



TRAFFORD COLLEGE GROUP

REPORT AND FINANCIAL STATEMENTS

For the Year Ended 31 July 2019



The Trafford College Group – Financial Statements for the year ended 31 July 2019

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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 18 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 & Strategy - Andrea Bennett

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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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
1 St Peter's Square
Manchester
M2 3AF

REPORT OF THE GOVERNING BODY

NATURE, OBJECTIVES AND STRATEGY

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

Legal Status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting 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).

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; and the setting at a high level of both the aspirations and the actual standards the students can achieve.

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Our Strategic Priorities

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

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

Resources

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

Tangible resources include the three TCG sites, and £5,880,000 held in cash. Cash reserves will be critical in supporting the TCG through any turbulence as a result of further funding cuts.

The refurbishment of the Stockport Campus is underway with support being made available from Greater Manchester Combined Authority.

The average number of persons employed in 2018-19 was 518 FTEs across a range of curriculum, management and support roles, of whom 346 are teaching staff. This figure is higher than the previous year, including a full 12 months of combined operational performance for the merged Group. Last years equivalent figure was 413 FTEs.

The College enrolled approximately 13,683 students. The College's student population includes 3,237 16-18 year old students, 1,880 apprentices, 579 higher education students and 7,887 adult learners.

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.

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

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

DEVELOPING AND DELIVERING OUR CORPORATE PLAN

The Corporate Plan was developed following extensive consultation and engagement with staff, governors and key stakeholders and was approved in November 2018. Through this process we 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 a number of objectives, whose targets and KPIs form the basis for regular and robust management of the TCG's performance in achieving its strategic objectives by Governors, the Executive Leadership Team (ELT), managers and team leaders.

The TCG's performance in delivering its priorities and objectives informs 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.

Financial Results

The merger of Stockport College into Trafford College on 5 April 2018 was accounted for under acquisition accounting. The results shown in the prior year of 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. The results shown in these financial statements for the current year reflect the performance of the combined Trafford College Group for the 12 months to 31 July 2019. Hence, comparison of data with the prior year is not necessarily on a like for like basis.

The TCG reported a deficit before other gains and losses of £1,467,000 in 2018-19 compared to a deficit of £8,617,000 the previous year. During the current year, the TCG has benefitted from significant receipts of funding from the Transaction Unit with £3,611,000 being released to the Statement of Comprehensive income. These monies have been used to create a stable property base at the Stockport campus and to enable the Trafford College Group to move forward with confidence as a combined Group.

Developments

The College's redevelopment involved tangible fixed asset additions during the year amounting to £3,077,000. This incorporates £2,524,000 invested in the redevelopment of the Stockport campus and £553,000 of equipment purchased.

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Reserves

The TCG has accumulated reserves of negative £1,029,000 and cash balances of £5,880,000. The net liability position has been generated as a result of an actuarial loss reported in the year of £7,421,000. 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 Trafford 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.

Sources of income

The Group has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2018-19 ESFA provided 79% of the Group's total income, including £3,611,000 released from the Transaction Unit to support the redevelopment and harmonisation of the Group following merger.

FUTURE PROSPECTS

Financial Plan

An updated 3 year Financial Plan was approved in July 2019 which includes the benefits of the efficiencies arising from the merger with a forecast to deliver the financial KPIs.

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 & Poor's long term rating of AA- or above;
- b) the following UK banks with a Standard & Poor's 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.

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Cash Flows

Net cash inflows from operating activities in 2018-19 totalled £1,390,000. This included the receipt of £4,871,000 from the Transaction Unit (TU). The TU monies were used in part to create a stable footing for the future of the combined group and to invest in a stable property base at the Stockport Campus.

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 currently has one loan of £6.476m, 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 £624k due to be paid in the year to 31 July 2020.

Reserves

The College Group has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation and ensures that there are adequate reserves to support the College's core activities. The College Group has no restricted reserves. As at the balance sheet date the Income and Expenditure reserve stands at negative £3,457,000 with £5,417,000 held in the prior year. The movement to a deficit reserve has been the result of a pensions charge in the year of £7,421,000 arising from changes in assumptions underlying the present value of the pension plan liabilities.

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 College primarily meets its day-to-day working capital requirements through cash generated from its day-to-day activities. The College is funding its contribution to the redevelopment of Stockport Campus through land disposals. Uncertainty surrounding the timing of the land sales creates a risk on the College cash flow, and plans to mitigate the risk have been put in place and are supported by key stakeholders.

The TCG currently has one loan of £6.48m outstanding at 31 July 2019 with Barclays Bank, with current annual payments of £625k (principal plus interest) ending in 2036. The loan with Barclays includes a number of covenants including a minimum cash balance of £3m.

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 taking into account the

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mitigation plans that have been approved by the Board and also the ongoing support of Barclays. Barclays have indicated their willingness to continue to support the college in light of the uncertainty surrounding the timing of the land sales.

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.

PRINCIPLE RISKS AND UNCERTAINTIES

Risk management

The College has well developed strategies for managing risk and strives to embed risk management in all that it does. Risk management processes are designed to protect its assets, reputation and financial stability. The governing body has overall responsibility for risk management and its approach to managing risks and internal controls is explained in the Statement on Corporate Governance.

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

The main risk factors affecting the College are outlined below along with the action taken to minimise them. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

1 Government Funding

The TCG has relied considerably on continued government funding through the further education sector funding bodies and through HEFCE. In 2018/19, circa 80% 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
- conditionality of funding in respect of English and Maths
- significant changes to the Apprenticeship funding methodology following the introduction of standards and the levy
- 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

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- the TCG has actively invested in its Apprenticeship delivery in recognition of the opportunities and risks arising from the Apprenticeship reforms

2 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 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.

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.

4 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 and 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; and
- Failure to ensure that staff costs (including subcontracted teaching and excluding FRS 102 pension adjustments) to be no more than 65% of income.

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These risks are mitigated in a number of ways:

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

5 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. Along with the redevelopment of the Stockport Campus these risks are mitigated in a number of ways:

- a strategic operations group oversees the delivery of the post merger integration plan
- a strategy property working group oversees the redevelopment of the Stockport Campus
- a regular dialogue/liaison with the Transaction Unit and ESFA to ensure that plans are kept on track.

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 2018/19 and monitoring reports are presented to the Board meetings on a quarterly basis.

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KPI	TCG Target 2018/19	TCG Actual 2018/19
Finance		
EBITDA – Education Specific	£(2)k	£(1,087)k
Cash Balance at year end	£6,581k	£5,880k
Cash Days	71	66
Staff Costs	66%	68%
Learner Numbers		
ESFA Funded Numbers	3,365	3,237
HE Learner Numbers (OfS)	723	579
Curriculum		
16-18 Achievement rate	85%	84.5%
19+ Achievement rate	90%	91.3%
16-18 Retention rate	92%	89.6%
19+ Retention rate	92%	94.1%
16-18 Apprenticeship Achievement rate	85%	72.0%
19-23 Apprenticeship Achievement rate	80%	72.0%
24+ Apprenticeship Achievement rate	80%	72.0%
Resources		
Staff Turnover	8%	11.2%
Average Working Days lost per FTE (total)	6.5	6.5

The KPI's are considered by the Board. Variances are discussed and improvement plans are put in place where necessary.

Achievement Rates for Trafford College Group

Achievement rates for 2018/19 are subject to a final reconciliation but projected performance is in line with 2017/18 outcomes.

Class Room Base Provision	2016/17	2017/18	2018/19	National Rate*
16 – 18 Learners	85.8%	84.3%	84.5%	82.1%
19+ Learners	91.8%	90.2%	91.3%	88.3%
All Ages	88.7%	87.5%	88.5%	84.4%

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

Timely Apprenticeship Provision	2016/17	2017/18	2018/19	National Rate
16 – 18 Learners	75.0%	67.8%	69.7%	63.0%
19 – 23 Learners	70.1%	68.5%	72.1%	62.8%
24+ Learners	72.6%	67.2%	68.9%	56.4%
All Ages	72.8%	67.8%	70.1%	60.2%

The 2016/17 data is not directly comparable to future years as this reflects the position for Trafford College only, prior to the merger with Stockport College.

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PUBLIC BENEFIT

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 18.

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.

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.

Following the formation of the Trafford College Group a revised policy was developed and submitted to the first Board of the Corporation in the 2018/19 academic year for approval. The updated policy was 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 was published during 2018/19 to reflect our performance on equality and diversity across the whole group.

Trafford College Group is a 'Positive about Disabled' employer. 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.

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.

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- 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.

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 in the period	FTE employee number
5	5.0

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

Total cost of facility time	£8,031
Total pay bill	£20,335,119
Percentage of total bill spent on facility time	0.04%

Time spent on paid trade union activities as a percentage of total paid facility time	100%
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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 2018 to 31 July 2019, 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.

Post Balance Sheet Events

There are no known significant post balance sheet events.

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 18 December 2019 and signed on its behalf by:-

Signature:



Graham Luccock – Chairperson

Date: 11/3/20

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 2018 to 31 July 2019 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 Code of Good Governance for English Colleges (“the Code”).

In the opinion of the Governors, the TCG complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2019. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges, issued by the Association of Colleges in March 2015, which it formally adopted in 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.

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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	71%
Graham Luccock	1 May 2002	31 Mar 2022	Active	Chair of Remuneration Chair of Search Resources Curriculum & Quality	100%
Dawn Cole	1 Sep 2011	31 Aug 2021	Active	Audit Remuneration	43%
Guy Robson	23 May 2018	31 Aug 2020	Active	Chair of Resources Remuneration, Search	57%
Kurt Allman	12 Sep 2013	31 Dec 2020	Active	Curriculum & Quality	43%
Val Dixon	18 Nov 2017	31 Dec 2018 Resigned 19 Dec 2018	Resigned	Curriculum & Quality	100%
Ian Ruff	22 Apr 2014	22 Mar 2022	Sabbatical	Curriculum & Quality Audit	
James Beazley	22 Apr 2014	28 Mar 2022	Active	Remuneration; Resources	57%
Jill Bottomley	07/01/2019	07/01/2023	Active	Remuneration; Resources	100%
Janet Grant	5 May 2014	5 May 2021	Active	Resources	71%
Sarah Drake	1 Sep 2015	31 Aug 2021	Active	Chair of Curriculum & Quality (Part)	86%
John Cowell	8 Nov 2017	1 Oct 2021 Resigned 19 Dec 2018	Resigned	Resources	67%
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	29%
Lutumba Mbala	13 Nov 2018	31 Aug 2019	Active	Curriculum & Quality	20%
Joaquin Lorente	07 Jan 2019	07 Jan 2023	Active	Curriculum & Quality	75%
Louise Richardson	5 Apr 2018	31 Dec 2020	Active	Search, Remuneration, Resources	71%
Maureen Wilkins	5 Apr 2018	28 Mar 2020	Active	Audit Curriculum & Quality	71%

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

The attendance of Board members has been considered by the Corporation and targets have been established for the financial year 2019-20.

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The Corporation is provided with regular and timely information on the overall financial performance of the Group 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 Board of the Corporation normally meets between 5 and 6 times a year and on a termly basis as a minimum requirement.

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 Group 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:

Wellington Road South, Stockport, SK1 3UQ

All governors are able to take independent professional advice in furtherance of their duties at the Group'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 an initial term of office not exceeding four years.

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Corporation Performance

The Corporation carried out a self-assessment of its own performance for the year ended 31 July 2019 and graded itself as “good” on the Ofsted scale.

Remuneration Committee

Throughout the year ended 31 July 2019, the Group'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 2019, are set out in Note 7 to the Financial Statements.

During the year the Board of the Corporation on the advice of the Remuneration Committee adopted the AoC Senior Post Holder Remuneration Code to take effect from December 2018.

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 College'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 Group's business.

The Group'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.

Resources Committee

The Resources Committee comprises 7 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, 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.

Trafford College Group – Financial Statements for the year ended 31 July 2019

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

Search Committee

The Search Committee comprises 3 members of the Board of the Corporation and 3 externally co-opted specialists. The Committee operates in accordance with written terms of reference approved by the Corporation.

The Search Committee meets normally twice per year and considers all issues relating to recruitment and appointments to the Board of the Corporation.

Internal control

Scope of responsibility

The Corporation is ultimately responsible for the Group'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 Group'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 The Trafford College Group 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 College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Trafford College for the year ended 31 July 2019 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the Group 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 Group's significant risks that has been in place for the period ended 31 July 2019 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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

Trafford College Group – Financial Statements for the year ended 31 July 2019

- 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.

The Trafford College Group 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 College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. At minimum annually, the Head of Internal Audit (HIA) provides the governing body with a report on internal audit activity in the Group. The report includes the HIA's independent opinion on the adequacy and effectiveness of the Group'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 Group who have responsibility for the development and maintenance of the internal control framework.
- Comments made by the Group's financial statements and 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 2019 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2019 by considering documentation from the Leadership Team and internal audit, and taking account of events since 31 July 2019.

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

Trafford College Group – Financial Statements for the year ended 31 July 2019

Approved by order of the members of the Corporation on 18th December 2019 and signed on its behalf by:

Graham Luccock – Chairperson

Date: 11/3/20

Signature:



Lesley Davies OBE – Principal and Accounting Officer

Date: 11/3/20

Signature:



Statement of Regularity, Propriety and Compliance

The Corporation has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety, and non-compliance with terms and conditions of funding, under the College's grant funding agreement and contracts with ESFA. As part of 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 College, or material non-compliance with the College's grant funding under the College's grant funding agreement and contracts with ESFA. We confirm that no instances of material irregularity, impropriety or funding non-compliance discovered to date. 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 18th December 2019 and signed on its behalf by:

Graham Luccock – Chairperson

Date: 11 March 2020

Signature:



Lesley Davies OBE – Principal and Accounting Officer

Date: 11 March 2020

Signature:



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 college's grant funding agreements and contracts with ESFA, the Corporation, through its accounting officer, is required to prepare financial statements and an operating and financial review for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's college accounts direction and the UK's Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the college and 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 College 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 College.

The Corporation is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the College and which enable it to ensure that the financial statements are prepared in accordance with 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 College's website; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from 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 College's 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 – Financial Statements for the year ended 31 July 2019

Approved by order of the members of the Corporation on 18th December 2019 and signed on its behalf by:

Graham Luccock – Chairperson

Date: 11 March 2020

Signature:

A handwritten signature in black ink, appearing to read 'G Luccock', written in a cursive style.

Trafford College Group – Financial Statements for the year ended 31 July 2019

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

Opinion

We have audited the financial statements of Trafford College Group (the College) for the year ended 31 July 2019, 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 2019 and of the College's deficit of income over expenditure for the year then ended; and
- have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice – Accounting for Further and Higher Education issued in March 2014.

Basis for opinion

We have been appointed as auditor under the College's Articles of Government and report in accordance with 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.

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

Other information

The Corporation is responsible for the other information. The other information comprises the information included in the Report, set out on pages 5 to 26 other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

Trafford College Group – Financial Statements for the year ended 31 July 2019

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 Education and Skills 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 of Responsibilities of the Members of the Corporation set out on pages 25 to 26, the College's Corporation is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation 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 is responsible for assessing the College's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Corporation either intend to liquidate the College or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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.

Use of our report

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's 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.



Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester

Date: 13-3-2020

Trafford College Group – Financial Statements for the year ended 31 July 2019

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 7 June 2019 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 2018 to 31 July 2019 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

Respective responsibilities of 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 2018 to 31 July 2019 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

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

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

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

The work undertaken to draw our conclusion includes:

Trafford College Group – Financial Statements for the year ended 31 July 2019

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

Conclusion

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

Use of our report

This report is made solely to the corporation of 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.



Grant Thornton UK LLP
Chartered Accountants
Manchester

13-7-2020

Trafford College Group – Financial Statements for the year ended 31 July 2019

Statement of Comprehensive Income

	Notes	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Income			
Funding body grants	2	27,431	22,441
ESFA Transaction Unit grant	2	3,611	29,112
Tuition fees and education contracts	3	5,688	4,338
Other income	4	331	237
Endowment and investment income	5	25	23
Total income		37,086	56,151
Expenditure			
Staff costs	6	23,546	19,411
Restructuring costs	6	307	866
Other operating expenses	8	10,914	9,968
Depreciation	11	2,836	2,567
Interest and other finance costs	9	950	836
Net liabilities transferred on merger	26	-	31,120
Total expenditure		38,553	64,768
Deficit before tax		(1,467)	(8,617)
Taxation	10	-	-
Deficit for the year		(1,467)	(8,617)
Actuarial (loss)/gain in respect of pension scheme	23	(7,421)	8,867
Total Comprehensive Income for the year		(8,888)	250

The accompanying notes form part of these financial statements.

Trafford College Group – Financial Statements for the year ended 31 July 2019

Statement of Changes in Reserves

	Income and Expenditure Account £'000	Revaluation Reserve £'000	Total £'000
Balance at 1st August 2017	5,072	2,537	7,609
Deficit from the income and expenditure account	(8,617)	-	(8,617)
Other comprehensive income	8,867	-	8,867
Transfers between revaluation and income and expenditure reserves	95	(95)	-
	<hr/> 345	<hr/> (95)	<hr/> 250
Balance at 31st July 2018	5,417	2,442	7,859
Deficit from the income and expenditure account	(1,467)	-	(1,467)
Other comprehensive income	(7,421)	-	(7,421)
Transfers between revaluation and income and expenditure reserves	14	(14)	-
	<hr/> 14	<hr/> (14)	<hr/> -
Total comprehensive income for the year	(8,874)	(14)	(8,888)
Balance at 31st July 2019	(3,457)	2,428	(1,029)

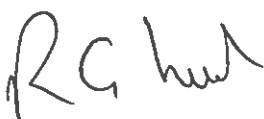
The accompanying notes form part of these financial statements.

Trafford College Group – Financial Statements for the year ended 31 July 2019

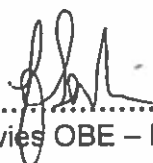
Balance Sheet as at 31 July

	Notes	31 July 2019 £'000	31 July 2018 £'000
Non Current Assets			
Tangible fixed assets	11	67,206	66,965
Total fixed assets		67,206	66,965
Current assets			
Trade and other receivables	12	1,170	1,255
Cash and cash equivalents	18	5,880	4,525
		7,050	5,780
Less: Creditors - amount falling due within one year	13	(6,430)	(7,365)
Net current assets/(liabilities)		620	(1,585)
Total assets less current liabilities		67,826	65,380
Less: Creditors - amounts falling due after more than one year	14	(41,376)	(39,269)
Provisions			
Defined benefit obligations	23	(26,209)	(16,858)
Other provisions	17	(1,270)	(1,394)
Total net (liabilities)/assets		(1,029)	7,859
Unrestricted reserves			
Income and expenditure account		(3,457)	5,417
Revaluation reserve		2,428	2,442
Total unrestricted reserves		(1,029)	7,859

The Financial Statements on pages 32 to 62 were approved and authorised for issue by the Corporation on 18 December 2019, and were signed on its behalf by:



.....
G Luccock – Chairperson



.....
L Davies OBE – Principal and Accounting Officer

The accompanying notes form part of these financial statements.

Trafford College Group – Financial Statements for the year ended 31 July 2019

Statement of Cash Flows	Notes	2019	2018
		£'000	£'000
Cash inflow from operating activities			
Deficit for the year		(1,467)	(8,617)
Adjustment for non cash items			
Depreciation	11	2,836	2,567
Deferred capital grants released to income	2	(1,196)	(894)
Decrease in debtors		85	1,822
Decrease in creditors due within one year		(1,128)	(9,761)
Increase in creditors due after one year		21	-
Decrease in provisions		(124)	(38)
Pensions costs and finance costs less contributions payable		1,930	1,330
Loss recognised on merger		-	31,120
Adjustment for investing or financing activities			
Investment income	5	(25)	(23)
Interest payable	9	458	377
		<hr/>	<hr/>
Net cash flow from operating activities		1,390	17,883
		<hr/> <hr/>	<hr/> <hr/>
Cash flows from investing activities			
Investment income		25	23
Transfer of cash on merger		-	519
Payments made to acquire fixed assets		(2,877)	(5,598)
Deferred capital grants received		<u>3,516</u>	<u>520</u>
		<hr/> <hr/>	<hr/> <hr/>
		664	(4,536)

Trafford College Group – Financial Statements for the year ended 31 July 2019

Cash flows from financing activities

Interest paid		(458)	(377)
Repayments of amounts borrowed		(241)	(13,241)
		<u>(699)</u>	<u>(13,618)</u>
Increase/(Decrease) in cash and cash equivalents in the year		<u>1,355</u>	<u>(271)</u>
Cash and cash equivalents at beginning of the year	18	4,525	4,796
Cash and cash equivalents at end of the year	18	5,880	4,525

The accompanying notes form part of these financial statements.

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 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.

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.

Basis of Preparation

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

The 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.

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.

At 31 July 2019 the College is in a net liability position of £1,029,000 (2018: £7,859,000 net assets).

The College primarily meets its day-to-day working capital requirements through cash generated from its day-to-day activities. The College is funding its contribution to the

Trafford College Group – Financial Statements for the year ended 31 July 2019

redevelopment of Stockport Campus through land disposals. Uncertainty surrounding the timing of the land sales creates a risk on the College cash flow, and plans to mitigate the risk have been put in place and are supported by key stakeholders.

The College currently has one loan of £6.5m outstanding at 31 July 2019 with Barclays Bank, with fixed annual payments of £624k (principal plus interest) ending in 2036. The loan with Barclays includes a number of covenants including a minimum cash balance of £3m.

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 taking into account the mitigation plans that have been approved by the Board and also the ongoing support of Barclays. Barclays have indicated their willingness to continue to support the college in light of the uncertainty surrounding the timing of the land sales.

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 2018 with £1.1m being deferred to 2019. Key areas of spend during the year ended 31 July 2018 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.

Support funds of £3.2m were received from the Transaction Unit during the financial year ended 31 July 2019, included within £3.6m expended in 2019 and £0.7m deferred to 2020.

Trafford College Group – Financial Statements for the year ended 31 July 2019

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 statement of comprehensive income 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, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability / asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by

Trafford College Group – Financial Statements for the year ended 31 July 2019

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 10-20 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.

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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.

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.

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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.

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 25, except for the 5 per

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

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2 Funding council grants

	Year ended 31 st July 2019 £'000	Year ended 31 st July 2018 £'000
Recurrent grants		
Education and Skills Funding Agency - adult	6,022	3,972
Education and Skills Funding Agency – 16 -18	16,035	13,233
Education and Skills Funding Agency - apprenticeships	3,591	3,810
Higher Education Funding Council	530	415
Specific Grants		
Education and Skills Funding Agency Transaction Unit	3,611	29,112
Education and Skills Funding Agency	57	117
Release of government capital grants	1,196	894
	<hr/>	<hr/>
Total	31,042	51,553

3 Tuition fees and education contracts

	Year ended 31 st July 2019 £'000	Year ended 31 st July 2018 £'000
Adult education fees	863	976
Fees for FE loan supported courses	835	782
Fees for HE loan supported courses	2,801	1,841
Employer apprenticeship fees	107	84
Total tuition fees	<hr/> 4,606	<hr/> 3,683
Education contracts	1,082	655
	<hr/>	<hr/>
Total	5,688	4,338

4 Other income

	Year ended 31 st July 2019 £'000	Year ended 31 st July 2018 £'000
Catering and residences	54	41
Other income generating activities	38	22
Miscellaneous income	239	174
	<hr/>	<hr/>
Total	331	237

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5 Investment income

	Year ended 31st July 2019 £'000	Year ended 31st July 2018 £'000
Other interest receivable	25	23
	<u>25</u>	<u>23</u>

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 31st July 2019 No.	Year ended 31 st July 2018 No.
Teaching staff	346	269
Non teaching staff	172	144
	<u>518</u>	<u>413</u>

Staff costs for the above persons

	Year ended 31st July 2019 £'000	Year ended 31 st July 2018 £'000
Wages and salaries	16,199	13,297
Social security costs	1,431	1,225
Apprenticeship levy	66	53
Other pension costs	4,404	3,236
Payroll sub total	22,100	17,811
Contracted out staffing services	1,446	1,600
	<u>23,546</u>	<u>19,411</u>
Restructuring costs	307	866
Total	<u>23,853</u>	<u>20,277</u>

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

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented for 2019 by the senior post-holders who are the Accounting Officer, Vice Principal Corporate Services and Planning, Vice Principal Curriculum and Quality, Director of Finance and Strategy and the Corporation Secretary.

	2019 No.	2018 No.
The number of key management personnel including the Accounting Officer was:	5	6

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

Trafford College Group – Financial Statements for the year ended 31 July 2019

	Year ended 31 July 2019		Year ended 31 July 2018	
	No of key management staff	No of other Staff	No of key management staff	No of other Staff
£50,001 to £55,000	1		1	
£55,001 to £60,000	-		-	
£60,001 to £65,000	-	3	-	3
£65,001 to £70,000	-	4	-	5
£70,001 to £75,000	-	1	-	-
£75,001 to £80,000	-	1	2	-
£80,001 to £85,000	-	-	-	1
£85,001 to £90,000	-	-	-	-
£90,001 to £95,000	-	-	1	-
£95,001 to £100,000	-	-	-	-
£100,001 to £105,000	1	-	2	-
£105,001 to £110,000	1	-	-	-
£110,001 to £115,000	1	-	-	-
£155,001 to £160,000	-	-	1	-
£160,001 to £165,000	-	-	-	-
£165,001 to £170,000	1	-	-	-
Total number	5	9	6	9

Key management personnel emoluments are made up as follows:

	Year ended 31 July 2019	Year ended 31 July 2018
Salaries	551	514
Employers National Insurance	73	65
Benefits in kind	-	-
	624	579
Pension contributions	103	103
Total emoluments	727	682

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

	Year ended 31 July 2019	Year ended 31 July 2018
	£'000	£'000
Salary	170	156
Employers national insurance contributions	22	20
Benefits in kind	-	-
	<hr/>	<hr/>
	192	176
	<hr/>	<hr/>
Pension contributions	26	37

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

The governing body has adopted AoC's Senior Staff Remuneration Code in July 2019 and will assess pay in line with its principles in future.

The remuneration package of Key management staff, including the Principal/Accounting Officer, is subject to annual review by the Remuneration Committee of the governing body who use benchmarking information to provide objective guidance.

The Principal/Accounting Officer reports to the Chair of Governing Council, who undertakes an annual review of her performance against the college's overall objectives using both qualitative and quantitative measures of performance.

The relationship of the Principal/Accounting Officer's pay and remuneration expressed as a multiple is:

	Year ended 31 July 2019	Year ended 31 July 2018
Principal's basic salary as a multiple of the median of all staff	5.5	5.5
Principal's total remuneration as a multiple of the median of all staff	6.3	6.3

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8 Other operating expenses

	Year ended 31 July 2019	Year ended 31 July 2018
	£'000	£'000
Teaching costs	2,589	1,744
Non-teaching costs	5,121	6,020
Premises costs	3,204	2,204
	<u>10,914</u>	<u>9,968</u>

Other operating expenses include:

Auditors' remuneration:			35
Financial statements external audit	29		35 24
		36	
Other services provided by financial statement external auditors:		28	1
All other assurance services	8		1 -
		8	-
Hire of assets under operating leases:			
Equipment	181		97
Land and Buildings	467	181	152
		467	
			152

9 Interest payable

	Year ended 31 July 2019	Year ended 31 July 2018
	£'000	£'000
On bank loans, overdrafts and other loans	458	377
Pension finance costs (note 23)	492	459
Total	<u>950</u>	<u>836</u>

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 (2018: £nil).

Trafford College Group – Financial Statements for the year ended 31 July 2019

11 Tangible Fixed Assets

	Land and buildings - Freehold	Leasehold Buildings	Equipment	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2018	81,117	832	8,038	900	90,887
Additions	-	-	553	2,524	3,077
Disposals	-	-	(103)	-	(103)
At 31 July 2019	81,117	832	8,488	3,424	93,861
Depreciation					
At 1 August 2018	16,594	832	6,496	-	23,922
Charge for the year	2,139	-	697	-	2,836
Elimination in respect of disposals	-	-	(103)	-	(103)
At 31 July 2019	18,733	832	7,090	-	26,655
Net book value at 31 July 2019	62,384	-	1,398	3,424	67,206
Net book value at 31 July 2018	64,523	-	1,542	900	66,965

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 inherited from Stockport College in April 2018 have been recognised at fair value.

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12 Trade and other receivables: amounts falling due within one year

	Year ended 31 st July 2019 £'000	Year ended 31 st July 2018 £'000
Amounts falling due within one year:		
Trade receivables	142	235
Prepayments and accrued income	732	595
Amounts owed by the ESFA	296	425
Total	<u><u>1,170</u></u>	<u><u>1,255</u></u>

13 Creditors: amounts falling due within one year

	Year ended 31 st July 2019 £'000	Year ended 31 st July 2018 £'000
Bank loans (Note 15)	247	236
Trade payables	718	965
Obligations under finance leases	48	-
Other taxation and social security	381	487
Accruals and deferred income	3,141	2,673
Deferred income - government capital grants	1,200	1,218
Funds received in advance from the ESFA	695	1,075
Amounts owed to the ESFA	-	711
Total	<u><u>6,430</u></u>	<u><u>7,365</u></u>

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14 Creditors: amounts falling due after one year

	Year ended 31 st July 2019 £'000	Year ended 31 st July 2018 £'000
Bank loans (Note 15)	6,229	6,481
Obligations under finance leases	21	-
Deferred income - government capital grants	35,126	32,788
Total	<u><u>41,376</u></u>	<u><u>39,269</u></u>

15 Maturity of debt

a) Bank Loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	As at 31 July 2019 £'000	As at 31 July 2018 £'000
In one year or less	247	236
Between one and two years	256	246
Between two and five years	847	797
In five years or more	5,126	5,438
Total	<u><u>6,476</u></u>	<u><u>6,717</u></u>

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 will be made in September 2036.

Barclays Bank also amended the security of the loan in April 2018 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

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b) Finance leases

	Year ended 31 st July 2019 £'000	Year ended 31 st July 2018 £'000
In one year or less	48	-
Between two and five years	21	-
In five years or more	-	-
	<u>69</u>	<u>-</u>

16 Financial assets and liabilities

	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
Financial assets measured at amortised cost indentation	<u>6,343</u>	<u>5,241</u>
Financial liabilities measured at amortised cost	<u>9,103</u>	<u>9,531</u>

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.

17 Provisions

a) Enhanced Pensions

	Enhanced pensions £'000
At 1 August 2018	1,394
Expenditure in the period	(112)
Finance costs	35
Actuarial gain	(47)
At 31 July 2019	<u><u>1,270</u></u>

The enhanced pension provision relates to the cost of staff who have already left the Group'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.

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The principal assumptions for this calculation are:

	2019	2018
Price inflation	2.00%	1.30%
Discount rate	2.50%	2.30%

18 Cash and cash equivalents

	At 1 August 2018 £'000	Cash flows £'000	Other changes £'000	At 31 July 2019 £'000
Cash and cash equivalents	4,525	1,355	-	5,880
Total	4,525	1,355	-	5,880

19 Capital Commitments

	Year ended 31 July 19 £'000	Year ended 31 July 18 £'000
Commitments contracted for at 31 July	474	-

20 Lease obligations

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

	Year ended 31st July 2019 £'000	Year ended 31st July 2018 £'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	450	457
Later than one year and not later than five years	1,708	1,653
Later than five years	907	1,291
	<u>3,065</u>	<u>3,401</u>
Other		
Not later than one year	91	23
Later than one year and not later than five years	25	5
Later than five years	-	-
	<u>116</u>	<u>28</u>
Total lease payments due	<u>3,181</u>	<u>3,429</u>

Trafford College Group – Financial Statements for the year ended 31 July 2019

21 Contingent liabilities

There were no contingent liabilities at 31st July 2019 and 31st July 2018.

22 Events after the reporting period

There are no events after the reporting period.

23 Defined benefit obligations

The College's employees belong to two principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff and the 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-Jul-19 £'000	As at 31-Jul-18 £'000
Teachers Pension Scheme: contributions paid	1,341	1,066
Local Government Pension Scheme:		
Contributions paid	1,452	1,281
Additional accrued pension costs	185	-
FRS 102 (28) Charge	<u>1,438</u>	<u>871</u>
Charge to the Statement of Comprehensive Income	3,075	2,152
Enhanced pension (credit)/charge to Statement of Comprehensive Income	(12)	18
Total Pension Cost for Year within staff costs	<u>4,404</u>	<u>3,236</u>

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

Contributions amounting to £318,000 (2018: £358,000) 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' Pensions 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.

Valuation of the Teachers' Pension Scheme

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

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

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

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

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

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/19). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019-20 academic year.

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

The pension costs paid to TPS in the year amounted to £1,341,000 (2018: £1,066,000).

Greater Manchester Pension Fund

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 2019 was £1,854,000 (2018 £1,619,000) of which employer's contributions totalled £1,452,000 (2018 £1,262,000) and employees' contributions totalled £402,000 (2018 £357,000). The agreed contribution rates for future years are 23.8% for employers and range from 5.5% to 12.5% for employees depending on salary.

Principal Actuarial Assumptions

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

	At 31 July 2019 % per annum	At 31 July 2018 % per annum
Rate of increase in salaries	3.20%	3.20%
Future pensions increases	2.40%	2.40%
Discount rate for scheme liabilities	2.10%	2.80%
Inflation assumption (CPI)	2.40%	2.40%

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

	At 31 July 2019	At 31 July 2018
<i>Retiring today</i>		
Males	20.6	21.5
Females	23.1	24.1
<i>Retiring in 20 years</i>		
Males	22.0	23.7
Females	24.8	26.2

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

	Fair Value at 31 July 2019 £'000	Fair Value at 31 July 2018 £'000
Equities	65,489	61,537
Bonds	13,288	14,479
Property	7,593	6,335
Cash	8,542	8,145
Total market value of assets	<u>94,912</u>	<u>90,496</u>

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

	As at 31 July 2019 £'000	As at 31 July 2018 £'000
Fair value of plan assets	94,912	90,496
Present value of plan liabilities	(120,907)	(107,134)
Present value of unfunded liabilities	<u>(214)</u>	<u>(220)</u>
Net pensions liability	<u>(26,209)</u>	<u>(16,858)</u>

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

	As at 31 July 2019 £'000	As at 31 July 2018 £'000
Amounts included in staff costs		
Current service cost	2,261	2,092
Past service cost (including curtailments)	<u>627</u>	<u>55</u>
Total	<u>2,888</u>	<u>2,147</u>

Amounts included in interest payable

Net interest cost	<u>492</u>	<u>459</u>
	<u>492</u>	<u>459</u>

Amounts recognised in Other Comprehensive Income

Return on pension plan assets	2,688	5,674
Experience losses arising on defined benefit obligations	(11)	(1)
Changes in assumptions underlying the present value of plan liabilities	<u>(10,098)</u>	<u>3,194</u>
Amount recognised in Other Comprehensive Income	<u>(7,421)</u>	<u>8,867</u>

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Movement in net defined benefit liability during the year

	As at 31 July 2019 £'000	As at 31 July 2018 £'000
Net defined benefit liability in scheme at 1 August	(16,858)	(13,107)
Movement in year:		
Deficit transferred in on merger	-	(11,288)
Current service cost	(2,261)	(2,092)
Employer contributions	1,452	1,276
Past service cost	(629)	(55)
Net interest on the defined benefit liability	(492)	(459)
Actuarial (loss)/gain	(7,421)	8,867
Net defined liability at 31 July	<u>(26,209)</u>	<u>(16,858)</u>

Asset and Liability Reconciliation

	As at 31 July 2019 £'000	As at 31 July 2018 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	107,354	49,747
Obligations transferred in on merger	-	57,917
Current Service cost	2,261	2,092
Interest cost	3,013	1,861
Contributions by Scheme participants	400	355
Experience gains on defined benefit obligations	11	1
Changes in demographic assumptions	(6,216)	-
Changes in financial assumptions	16,314	(3,194)
Estimated benefits paid	(2,643)	(1,480)
Past service cost	627	55
Defined benefit obligations at end of period	<u>121,121</u>	<u>107,354</u>

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Reconciliation of Assets

	As at 31 July 2019 £'000	As at 31 July 2018 £'000
Fair value of plan assets at start of period	90,496	36,640
Assets transferred in on merger	-	46,629
Interest on plan assets	2,521	1,402
Return on plan assets	2,688	5,674
Employer contributions	1,450	1,276
Contributions by Scheme participants	400	355
Estimated benefits paid	(2,643)	(1,480)
Fair value of plan assets at end of period	<u><u>94,912</u></u>	<u><u>90,496</u></u>

These accounts show a past service cost of £500,000 in respect of the McCloud / Sergeant judgment which ruled that the transitional protection for some members of public service schemes implemented when they were reformed constituted age discrimination. This provision is approximately 0.41% of the total scheme liability as at 31 July 2019. The calculation of adjustment to past service costs arising from the outcome of the Court of Appeal judgment is based on a number of key assumptions including:

- the form of remedy adopted
- how the remedy will be implemented
- which members will be affected by the remedy
- the earning assumptions
- the withdrawal assumption

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

24 Related party transactions

Owing to the nature of the College's operations and the composition of the board of governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving such organisations are conducted in accordance with the College's financial regulations and normal procurement procedures. No transactions were identified which should be disclosed under FRS 102 Section 33 on Related Party Disclosures.

The total expenses paid to or on behalf of the Governors during the year was £1,330; 4 Governors, (2018: £539; 4 Governor) This represents travel and subsistence and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

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

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25 Amounts disbursed as agent

Learner support funds

	2019 £'000	2018 £'000
Balance brought forward	854	385
Funding body grants – 16-18 bursary grants	772	610
Funding body grants – other	27	147
Funds received on merger	-	555
	<u>1,653</u>	<u>1,697</u>
Disbursed to students	(892)	(797)
Administration costs	(41)	(46)
	<u>720</u>	<u>854</u>
Balance unspent as at 31 July, included in creditors	<u>720</u>	<u>854</u>

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

26 Acquisition of Stockport College

On 5 April 2018, Stockport College merged into Trafford College and formed the Trafford College Group. The merger was accounted for under acquisition accounting within the financial statements for the year ended 31 July 2018, with assets and liabilities being acquired for £nil consideration and recognised at their fair value.

The assets and liabilities were acquired as follows:	Book Value £'000	Fair Value adjustment £'000	Acquired adjustment £'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	<u>(31,120)</u>	-	<u>(31,120)</u>

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 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

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on existing use and used depreciation 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.