b>
Net book value at 31 July 2018	8,520	565	9,085

The College has taken the value of its fixed assets as deemed cost.

Land and buildings were valued in 1994 at depreciated replacement cost by the Lincolnshire County Council Land and Buildings Consultancy, in accordance with the RICS Statement of Asset Valuation Practice and Guidance notes. Other tangible fixed assets inherited from the LEA at incorporation have been valued by the College on a depreciated replacement cost basis with the assistance of independent professional advice. Included in land and buildings is freehold land with a net book value of £608,000 (2018: £756,000) that has not been subject to depreciation.

Land and buildings with a net book value of £1,706,000 (2018: £1,854,000) have been partly financed by exchequer funds, through for example the receipt of capital grants. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum with the LSC, to surrender the proceeds.

#### 12 Trade and other receivables

	2019 £'000	2018 £'000
Amounts falling due within one year:		
Trade debtors	128	168
Prepayments and accrued income	408	460
<b>Total</b>	<b>536</b>	<b>628</b>

# GRANTHAM COLLEGE

## Financial Statements for the Year Ended 31 July 2019

### Notes to the Accounts

#### 13 Creditors: amounts falling due within one year

	2019	2018
	£'000	£'000
Bank loans and overdrafts	126	110
Payments received in advance	140	342
Trade creditors	193	328
Other taxation and social security	191	186
Accruals	156	274
Deferred income - government capital grants	200	320
ESFA clawback provision	7	138
<b>Total</b>	<b>1,013</b>	<b>1,698</b>

The College has two bank loans, both unsecured, although the College has been required to provide a negative pledge over the College campus. The first loan was for a sum of £600,000 and is provided for a term of 20 years, due for final repayment in April 2023. Repayments consist of monthly payments of capital and interest over the period of the loan. The loan offers fixed and floating interest rate option throughout the term, and as at 31 July 2019 was subject to floating rate terms of 0.9% per annum above LIBOR. The second loan was for a sum of £1,375,000 and is provided for a term of 20 years, due for final repayment in January 2026. Repayments consist of monthly payments of capital and interest over the period of the loan. The loan offers fixed and floating interest rate option throughout the term, and as at 31 July 2019 was subject to floating rate terms of 0.65% per annum above LIBOR. The College also has a Salix loan totalling £61,920 of which £30,000 had been drawn down by the year end. The loan is repayable over 5 years and is interest free.

#### 14 Creditors: amounts falling due after more than one year

	2019	2018
	£'000	£'000
Bank loan	555	651
Deferred income - government capital grants	1,091	1,175
<b>Total</b>	<b>1,646</b>	<b>1,826</b>

# GRANTHAM COLLEGE

## Financial Statements for the Year Ended 31 July 2019

### Notes to the Accounts

#### 15 Maturity of debt

##### (a) Bank loans

Bank loans are repayable as follows:

	2019 £'000	2018 £'000
In one year or less	126	110
Between one and two years	126	110
Between two and five years	378	327
In five years or more	51	214
<b>Total</b>	<b>681</b>	<b>761</b>

#### 16 Provisions

	Enhanced pensions £'000
At 1 August 2018	35
Payment	(4)
Actuarial losses/(gains)	5
<b>At 31 July 2019</b>	<b>36</b>

The enhanced pension provision relates to the cost of staff who have already left the College's employ. This provision has been recalculated in accordance with guidance issued by the LSC and its successor organisations.

# GRANTHAM COLLEGE

Financial Statements for the Year Ended 31 July 2019

## Notes to the Accounts

### 17 Cash and cash equivalents

	At 1 August 2018	Cash flows	Other changes	At 31 July 2019
	£'000	£'000	£'000	£'000
Cash and cash equivalents	2,174	(114)	-	2,060
<b>Total</b>	<b>2,174</b>	<b>(114)</b>	<b>-</b>	<b>2,060</b>

### 18 Lease obligations

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

	2019 £'000	2018 £'000
<b>Future minimum lease payments due</b>		
<b>Land and buildings</b>		
Not later than one year	18	16
Later than one year and not later than five years	8	-
Later than five years	49	-
	<u>75</u>	<u>16</u>
<b>Other</b>		
Not later than one year	2	27
Later than one year and not later than five years	-	2
	<u>2</u>	<u>29</u>

### 19 Contingent liabilities

There were no contingent liabilities as at 31 July 2019 or 31 July 2018.

### 20 Defined benefit obligations

The College's employees belong to two principal pension schemes: The Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by the Lincolnshire Pension Fund. Both are multi-employer defined-benefit schemes. The pension costs are assessed in accordance with the advance of independent qualified actuaries. The latest formal actuarial valuation of the TPS was at 31 March 2016 and of the LGPS 31 March 2016.

# GRANTHAM COLLEGE

## Financial Statements for the Year Ended 31 July 2019

### Notes to the Accounts

Total pension cost for the year	2019 £000	2018 £000
Teachers' Pension Scheme: contributions paid	282	300
Local Government Pension Scheme:		
Contributions paid	651	587
FRS 102 (28) charge	456	434
Charge to the Statement of Comprehensive Income	1,107	1,021
Enhanced pension charge to Statement of Comprehensive Income	-	-
<b>Total Pension Cost for Year within staff costs</b>	<b>1,389</b>	<b>1,321</b>

#### Teachers' Pension Scheme

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

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

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

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

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

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

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

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

The pension costs paid to TPS in the year amounted to £282,000 (2018: £300,000).

# GRANTHAM COLLEGE

Financial Statements for the Year Ended 31 July 2019

## Notes to the Accounts

### Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Lincolnshire County Council. The total contributions made for the year ended 31 July 2019 were £812,000, of which employer's contributions totalled £651,000 (2018: £587,000) and employees' contributions totalled £161,000 (2018: £144,000). The agreed contribution rates for future years are 21% for employers and range from 5.5% to 12.5% for employees, depending on salary.

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

	At 31 July 2019	At 31 July 2018
Rate of increase in salaries	2.8%	1.8%
Future pensions increases	2.4%	2.5%
Discount rate for scheme liabilities	2.1%	2.7%
Commutation of pensions to lump sums	63%	63%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates.

The assumed life expectations on retirement age 65 are:

	At 31 July 2019 years	At 31 July 2018 years
<i>Retiring today</i>		
Males	21.2	22.1
Females	23.5	24.4
<i>Retiring in 20 years</i>		
Males	22.5	24.1
Females	25.2	26.6

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

	Fair Value at 31 July 2019 £'000	Fair Value at 31 July 2018 £'000
Equities	8,773	7,647
Bonds	1,778	1,571
Property	1,186	1,242
Cash	118	-
<b>Total fair value of plan assets</b>	<b>11,855</b>	<b>10,476</b>

# GRANTHAM COLLEGE

## Financial Statements for the Year Ended 31 July 2019

### Notes to the Accounts

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

	2019	2018
	£'000	£'000
Fair value of plan assets	11,855	10,476
Present value of plan liabilities	(15,977)	(13,232)
<b>Net pensions (liability) (Note 21)</b>	<b>(4,122)</b>	<b>(2,756)</b>

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

	2019	2018
	£'000	£'000
<b>Amounts included in staff costs</b>		
Current service cost	1,107	1,021
Past service cost	-	-
<b>Total</b>	<b>1,107</b>	<b>1,021</b>

**Amounts included in interest and other finance costs**

Net interest expense	80	94
	<b>80</b>	<b>94</b>

**Amount recognised in Other Comprehensive Income**

Return on pension plan assets	501	672
Experience losses arising on defined benefit obligations	-	-
Changes in assumptions underlying the present value of plan liabilities	(1,331)	627
<b>Amount recognised in Other Comprehensive Income</b>	<b>(830)</b>	<b>1,299</b>

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

	2019	2018
	£'000	£'000
Net defined benefit (liability)/asset in scheme at 1 August	(2,756)	(3,327)
<b>Movement in year:</b>		
Current service cost	(1,107)	(1,021)
Employer contributions	651	587
Past service cost	-	-
Net interest on the defined (liability)/asset	(80)	(94)
Actuarial gain or loss	(830)	1,299
<b>Net defined benefit (liability)/asset at 31 July</b>	<b>(4,122)</b>	<b>(2,756)</b>

# GRANTHAM COLLEGE

Financial Statements for the Year Ended 31 July 2019

## Notes to the Accounts

### Asset and Liability Reconciliation

	2019 £'000	2018 £'000
<b>Changes in the present value of defined benefit obligations</b>		
<b>Defined benefit obligations at start of period</b>	13,232	12,561
Current service cost	1,107	1,021
Interest cost	371	326
Contributions by Scheme participants	161	144
Experience gains and losses on defined benefit obligations	-	-
Changes in financial assumptions	2,194	(627)
Estimated benefits paid	(225)	(193)
Changes in demographic assumption	(863)	-
Curtailments and settlements	-	-
<b>Defined benefit obligations at end of period</b>	<b>15,977</b>	<b>13,232</b>
<b>Changes in fair value of plan assets</b>		
<b>Fair value of plan assets at start of period</b>	10,476	9,034
Interest on plan assets	291	232
Return on plan assets	501	672
Employer contributions	651	587
Contributions by Scheme participants	161	144
Estimated benefits paid	(225)	(193)
<b>Fair value of plan assets at end of period</b>	<b>11,855</b>	<b>10,476</b>

# GRANTHAM COLLEGE

## Financial Statements for the Year Ended 31 July 2019

### Notes to the Accounts

#### 21 Related party transactions

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

No Governor has received any reimbursement of expenses, remuneration or waived payments from the College during the year (2018: none).

#### 22 Amounts disbursed as agent

	2019	2018
	£'000	£'000
Funding body grants – hardship funds	254	561
Funding body grants – residential bursaries	-	-
	<hr/> 254	<hr/> 561
Disbursed to students	(191)	(505)
Administration costs	-	(10)
	<hr/> 63	<hr/> 46
Balance unspent as at 31 July, included in creditors	<hr/> <hr/>	<hr/> <hr/>

ESFA grants are available solely for students. In the majority of instances, the College only acts as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the statement of comprehensive income.