Nottingham College
Financial statements
For the period ended 31 July 2017

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Key management personnel, Board of governors and professional advisors

Key management personnel

Key management personnel are defined as members of the Senior Leadership Team and were represented by the following in 2016/17:

John Van De Laarschot – CEO; Accounting Officer
Yultan Mellor – Vice Principal Curriculum
Joanne Clifford – Vice Principal Finance
James Whybrow– Vice Principal Partnerships, Apprenticeships and Enterprise

Board of Governors

A full list of Governors is on page 11 of these financial statements.

Ian James acted as Clerk to the Corporation throughout the period.

Professional advisers

Bankers:

Barclays Bank PLC
PO Box 3333
Snow Hill Queensway
BIRMINGHAM
B3 2WN

Solicitors:

Eversheds Sutherland LLP
Water Court
116 – 118 Canal Street
NOTTINGHAM
NG1 7HF

Internal auditors:

RSM
Suite A, 7th Floor
City Gate East
Tollhouse Hill
NOTTINGHAM
NG1 5FS

Financial statements auditor:

Mazars LLP
Park View House
58 The Ropewalk
Nottingham
NG1 5DW

Report of the members of the Corporation (including the operating and financial review)

Nature, objectives and strategies

The members present their report and the audited financial statements for the period ended 31 July 2017.

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Nottingham College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.
The College was created by the merger of New College Nottingham and Central College Nottingham on 8 June 2017.

Mission

As part of the merger process, the College defined the plan for 'delivering excellence in Further Education in Nottingham'. The plan incorporates the vision statement:

We create outstanding opportunities for the future, today

Public Benefit

Nottingham College is an exempt charity under the Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 and 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 11.

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:

- Delivering high quality teaching, learning and assessment
- Producing learners who are successful
- Developing students to secure sustainable employment
- Supporting the development of new skills and knowledge to meet the needs of emerging and growth sectors
- Promoting a culture of safety, inclusivity, and respect where every individual matters and providing an environment where everyone feels safe
- Raising ambitions by challenging learners to be the best they can be
- Maximising strategic partnerships for the benefit of the community including those with the Local Enterprise Partnership, Local Authorities, key stakeholders, new & existing employers and colleges
- Reflecting the needs of the community including learners and employers in the range of the education and training offer
- Valuing our people
- Gathering, listening to and acting on feedback from our learners
- Maximising business efficiency, delivering financial viability and value for money
- Continuous improvement through critical self-evaluation and improvement

Implementation of Strategic Plan

In July 2015 the Colleges agreed for the merger to take place. The Boards passed a resolution on 7th June to transfer the rights, assets and liabilities of the Central College Nottingham Corporation to New College Nottingham and that the Central College Nottingham Corporation be dissolved. The merger took place on 8th June 2017 and the name of the newly merged college was changed to Nottingham College with effect from this date, with the approval of the Secretary of State.

Report of the members of the Corporation (including the operating and financial review)

The merger implementation plan forms the strategic plan for the period 2016-17 to 2020-21. This strategic plan includes curriculum, property and financial plans. The Corporation monitors the performance of the College against these plans. The Colleges continuing strategic objectives are:

- A single college proposition that plugs seamlessly into the local economy and directly contributes to the LEP overarching target of creating 55,000 jobs by 2023
- The development of a fully realigned curriculum which offers direct pathways into employment within sectors with identified growth. Curriculum realigned to match local economic growth areas over a five year period.
- Growth in Apprenticeships, including Higher Apprenticeships, specifically construction, engineering and automotive, digital and creative, science, health care science, care and early years.
- Commercial income growth of 12% by 2019-20
- A financially sustainable FE solution for Nottingham, with operating surplus as % of income moving from – (0.6%) to 10.4% across a four year period.
- Delivery of an Estates Strategy including the new City Hub to facilitate the rationalisation of the existing estate

The College is on target for achieving these objectives.

Performance indicators

The funding agencies continue to measure Further Education performance in terms of contribution to national targets. The predecessor colleges operated separate performance indicators up to the point of merger with new measures being implemented for the 2017-18 academic year.

The College is committed to observing the importance of sector measures and indicators. The College is required to complete the annual Finance Record for the Education and Skills Funding Agency ("ESFA"). The Finance Record produces a financial health grading. Based upon the Education and Skills Funding Agency assessment the financial health of the college is 'satisfactory' for 2016-17. The financial health score has been impacted by the exceptional merger and restructuring costs incurred in the year.

Financial position

Financial Results

The Group generated a deficit before other gains and losses in the year of £6,766,000 (2015/16: operating deficit of £2,942,000), with total comprehensive income of (£8,713,000), (2015/16: (£24,527,000)).

The Group has a deficit on unrestricted reserves of (£50,035,000) and cash and short term investment balances of £4,527,000. The Group wishes to continue to accumulate reserves and cash balances in order to create a contingency fund.

The table below sets out various items which have impacted on the trading result for 2016-17, and shows the adjusted operating surplus after removing them, giving an underlying surplus excluding exceptional items.

	2017	2016
	£'000	£'000
Deficit for the year	**(£6,640)**	(£2,650)
Restructuring costs	**£1,760**	£723
Exceptional merger costs	**£1,363**	-
FRS 102 pension costs	**£4,240**	£3,398
Adjusted trading surplus for the year	**£723**	£1,471

Report of the members of the Corporation (including the operating and financial review)

The Group has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2016-17 the FE funding bodies provided 76.8% of the Group's total income.

The College has two active and two dormant subsidiary companies; Central Academy Trust and Contributes Central Limited are dormant and in the process of being wound up, EMTEC Colleges Limited and New College Nottingham Services Ltd are continuing entities. The UK activities of EMTEC Colleges Limited and New College Nottingham Services Ltd have been consolidated into the Group account.

Treasury policies and objectives

Treasury management is the management of the College's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. The College has a treasury management policy in place as part of its Financial Regulations.

Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

Cash flows and liquidity

At £284,000(2015-16: £3.626 million), net cash flow from operating activities was adequate.
Upon merger, the college refinanced the bank debt, repaying £17.545 million of bank loans and entering in to new agreements for loan funding/revolving credit facility of £19.5 million.

Current and future development and performance

Student numbers

In 2016/17 the College has delivered activity that has produced £66,907,000 in funding body main allocation funding (2015/16: £66,036,000). Nottingham College had 34,000 students, including 7,300 apprentices, 6,700 full time 16-18 year olds, 970 higher education students, 14000 adult SFA-or loans-funded students (including 2200 full time), and a further 5100 students in community, family, commercial, pre-16 or international learning.

Student achievements

Following a trend of improvement in achievement rates for class room based provision, the College has had a small percentage decline in 2016-17 compared to 2015-16 at 84% compared to 85% and there were improvements in overall apprenticeship achievement rates to 70% from 68%. There is a clear improvement plan in place for 2017-18 and there is no reason to expect that this will not have the intended impact on outcomes.

Curriculum developments

The College continues to develop its apprenticeship and employer programmes across a number of disciplines, and is The vision of the new college is of an organisation that will be instrumental in helping employers raise productivity and, through training and education, support the implementation of innovation throughout the economy. The curriculum is driven by local economic need, growth plans and key sectors. To achieve this we will:

- Develop more extensive specialist apprenticeship provision
- Ensure the ongoing development of the curriculum offer to meet the needs of the local, regional and national labour market
- Create a fuller commercial offer servicing the training and mentoring needs of business
- Develop 'fully rounded' students with adaptable skills for employment and changing careers
- Embed English and maths, and core employability and independence skills
- Promote a coherent offer with progression opportunities from Entry to HE enabling the best opportunity for positive destinations
- Develop partnerships and commercial arrangements that benefit students, communities and employers
- Establish a quality proposition that delivers a great student experience driving the College to be outstanding in every way

The focus remains on improving outcomes and retaining the already high level of positive destinations (whether into further training or into employment) for our students.

Report of the Members of the Corporation (including the operating and financial review)

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 2016 to 31 July 2017, the percentages for the predecessor colleges were 72% and 89%.

Events after the end of the reporting period

The College continues to work through a transformation programme to deliver the change required for FE in Nottingham. There are no material events after the reporting period.

Future prospects

The future prospects of the College are intrinsically linked to the success of the merger. The College has invested significant financial and other resources into the merger, and has a robust implementation plan to ensure the success of the merger. The merger also allows the progression of the Nottingham City Hub project which will see the College invest £58 million in a new, state of the art college building in central Nottingham. This will in turn allow the disposal of a number of old, inefficient buildings which are no longer suitable for 21st century teaching and learning.

The College net reserves are in a negative position due to the significant pension deficit arising from the Local Government Pension scheme. The net current liabilities are also negative however this is an improving picture in terms of cash balances and reduction of short term debt. The College has undertaken a review of its going concern status and are satisfied that the accounts should be filed on a going concern basis. A five year forecast has been completed as part of the merger process which addresses risks such as funding variations, the introduction of the employer levy and the maintenance of an ageing estate. The financial health of the College is impaired in 2016-17 by the exceptional merger, restructuring and refinancing costs which will be offset by future efficiencies and economies of scale

Resources

The College has various resources that it can deploy in pursuit of its strategic objectives. Tangible resources include a number of college sites which are mainly owned.

Financial

The College has negative net assets of £50 million when the £82.7 million pension liability is included and long term debt of £23.5 million. The net current liabilities have improved from (£14.4m) to (£2.6m) mainly due to increased cash balances and the reduction of short term debt.

People

The College employs 1,519 people (expressed as full time equivalents), of whom 727 are teaching staff.

Reputation

The College is building a good reputation locally and nationally and received the highest possible outcome at a recent QAA assurance review. Soon after merger, the College was awarded centre of the year by City & Guilds. Maintaining a quality brand is essential for the College's success at attracting students and external relationships.

Report of the Members of the Corporation (including the operating and financial review)

Principal risks and uncertainties

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

Based on the strategic plan, the Risk Management Group and Executive Management Team undertake 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 and more frequently where necessary. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system from the College's Risk Management Policy, which is reviewed every two years. Training is undertaken periodically to raise awareness of risk throughout the College, and departmental Heads are required to complete risk questionnaires annually with departmental risks being reviewed on a quarterly basis.

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.

1 Government funding

The College has considerable reliance on continued government funding through the further education sector funding bodies and through HEFCE. In 2016-17, 76.8% of the College's revenue was ultimately publicly funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The College has based its forecasts on steady state ESFA (16-18) funding and Adult Education Budget. Apprenticeship funding at 16-18 and adult levels is assumed to increase internally, and there is a risk that this increase in activity may not be funded. Furthermore, the College expects that the relationship with sub-contractor partners will materially change and the plans include a reduction in third party provision.

This risk is mitigated in a number of ways:

- Funding is derived through a number of direct and indirect contractual arrangements
- The College continues to strive for improvements in quality in education and training, with benefits for the learners and financial benefits for the College
- College apprenticeship provision is made up of a mix of larger employers who are subject to the Employer Levy, and SME employers who are not
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies
- Ensuring the College is focused on those priority sectors and identifying opportunities for income diversification.

Report of the Members of the Corporation (including the operating and financial review)

2 Tuition fee policy

In line with the majority of other Colleges, the College will seek to increase tuition fees in accordance with the rising fee assumptions. Adult learner loan allocations will be difficult to achieve in their entirety but the College is starting to see some growth in demand in areas where loans are prevalent. The risk for the College is that demand falls off as fees increase. This will impact on the growth strategy of the College.

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students.
- Close monitoring of the demand for courses as prices change.
- Close monitoring of tuition fees and swift debtor management processes.
- Budget income set at levels below the adult learner loan allocation

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 in a number of ways:

- By ensuring that the College has annual recalculations of its deficit by qualified actuaries.
- By seeking to minimise the increase in deficits by making additional lump sum payments to the fund.

4 Failure to maintain the financial viability of the College

The College's current financial health grade is classified as satisfactory as described above. This is largely the consequence of exceptional merger, restructuring and refinancing costs.. Notwithstanding that, the continuing challenge to the College's financial position remains the constraint on further education funding arising from the ongoing cuts in public sector spending whilst maintaining the student experience. This risk is mitigated in a number of ways:

- By rigorous budget setting procedures and sensitivity analysis
- Regular in year budget monitoring
- Robust financial controls
  Exploring ongoing procurement efficiencies.

Stakeholder relationships

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

- Students
- Staff
- Governors
- Local MPs
- Funding Agencies
- Local Enterprise Partnerships
- Local & national employers
- Local Authorities
- Government Offices
- Corporate partners (banks, solicitors, auditors)
- The local community
- Sports clubs and bodies
- Schools and universities
- Other FE institutions
- Partner training providers
- Trade unions
- Professional bodies

Report of the Members of the Corporation (including the operating and financial review)

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

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, disability, religion or belief and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy is resourced, implemented and monitored on a planned basis. The College's Equal Opportunities Policy is published on the College's Intranet site.

The College publishes an Annual Equality Report and Equality Objectives to ensure compliance with all relevant equality legislation including the Equality Act 2010. The College undertakes equality impact assessments on all new policies and procedures and publishes the results. Equality impact assessments are also undertaken for existing policies and procedures on a prioritised basis.

The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non-disabled employees.

Disability statement

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

a) The College has a specialist student support team, who can provide information, advice and arrange support where necessary for students with disabilities.
b) There is a list of specialist equipment, such as radio aids, which the College can make available for use by students and a range of assistive technology is available in the learning centre.
c) 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.
d) 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.
e) Specialist programmes are described in College prospectuses.
f) Counselling and welfare services are described in the College Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

Disclosure of information to auditors

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

Approved by order of the members of the Corporation on 11th December 2017 and signed on its behalf by:

Carole Thorogood

Carole Thorogood
Chair of Governor

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2016 to 31 July 2017 and up to the date of approval of the annual report and financial statements.
The College endeavours to conduct its business:

i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
ii. in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the Code"); and
iii. having due regard to the UK Corporate Governance Code 2014 insofar as it is applicable to the further education sector.

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

In the opinion of the Governors, the College complies with all the provisions of the Code, and it has complied throughout the period ended 31 July 2017. 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.

Statement of Corporate Governance and Internal Control

The Corporation

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

Name	Date of appointment	Term of office expiry date	Date of retirement/ resignation	Status of appointment	Committees served	Attendance %
Carole Thorogood (Chair)	8 June 2017	21 July 2021		External	NC Governance & Search NC Remuneration	100
Mary Carswell	1 Aug 2013	31 July 2020		External	ncn Audit & Assurance ncn Excellence ncn Remuneration NC Governance & Search NC Remuneration	90
Trevor Clay	1 Jan 2015	31 Dec 2018		External	ncn Finance NC Remuneration	100
Richard Cox	8 June 2017	31 July 2020		External	NC Audit	33
Richard Donovan	8 June 2017	22 Nov 2019		External	NC Audit	50
Aasilah Fawzy	1 Aug 2016	31 July 2017	24 May 2017	Student	ncn Excellence	100
Debra French	24 Nov 2016	31 July 2018		Staff	ncn Audit & Assurance	75
Roger Harrison	1 Jan 2013	31 Dec 2016	31 Dec 2016	External	ncn Finance ncn Remuneration	60
Chris Henning	20 Jan 2016	19 Jan 2020	7 June 2017	External	ncn Finance	50
Caroline Houldsworth	24 Nov 2016	31 July 2018	3 Dec 2017	Staff	ncn Excellence	89
Alex Kirkpatrick	1 Aug 2016	7 June 2017	31 July 2017	Student	ncn Excellence	100
John van de Laarschot	21 Sep 2016	N/A		Chief Executive Officer	ncn Finance ncn Governance NC Governance & Search	100
Gill Lane	8 June 2017	31 July 2018		External	NC Governance & Search	67
Caroline Mackrory	30 Apr 2014	29 Apr 2018		External	ncn Finance ncn Remuneration NC Audit	85
Rob McIntyre	1 Aug 2013	31 July 2017	21 Sep 2016	Staff	ncn Audit & Assurance ncn Governance	100
Tabani Ndlovu	5 Feb 2015	4 Feb 2019	7 June 2017	External	ncn Audit & Assurance ncn Governance	50
David Ralph	8 June 2017	15 Sep 2019		External	NC Remuneration	100
Stephen Russell	8 June 2017	31 July 2018		External	NC Audit	100
Ralph Tonge	16 Dec 2015	15 Dec 19	7 June 2017	External	ncn Excellence	87
Sam Webster	8 June 2017	7 June 2021		External	NC Governance & Search	100
Alex Weston	8 June 2017	31 July 2017	31 July 2017	Student		0
Michael Wisher	1 Aug 2014	31 July 2018		External	ncn Finance ncn Excellence ncn Governance ncn Remuneration NC Audit	92

Ian James served as Clerk to the Corporation

Statement of Corporate Governance and Internal Control

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

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

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. Prior to the merger, these committees were Excellence, Finance, Audit & Assurance, Governance and Remuneration. Post-merger the committees are Governance & Search, Audit and Remuneration. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website www.nottinghamcollege.ac.uk or from the Clerk to the Corporation at:

Nottingham College
Highfields Campus
Jesse Boot Avenue
The Science Park
Nottingham
NG7 2RU

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

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

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

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

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

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a governance and search committee, consisting of five members of the Corporation, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding four years.

Corporation performance

The Corporation assesses its performance as good based on:

- Results of internal and external audits
- Attendance and decision making at Corporation meetings

Statement of Corporate Governance and internal control

Remuneration Committee

Throughout the period ended 31 July 2017 the College's Remuneration Committee comprised four members of the Corporation. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other key management personnel.

Details of remuneration for the period ended 31 July 2017 are set out in note 8 to the financial statements.

Audit Committee

The Audit Committee comprises five members of the Corporation (excluding the Accounting Officer and Chair). The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee meets on a termly basis and provides a forum for reporting by the College's internal, 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 audit and non-audit work as well as reporting annually to the Corporation.

Internal Control

Scope of responsibility

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

The Corporation has delegated the day-to-day responsibility to the Chief Executive Officer, 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 Nottingham College and the funding bodies. The Accounting Officer is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Nottingham College for the period ended 31 July 2017 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ended 31 July 2017 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

Statement of Corporate Governance and internal control

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

- comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the governing body
- regular reviews by the governing body of periodic and annual financial reports which indicate financial performance against forecasts
- setting targets to measure financial and other performance
- clearly defined capital investment control guidelines
- the adoption of formal project management disciplines, where appropriate.

Nottingham College has an internal audit service, which operates in accordance with the requirements of the ESFA's 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 Chief Executive Officer 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 management team 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.

- The executive 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 2017 meeting, the Corporation carried out the annual assessment for the period ended 31 July 2017 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2016.
- 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"*.

Statement of Corporate Governance and internal control

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. This consideration is based on:

- Review of the College medium term forecast for 2017-18 to 2018-19
- Review of the rolling 12 month cashflow statement

Approved by order of the members of the Corporation on 11th December 2017 and signed on its behalf by:

Carole Thorogood
Chair of Governors

John Van De Laarschot
Accounting Officer

Governing Body's statement of the College's regularity, propriety and compliance with Funding Body Terms and Conditions of funding

The Corporation has considered its responsibility to notify the Education & Skills Funding Agency of material irregularity, impropriety and non-compliance with Education & Skills Funding Agency terms and conditions of funding, under the financial memorandum in place between the College and the Education & Skills Funding Agency. As part of our consideration we have had due regard to the requirements of the financial memorandum.

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 Skills Funding Agency's terms and conditions of funding under the College's financial memorandum.

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

Carole Thorogood
Chair of Governors
2017

John Van De Laarschot
Accounting Officer
2017

Statement of the responsibilities of the members of the Corporation

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

Within the terms and conditions of the Financial Memorandum between the ESFA and the Corporation of the College, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education and with the College Accounts Direction 2016 to 2017 issued by the ESFA. and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

The Corporation is also required to prepare a Members Report which describes what it is trying to do and how it is going about it, including 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 of incorporation and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

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

Members of the Corporation are responsible for ensuring that 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 Financial Memorandum with the ESFA 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 to 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 11th December2017 and signed on its behalf by:

Carole Thorogood.

Carole Thorogood
Chair of Governors

Independent auditor's report to the Corporation of Nottingham College

Opinion

We have audited the financial statements of The Nottingham College ("the College") for the year ended 31 July 2017 which comprise the Consolidated and College Statement of Comprehensive Income and Expenditure, the Consolidated and College Statement of Changes in Reserves, the Consolidated and College Balance Sheet, the Consolidated Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2017 and of the College's deficit of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The Corporation 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.

Independent auditor's report to the Corporation of Nottingham College

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- the information given in the report of the Members of the Corporation, including the operating and financial review and statement of corporate governance, is inconsistent with the financial statements; and
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Corporation

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page , the Corporation 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 Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporation 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 Corporation intend 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.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK). Those standards require us to comply with the Financial Reporting Council's Ethical Standard. 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 those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

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

Mazars LLP

Mazars LLP
Chartered Accountants and Statutory Auditor
Park View House
58, The Ropewalk
Nottingham
NG1 5DW
Date 11/12/17

Independent Auditor's Report on Regularity to the Corporation of Nottingham College and Secretary of State for Education acting through Education Funding Agency

To: The corporation of The Nottingham College and Secretary of State for Education acting through the Department for Education ("the Department")

In accordance with the terms of our engagement letter dated 1 August 2017 and further to the requirements of the funding agreement with the Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by The Nottingham College during the period 1 August 2016 to 31 July 2017 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 Department. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which the Department has other assurance arrangements in place.

This report is made solely to the corporation of The Nottingham College and the Department in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of The Nottingham College and the Department 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 The Nottingham College and the Department for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of The Nottingham College and the reporting accountant

The corporation of The Nottingham 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 2016 to 31 July 2017 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Code issued by the Department. 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.

Independent Auditor's Report on Regularity to the Corporation of Nottingham College and Secretary of State for Education acting through Education Funding Agency

The work undertaken to draw to our conclusion includes:

- Reviewed the statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding.

- Reviewed the College's completed self-assessment questionnaire on regularity.

- Read the financial memorandum with the SFA/ funding agreement with the EFA.

- Tested a sample of expenditure disbursed and income received to consider whether they have been applied to purposes intended by Parliament and in accordance with funding agreements where relevant.

- Reviewed all payments to senior post holders on termination of employment or in respect of claims made in the year [if applicable]

- Reviewed approved policies and procedures operating during the year for each funding stream that has specific terms attached [if applicable]

- Obtained the policy for personal gifts and/or hospitality.

- Obtained the register of personal interests.

- Obtained the financial regulations/financial procedures.

- Obtained the College's whistleblowing policy.

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 2016 to 31 July 2017 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Signed: Mazars LLP

Mazars LLP

Date: 11/12/17

Statement of comprehensive income

	Note	Period ended 31 July 2017 Group £'000	Period ended 31 July 2017 College £'000	Year ended 31 July 2016 Group £'000	Year ended 31 July 2016 College £'000
Income					
Funding body grants	2	**66,907**	**66,907**	66,036	66,036
Tuition fees and education contracts	3	**13,535**	**13,535**	12,594	12,594
Other grants and contracts	4	**639**	**639**	972	972
Other income	5	**5,780**	**4,142**	6,188	5,722
Investment income	6	**4**	**4**	3	3
Total income		**86,865**	**85,227**	85,793	85,327
Expenditure					
Staff costs	7	**49,891**	**48,803**	50,765	48,980
Fundamental restructuring costs	7	**1,760**	**1,760**	723	719
Other operating expenses	8	**33,548**	**33,001**	28,908	30,523
Depreciation	11	**4,905**	**4,900**	5,029	5,008
Interest and other finance costs	9	**3,527**	**3,527**	3,310	3,310
Total expenditure		**93,631**	**91,991**	88,735	88,540
Deficit before other gains and losses		**(6,766)**	**(6,764)**	(2,942)	(3,213)
Gain on disposal of assets		**126**	**126**	136	136
Initial accounting of subsidiary	26	**-**	**-**	156	-
Deficit before tax		**(6,640)**	**(6,638)**	(2,650)	(3,077)
Taxation	10	**(4)**	**-**	(5)	-
Deficit for the period		**(6,644)**	**(6,638)**	(2,655)	(3,077)
Actuarial loss in respect of pension schemes	23	**(2,069)**	**(2,069)**	(21,872)	(21,872)
Total comprehensive income for the period		**(8,713)**	**(8,707)**	(24,527)	(24,949)

The statement of Comprehensive Income is in respect of continuing activities.

The accompanying accounting policies and notes form an integral part of these financial statements.

Statement of changes in reserves

Group	Income and expenditure reserve £'000	Revaluation reserve £'000	Total £'000
Balance at 1 August 2015	(29,755)	13,006	(16,749)
Deficit from the income and expenditure account	(2,655)	-	(2,655)
Other comprehensive income	(21,872)	-	(21,872)
Transfers between revaluation and income and expenditure reserves	582	(582)	-
Balance at 31 July 2016	(53,700)	12,424	(41,276)
Deficit from the income and expenditure account	(6,644)	-	(6,644)
Other comprehensive income	(2,069)	-	(2,069)
Transfers between revaluation and income and expenditure reserves	199	(199)	-
Total comprehensive income for the period	(8,514)	(199)	(8,713)
Balance at 31 July 2017	**(62,215)**	**12,225**	**(49,989)**

College	Income and expenditure reserve £'000	Revaluation reserve £'000	Total £'000
Balance at 1 August 2015	(29,251)	13,006	(16,245)
Deficit from the income and expenditure account	(3,081)	-	(3,081)
Other comprehensive income	(21,872)	-	(21,872)
Transfers between revaluation and income and expenditure reserves	582	(582)	-
Balance at 31 July 2016	(53,622)	12,424	(41,198)
Deficit from the income and expenditure account	(6,638)	-	(6,638)
Other comprehensive income	(2,069)	-	(2,069)
Transfers between revaluation and income and expenditure reserves	199	(199)	-
Total comprehensive income for the period	(8,508)	(199)	(8,707)
Balance at 31 July 2017	**(62,130)**	**12,225**	**(49,905)**

The accompanying accounting policies and notes form an integral part of these financial statements.

Balance sheet

	Note	Group £'000	College £'000	Group £'000	College £'000
Non current assets					
Tangible fixed assets	11	**104,866**	**104,856**	108,091	108,084
Investment property	14	**5,310**	**5,310**	5,310	5,310
		110,176	**110,166**	113,401	113,394
Current assets					
Stock		**29**	**29**	43	40
Debtors	13	**2,572**	**3,157**	2,586	3,270
Assets held for resale	12	**-**	**-**	576	576
Cash and cash equivalents	19	**4,527**	**3,887**	3,285	2,629
		7,128	**7,143**	6,490	6,515
Less: Creditors – amounts falling due within one year	15	**(9,755)**	**(9,559)**	(20,861)	(20,801)
Net current liabilities		**(2,627)**	**(2,486)**	(14,371)	(14,286)
Total assets less current liabilities		**107,549**	**107,680**	99,030	99,108
Creditors – amounts falling due after one year	16	**(71,995)**	**(72,042)**	(60,661)	(60,661)
Provisions					
Defined benefit obligations	23	**(82,691)**	**(82,691)**	(76,382)	(76,382)
Other provisions	18	**(2,852)**	**(2,852)**	(3,263)	(3,263)
Total net liabilities		**(49,989)**	**(49,905)**	(41,276)	(41,198)
Restricted reserves					
Thomas Earp funds gifted to the college		**43**	**43**	43	43
Other funds gifted to the college		**3**	**3**	3	3
Total restricted reserves		**46**	**46**	46	46
Unrestricted reserves					
Income and expenditure account		**20,431**	**20,515**	22,636	22,714
Pension reserve	23	**(82,691)**	**(82,691)**	(76,382)	(76,382)
Revaluation reserve		**12,225**	**12,225**	12,424	12,424
Total unrestricted reserves		**(50,035)**	**(49,951)**	(41,322)	(41,244)
Total reserves		**(49,989)**	**(49,905)**	(41,276)	(41,198)

The financial statements on pages 21 to 45 were approved by the corporation on 11th December 2017 and were signed on its behalf by:

Carole Thorogood
Chair of Governors

John Van De Laarschot
Accounting Officer

Statement of cash flows

	Note	2017 £'000	2016 £'000
Cash flow from operating activities			
Deficit for the year		**(6,644)**	(2,655)
Adjustment for non-cash items			
Depreciation		**4,905**	5,029
(Increase)/decrease in stocks		**14**	42
(Increase)/decrease in debtors		**(56)**	162
Increase/(decrease) in creditors due within one year		**(4,366)**	(3,382)
Increase/(decrease) in creditors due after one year		**1,107**	81
Increase/(decrease) in provisions		**(411)**	(323)
Pension costs less contributions payable		**2,268**	2,503
Taxation		**4**	5
Adjustment for investing or financing activities			
Investment income		**(4)**	(3)
Interest payable		**3,527**	2,308
Taxation paid		**(4)**	(5)
Profit on sale of fixed assets		**(126)**	(136)
Net cash flow from operating activities		**284**	3,626
Cash flows from investing activities			
Proceeds from sale of fixed assets		**701**	5,137
Disposal of non-current asset investments		**-**	-
Investment income		**4**	3
Withdrawal of deposits		**-**	-
New deposits		**-**	-
Payments made to acquire fixed assets		**(1,679)**	(6,126)
		(974)	(986)
Cash flows from financing activities			
Interest paid		**(1,549)**	(914)
Interest element of finance lease rental payments		**(42)**	(498)
New unsecured loans		**19,500**	-
Repayments of amounts borrowed		**(15,231)**	(3,475)
Capital element of finance lease rental payments		**(746)**	(850)
		1,932	(5,737)
Increase/(decrease) in cash and cash equivalents in the year		**1,242**	(3,097)
Cash and cash equivalents beginning of the year	19	**3,285**	6,382
Cash and cash equivalents at end of the year	19	**4,527**	3,285

The accompanying accounting policies and notes form an integral part of these financial statements.

Notes to the financial statements

1 Statement of accounting policies and estimation techniques

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

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (the 2015 FE HE SORP), the College Accounts Direction for 2016 to 2017 and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

The financial statements are presented in Sterling (£), rounded to the nearest thousand.

Merger
New College Nottingham and Central College Nottingham merged on 8 June 2017 to form Nottingham College.

Merger accounting principles are applied in accordance with FRS 102 (section 34). With merger accounting, the carrying values of the assets and liabilities of the parties to the merger are not required to be adjusted to fair value, although appropriate adjustments are made to achieve uniformity of accounting policies where necessary.

The combination of New College Nottingham and Central College Nottingham has met the merger accounting criteria under FRS 102. Throughout the merger process the two college Boards referred to the combination as a merger with a new corporate identity.

Basis of accounting

These financial statements are prepared in accordance with the historical cost convention.

Basis of consolidation

The consolidated financial statements include the College and its subsidiary companies, controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. The students union is run as a completely separate entity with all cash flow going through an independently controlled bank account although monitoring of the account is carried out by the learner service function.

Going concern

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

The College currently has £24m of loans outstanding with bankers on terms negotiated in 2011 onwards. The loans are secured by a fixed and floating charge over College assets. The terms of the existing agreements are for up to another 25 years. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

The College has reviewed the financial statements and the ongoing financial forecasts; despite the negative position of the balance sheet reserves, the College recognises that the pension deficit is having a material impact and this is a reflection of the annual LGPS valuation based upon a number of variable assumptions. Accordingly the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

Notes to the financial statements

1 Statement of accounting policies and estimation techniques (continued)

Recognition of income

Revenue grant funding

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under 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.

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.

Capital grant funding

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

Fee income

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

Investment income

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

Accounting for post-retirement 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 the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

Nottinghamshire Local Government Pension Scheme

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

Notes to the financial statements

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 other recognised gains and losses.

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

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

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

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.

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

- Buildings – 50 years
- Refurbishments – 50 years

Freehold land is not depreciated.

Freehold buildings are depreciated over their expected useful economic life to the College of between 20 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 20 and 50 years.

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.

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

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

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

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

Notes to the financial statements

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

- technical equipment 7 years
- motor vehicles 4 years
- computer equipment 3 years
- furniture, fixtures and fittings 7 years

Borrowing costs

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

Leased assets

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

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

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

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

Investments

Investments in subsidiaries

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

Investment Property

Investment properties are held at fair value in the balance sheet. Formal market valuations are completed at least bi-annually with any material movements released to the income and expenditure account.

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.

Notes to the financial statements

1 Statement of accounting policies and estimation techniques (continued)

Foreign currency translation

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

Taxation

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

The College is partially exempt in respect of Value Added Tax, so that it can only recover around 1% 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.

Agency arrangements

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risk 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. 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.

Notes to the financial statements

1 Statement of accounting policies and estimation techniques (continued)

Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

Other key sources of estimation uncertainty:

- Tangible fixed assets
  Tangible fixed assets, other than investment properties, are depreciation 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 disposed 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 23, 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 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount on the pension liability.

2 Funding body grants

	Period ended 31 July 2017		Year ended 31 July 2016	
	Group	**College**	Group	College
	£'000	**£'000**	£'000	£'000
Recurrent grants				
Education and Skills Funding Agency adult	**18,523**	**18,523**	16,848	16,848
Education and Skills Funding Agency 16-18	**34,807**	**34,807**	37,157	37,157
Education and Skills Funding Agency apprenticeships	**11,459**	**11,459**	10,117	10,117
Higher Education Funding Council	**899**	**899**	851	851
Specific grants	**216**	**216**	50	50
Release of government capital grants	**1,003**	**1,003**	1,013	1,013
	66,907	**66,907**	66,036	66,036

3 Tuition fees and education contracts

	Period ended 31 July 2017		Year ended 31 July 2016	
	Group	**College**	Group	College
	£'000	**£'000**	£'000	£'000
Adult education fees	**1,403**	**1,403**	1,520	1,520
Apprenticeship fees and contracts	**473**	**473**	386	386
Fees for loan supported courses	**9,297**	**9,297**	7,576	7,576
International students fees	**1,465**	**1,465**	1,886	1,886
Total tuition fees	**12,638**	**12,638**	11,368	11,368
Education contracts	**897**	**897**	1,226	1,226
	13,535	**13,535**	12,594	12,594

Notes to the financial statements

4 Other grants and contracts

	Period ended 31 July 2017		Year ended 31 July 2016	
	Group	**College**	Group	College
	£'000	**£'000**	£'000	£'000
Erasmus	**114**	**114**	50	50
UK-based charities	**45**	**45**	15	15
European Commission	**-**	**-**	73	73
Other grants and contracts	**480**	**480**	834	834
	639	**639**	972	972

5 Other income

	Period ended 31 July 2017		Year ended 31 July 2016	
	Group	**College**	Group	College
	£'000	**£'000**	£'000	£'000
Catering and residences	**995**	**1,042**	1,780	1,837
Other income generating activities	**3,393**	**1,662**	2,748	2,164
Other grant income	**407**	**407**	112	112
Non-government capital grants	**387**	**387**	611	611
Miscellaneous	**598**	**644**	937	998
	5,780	**4,142**	6,188	5,722

6 Investment income

	Period ended 31 July 2017		Year ended 31 July 2016	
	Group	**College**	Group	College
	£'000	**£'000**	£'000	£'000
Other interest receivable	**4**	**4**	3	3
	4	**4**	3	3

7 Staff costs – group and college

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

	2017	2016
	Number	Number
Teaching staff	**727**	799
Non-teaching staff	**792**	841
	1,519	1,640

Notes to the financial statements

7 Staff costs (continued)

Staff costs for the above persons were as follows:

	2017 £'000	2016 £'000
Wages and salaries	**39,066**	40,221
Social security costs	**3,382**	2,923
Other pension costs	**7,081**	6,684
Payroll sub total	**49,529**	49,828
Contracted out staffing services	**362**	937
Fundamental restructuring costs - contractual	**1,760**	723
Total staff costs	**51,651**	51,488

Key management personnel

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

	2017 Number	2016 Number
The number of key management personnel including the Accounting Officer was:	**8**	14

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

	Key management Personnel		Other staff	
	2017 Number	2016 Number	**2017 Number**	2016 Number
£60,001 to £70,000	**-**	6	**3**	-
£70,001 to £80,000	**1**	2	**6**	-
£80,001 to £90,000	**2**	1	**1**	1
£90,001 to £100,000	**2**	3	**1**	-
£100,001 to £110,000	**2**	1	**-**	-
£160,001 to £170,000	**-**	1	**-**	-
£180,001 to £190,000	**1**	-	**-**	-
	8	14	**11**	1

Notes to the financial statements

7 Staff costs (continued)

Key management personnel compensation is made up as follows:

	2017 £'000	2016 £'000
Salaries	521	1,159
Employers National Insurance	78	170
Benefits in kind	-	1
	599	1,330
Pension contributions	47	148
Total key management personnel compensation	646	1,478

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

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

	2017 £'000	2016 £'000
Salaries	195	282
Benefits in kind	-	3
	195	285
Pension contributions	-	33

Compensation for loss of office paid to key management personnel:

	2017 £'000	2016 £'000
Compensation paid to key management personnel	216	196

The severance payment was approved by the College's Remuneration Committee.

The severance payments includes £216,000 amount for three vice principals who, due to the merger, were made redundant during the year.

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

Notes to the financial statements

8 Other operating expenses

	2017 Group £'000	2017 College £'000	2016 Group £'000	2016 College £'000
Teaching costs	**20,359**	**19,812**	16,088	15,805
Non-teaching costs	**6,797**	**6,869**	7,651	8,992
Premises costs	**6,392**	**6,320**	5,169	5,726
	33,548	**33,001**	28,908	30,523

Other operating expenses include:

	2017 £'000	2016 £'000
Auditor's remuneration:		
Financial statements audit	**70**	90
Internal audit	**58**	54
Operating lease expense	**58**	54

9 Interest and other finance costs

	2017 £'000	2016 £'000
On bank loans, overdrafts and other loans:	**1,544**	1,391
On finance leases	**42**	21
Pension finance costs (note 23)	**1,941**	1,898
	3,527	3,310

On the merger of Central College and New College Nottingham, Central College was dissolved and the outstanding loans were refinanced with Barclays and the Secretary of State. Central College had to pay a breakage fee of £832,239 as the result of repaying its loans early. This amount is included in the 'On bank loans, overdrafts and other loans'.

10 Taxation – group only

	2017 £'000	2016 £'000
Tax payable by the group	**4**	5

The members do not believe that the College was liable for any corporation tax arising out of its activities during either year. The tax charge above relates to its trading subsidiary companies

Notes to the financial statements

11 Tangible fixed assets

Group

	Land and buildings £'000	Equipment £'000	Assets under construction £'000	Total £'000
Cost or valuation				
At 1 August 2016	130,309	30,592	-	160,901
Additions	308	875	498	1,681
Disposals	-	(4)	-	(4)
At 31 July 2017	130,617	31,463	498	162,578
Depreciation				
At 1 August 2016	28,089	24,721	-	52,810
Charge for the period	2,462	2,443	-	4,905
Eliminated in respect of disposals	-	(3)	-	(3)
At 31 July 2017	30,551	27,161	-	57,712
Net book amount at 31 July 2017	**100,066**	**4,302**	**498**	**104,866**
Net book amount at 31 July 2016	102,220	5,870	-	108,091

College

	Land and buildings £'000	Equipment £'000	Assets under construction £'000	Total £'000
Cost or valuation				
At 1 August 2016	130,309	30,570	-	160,879
Additions	308	868	498	1,674
Disposals	-	(4)	-	(4)
At 31 July 2017	130,617	31,434	498	162,549
Depreciation				
At 1 August 2016	28,089	24,707	-	52,796
Charge for the period	2,462	2,438	-	4,900
Eliminated in respect of disposals	-	(3)	-	(3)
At 31 July 2017	30,551	27,142	-	57,693
Net book amount at 31 July 2017	**100,066**	**4,292**	**498**	**104,856**
Net book amount at 31 July 2016	102,220	5,863	-	108,084

The net book value of equipment includes an amount of £51,000 (2015/16: £400,000) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £349,000 (2015/16: £349,000).

Notes to the financial statements

12 Assets held for resale

	2017	2016
	£'000	£'000
NETA House	**-**	576
		-
	-	576

The NETA building was sold in the year for proceeds of £700,000. The asset was held for sale in the prior year at £576,000 and a profit of £124,000 was made on the sale.

13 Debtors

	Group	**College**	Group	College
	£'000	**£'000**	£'000	£'000
Amounts falling due within one year:				
Trade receivables	**1,249**	**1,179**	1,433	1,201
Amounts owed by group undertakings:				
Subsidiary undertakings	**-**	**655**	-	1,049
Prepayments and accrued income	**518**	**518**	899	766
Amounts owed by the Skills Funding Agency	**805**	**805**	254	254
	2,572	**3,157**	2,586	3,270

14 Investment property

	Period ended 31 July 2017		Year ended 31 July 2016	
	Group	**College**	Group	College
	£'000	**£'000**	£'000	£'000
Investment property	**5,310**	**5,310**	5,310	5,310
Total	**5,310**	**5,310**	5,310	5,310

Notes to the financial statements

15 Creditors: amounts falling due within one year

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Bank loans and overdrafts	455	455	6,861	6,861
Obligations under finance leases	449	449	736	736
Trade payables	820	958	1,686	1,635
Other taxation and social security	1,397	1,397	1,558	1,554
Accruals and deferred income	5,696	5,362	6,546	6,541
Deferred income – government capital grants	493	493	1,391	1,391
Capital Build Creditor			1,150	1,150
Learner Support Funds	445	445	933	933
	9,755	9,559	20,861	20,801

16 Creditors: amounts falling due after one year

	Group £'000	College £'000	Group £'000	College £'000
Bank loans	23,523	23,523	12,847	12,847
Obligations under finance leases	2,856	2,856	3,305	3,305
Rent Creditor	450	450	471	471
Other	543	654	57	57
Deferred income – government capital grants	44,623	44,559	43,981	43,981
	71,995	72,042	60,661	60,661

17 Maturity of debt

(a) Bank loans and overdrafts
Bank loans and overdrafts are repayable as follows:

	Group £'000	College £'000	Group £'000	College £'000
In one year or less	455	455	6,872	6,872
Between one and two years	948	948	939	939
Between two and five years	1,531	1,531	2,194	2,194
In five years or more	21,044	21,044	9,703	9,703
	23,978	23,978	19,708	19,708

Notes to the financial statements

(b) Finance leases

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

	Period ended 31 July 2017		Year ended 31 July 2016	
	Group	**College**	Group	College
	£'000	**£'000**	£'000	£'000
In one year or less	**449**	**449**	678	678
Between two and five years	**2,147**	**2,147**	1,964	1,964
In five years or more	**709**	**709**	1,341	1,341
	3,305	**3,305**	3,983	3,983

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

18 Other provisions

Group and College

	Enhanced Benefit Obligations £'000	Other £'000	Total £'000
At 1 August 2016	(2,998)	(265)	(3,263)
Expenditure in the period	240	171	411
Additions in period	-	-	-
At 31 July 2017	**(2,758)**	**(94)**	**(2,852)**

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

The principal assumptions for this calculation are:

	2017	2016
Price inflation	**2.3%**	2.2%
Discount rate	**2.5%**	2.6%

19 Cash and cash equivalents

	At 1 August 2016 £'000	**Cash flows £'000**	**Other changes £'000**	**At 31 July 2017 £'000**
Cash and cash equivalents	3,285	**1,242**		**4,527**
Overdrafts	-			
	3,285	1,242		**4,527**

Notes to the financial statements

20 Lease obligations

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

Group and college

	2017	2016
	£'000	£'000
Land and buildings		
Not later than one year	**549**	559
Later than one year and not later than five years	**1,476**	1,692
Later than five years	**1,039**	1,372
	3,064	3,623

	2017	2016
	£'000	£'000
Other		
Not later than one year	**105**	109
Later than one year and not later than five years	**196**	301
Later than five years	**-**	-
	301	410

21 Contingent liabilities

There are no contingent liabilities as at 31 July 2017 or 31 July 2016.

22 Capital commitments

	2017	2016
	£'000	£'000
Group		
Commitments contracted for at 31 July	**2,857**	333
	2.857	333

23 Defined benefit obligations

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

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

	2017	2016
	£'000	£'000
Teachers' pension scheme: contributions paid	**2,697**	2,660
Local Government Pension Scheme:		
Contributions paid	**2,319**	2,427
Pension Strain	**49**	7
FRS 102 (28) charge	**2,091**	2,474
Charge to the statement of comprehensive income	**4,459**	4,908
Enhanced pension charge to the statement of comprehensive income	**(87)**	145
Total pension cost	**7,069**	7,713

Notes to the financial statements

23 Defined benefit obligations (continued)

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension Budgeting and Valuation Account

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

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

Valuation Of The Teachers' Pension Scheme

The latest actuarial review of the TPS was carried out as at 31 March 2012 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation are:

- New employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay.
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

The new employer contribution rate for the TPS was implemented in September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:

https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx

Scheme Changes

Following the Hutton report in March 2011 and the subsequent consultations with trade unions and other representative bodies on reform of the TPS, the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.

Notes to the financial statements

23 Defined benefit obligations (continued)

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection.

Regulations giving effect to a reformed Teachers' Pension Scheme came into force on 1 April 2014 and the reformed scheme commenced on 1 April 2015.

The pension costs paid to TPS in the year amounted to £2,697,000 (2016: £2,660,000)

FRS 102 (28)

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.

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Nottinghamshire County Council. The total contributions made for the year ended 31 July 2017 were £3,232,000, of which employer's contributions totalled £2,319,000 and employees' contributions totalled £913,000. The agreed contribution rates for future years are 14.2% for employers and range from 5.5% to 7.5% for employees, depending on salary.

Principal actuarial assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2017 by a qualified independent actuary.

	At 31 July 2017	At 31 July 2016	At 31 July 2015
	%	%	%
Rate of increase in salaries	**4.2**	4.0	4.4
Future pensions increases	**2.7**	2.2	2.6
Discount rate for scheme liabilities	**2.7**	2.6	3.8
Inflation assumption (CPI)	**2.7**	2.6	2.6
Commutation of pensions to lump sums	**50**	50	50

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

	2017	2016
Retiring today		
Males	**22.6**	21.1
Females	**25.5**	25.3
Retiring in 20 years		
Males	**24.7**	24.4
Females	**27.8**	27.7

Notes to the financial statements

23 Defined benefit obligations (continued)

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

	% of total plan assets as at 31 July 2017 %	**Fair value at 31 July 2017 £'000**	% of total plan assets as at 31 July 2016 %	Fair value at 31 July 2016 £'000
Equity instruments	**66.0**	**68,662**	68.0	61,553
Gilts	**3.0**	**3,305**	3.0	3,005
Other bonds	**12.0**	**12,502**	7.0	6,385
Property	**12.0**	**12,116**	13.0	11,432
Cash	**2.0**	**2,169**	5.0	4,313
Inflation-linked pooled fund	**2.5**	**2,562**	3.0	2,480
Infrastructure	**2.5**	**2,507**	1.0	846
Total fair value of plan assets		**103,823**		90,014

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

	2017 £'000	2016 £'000
Fair value of plan assets	**186,358**	166,240
Present value of plan liabilities	**(103,823)**	(90,014)
Present value of unfunded liabilities	**156**	156
Net pension liability	**82,691**	76,382

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

	2017 £'000	2016 £'000
Amounts included in staff costs		
Current service cost	**4,614**	3,881
Past service cost	**208**	30
	4,822	3,911
Amounts included in investment income		
Net interest income	**1,941**	1,898
Amount recognised in Other Comprehensive Income		
Return on pension plan assets	**10,943**	2,994
Other actuarial losses on assets	**(472)**	-
Change in financial assumptions	**(13,853)**	(24,867)
Change in demographic assumptions	**(1,919)**	-
Experience losses arising on defined benefit obligations	**3,232**	1
Amount recognised in Other Comprehensive Income	**(2,069)**	(21,872)

Notes to the financial statements

23 Defined benefit obligations (continued)

Movement in net defined benefit liability during year

	2017 £'000	2016 £'000
Net defined benefit liability in scheme at 1 August	**(76,382)**	(51,112)
Movement in year:		
Current service cost	**(4,614)**	(3,868)
Employer contributions	**2,554**	2,423
Losses on curtailments and settlements	**-**	(30)
Past service cost	**(208)**	-
Net interest on the defined liability	**(1,941)**	(1,898)
Administrative expenses	**(31)**	(25)
Actuarial loss	**(2,069)**	(21,872)
Net defined benefit liability at 31 July	**(82,691)**	(76,382)

Assets and liability reconciliation

	2017 £'000	2016 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	**166,396**	134,251
Current service cost	**4,614**	3,868
Interest cost	**4,318**	5,071
Changes in financial assumptions	**13,853**	24,867
Changes in demographic assumptions	**1,919**	-
Experience losses arising on defined benefit obligations	**(3,232)**	(1)
Estimated benefits paid	**(2,465)**	(2,653)
Past service costs, including curtailments	**208**	30
Contributions by scheme participants	**913**	974
Unfunded pension payments	**(10)**	(11)
Defined benefit obligations at end of period	**186,514**	166,396

Notes to the financial statements

23 Defined benefit obligations (continued)

Changes in fair value of plan assets

	12 months to 31 July 2017 £'000	12 months to 31 July 2016 £'000
Fair value of plan assets at start of period	**90,014**	83,139
Interest on plan assets	**2,377**	3,173
Return on assets less interest	**10,943**	2,994
Other actuarial losses	**(472)**	-
Administration expenses	**(31)**	(25)
Employer contributions	**2,554**	2,423
Contributions by Scheme participants	**913**	974
Estimated benefits paid	**(2,475)**	(2,664)
Fair value of plan assets at end of period	**103,823**	90,014

24 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.

The total expenses paid to or on behalf of the Governors during the year was £2,008; 6 governors (2016: £3,167; 9 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2016: None).

25 Amounts disbursed as agent

	2017 £'000	2016 £'000
Funding body grants – bursary support	**1,185**	1,237
Funding body grants – discretionary learner support	**1,852**	2,180
Funding body grants – residential bursaries		-
Other funding body grants		-
Interest earned		-
	3,037	3,417
Disbursed to students	**(3,046)**	(3,103)
Administration costs	**(124)**	(149)
Balance overspent at 31 July, included in debtors	**(133)**	165

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

Notes to the financial statements

26 Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holding	Principle activity
EMTEC Limited	UK	Ordinary	100%	Provision of education
EMTEC (Shanghai) Limited	China	Ordinary	100%	Provision of education
NCN Services Limited	UK	Ordinary	100%	Provision of cleaning services
3E Autos	UK	Ordinary	100%	In liquidation
Central Contributes Limited	UK	Ordinary	100%	Dormant – winding up
Central Academy Trust	UK	Ordinary	100%	Dormant – winding up

During the prior year EMTEC (Shanghai) Limited was consolidated for the first time, as the group had always owned the entity accumulated reserves had been treated as income in the year.

27 Merger accounting

New College Nottingham and Central College Nottingham merged on 8 June 2017 to form Nottingham College.

Analysis of the principal components of the current year's income and expenditure account

	Central College Nottingham to merger £'000	New College Nottingham to merger £'000	Nottingham College post-merger £'000	Total £'000
Income	41,904	31,711	13,250	86,865
Operating deficit	(3,771)	(1,308)	(1,687)	(6,766)
Total comprehensive income	(6,389)	(1,306)	(1,018)	(8,713)

Analysis of comparative total comprehensive income

	Central College Nottingham 31 July 2016 £'000	New College Nottingham 31 July 2016 £'000	Total 31 July 2016 £'000
Total comprehensive income	(11,812)	(12,715)	(24,527)

Analysis of carrying amounts of net assets at the date of merger

	Central College Nottingham £'000	New College Nottingham £'000	Total £'000
Book value of net assets at merger	(26,991)	(21,934)	(48,925)

There were no significant accounting adjustments made to the net assets of the parties to the merger to achieve consistency of accounting policies.