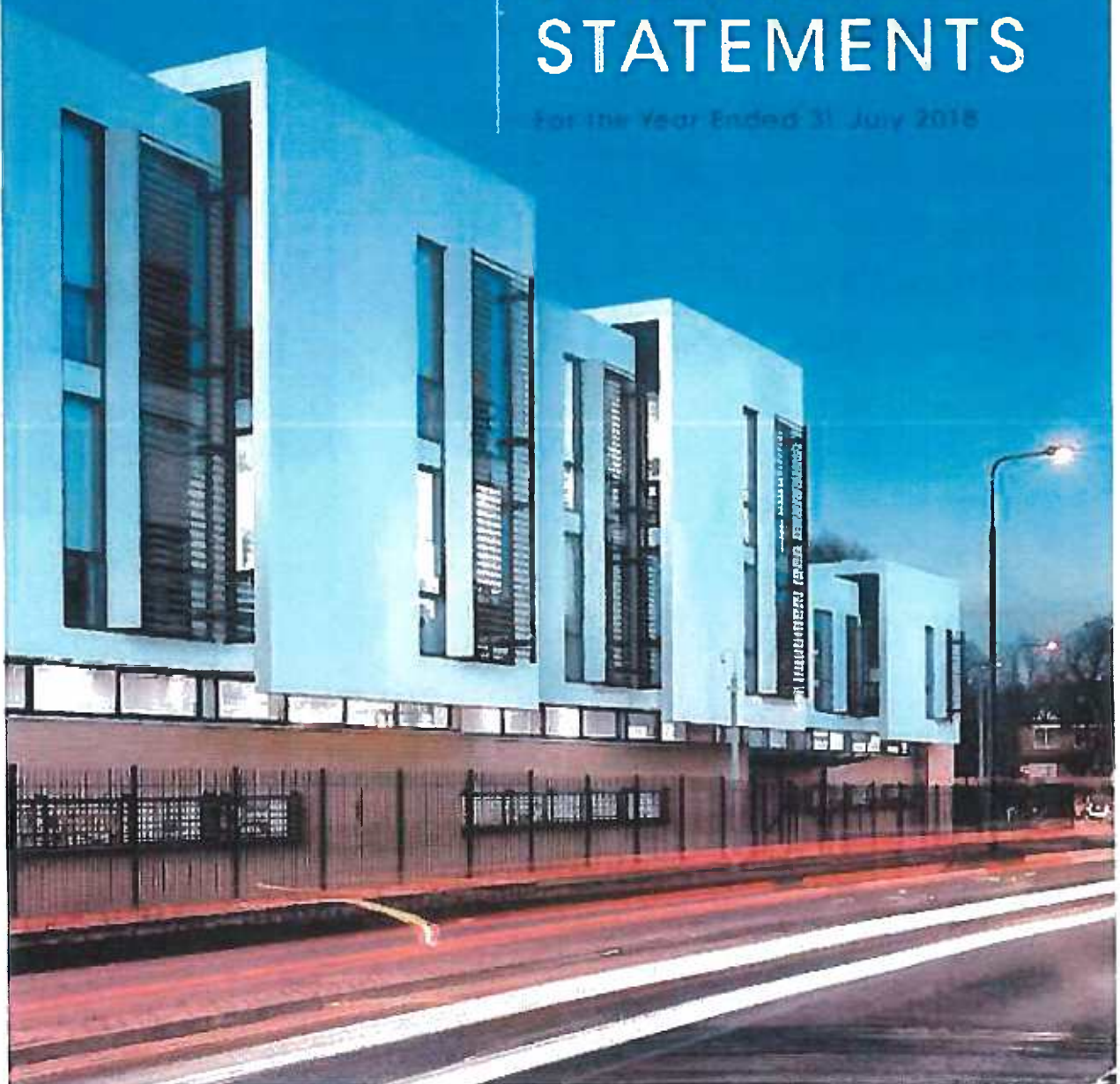




TRAFFORD COLLEGE GROUP
(formerly Trafford College)

REPORT AND FINANCIAL STATEMENTS

For the Year Ended 31 July 2018



The Trafford College Group (formerly Trafford College) – Financial Statements for the year ended 31 July 2018

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KEY MANAGEMENT PERSONNEL, BOARD OF GOVERNORS AND PROFESSIONAL ADVISORS

Board of Governors

A full list of governors is given on page 21 of these financial statements.
Mr Barry Watson acted as Corporation Secretary throughout the period.

Key Management Personnel

Principal and Accounting Officer – Lesley Davies OBE
Vice Principal Curriculum and Quality – James Scott
Vice Principal Corporate Services and Planning – Michelle Leslie
Director of Finance – Brent Cameron – resigned 31 July 2018
Director of Finance & Strategy - Andrea Bennett appointed on 2 July 2018.

Professional Advisors

Financial Statement and Reporting Accountants:
Grant Thornton UK LLP
Chartered Accountants and Statutory Auditor
4 Hardman Square
Spinningfields
Manchester
M3 3EB

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year ended 31 July 2018**

Internal Auditors:

BDO LLP
3 Hardman Street
Spinningfields
Manchester
M3 3HF

Bankers:

Barclays
1st Floor
3 Hardman Street
Spinningfields
Manchester
M3 3HF

Solicitors:

Eversheds Sutherland LLP
70 Great Bridgewater Street
Manchester
M1 5ES

Irwin Mitchell LLP
Bauhaus
Rossetti Place
27 Quay Street
Manchester
M3 4AW

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REPORT OF THE GOVERNING BODY

Nature, Objectives & Strategies

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

Legal Status

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

The Corporation was incorporated as South Trafford College. On 1st September 2007, the Secretary of State granted consent to the Corporation to change the College's name to Trafford College. On this date, the activities of North Trafford College were merged with those of South Trafford College. There was a further name change on 5 April 2018 when Trafford College merged with Stockport College to form The Trafford College Group (TCG or the College). This followed the outcome of the recent FE Commissioner area review process which recommended that Stockport College should merge with Trafford College.

Mission, Vision and Purpose

Vision

The TCG's learners will secure employment and progress in their careers as a result of the knowledge, skills and the work ethic they have developed at the TCG. Businesses will recognise the TCG as the leading provider of a skilled workforce, meeting Greater Manchester's skills priorities and supporting the economic growth of the region.

Our Mission and Purpose

The TCG's mission is to provide learners with an outstanding education experience with excellent qualification outcomes, the acquisition of industry standard skills and the development of the personal attributes and resilience to enable them to achieve their potential and fulfil their career aims.

The TCG's purpose is 'Unlocking Potential, Fostering Success'. Progression is one of the TCG's key measures of success. The outstanding learning experience provided will aim to advance equality of opportunity.

The TCG provides academic, technical and professional further and higher education. We will ensure that all our learners gain the education, skills and personal development they need to meet the local and regional skills challenge, putting them ahead of the competition in terms of securing meaningful employment and progression to higher level study.

The TCG places the development of employability and professional skills at the core of their programmes. The TCG underpins the programmes practically with: a digital entitlement; a values-driven curriculum; an emphasis on professional behaviours; the setting at a high level both the aspirations and the actual standards the students can achieve.

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Resources

The TCG has various resources that it can deploy in pursuit of its strategic priorities.

Tangible resources include the three TCG sites, and £4,525,000 held in cash. Cash reserves will be critical in supporting the TCG through any turbulence as a result of further funding cuts.

Our Strategic Priorities

- Delivering Excellence
- Ensuring Student Success
- Great Staff, Great Place to Work
- Delivering Digitalised Transformation
- Transformational Employer and Stakeholder Engagement

Public Benefit

The Trafford College Group is an exempt charity under Part 3 of the Charities Act 2011 and from 9 November 2016 is regulated by the Secretary of State for Education as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on page 21.

In setting and reviewing the TCG's strategic objectives, the Governing Body has 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. The delivery of public benefit is covered throughout the Operating and Financial Review.

Developing and delivering our Corporate Plan

Work to develop our Corporate Plan started as the merger of Trafford College and Stockport College completed. The Corporate Plan gives the new TCG a set of priorities, objectives and success measures that describe what the Group wants to achieve, how it plans to do it, and how the TCG will measure its success.

The Corporate Plan has been developed following extensive consultation and engagement with staff, governors and key stakeholders in Spring/Summer 2018. Through this process we have developed the TCG's purpose and the six priorities that set the strategy to enable the TCG to achieve its goals between now and 2021.

Each priority is supported by 6-8 objectives, whose targets and KPIs will form the basis for regular and robust management of the Group's performance in achieving its strategic objectives by Governors, the Executive Leadership Team (ELT), managers and team leaders.

The Trafford College Group (formerly Trafford College) – Financial Statements for the year ended 31 July 2018

The TCG's performance in delivering its priorities and objectives will inform the development of departmental business plans, refreshed annually, which in turn shape the delivery plans for teams and individuals working at the TCG.

This structure ensures that the TCG's key priorities are threaded throughout the organisation, shaping and aligning the development and performance management of each department, team and individual staff member.

Key Performance Indicators

To support the delivery of the Corporate Plan, the Leadership Team develops an annual plan with SMART (specific, measurable, achievable, realistic, time bound) targets that are measured on a quarterly basis and reported to the Corporation. The table below identifies the TCG targets for the year 2017/18 and monitoring reports are presented to the Board meetings on a quarterly basis. It should be noted that where financial targets represent a percentage of income, the income is total income less deferred capital grants.

Many of the financial ratios are not directly comparable to the targets set due to the actual figures being distorted following the merger with Stockport College in April 2018 and the subsequent receipt of significant funding from the Transaction Unit. Hence, only a limited number are shown in the table below.

KPI	Trafford College Target 2017/18	TCG Target 2017/18	TCG Actual 2017/18
Finance			
Operating Deficit - before year-end FRS102 pension adjustments	£(1,400)k		£21,503k
Current Ratio (excludes deferred capital grants)	2.3		1.1
Days Cash in Hand	66		30
Borrowing as a % of Income	30.5%		12.2%
Cash Balance as at year end	£4,004k	£5,021k	£4,525k
Learner Numbers			
ESFA Funded Numbers		3,659	3,405
HE Learner Numbers (HEFCE)		781	777
Curriculum			
16-18 Achievement Rate		83%	84%
19+ Achievement Rate		88%	90%
16-18 Retention Rate		90%	91%
19+ Retention Rate		90%	95%
16-18 Apprenticeship Achievement Rate		80%	76%
19-23 Apprenticeship Achievement Rate		75%	81%
24+ Apprenticeship Achievement Rate		75%	78%
Resources			
Staff Turnover		13%	12%
Average Working Days Lost per FTE (total)		5	6.3

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Financial Objectives for 2017/18

The financial objectives within Trafford College's corporate plan for 2017/18 were as follows:

- Objective 1 – Maintain a minimum of "good" for financial health.
- Objective 2 – Ensure that the College maintains healthy cash balances over the periods.
- Objective 3 – Ensure staff costs remain competitive with the rest of the sector.
- Objective 4 – Ensure the financial performance of all curriculum activity is competitive.

An updated 3 year Financial Plan was prepared in May 2018 which includes the benefits of the efficiencies arising from the merger with a forecast financial health rating of 'Good' in respect of the year to 31 July 2019.

Healthy cash balances were maintained over the period which included the receipt of significant funds from the Transaction Unit. Details of the use of these funds are included later within the report.

There was a significant re-organisation of the staff structure following merger with a view to bringing staff costs to an acceptable level and ensuring a viable financial footing going forward.

Tangible fixed asset additions during the year amounted to £5.3m of which £4.7m was spent on purchasing land and initial redevelopment costs at the Stockport campus.

Financial Results

The merger of Stockport College into Trafford College has been accounted for under acquisition accounting (see note 22). The results shown in these financial statements combine the performance of Trafford College for the 8 months to 31 March 2018 and the Trafford College Group (incorporating Stockport College) for the 4 months to 31 July 2018. Hence, comparison of data with the previous year is not necessarily on a like for like basis. In accordance with the requirements of acquisition accounting under FRS 102, the net liabilities transferred from Stockport College at the point of the merger have been identified separately as expenditure within the Statement of Comprehensive Income.

The TCG reported a deficit of £8,617,000 in 2017-18 compared to a deficit of £1,550,000 the previous year. However, during the current year, the TCG recognised a loss of £31,120,000 in respect of the liabilities transferred from Stockport College upon the merger and has also benefitted from significant receipts of funding from the Transaction Unit with £29,112,000 being released to the Statement of Comprehensive income. These monies were used to repay an outstanding loan held by Stockport College, create a stable property base at the Stockport campus and lay the foundations to enable the Trafford College Group to move forward with confidence.

The Trafford College Group (formerly Trafford College) – Financial Statements for the year ended 31 July 2018

Treasury Policies and Objectives

Treasury management is the management of the TCG'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 TCG is able to place deposits, certificates of deposit and treasury bills with:

- a) international banks with a Standard and Poors long term rating of AA- or above;
- b) the following UK banks with a Standard and Poors long term rating of A- or above Barclays Bank plc, Lloyds Bank plc and the Royal Bank of Scotland plc.

There is additional guidance in respect of cash investments and borrowing in the TCG's Treasury Management Policy.

All overdrafts and loans up to £250,000 must be approved by the Resources Committee and notified to the Board of the Corporation.

All such borrowings over £250,000 will be authorised by the Board of the Corporation and must receive the formal prior approval of the Education and Skills Funding Agency (ESFA), as required, in accordance with the Financial Memorandum.

Reserves

The TCG has accumulated reserves of £7,859,000 and cash balances of £4,525,000. The TCG will continue to maintain sufficient reserves in order to generate the funds required to service the loan in respect of the capital investment at the Altrincham site, to invest in improved facilities and resources for all learners within the TCG and to ensure financial stability in future years.

The TCG does not hold any restricted reserves.

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%.

During the accounting period 1 August 2017 to 31 July 2018, the TCG has adhered to its standard terms being payment within 30 days. Where suppliers are not paid within 30 days, this is usually due to invoices in dispute or invoices which are issued in advance of goods or services. The TCG incurred no interest charges in respect of late payment for this period.

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Trade union facility time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require the college to publish information on facility time arrangements for trade union officials at the college.

Numbers of employees who were relevant period	FTE employee number
7	6.69

Percentage of time	Number of employees
0%	-
1-50%	7
51-99%	-
100%	-

Total cost of facility time	£8,400
Total pay bill	£17,811,000
Percentage of total bill spent on facility time	0.05%

Time spent on paid trade union activities as a percentage of total paid facility time	100%
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Cash Flows

Cash inflows from operating activities in 2017-18 totalled £17,883,000. This included the receipt of £30,187,000 from the Transaction Unit (TU). In addition, £519,000 was inherited from Stockport College on merger. The TU monies were used in part to repay outstanding bank loans and create a stable footing for the future of the new group.

The net debt at the end of the year was £2,192,000.

Liquidity

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

Loan Interest Rates

The TCG has one loan for £8,000,000 which was originally taken out during 2008-09 to finance the Altrincham redevelopment project. This loan, from Barclays Bank PLC, was initially at a variable rate but was fixed at 4.98% from March 2010. The rate increased to 6.73% in April 2018 following the merger with Stockport College.

A further increase in the fixed rate to 6.98% is planned from 1 August 2020. Repayments will continue through to July 2036 with total capital and interest of £671k due to be paid in the year to 31 July 2019.

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Current and Future Development and Performance

Student Numbers – Trafford College

In 2017/18 Trafford College was just below target on 16-18 learner numbers at 2,296 against a target of 2,300. Apprenticeship numbers were just below the budget target at £3.9m against a target of £4.02m, which included the transferred apprenticeships from Stockport College. Trafford College achieved the income targets of the AEB. Higher Education student numbers were at target.

Achievement Rates for Trafford College Group

Achievement rates for 2017/18 are subject to a final reconciliation but projected performance is in line with 2016/17 outcomes.

Class Room Base Provision	2015/16	2016/17	2017/18	National Rate*
16 – 18 Learners	80.8%	85.8%	84.3%	81.5%
19+ Learners	91.0%	91.8%	90.2%	87.9%
All Ages	84.9%	88.7%	87.5%	84.4%

*National Rate is the Provider Type Average including English and Maths

Timely Apprenticeship Provision	2015/16	2016/17	2017/18	National Rate
16 – 18 Learners	68.8%	75.0%	67.8%	63.0%
19 – 23 Learners	74.0%	70.1%	68.5%	62.8%
24+ Learners	72.4%	72.6%	67.2%	56.4%
All Ages	71.7%	72.8%	67.8%	60.2%

Curriculum activity and future developments

Trafford College was last inspected by OFSTED in September 2017 as a Short Inspection and was awarded the following judgements;

The Provider continues to be Good
Safeguarding is effective

Key actions for further improvement were:

- High grades in maths and English
- Integration of maths and English within vocational sessions
- Better planning and delivery based on students' starting points
- Stretching the most able to make good or better progress
- Continuing to address any subject areas of underperformance

The TCG has some outstanding facilities and continues to invest in its resources to support students. The significant investment at the STEM Centre at Talbot Road has enabled the TCG to develop strategic relationships with key employers in the City Region that has realised sustained student numbers in Apprenticeships and Higher Education.

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With school leaver demography declining in the area and increased competition locally the TCG has been able to consolidate its 16-18 Full Time student numbers and sustain its 16 - 18 apprenticeship cohort.

Post Balance Sheet Events

On 26 October, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The judgement concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits, ('GMP'). The Government will need to consider this outcome in conjunction with the Government's recent consultation on GMP indexation in public sector schemes before concluding on any changes required to LGPS schemes. This could result in an additional liability being recognised in the financial statements. However, the financial effect cannot be reliably estimated at this time.

Future prospects

The TCG is continuing to receive support from the Transaction Unit which will assist in the integration of Stockport College into the Trafford College Group.

Plans are also being developed to refurbish the Stockport Campus with support being made available from Greater Manchester Combined Authority.

Key priorities arising from the Trafford College Group Strategic Plan are:

- Delivering excellence
- Ensuring student success
- Great Staff, great place to work
- Delivering digitalised transformation
- Transformational Employer and Stakeholder Engagement

Financial

The TCG has £7,859,000 of net assets (including £16,858,000 of pension liability) and long term debt of £6,481,000.

People

During 2017/18, although mindful of the forthcoming merger and the need to harmonise keys services and structures, Trafford College ensured it maximised the use of its human resources to support the delivery of the Business Plan. Trafford College was pro-active in collaborating closely with Stockport College to both share best practice and where appropriate share the staffing resource to reduce areas of over-staffing post-merger. A planned programme of harmonisation and trade union consultations pre and post-merger was implemented. Staffing changes were also implemented to improve curriculum quality and changes following the previous review of the Progress Tutor role were implemented. A strong focus on development was continued with on-going improvements to embed values and improve the induction and on-boarding processes.

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The average number of persons employed in 2017-18 was 413 FTEs across a range of curriculum, management and support roles. This figure is higher than the previous year and includes the impact of additional staff following merger from 5 April 2018. Last years equivalent figure was 338 FTEs.

Principal and Accounting Officer

Lesley Davies OBE was employed as Principal and Accounting Officer of Trafford College up until the merger date of 5 April 2018 when she became the Principal and Accounting Officer of Trafford College Group.

Reputation

The TCG has a very good reputation sub regionally and nationally. Maintaining a quality brand is essential for the TCG's success in attracting students and building external relationships.

Recent successes include:-

- The TCG continues to strengthen existing partnerships with the STEM Centre in order to continue to grow apprenticeship provision through the Levy and managing agents including Siemens, Laing O'Rourke, Kelloggs, University of Manchester, Cogent, STEGTA and JTL.
- The TCG has become an agreed partner for the new University Academy 92 project led by Gary Neville and the Class of 92, and delivers education and training to Academy 92, the youth team of Salford City Football Club.
- The TCG has developed a new Digital Skills Academy to deliver digital skills training to full-time students, grow digital apprenticeships and deliver commercial Microsoft courses
- The Catering and Hospitality department continues to deliver an excellent provision for apprentices, young people and adult learners. The department has good links with a range of top chefs and restaurants within Manchester, and the Trafford College restaurant, Aspire, has double AA Rosette status.
- The development of innovative partnerships with local businesses to develop skills hubs in shortage areas, including the Insurance sector and Construction industry.
- Significant improvement in the provision of Apprenticeships at Stockport College, which transferred in August 2017. The projected timely achievement rate for the Stockport provision is above 80%.

Principal Risks and Uncertainties

During the year, TCG continued to improvement the systems of internal control, including financial, operational and risk management which are designed to protect the assets and reputation. Work relating to the Risk Management and Board Assurance Framework has been completed and has been operating effectively for a full Academic Year.

The Audit Committee receives a report at every meeting detailing a matrix summary for the Board Assurance and Risk Management Framework which includes actions required by TCG management to mitigate significant risks at a net level.

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The Board of the Corporation also receives a termly report updating them on the Risk Management/ Board assurance outcomes.

Outlined below is a description of the significant risks at a net level that arose from the Board Assurance Risk Management Framework that impacted on the TCG. Not all of the factors are within the TCG's control. Other factors in addition to those listed below may also adversely affect the TCG.

1 Government Funding

The TCG has relied considerably on continued government funding through the further education sector funding bodies and through HEFCE. In 2017/18, circa 92% of the TCG's revenue (excluding the release of capital grants but including sums released via receipts from the Transaction Unit) was ultimately publicly funded. 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 TCG is aware of several issues which may impact on future funding;

- changes in national funding rates and the ongoing absence of any inflationary uplift in funding
- conditionality of funding in respect of English and Maths
- significant changes to the Apprenticeship funding methodology following the introduction of standards and the levy
- the future impact of devolution of adult education budgets
- Government policy on apprenticeships
- changes as a result of devolved powers to the City region

This risk is mitigated in a number of ways;

- funding is derived through a number of direct and indirect contracts and sub-contracting arrangements
- the TCG is rigorous in delivering high quality education and training that meets the needs of the City Region
- the Principal is regularly in dialogue with senior officials at the funding agencies
- the TCG has actively invested in its Apprenticeship delivery in recognition of the opportunities and risks arising from the Apprenticeship reforms

2 Tuition Fee Policy - Adults

Ministers have confirmed that the fee assumption remains at 50%. In line with the majority of other Colleges, TCG will charge tuition fees in accordance with the fee assumptions. The risk for the TCG is that the demand may fall as a result of the policy.

This risk is mitigated in a number of ways:-

- by ensuring the TCG is rigorous in delivering high quality education and training, thus ensuring value for money for students.
- monitoring demand for courses as prices change.

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- by raising awareness of the range of options available to students to finance their studies

3 Maintain adequate funding of pension liabilities

A number of the TCG's employees are included in the Local Government Pension Scheme, a defined benefit scheme which is accounted for under FRS 102. Under this standard the TCG is required to carry out a valuation of the assets and liabilities of the scheme on an annual basis. The TCG uses the services of a professional actuary to carry out a valuation of the pension fund. The financial statements report the TCG's share of the pension scheme deficit on the balance sheet in line with the requirements of FRS 102

Formal valuations of the fund are carried out every three years. Following the Trafford College valuation as at 31 March 2016 of £4,281,000 the College's Contribution rate was increased from 18.7% to 23.8% from 1 April 2017 for the three year period ending 31 March 2020. The scheme funding position now includes the impact of the £11,288,000 deficit transferred from Stockport College on merger, whose contribution rate at the time of merger was 21.9%. Although no change to the TCG funding rate has been made at this stage, the position will be reviewed at the next actuarial valuation. Despite a favourable increase in the fair value of the fund assets for 2016-17 reported in the latest actuarial review, the overall scale of the pension scheme deficit coupled with the high employer contribution rate remains an important issue for the TCG. See note 25 for details of post balance sheet event.

4 Demographic trends

Census data suggests that there is a continuing downward demographic trend for the numbers of 16-18 year old learners nationally and that the decline in numbers in Greater Manchester is higher than the national average. The data coupled with the impact of school sixth forms and a new Free School in the borough presents a risk for TCG.

This risk is mitigated by:-

- working actively to promote and market the TCG's reputational success with the aim of increasing the numbers of young learners and apprentices of all ages accessing TCG provision.

5 Reviewing Post 16 Education and Training Institutions

The Corporations of Stockport College and Trafford College embarked on consultation for a merger of the two Colleges based on a type B model (where Stockport College would be dissolved on merger and the assets and liabilities of Stockport College would transfer into the Trafford College Group). The merger was completed on 5 April 2018.

A number of risks were identified these included

- Changes in Structural and Governance arrangements as a result of the proposed merger with Stockport College;
- Failure to ensure retention of key Senior Leaders at merger and post-merger;
- Appropriate action is not taken in-year to reduce staff costs to no more than 69% of income by 1 August 2018;

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This risks mitigated in a number of ways:

- Transition Board set up to rigorously monitor the merger
- Risk register for the merger
- setting clear financial targets/conditions for the merger
- Strategic Operations Group set up to rigorously monitor delivery of the post-merger implementation plans

6 Failure to maintain financial viability of the TCG

The continuing challenge to the TCG financial position remains the constraint on FE funding arising from ongoing cuts in public sector spending whilst maintaining the student experience.

A number of risks were identified these included:

- Achievement of budget target for 16-18 learners;
- Budget position for apprenticeships based on non-levy payers;
- Income target for Stockport Apprenticeships:
- Achievement of Adult Education budget;
- Failure to ensure that staff costs (including subcontracted teaching and excluding FRS 102 pension adjustments) to be no more than 71% of income.

These risks are mitigated in a number of ways:

- by rigorous budget setting;
- regular in year budget monitoring;
- robust financial controls;
- exploring ongoing procurement efficiencies

7 Success of the merger

The merger plan includes a number of assumptions regarding savings and efficiencies which, if not achieved, could adversely impact on the TCG financial performance.

In order to mitigate this risk, a turnaround specialist has been appointed to assist with the process. There is also regular dialogue/liaison with the Transaction Unit and ESFA to ensure that plans are kept on track.

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Stakeholder Relationships

In line with other colleges and with universities, TCG has many stakeholders. These include:-

- Students
- Education Sector Funding Bodies
- Staff
- Local, regional and national employers (with specific links)
- Local authorities including GMCA
- Schools
- Government Offices/Local Enterprise Partnerships/New Economy
- The local community
- Other FE and HE institutions
- Greater Manchester Colleges Group
- Trade Unions
- Professional Bodies

The TCG recognises the importance of these relationships and engages in regular communication with them by meetings, correspondence and through the College website.

Equality

TCG is committed to ensuring equality of opportunity for all who learn and work at the College. The TCG aims to ensure that no one receives less favourable treatment for reasons relating to all protected characteristics covered by the Equality Act 2010 including age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, gender or sexual orientation. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry.

Prior to merger Trafford College had an agreed policy in place. This policy was resourced, implemented and monitored on a planned basis and published on the College's intranet site. Following the formation of the Trafford College Group a revised policy has been developed and will be submitted to the first Board of the Corporation in 2018/19 academic year for approval. The updated policy will then be published on the Group's Intranet site and websites.

Trafford College has previously published an Equality Report and Equality objectives to ensure compliance with all relevant equality legislation including the Equality Act 2010. This report was published on the College website. The report also included a commentary on the progress made against objectives. A revised report will be published during 2018/19 to reflect our performance on equality and diversity across the whole group

Trafford College was a 'Positive about Disabled' employer. TCG is committed to extending this standard across the whole Group as it is committed to the principles and objectives of the Positive about Disabled standard. The TCG considers all employment applications from disabled persons, bearing in mind the aptitude of the individuals concerned, and will guarantee 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 TCG continues.

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Disability Statement

The Trafford College Group seeks to meet its responsibilities under the Equality Act 2010, and in particular makes the following commitments:-

- Significant investment has been made to make the TCG sites accessible for people with a disability.
- There is a list of special equipment, such as lighting and audio facilities, which can be made available for use by students.
- The TCG employs a number of learning facilitators to support students with learning difficulties and/or disabilities. There is a programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
- Counselling and welfare services are available for learners.
- The Admissions Policy for all students is described in the TCG charter. Appeals against a decision not to offer a place are dealt with under the Complaints Policy.

The Assistant Principal Student Support has overall strategic responsibility for the implementation of Special Educational Needs (SEN). The SEN policy addresses the TCG's responsibilities from the Children's and Families Act 2014 and the SEN Code of Practice. The TCG employs Educational Health Care Coordinators who are responsible for the operation of the SEN policy and co-ordination of learner support needs and Support Coordinators with specialist responsibility to support learners within Foundation Learning.

Conclusion

Despite the difficult operating conditions within the sector, TCG's balance sheet demonstrates its commitment to maintaining strong liquidity and cash management. It is with confidence and caution that the TCG looks towards the future and the realisation of the vision and mission of the TCG.

Ongoing investment in people, curriculum excellence, learning opportunities and infrastructure, will ensure a more successful and bright future for learners and staff. The planned Stockport campus redevelopment will create further opportunities to strengthen its position in the market and build on the foundation stones currently being put into place.

Going Concern

After making appropriate enquiries, the Corporation considers that the TCG has adequate resources to continue in operational existence for the foreseeable future.

The TCG currently has one loan of £6.72m outstanding at 31 July 2018 with Barclays Bank, with current annual payments of £671k (principal plus interest) ending in 2036. The TCG's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

Accordingly the TCG has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, being a period of not less than 12 months from the date of approval of the financial statements, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

The Trafford College Group (formerly Trafford College) – Financial Statements for the year ended 31 July 2018

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 TCG'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 TCG's auditors are aware of that information.

Approved by order of the Members of the Corporation on 19 December 2018 and signed on its behalf by:-

Signature:



Graham Luccock – Chairperson

Date:



The Trafford College Group (formerly Trafford College) – Financial Statements for the year ended 31 July 2018

Statement of Corporate Governance and Internal Control

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

The TCG 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 English Colleges' Foundation Code of Governance ("the Foundation Code"); and
- iii) having due regard to the UK Corporate Governance Code ("the Code") insofar as it is applicable to the further education sector.

The TCG is committed to exhibiting best practice in all aspects of corporate governance and in particular the Corporation has adopted and complied with the Foundation 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 TCG complies with all the provisions of the Foundation Code, and it has complied throughout the year ended 31 July 2018. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The English Colleges' Foundation Code of Governance issued by the Association of Colleges in December 2011, which it formally adopted in July 2012. The AoC Code of Good Governance was adopted by the Board of the Corporation in September 2015.

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

The Trafford College Group (formerly Trafford College) – Financial Statements for the year ended 31 July 2018

The Corporation

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

Name	Date of Appointment	Term of Office	Status of Appointment	Committees	Attendance at Board Meetings
Lesley Davies, OBE	1 Nov 2016	N/A	Active	Curriculum & Quality Resources, Search	100%
Jed Hassid	1 Jan 2002	31 Dec 2020	Active	Chair of Audit	100%
Graham Luccock	1 May 2002	31 Mar 2022	Active	Chair of Remuneration Chair of Search Resources Curriculum & Quality	80%
Dawn Cole	1 Sep 2011	31 Aug 2021	Active	Audit Remuneration	80%
Guy Robson	1 May 2002	31 Dec 2021	Active	Chair of Resources Remuneration, Search	67%
Kurt Allman	12 Sep 2013	31 Mar 2020	Active	Curriculum & Quality	50%
Phil Aspden	6 Nov 2009	5 Apr 2018	Active	Chair of Curriculum & Quality (Part) Resources, Remuneration	86%
Val Dixon	18 Nov 2013	31 Dec 2018	Active	Curriculum & Quality	67%
Ian Ruff	22 Apr 2014	22 Apr 2020	Active	Curriculum & Quality Audit	100%
James Beazley	22 Apr 2014	22 Apr 2020	Active	Resources	67%
Janet Grant	5 May 2014	5 May 2020	Active	Resources	92%
Sarah Drake	1 Sep 2015	31 Aug 2021	Active	Chair of Curriculum & Quality (Part) Audit (Part)	100%
Lynn Nicolls	19 Jul 2017	19 Jul 2021 resigned 27 Sep 2017	Resigned	Curriculum & Quality	100%
John Cowell	8 Nov 2017	8 Nov 2021	Active	Resources	100%
Philip Dowson	27 Sep 2017	31 Jul 2018	Active	Curriculum & Quality	100%
Cici Yildiz	27 Sep 2017	31 Jul 2018 resigned 31 Mar 2018	Resigned	Curriculum & Quality	33%
Glynis Brown	5 Apr 2018	28 Mar 2020	Active	Curriculum & Quality	100%
Glad Capewell	5 Apr 2018	28 Mar 2022	Active	Curriculum & Quality	100%
Sue Derbyshire	5 Apr 2018	28 Mar 2021	Active	Resources	0%
Zoe Killis	3 Oct 2018	31 Mar 2020	Active	Curriculum & Quality	50%
Lutumba Mbala	3 Oct 2018	31 Mar 2018	Active	Curriculum & Quality	0%
Louise Richardson	5 Apr 2018	31 Dec 2020	Active	Search, Remuneration, Resources	50%
Maureen Wilkins	5 Apr 2018	28 Mar 2020	Active	Audit Curriculum & Quality	100%

Trafford College Group (Formerly Trafford College)

The Corporation is provided with regular and timely information on the overall financial performance of the TCG 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 on a termly basis as a minimum.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Resources, Remuneration, Search, Audit, and Curriculum and Quality. Full minutes of all meetings except those deemed to be confidential by the Corporation, are available on the TCG website.

The Corporation Secretary maintains a register of financial and personal interests of governors. The register is available for inspection on request from the Corporation Secretary at:

Manchester Road, West Timperley, Altrincham WA14 5PQ

All governors are able to take independent professional advice in furtherance of their duties at the TCG's expense and have access to the Corporation Secretary, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Corporation Secretary 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. Training and briefings are also provided to Board members on a regular 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 Chairperson and the Principal are separate.

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search Committee, which comprises the Chairperson of the Corporation, the Principal, three independent external appointments and one Board member. The Committee 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 carried out a self-assessment of its own performance for the year ended 31 July 2018 and graded itself as "good" on the Ofsted scale.

Trafford College Group (Formerly Trafford College)

Remuneration Committee

Throughout the year ended 31 July 2018, the TCG's Remuneration Committee comprised the Chairperson of the Corporation and four members of the Corporation. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal and other senior post holders.

Details of remuneration for the year ended 31 July 2018, are set out in Note 7 to the Financial Statements.

Audit Committee

The Audit Committee comprises three members of the Corporation (excluding the Principal and the Chairperson) and two externally co-opted financial/audit specialists. The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee meets at least termly and provides a forum for reporting by the TCG's internal, financial statements and regularity auditors, who have access to the Committee for independent discussion. The Committee also receives and considers reports from the main further education funding bodies as they affect the TCGs business.

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

Management 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, financial statements and regularity auditors and their remuneration for both audit and non-audit work as well as reporting annually to the Corporation.

Resources Committee

The Resources Committee comprises seven members of the Corporation. The Committee operates in accordance with written terms of reference approved by the Corporation.

The Resources Committee meets four to five times per year and considers all issues relating to Finance, Accommodation (including capital projects) Information Technology and Human Resources.

Curriculum and Quality Committee

The Curriculum and Quality comprises 10 members of the Corporation. The Committee operates in accordance with written terms of reference approved by the Corporation.

The Curriculum and Quality Committee meets three times per year and considers all issues relating to curriculum and quality matters.

Trafford College Group (Formerly Trafford College)

Internal control

Scope of responsibility

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

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of TCG 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 the TCG for the year ended 31 July 2018 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the TCG 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 TCG's significant risks that has been in place for the period ended 31 July 2018 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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

- Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the governing body.
- Regular reviews by the governing body of monthly 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.

Trafford College Group (Formerly Trafford College)

TCG has an internal audit service which operates in accordance with the requirements of the EFSA's Post 16 Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the TCG 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 TCG. The report includes the HIA's independent opinion on the adequacy and effectiveness of the TCG's system of risk management, controls and governance processes.

Review of effectiveness

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

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

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

The Principal and Leadership Team receive reports setting out key performance and risk indicators and consider possible control issues brought to their attention by early warning mechanisms which are embedded within the departments and reinforced through regular discussion of risk issues. The Principal and the Leadership Team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high level review of the arrangements for internal control. At its December 2018 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2018 by considering documentation from the Leadership Team and internal audit, and taking account of events since 31 July 2018.

Based on the advice of the Audit Committee and the Principal, the Corporation is of the opinion that the TSG 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"*.

Trafford College Group (Formerly Trafford College)

Approved by order of the members of the Corporation on 19 December 2018 and signed on its behalf by:

Graham Luccock – Chairperson

Date: 19 December 2018

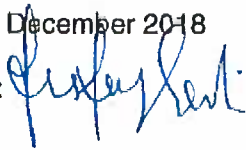
Signature

Handwritten signature of Graham Luccock in blue ink.

Lesley Davies OBE – Principal and Accounting Officer

Date: 19 December 2018

Signature:

Handwritten signature of Lesley Davies in blue ink.

Trafford College Group (Formerly Trafford College)

Statement of Regularity, Propriety and Compliance

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's terms and conditions of funding, under the College's grant funding agreement and contracts with ESFA. As part of its consideration the Corporation has had due regard to the requirements of the grant funding agreement and contracts with ESFA.

We confirm, on behalf of the Corporation, that to the best of its knowledge, the Corporation believes it is able to identify any material irregular or improper use of funds by the TCG, or material non-compliance with the College's grant funding under the College's grant funding agreement and contracts with ESFA. We further confirm that there have been no instances of material irregularity, impropriety or funding non-compliance discovered to date have been notified to the Education Skills & Funding Agency. If any instances are identified after the date of this statement, these will be notified to ESFA.

Approved by order of the members of the Corporation on 19th December 2018 and signed on its behalf by:

Graham Luccock – Chairperson

Date: 19 December 2018

Signature 

Lesley Davies OBE – Principal and Accounting Officer

Date: 19 December 2018

Signature: 

Trafford College Group (Formerly Trafford College)

Statement of 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 TCG Financial Memorandum with the ESFA, the Corporation, through its Principal, is required to prepare financial statements for each financial year in accordance with the 2015 FE HE Statement of recommended practice and with the *Accounts Direction for 2017/18 financial statements* issued jointly by the Agency and which give a true and fair view of the state of affairs of the TCG and of the deficit 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 TCG will continue in operation.

The Corporation is also required to prepare a Report of the Governing Body which describes what it is trying to do and how it is going about it, including the legal and administrative status of the TCG.

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 relevant legislation including the Further and Higher Education Act 1992 and Charities Act 2011, and relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard its assets and to prevent and detect fraud and other irregularities.

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

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from ESFA are used only in accordance with ESFA's grant funding agreement and contracts and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the TCG resources and expenditure, so that the benefits that should be derived from the application of public funds from ESFA are not put at risk.

Trafford College Group (Formerly Trafford College)

Approved by order of the members of the Corporation on 19 December 2018 and signed on its behalf by:

Graham Luccock – Chairperson



Date: 19 December 2018

Signature:

Trafford College Group (Formerly Trafford College)

Independent auditor's report to the Corporation of Trafford College Group (formerly Trafford College)

Opinion

We have audited the financial statements of Trafford College Group for the year ended 31 July 2018 which comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, the Balance Sheet, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2018 and of its deficit of income over expenditure for the year then ended; and
- have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice – Accounting for Further and Higher Education issued in March 2014.

Basis for opinion

We have been appointed as auditor under the TCG's Articles of Government and report in accordance with regulations made under it. 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.

Who are we reporting to

This report is made solely to the College's 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 College Corporation those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the College's Corporation as a body, for our audit work, for this report, or for the opinions we have formed.

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 group's or the parent College's ability to continue to adopt the going concern basis of accounting for a period of at least

Trafford College Group (Formerly Trafford College)

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 Report set out on pages 5 to 34 other than the financial statements and our auditor's report thereon. The Corporation is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the Corporation for the financial statements

As explained more fully in the Statement Responsibilities of the Members of the Corporation set out on pages 28 to 29, the College Corporation is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Trafford College Group (Formerly Trafford College)

Auditor's responsibilities for the audit of the financial statements

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

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

Grant Thornton UK LLP

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester

Date: *19 December 2018*

Trafford College Group (Formerly Trafford College)

Reporting accountant's assurance report on regularity

To the corporation of Trafford College Group and Secretary of State for Education acting through Education and Skills Funding Agency ('ESFA')

In accordance with the terms of our engagement letter dated 12 October 2018 and further to the requirements and conditions of funding in ESFA's grant funding agreements and contracts we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that, in all material respects, the expenditure disbursed and income received by Trafford College Group during the period 1 August 2017 to 31 July 2018 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

Respective responsibilities of Trafford College Group and the reporting accountant

The corporation of Trafford College Group is responsible, under the requirements of the Further and Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received 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 2017 to 31 July 2018 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Code issued by ESFA. We performed a limited assurance engagement as defined in that framework.

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

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

Trafford College Group (Formerly Trafford College)

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

The work undertaken to draw our conclusion includes:

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

Conclusion

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

Grant Thornton UK LLP

Grant Thornton UK LLP
Chartered Accountants
Manchester

19 December 2018

Trafford College Group (Formerly Trafford College)

Statement of Comprehensive Income

	Notes	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Income			
Funding body grants	2	22,441	18,758
ESFA Transaction Unit grant	2	29,112	100
Tuition fees and education contracts	3	4,338	3,180
Other income	4	237	225
Endowment and investment income	5	23	24
Total income		56,151	22,287
Expenditure			
Staff costs	6	20,277	14,860
Other operating expenses	8	9,968	5,859
Depreciation	11	2,567	2,381
Interest and other finance costs	9	836	737
Net liabilities transferred on merger	22	31,120	-
Total expenditure		64,768	23,837
Deficit before tax		(8,617)	(1,550)
Taxation	10	-	-
Deficit for the year		(8,617)	(1,550)
Actuarial gain in respect of pension scheme	21	8,867	3,571
Total Comprehensive Income for the year		250	2,021

The accompanying notes form part of these financial statements.

Trafford College Group (Formerly Trafford College)

Statement of Changes in Reserves

	Income and Expenditure Account £'000	Revaluation Reserve £'000	Total £'000
Balance at 1st August 2016	2,955	2,633	5,588
Deficit for the year	(1,550)	-	(1,550)
Other comprehensive income	3,571	-	3,571
Transfers between revaluation and income and expenditure reserves	96	(96)	-
Total comprehensive income for the year	2,117	(96)	2,021
Balance at 31st July 2017	5,072	2,537	7,609
Deficit for the year	(8,617)	-	(8,617)
Other comprehensive income	8,867	-	8,867
Transfers between revaluation and income and expenditure reserves	95	(95)	-
Total comprehensive income for the year	345	(95)	250
Balance at 31st July 2018	5,417	2,442	7,859

The accompanying notes form part of these financial statements.

Trafford College Group (Formerly Trafford College)

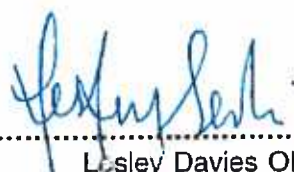
Balance Sheet as at 31 July

	Notes	31 July 2018 £'000	31 July 2017 £'000
Fixed Assets			
Tangible fixed assets	11	66,965	42,449
		66,965	42,449
Current assets			
Trade and other receivables	12	1,255	626
Cash and cash equivalents	18	4,525	4,796
		5,780	5,422
Less: Creditors - amount falling due within one year	13	(7,365)	(3,243)
		(1,585)	2,179
Net current (liabilities)/assets			
		65,380	44,628
Total assets less current liabilities			
Less: Creditors - amounts falling due after more than one year	14	(39,269)	(23,559)
Provisions			
Defined benefit obligations	21	(16,858)	(13,107)
Other provisions	17	(1,394)	(353)
		7,859	7,609
Total net assets			
Unrestricted reserves			
Income and expenditure account		5,417	5,072
Revaluation reserve		2,442	2,537
Total unrestricted reserves		7,859	7,609

The Financial Statements on pages 35 to 62 were approved by the Governing Body on 19 December 2018, and were signed on its behalf by:



.....
Graham Luccock – Chairperson
Accounting Officer



.....
Lesley Davies OBE – Principal and

The accompanying notes form part of these financial statements.

Trafford College Group (Formerly Trafford College)

Statement of Cash Flows	2018	2017
	£'000	£'000
Cash inflow from operating activities		
Deficit for the year	(8,617)	(1,550)
Adjustment for non cash items		
Depreciation	2,567	2,381
Decrease/(increase) in debtors	1,822	(98)
(Decrease)/increase in creditors	(9,761)	9
Deferred capital grants released to income	(894)	(756)
Decrease in provisions	(38)	(140)
Pensions costs and finance costs less contributions payable	1,330	732
Loss recognised on merger	31,120	-
Adjustment for investing or financing activities		
Investment income	(23)	(24)
Interest payable	377	350
	<hr/>	<hr/>
Net cash flow from operating activities	17,883	904
	<hr/>	<hr/>
Cash flows from investing activities		
Investment income	23	10
Transfer of cash on merger	519	-
Payments made to acquire fixed assets	(5,598)	(538)
Deferred capital grants received	520	14
	<hr/>	<hr/>
	(4,536)	(514)
	<hr/>	<hr/>
Cash flows from financing activities		
Interest paid	(377)	(351)
Repayments of amounts borrowed	(13,241)	(210)
	<hr/>	<hr/>
	(13,618)	(561)
	<hr/>	<hr/>
Decrease in cash and cash equivalents in the year	(271)	(171)
	<hr/>	<hr/>
Cash and cash equivalents at beginning of the year	18 4,796	4,967
Cash and cash equivalents at end of the year	18 4,525	4,796

Trafford College Group (Formerly Trafford College)

NOTES TO THE ACCOUNTS

1 Statement of accounting policies and estimation techniques

Legal Status

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

The Corporation was incorporated as South Trafford College. On 1 September 2007, the Secretary of State granted consent to the Corporation to change the College's name to Trafford College. On this date, the activities of North Trafford College were merged with those of South Trafford College.

On 5 April 2018, the Corporation merged with Stockport College under a type B merger and the Secretary of State granted consent for to the Corporation to change the College's name to Trafford College Group.

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

The College registered address is Manchester Road, West Timperley, Altrincham, Cheshire WA14 5PQ

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 financial statements are prepared in £ sterling.

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

Basis of Accounting

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

Business Combinations

On 5 April 2018, Stockport College merged into Trafford College. This has been accounted for using the acquisition method, with the assets and liabilities of Stockport College being recognised at fair value on acquisition within the financial statements of The Trafford College Group. The combination was at £nil consideration, which is considered in substance a gift.

Trafford College Group (Formerly Trafford College)

The excess of the fair value of the liabilities assumed over the fair value of the assets received has been recognised as a loss in income and expenditure. This loss represents the net obligations assumed, for which the Trafford College has not received a financial reward and has been recognised as an expense in the Statement of Comprehensive Income.

Going Concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Report of the Governing Body. The financial position of the College, its cash flow, liquidity and borrowings are described in the Financial Statements and accompanying Notes.

The College currently has one loan of £6.7m with Barclay's Bank outstanding at 31 July 2018, with fixed annual payments of £673k (principal plus interest) ending in 2036. 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.

As at 31 July 2018, the College had Net Current Liabilities of £510,000. The College's agreement with the Transaction Unit provides for further substantial additional funding to be paid to the College in the year to 31 July 2019 which, on receipt, will result in Current Assets being in excess of Current Liabilities.

Accordingly the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, being a period of not less than 12 months from the date of approval of the financial statements, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

Recognition of Income

Revenue grant funding

Revenue grant funding includes 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 Education Budget is adjusted for and reflected in the level of recurrent grant recognised in the Statement of Comprehensive Income. 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 result of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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

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

The merger with Stockport College in April 2018 was supported by the Transaction Unit with support funds of £30.2m being received, £29.1m of which were expended in the year and recognised in income with £1.1m being deferred to offset against future spend.

Trafford College Group (Formerly Trafford College)

Key areas of spend included £15.3m loan repayments (inclusive of breakage costs) and £9.7m repayment of exceptional financial support previously received from the Education & Skills Funding Agency.

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. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the Balance Sheet and released to income as conditions are met.

Fee income

Income from tuition fees is recognised in the period for which it is received and includes all fees chargeable to students or their sponsors.

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

Investment income

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

Accounting for post-employment benefits

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

Teachers' Pension Scheme (TPS)

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

Greater Manchester Pension Fund (LGPS)

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit 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,

Trafford College Group (Formerly Trafford College)

benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actuarial return on the scheme assets is recognised in interest and other finance costs.

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

Short term Employments benefits

Short term employment benefits such as salaries and compensated absences (holiday pay) are recognised as an expense in the year in which 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 element.

Enhanced Pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by the 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.

Tangible Fixed Assets

a) Land and Buildings

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

Freehold land is not depreciated as it is considered to have an infinite useful life. The useful economic life of 50 years is estimated for all newly constructed building stock. Improvements to Land & Buildings are depreciated over 10-50 years or over the period of their economic useful life.

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 capital grant account, and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

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. Impairment losses are recognised in the Statement of Comprehensive Income.

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings which were revalued in 1993, but not to adopt a policy of revaluations of these properties in the future.

Trafford College Group (Formerly Trafford College)

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 it is charged to income in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- Market value of the fixed asset has subsequently improved
- Asset capacity increases
- Substantial improvement in the quality of output or reduction in operating costs
- Significant extension of the asset's life beyond that conferred by repairs and maintenance

b) **Equipment**

Equipment costing less than £750 per individual item is written off to the income and expenditure account in the period of acquisition. The only exception is in relation to personal computers for which a lower capitalisation value may apply. All other equipment is capitalised at cost. All equipment inherited from the local education authority is now fully depreciated.

All assets are depreciated over their useful economic life as follows:-

Computer Equipment	20-33% per year
Office equipment	20 -33% per year
Furniture, plant and equipment	10-33% per year

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

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 to the statement of comprehensive income.

Trafford College Group (Formerly Trafford College)

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 College are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction cost (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the College has calculated that the difference between the historical cost and amortised cost 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.

Provisions

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

Maintenance of Premises

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

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 Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

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

Trafford College Group (Formerly Trafford College)

Agency Arrangements

The College acts as an agent in the collection and payment of certain discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in Note 23, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant. The College employs one member of staff dedicated to the administration of Learner Support Fund applications and payments.

Any disbursements over and above the grant monies received are charged to the Income and Expenditure account.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the College'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.

Other key sources of estimation uncertainty

- Tangible fixed assets

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

- Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 21 will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Trafford College Group (Formerly Trafford College)

- Fair value of Assets & Liabilities

Assets and liabilities inherited from Stockport College on merger have been included at fair value. The values attributed involved significant judgement, particularly in the case of land and buildings. Further detail is included in Note 22.

2 Funding body grants

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Recurrent grants		
Education and Skills Funding Agency - adult	3,972	3,490
Education and Skills Funding Agency – 16-18	13,233	11,265
Education and Skills Funding Agency – Apprenticeships	3,810	2,808
Higher Education Funding Council	415	323
Specific Grants		
ESFA Transaction Unit	29,112	100
Education & Skills Funding Agency	117	116
Release of government capital grants	894	756
	51,553	18,858

3 Tuition fees and education contracts

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Adult education fees	976	886
Fees for FE loan supported courses	782	678
Fees for HE loan supported courses	1,841	1,039
Employer Apprenticeship Fees	84	-
International students fees	-	7
Total tuition fees	3,683	2,610
Education contracts	655	570
	4,338	3,180

Trafford College Group (Formerly Trafford College)

4 Other income

	Year ended 31 July 2018	Year ended 31 July 2017
	£'000	£'000
Catering and residences	41	49
Other income generating activities	22	25
Miscellaneous income	174	151
	237	225

5 Investment income

	Year ended 31 July 2018	Year ended 31 July 2017
	£'000	£'000
Other interest receivable	23	24
	23	24

6 Staff costs

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

	Year ended 31 July 2018 No.	Year ended 31 July 2017 No.
Teaching staff	269	232
Non-teaching staff	144	106
	413	338

Staff costs for the above persons:

	Year ended 31 July 2018	Year ended 31 July 2017
	£'000	£'000
Wages and salaries	13,297	10,531
Social security costs	1,225	963
Apprenticeship Levy	53	13
Other pension costs	3,236	2,218
Payroll sub-total	17,811	13,725
Contracted out staffing services	1,600	951
	19,411	14,676
Restructuring costs	866	184
	20,277	14,860

Trafford College Group (Formerly Trafford College)

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

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 senior post-holders who are the Accounting Officer, Vice Principal Corporate Services, Vice Principal Curriculum, Director of Finance and the Corporation Secretary.

	2018	2017
	No.	No.
The number of key management personnel including the Accounting Officer was:	6	6

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

	Year ended 31 July 2018		Year ended 31 July 2017	
	No of key management staff	No of other Staff	No of key management staff	No of other Staff
£60,001 to £70,000	-	8	1	11
£70,001 to £80,000	2	-	-	-
£80,001 to £90,000	-	1	2	-
£90,001 to £100,000	1	-	-	-
£100,001 to £110,000	2	-	-	-
£120,001 to £130,000	-	-	1	-
£150,001 to £160,000	1	-	-	-
Total number	6	9	4	11

Trafford College Group (Formerly Trafford College)

Key management personnel emoluments are made up as follows:

	Year ended 31 July 2018	Year ended 31 July 2017
Salaries	514	446
Employers National Insurance	65	56
Pension contributions	103	79
Total emoluments	682	581

The Principal's emoluments are made up as follows

	Year ended 31 July 2018	Year ended 31 July 2017
	£'000	£'000
Salary	156	112
Benefits in kind	-	-
	156	112
Pension contributions	37	24

	Year ended 31 July 2018	Year ended 31 July 2017
	£'000	£'000
Compensation for loss of office paid to former key management personnel	52	-

Members of the Corporation other than the Accounting Officer and the staff members did not receive any payment other than the reimbursement of travel and subsistence expenses incurred in the course of their duties, other than the Chair who has received payments of £3,035 (2017: £6,065) as remuneration for services provided for area based review. See related parties note 23.

Trafford College Group (Formerly Trafford College)

8 Other operating expenses

	Year ended 31 July 2018	Year ended 31 July 2017
	£'000	£'000
Teaching costs	1,744	1,578
Non-teaching costs	6,020	2,608
Premises costs	2,204	1,673
	9,968	5,859

Other operating expenses include:

Auditors' remuneration:

- Financial statements audit	35	21
Other services from external auditors		
- All other assurance services	1	1
Internal audit	24	18
Hire of assets under – operating leases	97	155

9 Interest payable

	Year ended 31 July 2018	Year ended 31 July 2017
	£'000	£'000
On bank loans, overdrafts and other loans	377	350
	377	350
Net interest on defined pension liability (note 21)	459	387
	836	737

10 Taxation

The members of the Corporation do not believe that the College was liable for any corporation tax arising out of its activities during this period (2017: £nil).

Trafford College Group (Formerly Trafford College)

11 Tangible Fixed Assets

	Land and Buildings (Freehold)	Leasehold Buildings	Equipment	Total
	£'000	£'000	£'000	£'000
Cost or Valuation				
At 1 August 2017	55,820	832	7,292	63,944
Additions	4,725	-	622	5,347
Assets transferred on merger	21,472	-	264	21,736
Disposals	-	-	(140)	(140)
At 31 July 2018	82,017	832	8,038	90,887
Depreciation				
At 1 August 2016	14,780	832	5,883	21,495
Charge for year	1,814	-	753	2,567
Disposals	-	-	(140)	(140)
At 31 July 2017	16,594	832	6,496	23,922
Net book value at 31 July 2018	65,423	-	1,542	66,965
Net book value at 31 July 2017	41,040	-	1,409	42,449

Freehold land and buildings include £594,000 of interest payments which were capitalised prior to 2016-17.

In April 1993 inherited land and buildings were valued by independent chartered surveyors for the purpose of the financial statements at depreciated replacement cost. Other tangible fixed assets inherited from the local authority at incorporation have been valued by the Corporation on a depreciated historical cost basis. The historical cost to the College of inherited land and buildings is nil.

Land & Buildings acquired from Stockport College in April 2018 have been recognised at fair value.

Trafford College Group (Formerly Trafford College)

12 Debtors

	Year Ended 31 July 2018	Year Ended 31 July 2017
	£'000	£'000
Amounts falling due within one year:		
Trade receivables	235	40
Prepayments and accrued income	595	477
Amounts owed by the ESFA	425	109
	1,255	626

13 Creditors: amounts falling due within one year

	Year Ended 31 July 2018	Year Ended 31 July 2017
	£'000	£'000
Bank loans and overdrafts (Note 15)	236	219
Trade payables	965	517
Other taxation and social security	487	271
Accruals and deferred income	2,673	1,484
Deferred income – government capital grants	1,218	750
Funds received in advance from ESFA	1,075	-
Amounts owed to the ESFA	711	2
	7,365	3,243

14 Creditors: amounts falling due after more than one year

	Year Ended 31 July 2018	Year ended 31 July 2017
	£'000	£'000
Bank loans (Note 15)	6,481	6,705
Deferred income – government capital grants	32,788	16,854
	39,269	23,559

Trafford College Group (Formerly Trafford College)

15 Maturity of debt

Bank Loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	As at 31 July 2018	As at 31 July 2017
	£'000	£'000
In one year or less	236	219
Between one and two years	246	233
Between two and five years	797	769
In five years or more	5,438	5,703
	6,717	6,924

The College took out an unsecured loan during the year ended 31 July 2009 with Barclays Bank plc for £8,000,000, which was drawn down in full by 31 July 2011. The purpose of this loan was to part fund the redevelopment works at the Altrincham campus. The loan was initially at a variable rate but was fixed at 4.98% from March 2010 and then increased to 6.73% in April 2018 following the merger with Stockport College. A further increase in the fixed rate to 6.98% is planned from 1 August 2020.

The final payment on the loan is scheduled to be made in September 2036.

Barclays Bank also amended the security of the loan following the merger by taking a charge on the premises at:

- Talbot Rd, Stretford, Manchester
- Manchester Rd, Altrincham plus land on the south side of Stamford Brook Rd, Altrincham

16 Financial assets and liabilities

	Year Ended 31 July 2018	Year Ended 31 July 2017
	£'000	£'000
Financial assets measured at amortised cost indentation	5,241	5,047
Financial liabilities measured at amortised cost	9,531	8,085

Financial assets measured at amortised cost comprise cash and cash equivalents, trade debtors, accrued income and amounts owed by the ESFA.

Financial Liabilities measured at amortised cost comprise bank loans, trade creditors, accruals and amounts owed to the ESFA.

Trafford College Group (Formerly Trafford College)

17 Provisions

	Enhanced Pensions £'000	Other £'000	Total £'000
At 1 August 2017	353	-	353
Transferred in on merger	1,079	-	1,079
Expenditure in the period	(56)	-	(56)
Finance costs	33	-	33
Actuarial gain in year	(15)	-	(15)
At 31 July 2018	1,394	-	1,394

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. The provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:

	2018	2017
Interest	2.3%	2.3%
Net Interest	1.3%	1.3%

18 Cash and cash equivalents

	As at 1 August 2017	Cash flows	As at 31 July 2018
	£'000	£'000	£'000
Cash and cash equivalents	4,796	(271)	4,525
Total	4,796	(271)	4,525

19 Capital Commitments

	Year ended 31 July 18 £'000	Year ended 31 July 17 £'000
Commitments contracted for at 31 July	-	-

Trafford College Group (Formerly Trafford College)

20 Lease obligations

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

	Year ended 31 July 18 £'000	Year Ended 31 July 17 £'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	457	-
Later than one year and not later than five years	1,653	-
Later than five years	1,291	-
	3,401	-
Other		
Not later than one year	23	33
Later than one year and not later than five years	5	-
Later than five years	-	-
	28	33
Total lease payments due	3,429	33

Trafford College Group (Formerly Trafford College)

21 Defined benefit obligations

The College's employees belong to two principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff and the Greater Manchester Pension Fund (GMPF) for non-teaching staff, which is managed by Tameside MBC. Both are multi-employer defined-benefit plans.

Total pension cost for the year

	As at 31 July 2018	As at 31 July 2017
	£'000	£'000
Teachers' Pension Scheme: Contributions paid	1,066	904
Local Government Pension Scheme: Contributions paid	1,281	959
FRS 102 (28) charge/(credit)	871	345
Charge to the Statement of Comprehensive Income	2,152	1,304
Enhanced pension charge to Statement of Comprehensive Income	18	10
Total Pension Cost for Year	3,236	2,218

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

Following the actuarial valuation of the LGPS on 31 March 2013, the college agreed with the GMPF to make three additional lump sum payments to the LGPS for the three years ending 31 March 2015 to 31 March 2017. During 2016-17 a payment of £182,000 was made to conclude this arrangement. The results of the 31 March 2016 valuation were disclosed during 2016-17. The action required of the college for the three year period starting 1 April 2017 was to increase their contribution rate from 18.7% to 23.8%. The pay costs for the financial years ending 31 July 2017 and 31 July 2018 incorporate this change.

Contributions amounting to £358,000 (2017: £224,000) were payable to the schemes at 31 July and are included within creditors.

Teachers' Pension Scheme

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

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

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

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

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

The latest actuarial review of the TPS was carried out as at 31 March 2012. 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 (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million;
- 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 at some point in 2019.

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

The pension costs paid to TPS in the year amounted to £1,066,000 (2017: £904,000).

Greater Manchester Pension Fund (GMPF)

The Greater Manchester Pension Fund (GMPF) is a funded defined-benefit plan, with the assets held in separate funds administered by Tameside MBC. The total contribution made for the year ended 31 July 2018 was £1,619,000 (2017 £1,288,000) of which employer's contributions totaled £1,262,000 (2017 £959,000) and employees' contributions totaled £357,000 (2017 £262,000). The agreed contribution rates for future years are 23.8% for employers and range from 5.5% to 7.5% for employees depending on salary.

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Principal Actuarial Assumptions	31 July 2018 % per annum	31 July 2017 % per annum
Rate of increase in salaries	3.2%	3.3%
Future pensions increases	2.4%	2.5%
Discount rate for scheme liabilities	2.8%	2.7%
Inflation assumption (CPI)	2.4%	2.5%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The average future life expectations at age 65 (which are unchanged from the previous year) are as follows:

	At 31 July 2018	At 31 July 2017
Retiring today		
Males	21.5 years	21.5 years
Females	24.1 years	24.1 years
 <i>Retiring in 20 years</i>		
Males	23.7 years	23.7 years
Females	26.2 years	26.2 years

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

	2018 £'000	2017 £'000
Fair value of plan assets	90,496	36,640
Present value of plan liabilities	(107,134)	(49,613)
Present value of unfunded liabilities	(220)	(134)
Net pensions liability	(16,858)	(13,107)

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

	2018 £'000	2017 £'000
Amounts included in staff costs		
Current service cost	2,092	1,289
Past service cost	55	15
	2,147	1,304

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	2018	2017
	£'000	£'000
Amounts included in interest payable		
Net interest cost	459	387
	459	387

	2018	2017
	£'000	£'000
Amounts recognised in Other Comprehensive Income		
Return on pension plan assets	5,674	3,728
Experience losses arising on defined benefit obligations	(1)	2,140
Changes in assumptions underlying the present value of plan liabilities	3,194	(2,297)
	8,867	3,571

Movement in net defined liability during the year

	Year Ended	Year Ended
	31 July 2018	31 July 2017
	£'000	£'000
Deficit in scheme at 1 August	(13,107)	(15,946)
Deficit transferred in on merger	(11,288)	-
Current Service cost	(2,092)	(1,289)
Employer contributions	1,276	959
Past service cost	(55)	(15)
Net interest on the defined liability	(459)	(387)
Actuarial Gain	8,867	3,571
	(16,858)	(13,107)

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Asset and Liability Reconciliation

	Year Ended 31 July 2018 £'000	Year Ended 31 July 2017 £'000
Change in the present value of defined benefit obligations		
Defined benefit obligations at start of period	49,747	47,865
Obligations transferred in on merger	57,917	-
Current Service cost	2,092	1,289
Interest Cost	1,861	1,155
Contributions by Scheme participants	355	262
Experience gains and losses on defined benefit obligations	1	(2,140)
Changes in demographic assumptions	-	20
Changes in financial assumptions	(3,194)	2,277
Estimated benefits paid	(1,480)	(996)
Past Service cost	55	15
	<hr/>	<hr/>
Defined benefit obligations at end of period	107,354	49,747

	Year Ended 31 July 2018 £'000	Year Ended 31 July 2017 £'000
Reconciliation of Assets		
Assets at start of period	36,640	31,919
Assets transferred in on merger	46,629	-
Interest on plan assets	1,402	768
Return on plan assets	5,674	3,728
Employer contributions	1,276	959
Contributions by Scheme participants	355	262
Estimated Benefits Paid	(1,480)	(996)
	<hr/>	<hr/>
Assets at end of period	90,496	36,640

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22 Acquisition of Stockport College

On 5 April 2018, Stockport College merged into Trafford College and formed the Trafford College Group. The merger has been accounted for under acquisition accounting with assets and liabilities being acquired for £nil consideration and recognised at their fair value.

The assets and liabilities acquired were as follows:

	Book Value	Fair Value adjustment	Acquired
	£'000	£'000	£'000
Tangible assets	21,736	-	21,736
Debtors falling due within one year	2,451	-	2,451
Cash at bank and in hand	519	-	519
Creditors due in 1 year	(43,459)	-	(43,459)
Defined benefit obligations	(11,288)	-	(11,288)
Other provisions	(1,079)	-	(1,079)
Total net liabilities	(31,120)	-	(31,120)

The value of assets and liabilities acquired as at 5 April 2018 were appraised with a view to ensuring that fair value was being applied to each of the categories.

The most significant area of judgement concerned Land and Buildings which were valued at £21,472,000. This value was verified by referring to a valuation undertaken by Stockport College in 2015 using a firm of independent chartered surveyors, whose valuation was based on existing use and used depreciated replacement cost methodology. This value was then updated to take into account both depreciation and further capital expenditure in the period to 5 April 2018.

In addition to the above, significant work was undertaken to ensure that an appropriate bad debt provision was taken into consideration.

In light of the above, appropriate adjustments were made to the financial statements of Stockport College at the time of merger and hence, no fair value adjustments were recognised on acquisition.

23 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

The total expenses paid to or on behalf of the Governors during the year was £539; 4 Governors, (2017: £382; 3 Governors) This represents travel and subsistence and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity. One Governor has received payments of £3,035 (2017: £6,065) from the College during the year as remuneration for services provided for the Area Based Review.

Transactions with the SFA, ESFA and HEFCE are detailed in notes 2, 12 and 13.

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24 Amounts disbursed as agent

	Year Ended 31 July 18 £'000	Year Ended 31 July 17 £'000
Balance brought forward	385	442
Funding body grants received	591	573
Funds received on merger	555	-
Disbursed to Students	(631)	(593)
Administration charge	(46)	(37)
	<hr/>	<hr/>
Balance Unspent at 31 July	854	385

Funding body grants are available solely for students; the College acts only as paying agent. The grants and related disbursements are therefore excluded from the Statement of Comprehensive Income.

25 Post Balance Sheet Events

On 26 October, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The judgement concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits, ('GMP'). The Government will need to consider this outcome in conjunction with the Government's recent consultation on GMP indexation in public sector schemes before concluding on any changes required to LGPS schemes. This could result in an additional liability being recognised in the financial statements. However, the financial effect cannot be reliably estimated at this time.