



# **OAKLANDS COLLEGE**

**OAKLANDS COLLEGE**

**HERTFORDSHIRE**

**REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 JULY 2017**

# **Oaklands College, Hertfordshire**

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

### **Key Management personnel**

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

Zoe Hancock	Principal and CEO, Accounting Officer
Kirsty Steer	Deputy Principal
Sean Scully	Director of Student Experience
Nicola Caiger	Director of Curriculum
Liam McGrath	Director of Curriculum

### **Board of Governors**

A full list of Governors is given on pages 10, 11 and 12 of the Financial Statements.  
Mr Ralph Devereux acted as Clerk to the Corporation throughout the year.

### **Professional advisers**

#### **External auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
10 Bricket Road  
St. Albans  
AL1 3JX

#### **Internal auditors**

RSM UK  
The Pinnacle  
170 Midsummer Boulevard  
Milton Keynes  
MK9 1BP

#### **Bankers**

Barclays Bank PLC  
22-24 Upper Marlborough Road  
St. Albans  
Hertfordshire  
AL1 3AL

#### **Solicitors**

SA Law LLP  
Gladstone Place  
36-38 Upper Marlborough Road  
St Albans, Hertfordshire  
AL1 3UU

# Oaklands College, Hertfordshire

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# Oaklands College, Hertfordshire

## Report of the Corporation

### NATURE, OBJECTIVES AND STRATEGIES

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

#### Legal status

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

#### Mission and vision

The mission of the College is:

*"To realise the potential of our communities"*

The vision of the College is:

*"An amazing experience with outstanding learning so you are ready to take on the world"*

The mission and values were re-affirmed by the Corporation in September 2011.

#### Public Benefit

Oaklands College is an exempt charity under Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Education. The members of the Corporation, who are trustees of the charity, are disclosed on pages 10, 11 and 12.

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

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

- High quality teaching and learning
- Widening participation and tackling social exclusion
- Strong student support systems
- Excellent links with employers, industry and business to promote progression
- Financial sustainability
- Links with Local Enterprise Partnerships (LEPs)

#### Strategic objectives

The College has three strategic objectives:

- High quality responsive curriculum offers
- Talented and valued workforce

# **Oaklands College, Hertfordshire**

## **Report of the Corporation (continued)**

### **NATURE, OBJECTIVES AND STRATEGIES (continued)**

#### **Strategic Objectives (continued)**

- Financial sustainability

Each strategic objective is supported by a further set of objectives against which the performance of the College is measured.

#### **Values**

The values of the College are centred around achieving student success by:

- Pursuing excellence
- Working together
- Being innovative
- Being open and honest
- Valuing diversity

#### **Financial objectives**

The College's financial objectives in 2016/17 were to break even and to generate cash for re-investment and cover the annual capital expenditure budget.

Performance against these objectives is reported to the Corporation during the year and following the year-end when the financial results are available.

#### **Performance indicators**

In June 2016, the Corporation agreed the Key Performance Indicators (KPIs) for 2016/17. On a monthly basis, the College's Senior Management Team reviews performance against the KPIs and takes action, where appropriate, to ensure that targets are met. Performance against the KPIs is monitored by the Corporation at each meeting throughout the year and formally reviewed annually to ensure adequate progress has been made. KPIs for the following year are also confirmed on an annual basis in the light of the previous year's performance.

A robust system of monitoring KPIs is therefore embedded within the College's management framework.

The College is committed to observing the importance of sector measures and indicators and uses the FE Choices data available on the Gov.UK website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the Education and Skills Funding Agency ("ESFA"). The College is assessed by the ESFA as having an "Outstanding" financial health grading.

### **FINANCIAL POSITION**

#### **Financial results**

The College generated a deficit before other gains and losses in the year of £932k (2015/16: £581k), with total comprehensive income of £7,764k (2015/16 : loss of £6,009k).

# **Oaklands College, Hertfordshire**

## **Report of the Corporation (continued)**

### **FINANCIAL POSITION (continued)**

The College has accumulated general reserves of £23,132k (2015/16: £15,369k) and cash and short-term investment balances of £6,980k (2015/16: £6,260k). The College wishes to continue to accumulate reserves and to generate cash balances in order to invest in new facilities.

Tangible fixed asset additions during the year amounted to £2,004k (2015/16: £2,051k). This was split between freehold and leasehold improvements of £309k (2015/16: £1,237k) and equipment purchased of £1,695k (2015/16: £814k).

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2016/17 the FE funding bodies provided 72% (2015/16: 71%) of the College's total income.

The College has one subsidiary company, Oaklands Commercial Ltd. The principal activity of Oaklands Commercial Ltd is to manage the commercial activities of the College.

### **Treasury policies and objectives**

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

The College has a separate treasury management policy in place.

### **Cash flows and liquidity**

The College had a net inflow of cash and liquid resources in the year of £720k (2015/16 = £562k cash outflow). Net cash outflow from capital expenditure amounted to 2,004k (2015/16 = £2,051k).

### **Reserves Policy**

The College has a reserves policy to maintain a minimum of £4m of reserves. Half of which is for operating purposes, which is determined sufficient given the current funding methodology where the majority of the income is known at the start of the year and costs are relatively evenly spread. The other half is to support one-off College needs as determined by the Corporation.

## **CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE**

### **Financial Health**

The College is assessed by the ESFA as having an "Outstanding" financial health grading.

### **Student numbers**

In 2016/17 the College delivered activity that has produced £22,667k in funding body main allocation funding (2015/16 - £21,778k). The College has approximately 5,700 (2015/16: 6,000) funded and 2,200 (2015/16: 2,600) non-funded students.

# **Oaklands College, Hertfordshire**

## **Report of the Corporation (continued)**

### **CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE (continued)**

#### **Student achievements**

Students continue to prosper at the College. Success rates for long qualifications were 84% in 2016/17 (83% in 2015/16).

#### **Curriculum Developments**

The College continues to provide a broad range of learning opportunities in all subject sector areas (placing emphasis on ensuring clear pathways of progression for students from pre-entry to higher education). The College has developed tailored programmes for the unemployed, bringing together community services to collaborate effectively and support individuals in a more accessible way. The College has also continued to provide delivery of training in the work place and in community venues.

In many subject areas, the College has maintained student numbers in its 16-19 vocational provision, with progression of school students (14-16) onto full FE programmes at College. In this regard, the College has sustained collaboration with many of the local schools to offer a collaborative 14-16 provision. The curriculum management team have placed emphasis in furthering progression at all levels and in enabling students to progress to further and higher education or directly into employment.

The College maintained its commitment to the provision of:

- A range of nationally recognised vocational certificate and diplomas from entry 3 to level 3
- A broad range of 14-16 tasters and vocational provision in each of its vocational specialities in order to excite and encourage students to remain in education and succeed
- A Levels across a broad range of subjects to complement but not unnecessarily replicate the provision of local schools
- Higher Education Foundation Degrees and Higher National Certificates / Diplomas
- Intermediate and Advanced Level Apprenticeships in a range of trades and vocations and the development of Higher Apprenticeships
- An extensive programme for Students with Learning Difficulties and/or Disabilities to meet a broad and diverse student need which is recognised as an 'Outstanding' (graded) provision
- Professional body examinations to increase vocational competency for those seeking work and those in employment

Standards of teaching and learning continue to improve with the support of a central team of Senior Advanced Skills Practitioners leading the development of best practice across the College.

#### **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%. The College incurred no interest charges in respect of late payment for the year 1 August 2016 to 31 July 2017.

#### **RESOURCES**

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

# Oaklands College, Hertfordshire

## Report of the Corporation (continued)

### RESOURCES (continued)

Tangible resources include the two main College campuses.

#### *Financial*

The College has £23,132k (2015/16: £15,369k) of net assets including £11,964k (2015/16: £19,720k) pension liability at 31 July 2017.

#### *People*

The College employs 645 people (2015/16: 650), expressed as full time equivalents, of whom 302 (2015/16: 303) are teaching staff.

#### *Reputation*

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

### PRINCIPAL RISKS AND UNCERTAINTIES

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

Based on the strategic objectives, the Senior Management Team undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures including specific preventable actions which should mitigate any potential impact on the College. In addition to the annual review, the Senior Management Team also regularly considers any risks which may arise as a result of a new area of work being undertaken by the College or as a result of emerging issues.

The risk management plan is maintained at College level and is reviewed monthly by the Senior Management Team and monitored by the Corporation at each meeting throughout the year. The plan 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. Each risk is graded according to the level of risk (high, medium or low) and any movements in levels, removal of risks or addition of new risks are highlighted in the report to the Corporation.

Outlined below is a description of the principal risks that may affect the College. Not all the factors are within the College's control.

#### 1. Government funding

The College has considerable reliance on continued government funding through the further education sector funding bodies and through HEFCE. In 2016/17, 72% (2015/16: 71%) of the College's revenue was publicly funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The College is aware of a number of issues which will or may impact on future funding:

- Potential devolution of adult skills budget to Local Enterprise Partnerships (LEPs)



# Oaklands College, Hertfordshire

## Report of the Corporation (continued)

### PRINCIPAL RISKS AND UNCERTAINTIES (continued)

- The requirements of the funding system for 16 -19 year old students in respect of Maths and English
- Demographics of 16-18 year olds declining
- Trends in the numbers of students (particularly 16 -19 year olds) seeking to study at College, as opposed to other routes such as remaining at secondary school
- Development of new trailblazer apprenticeships
- Apprenticeship funding moving to employers
- No real increase in 16-18 national funding rates since they were introduced in 2013/14

This risk is mitigated in a number of ways:

- By deriving funding through a number of direct and indirect contractual arrangements
- Ensuring the College is rigorous in delivering high quality education and training
- Seeking ways of more efficient delivery of teaching and learning and all support services
- Providing progression opportunities to existing students and maximising the recruitment of new students
- Ensuring that the College is focused on those priority sectors which will continue to benefit from public funding
- Maintaining regular dialogue with local authorities in respect of high needs students
- Developing effective links with employers and representative groups including the Local Enterprise Partnership to ensure the offer matches employer and skills needs
- Regular reviews of current and potential offerings and assets to ensure all potential income streams are maximised.

#### 2. Tuition fee policy

Oaklands College has set its tuition fees in accordance with the ESFA's fees assumptions, which remain at 50%. The College continues to monitor the price elasticity of adult learning. The risk for the College is that demand falls off as fees are increased. This will impact on the Growth Strategy of the College.

The risks will be mitigated to some extent by:

- Ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students
- Close monitoring of the demand for courses as prices increase

#### 3. Maintaining adequate funding of pension liabilities

The financial statements report the share of the Local Government Pension Scheme deficit onto the College's balance sheet in line with the requirements of FRS102. At 31 July 2017, this was computed by the Scheme's actuary in accordance with FRS 102, at £11,964k. FRS 102 sets out the basis under which the assets and liabilities of a defined benefit pension scheme must be valued by the Scheme's actuary and as a result the overall outcome can be subject to significant fluctuations between balance sheet dates and over a short period of time. The FRS 102 valuation is a snapshot at 31 July 2017.

The College has no involvement in the management of the Local Government Pension Scheme.

#### 4. Failure to maintain the financial viability of the College

# Oaklands College, Hertfordshire

## Report of the Corporation (continued)

### PRINCIPAL RISKS AND UNCERTAINTIES (continued)

The College's current financial health grade is classed as "Outstanding". The continuing challenge to the College's financial position remains the constraint on further education funding arising from the ongoing cuts in public spending whilst maintaining the student experience. This risk is mitigated in a number of ways:

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

#### 5. Accommodation strategy

The College's current estates strategy was approved by the Corporation in December 2009. This strategy was based on operating at two main campuses, St. Albans and Welwyn Garden City.

The College has developed a masterplan for the further re-development of the St. Albans campus. The funding of the re-development is dependent on the receipt of planning permission for residential development on part of the St. Albans campus. The St. Albans City and District Council's ("the Council") draft local strategic plan identified land at the St. Albans campus as a potential site for residential housing to enable the Council to meet their housing numbers.

The College, in conjunction with Taylor Wimpey submitted a planning application in September 2013 for new teaching and administration buildings together with new student accommodation funded by an enabling development of residential housing. This planning application was rejected by the planning committee on 1 December 2014. The College and Taylor Wimpey subsequently appealed in Spring 2016. In November 2017, the Office of the Secretary of State approved the application, subject to a 6 week judicial review.

The College has recently redeveloped and expanded its Welwyn Garden City campus, comprising a new Learning Resource Centre ("LRC") and new facilities for Engineering and Performing Arts. These were completed in August 2015. New Science and technology spaces were completed ready for the new academic year 2016/17 to further enhance the STEM (Science, Technology, Engineering and Maths) focus at Welwyn Garden City.

### STAKEHOLDER RELATIONSHIPS

In line with other Colleges, Oaklands College has many stakeholders. These include:

- Students
- Education sector funding bodies
- Staff
- Local employers
- Local schools
- Local authorities
- Sports academies
- Local Enterprise Partnerships (LEPs)
- The local community
- Other FE institutions

# Oaklands College, Hertfordshire

## Report of the Corporation (continued)

### STAKEHOLDER RELATIONSHIPS (continued)

- HE institutions
- Private training providers
- Charitable organisations
- Trade Unions
- Professional bodies

The College recognises the importance of these relationships and engages in regular communication with them through a variety of meetings, both formal and informal.

### EQUALITY AND DIVERSITY

The College is committed to achieving equality and diversity in an inclusive and supportive environment. There is zero tolerance to any form of behaviour which contravenes the policy.

The College's Equality and Diversity objectives are published on the College's web-site. The Corporation receive an annual report on Equality and Diversity to provide assurance that the College is meeting its statutory requirements.

The College is committed to the promotion and implementation of equality and diversity in all of its activities as a provider of services, an employer and as a member of the community. The student experience is at the heart of all College policies and procedures and the College places great emphasis on access to education aiming to remove barriers in order to create a culture of inclusiveness.

The College welcomes diversity and recognises, values, celebrates and respects the many different contributions and needs of our students, staff and the communities we serve. We both celebrate and value the diversity brought to our workforce by individuals and believe that the College will benefit from engaging staff from a variety of backgrounds, thus allowing it to meet the needs of a diverse student population.

The College treats all students and employees with respect and dignity and seeks to provide a positive learning and working environment free from direct or indirect discrimination, harassment or victimisation.

The College has committed to the "Mindful Employer" initiative to assist the mental health wellbeing of staff. All new staff receive Equality and Diversity training as part of their induction and refresher training is provided, as appropriate.

The College seeks to continuously challenge its values and practices to ensure that equality and diversity issues do not start and end with simply a policy statement.

# Oaklands College, Hertfordshire

## Report of the Corporation (continued)

### Disclosure of information to auditors

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

Approved by order of the members of the Corporation on 14th December 2017 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Phillip Thompson', with a long horizontal flourish extending to the right.

Phillip Thompson  
Chair

# Oaklands College, Hertfordshire

## Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and financial statements of the College to obtain a better understanding of its governance and legal structure. This statement covers the year from 1<sup>st</sup> August 2016 to 31<sup>st</sup> July 2017 and up to the date of approval of the Annual Report and Financial Statements.

The College endeavours to conduct its business:

- i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii. in full accordance with the guidance to Colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("The Code"); and
- iii. having due regard to the UK Corporate Governance Code 2016 insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the Corporation has adopted and complied with the Code.

In the opinion of the members of the Corporation, the College complies with all the provisions of the Code and has complied throughout the year ended 31 July 2017. The Corporation 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 July 2012.

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

### The Corporation

The members who served on the Corporation during the year and up to the date of signature of this report were as follows:

Name	Date of appointment	Term of office	Date of resignation/ or expiry of term of office	Status of appointment	Committees served	Attendance during the year
Mr R Aitman	January 2017	2 years		Student		67%
Ms E Bennett	2 February 2015	4 years			Search	100%
Ms V Bunn	8 July 2013	4 years	Oct 2016		Search	75%
Ms F Chiappinelli	11 November 2013	4 years	Nov 2017	Academic Staff	Audit	71%

# Oaklands College, Hertfordshire

## Statement of Corporate Governance and Internal Control (Continued)

### The Corporation (Continued)

Mrs C Chisolm	13 February 2017	2 years		Audit	100%
Ms J Cory	11 July 2016	4 years			71%
Mr M Crawford	January 2017	2 years	Student		100%
Mr S Freun	9 November 2015	2 years	Dec 2016	Student	67%
Mrs S Grant	8 July 2013 reappointed 8 July 2017	2 years		Audit, Remuneration, Search	86%
Ms ZJC Hancock	1 April 2011		Principal	Search	86%
Mr P Joyce	14 March 2016	4 years	Oct 2016	Staff	100%
Ms V Kerridge	10 December 2012 reappointed 8 July 2017	2 years		Audit, Together Training	86%
Mr G Lambert	11 July 2011, re- Appointed 1 July 2015	4 years		Chair: Audit, Remuneration	71%
Mr G Lane	1 May 2010, reappointed 1 March 2014	4 years	July 2017	Vice Chair: Corporation from 9 December 2013, Chair: Search from 9 December 2013, Remuneration	100%
Mr P Marshall	November 2016	4 years	Support staff	Audit	100%
Mr N Myerson	13 February 2017	2 years			100%
Mr R Payne	14 November 2016	4 years		Audit, UCSA	83%
Ms R Scott	8 December 2014	4 years	Oct 2016	Audit	71%

# Oaklands College, Hertfordshire

## Statement of Corporate Governance and Internal Control (Continued)

### The Corporation (Continued)

Mr P Thompson	1 August 2009, re-appointed 1 August 2013	4 years	Chair: Corporation, Search, Remuneration	100%
Mr J Wheeler	9 March 2015	4 years		100%

Mr Ralph Devereux acted as Clerk to the Corporation throughout the year.

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

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

The Corporation conducts its business through three committees. Each committee has terms of reference which are reviewed bi-annually and approved by the Corporation. These committees are Remuneration, Search and Audit. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website at [www.oaklands.ac.uk](http://www.oaklands.ac.uk) or from the Clerk to the Corporation at:

Oaklands College  
St Albans Campus  
Hatfield Road  
St Albans  
AL4 0JA

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

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

Formal agendas, papers and reports are supplied to members in a timely manner, prior to Corporation meetings. Briefings and training sessions are also provided on a regular basis as required.

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

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

# **Oaklands College, Hertfordshire**

## **Statement of Corporate Governance and Internal Control (continued)**

### **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 comprising the Chair of the Corporation, the Principal and four other Corporation members, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Clerk to the Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are initially appointed for a term of office of two years. Subsequent appointments may be for 4 years, subject to re-election and to statutory provisions relating to removal. Any term beyond 8 years shall be subject to particularly rigorous annual review and shall take into account the need for progressive refreshing of the Corporation.

### **Corporation Performance**

The Corporation judged its performance for the year ended 31<sup>st</sup> July 2017 to be "good" based on continuing evidence to suggest sustainability and continuous improvement.

### **Remuneration Committee**

During the year ended 31 July 2017, the College's Remuneration Committee comprised four members, the Chair and Vice-Chair of the Corporation, the Chair of the Audit Committee and a fourth member of the Corporation. The Committee's responsibilities are to make recommendations to the Corporation on the remuneration and benefits of the Accounting Officer, the Clerk and any other senior post-holders.

Details of remuneration for the year ended 31 July 2017 are set out in note 7 to the financial statements.

### **Audit Committee**

The Audit Committee comprises at least three and not more than five members, a majority of whom must be governors, but must not include the Chair of the Corporation or the Principal. The Committee operates in accordance with written terms of reference approved by the Corporation.

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

The College's internal auditors monitor the system 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 the internal audit service undertakes periodic follow-up reviews to ensure such recommendations have been implemented.

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



# Oaklands College, Hertfordshire

## Statement of Corporate Governance and Internal Control (continued)

### Internal control

#### *Scope of responsibility*

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

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of College 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 College and the funding bodies. She is also responsible for reporting to the Corporation any material weakness or breakdowns in internal control.

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

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

#### *Capacity to handle risk*

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

#### *The risk and control framework*

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

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

Oaklands College has an internal audit service which operates in accordance with the requirements of the ESFA's Post 16 Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this

# Oaklands College, Hertfordshire

## Statement of Corporate Governance and Internal Control (continued)

### Internal control (continued)

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 Audit Committee provides the Corporation with a report on internal audit activity in the College. The report includes an opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

#### *Review of effectiveness*

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

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

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

The Senior Management Team receives reports setting out key performance and risk indicators, and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Senior Management Team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Senior Management Team and Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2017 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2017 by considering documentation from the Senior Management Team and internal audit, and taking account of events since 31 July 2017.

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

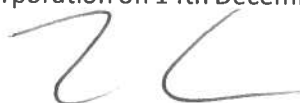
#### **Going concern**

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

Approved by order of the members of the Corporation on 14th December 2017 and signed on its behalf by:



Phillip Thompson  
Chair



Zoe Hancock  
Accounting Officer

# Oaklands College, Hertfordshire

## Corporation's statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding

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

We confirm, on behalf of the Corporation, that after due enquiry, and 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 terms and conditions of funding under the College's financial memorandum/ funding agreement.

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



Phillip Thompson  
Chair



Zoe Hancock  
Accounting Officer

# Oaklands College, Hertfordshire

## Statement of the Responsibilities of 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 Financial Memorandum/Funding Agreement with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *College Accounts Direction for 2016-17* issued by the ESFA, and which give a true and fair view of the state of affairs of the College and the result for that year.

In preparing the financial statements the Corporation is required to:

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

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

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

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

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

# Oaklands College, Hertfordshire

## Statement of the Responsibilities of Members of the Corporation (continued)

Approved by order of the members of the Corporation on 14th December 2017 and signed on its behalf  
by:

A handwritten signature in black ink, appearing to read 'Phillip Thompson', followed by a period.

Phillip Thompson  
Chair

## *Independent auditors' report to the Corporation of Oaklands College (the "institution")*

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### **Report on the audit of the financial statements**

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#### **Opinion**

In our opinion, Oaklands College's group financial statements and parent institution financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent institution's affairs as at 31 July 2017 and of the group's income and expenditure and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

We have audited the financial statements, included within the Report and Financial Statements for the year ended 31 July 2017 (the "Annual Report"), which comprise the consolidated and College Balance Sheets as at 31 July 2017; the consolidated and college Statements of Comprehensive Income for the year then ended; the consolidated and college Statements of Changes in Reserves for the year then ended; the consolidated Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence*

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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

- 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 group's and parent institution'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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and parent institution's ability to continue as a going concern.

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#### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Corporation is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

## ***Independent auditors' report to the Corporation of Oaklands College (the "institution") (continued)***

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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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### **Responsibilities for the financial statements and the audit**

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

As explained more fully in the Statement of the Responsibilities of Members of the Corporation set out on page 17, the Corporation is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Corporation is also responsible for such internal control as they 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 group's and parent institution's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporation either intends to liquidate the group and parent institution or to cease operations, or has no realistic alternative but to do so.

#### *Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

#### *Use of this report*

This report, including the opinions, has been prepared for and only for the Corporation as a body in accordance with Article 22 of the institution's Articles of Government and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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## **Other Required Reporting**

### **Opinions on other matters prescribed in the Audit Code of Practice issued by the Education and Skills Funding Agency**

In our opinion, in all material respects:

- proper accounting records have been kept, and
- the financial statements are in agreement with the accounting records and returns.

*PricewaterhouseCoopers LLP*  
PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
St Albans  
14 December 2017

# Oaklands College, Hertfordshire

## **Independent Reporting Accountant's Assurance Report on Regularity to the Corporation of Oaklands College and the Secretary for Education acting through the Education and Skills Funding Agency ("ESFA", the "funding body").**

In accordance with the terms of our engagement letter dated 5 October 2017 and further to the requirements of the financial memorandum with the Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Oaklands College during the period 1 August 2016 to 31 July 2017 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

This report is made solely to the corporation of Oaklands College and the Education and Skills Funding Agency in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of Oaklands College and Education and Skills Funding Agency those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the corporation of Oaklands College and Education and Skills Funding Agency for our work, for this report, or for the conclusion we have formed, save where expressly agreed in writing.

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

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Post-16 Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2016 to 31 July 2017 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them as set out in the Association of Colleges Accounts Direction 2016 to 2017.

### **Approach**

We conducted our engagement in accordance with the Post-16 Audit Code of Practice issued by the Secretary of State, acting through the Education and Skills Funding Agency ("ESFA", the "funding bodies"). 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.



# Oaklands College, Hertfordshire

## Independent Reporting Accountant's Assurance Report on Regularity to the Corporation of Oaklands College and the Secretary for Education acting through the Education and Skills Funding Agency ("ESFA", the "funding body") (continued).

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.

### Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2016 to 31 July 2017 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them as set out in the Association of Colleges Accounts Direction 2016 to 2017.

PricewaterhouseCoopers LLP

Date 14 December 2017  
PricewaterhouseCoopers LLP

# Oaklands College, Hertfordshire

## Consolidated and College Statements of Comprehensive Income

	Note	Year ended 31 July 2017		Year ended 31 July 2016	
		Group £'000	College £'000	Group £'000	College £'000
<b>INCOME</b>					
Funding body grants	2	23,173	23,173	22,199	22,199
Tuition fees and education contracts	3	6,386	6,386	6,668	6,668
Other grants and contracts	4	17	17	36	36
Other income	5	2,460	2,382	2,567	2,425
Investment income	6	37	37	24	24
<b>Total income</b>		<b>32,073</b>	<b>31,995</b>	<b>31,494</b>	<b>31,352</b>
<b>EXPENDITURE</b>					
Staff costs	7	22,521	22,443	21,643	21,583
Other operating expenses	8	7,855	7,855	7,795	7,714
Depreciation	11	2,118	2,118	2,060	2,060
Interest and other finance costs	9	511	511	577	577
<b>Total expenditure</b>		<b>33,005</b>	<b>32,927</b>	<b>32,075</b>	<b>31,933</b>
<b>Deficit before other gains and losses</b>		<b>(932)</b>	<b>(932)</b>	<b>(581)</b>	<b>(581)</b>
Profit on disposal of assets	11	-	-	3	3
<b>Deficit before tax</b>		<b>(932)</b>	<b>(932)</b>	<b>(578)</b>	<b>(578)</b>
Taxation	10	-	-	-	-
<b>Deficit for the year</b>		<b>(932)</b>	<b>(932)</b>	<b>(578)</b>	<b>(578)</b>
Unrealised surplus on revaluation of assets		-	-	-	-
Actuarial gain /(loss) in respect of pensions	21	8,696	8,696	(5,431)	(5,431)
<b>Total Comprehensive Income/(Expense) for the year</b>		<b>7,764</b>	<b>7,764</b>	<b>(6,009)</b>	<b>(6,009)</b>

# Oaklands College, Hertfordshire

## Consolidated and College Statements of Changes in Reserves for the year ended 31 July 2017

	Income and expenditure account	Revaluation reserve	Total Unrestricted Reserves
	£'000	£'000	£'000
<b>Group and College</b>			
<b>Balance at 1 August 2015</b>	12,610	8,767	21,377
Deficit from the income and expenditure account	(578)	-	(578)
Other comprehensive expense	(5,431)	-	(5,431)
Transfers between revaluation and income and expenditure reserves	50	(50)	-
<b>Total comprehensive expense for the year</b>	<b>(5,959)</b>	<b>(50)</b>	<b>(6,009)</b>
<b>Balance at 31 July 2016</b>	<b>6,651</b>	<b>8,717</b>	<b>15,368</b>
Deficit from the income and expenditure account	(932)	-	(932)
Other comprehensive income	8,696	-	8,696
Transfers between revaluation and income and expenditure reserves	50	(50)	-
<b>Total comprehensive income for the year</b>	<b>7,814</b>	<b>(50)</b>	<b>7,764</b>
<b>Balance at 31 July 2017</b>	<b>14,465</b>	<b>8,667</b>	<b>23,132</b>

# Oaklands College, Hertfordshire

## Consolidated and College Balance sheets as at 31 July

	Note	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
<b>Non current assets</b>					
Tangible Fixed assets	11	38,497	38,497	38,611	38,611
Investments	12	600	600	300	300
		<b>39,097</b>	<b>39,097</b>	<b>38,911</b>	<b>38,911</b>
<b>Current assets</b>					
Stocks		169	169	156	156
Trade and other receivables	13	999	1,185	1,176	1,293
Cash and cash equivalents	17	6,980	6,750	6,260	6,030
		<b>8,148</b>	<b>8,104</b>	<b>7,592</b>	<b>7,479</b>
<b>Creditors – amounts falling due within one year</b>	14	<b>(4,680)</b>	<b>(4,636)</b>	<b>(4,361)</b>	<b>(4,248)</b>
<b>Net current assets</b>		<b>3,468</b>	<b>3,468</b>	<b>3,231</b>	<b>3,231</b>
<b>Total assets less current liabilities</b>		<b>42,565</b>	<b>42,565</b>	<b>42,142</b>	<b>42,142</b>
Creditors – amounts falling due after more than one year	15	(4,427)	(4,427)	(3,773)	(3,773)
<b>Provisions</b>					
Defined benefit obligations	16	(11,964)	(11,964)	(19,720)	(19,720)
Other provisions	16	(3,042)	(3,042)	(3,282)	(3,282)
<b>Total net assets</b>		<b>23,132</b>	<b>23,132</b>	<b>15,369</b>	<b>15,369</b>
<b>Unrestricted Reserves</b>					
Income and expenditure account		14,465	14,465	6,651	6,651
Revaluation reserve		8,667	8,667	8,718	8,718
<b>Total unrestricted reserves</b>		<b>23,132</b>	<b>23,132</b>	<b>15,369</b>	<b>15,369</b>

The financial statements on pages 23 to 46 were approved and authorised for issue by the Corporation on 14<sup>th</sup> December 2017 and were signed on its behalf on that date by:



**Phillip Thompson**  
Chair



**Zoe Hancock**  
Accounting Officer

# Oaklands College, Hertfordshire

## Consolidated Statement of Cash Flows

		Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
	Note		
<b>Cash flow from operating activities</b>			
Deficit for the year		(932)	(578)
<b>Adjustment for non-cash items</b>			
Depreciation		2,119	2,058
(Increase)/decrease in stocks		(13)	21
Decrease/(increase) in debtors		177	(150)
Increase/(decrease) in creditors due within one year		319	(45)
Increase/(decrease) in creditors due after one year		654	(249)
(Decrease)/increase in provisions		(240)	198
Pensions costs less contributions payable		940	330
Taxation			-
<b>Adjustment for investing or financing activities</b>			
Investment income		(37)	(24)
Taxation paid		-	-
Profit on sale of fixed assets		-	(3)
<b>Net cash flow generated from operating activities</b>		<u>2,987</u>	<u>1,560</u>
<b>Cash flows from investing activities</b>			
Proceeds from sale of fixed assets		-	5
Investment income		37	24
Payments for shares in joint venture		(300)	(100)
Payments made to acquire fixed assets		(2,004)	(2,051)
<b>Net cash flow used in investing activities</b>		<u>(2,267)</u>	<u>(2,122)</u>
<b>Increase/(decrease) in cash and cash equivalents in the year</b>		<u><b>720</b></u>	<u><b>(562)</b></u>
Cash and cash equivalents at beginning of the year	17	6,260	6,822
Cash and cash equivalents at end of the year	17	6,980	6,260

# Oaklands College, Hertfordshire

## Notes to the Financial Statements

### **1. Statement of accounting policies and estimation techniques**

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

#### **Basis of preparation**

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

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

#### **Basis of accounting**

The financial statements are prepared in accordance with the historical cost convention as modified by the use of previous valuations.

#### **Basis of consolidation**

The consolidated financial statements include the College and its subsidiary, Oaklands Commercial Limited, controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2017.

#### **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 Corporation. The financial position of the College, its cashflow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

Accordingly the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

#### **Recognition of income**

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Education Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end

# Oaklands College, Hertfordshire

## Notes to the Financial Statements (continued)

### **1. Statement of accounting policies and estimation techniques (continued)**

reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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

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

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

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

### **Accounting for post-employment benefits**

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

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

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

# Oaklands College, Hertfordshire

## Notes to the Financial Statements (continued)

### *1. Statement of accounting policies and estimation techniques (continued)*

#### **Short term Employment benefits**

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

#### **Enhanced Pensions**

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

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

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

#### ***Land and buildings***

Land and buildings inherited from the Local Education Authority (LEA) are stated in the balance sheet at valuation on the basis of depreciated replacement cost or, where appropriate, open market value for existing use. Buildings constructed or improvements made since incorporation are included in the balance sheet at cost. Freehold buildings are depreciated over their expected useful economic life to the College of over a period of between 4 and 50 years. Leasehold improvements are depreciated over the period of the lease.

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

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

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

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued on incorporation in 1992 but not to adopt a policy of revaluations of these properties in the future.

#### ***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.



# Oaklands College, Hertfordshire

## Notes to the Financial Statements (continued)

### 1. Statement of accounting policies and estimation techniques (continued)

#### *Subsequent expenditure on existing fixed assets*

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

#### **Equipment**

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

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

- Plant and machinery 5 years
- Vehicles 7 years
- computer equipment 3-4 years
- Other equipment 4 years
- furniture, fixtures and fittings 7 years

#### **Heritage Assets**

Equipment inherited from the Local Education Authority was included in the balance sheet at a valuation taken at the time of incorporation but has subsequently been fully depreciated.

#### **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 and Expenditure. Any lease premiums or incentives relating to leases signed after 1<sup>st</sup> August 2014 are spread over the minimum lease term. The College has taken advantage of the transitional exemptions in FRS 102 and has retained the policy of spreading lease premiums and incentives to the date of the first market rent review for leases signed before 1<sup>st</sup> August 2014.

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

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

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

#### **Investments**

##### ***Investments in subsidiaries***

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

# Oaklands College, Hertfordshire

## Notes to the Financial Statements (continued)

### 1. Statement of accounting policies and estimation techniques (continued)

#### *Investments in joint ventures*

The College accounts for its share of joint ventures using the equity method within the Group financial statements. Under the equity method in group financial statements, if an investor's share of losses in a joint venture equals or exceeds the carrying amount of its investment, the investor shall discontinue recognising its share of further losses, unless it has incurred legal or constructive obligations or has made payments on behalf of the joint venture, in which case provision is required.

#### **Inventories**

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

#### **Cash and cash equivalents**

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. An investment qualifies as a cash equivalent when it has maturity of 3 months or less from the date of acquisition.

#### **Financial liabilities and equity**

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

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

#### **Taxation**

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

The College is partially exempt in respect of Value Added Tax, so that it can only recover around 5% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

The College's subsidiary company is subject to corporation tax and VAT in the same way as any commercial organisation.

# Oaklands College, Hertfordshire

## Notes to the Financial Statements (continued)

### 1. Statement of accounting policies and estimation techniques (continued)

#### Provisions and contingent liabilities

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

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

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

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

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

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

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

Other key sources of estimation uncertainty:

- *Tangible fixed assets*

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

# Oaklands College, Hertfordshire

## Notes to the Financial Statements (continued)

### 1. Statement of accounting policies and estimation techniques (continued)

- Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 21, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 Funding body grants	Year ended 31 July 2017		Year ended 31 July 2016	
	Group £'000	College £'000	Group £'000	College £'000
<b>Recurrent grants</b>				
Education and Skills Funding Agency – adult	2,835	2,835	2,836	2,836
Education and Skills Funding Agency – 16-18	17,857	17,857	17,179	17,179
Education and Skills Funding Agency - apprenticeships	1,975	1,975	1,763	1,763
Higher Education Funding Council	181	181	120	120
<b>Specific grants</b>				
Skills Funding Agency	55	55	56	56
Education Funding Agency	37	37	23	23
Releases of government capital grants	225	225	214	214
HE grant	8	8	8	8
<b>Total</b>	<b>23,173</b>	<b>23,173</b>	<b>22,199</b>	<b>22,199</b>

# Oaklands College, Hertfordshire

## Notes to the Financial Statements (continued)

### 3 Tuition fees and education contracts

	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	758	758	770	770
Apprenticeship fees and contracts	394	394	381	381
Fees for FE loan supported courses	637	637	430	430
Fees for HE loan supported courses	1,355	1355	1,188	1,188
International students fees	-	-	30	30
Total tuition fees	3,145	3,145	2,799	2,799
Education contracts	3,241	3,241	3,869	3,869
<b>Total</b>	<b>6,386</b>	<b>6,386</b>	<b>6,668</b>	<b>6,668</b>

### 4 Other grants and contracts

	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other grants and contracts	17	17	36	36
<b>Total</b>	<b>17</b>	<b>17</b>	<b>36</b>	<b>36</b>

### 5 Other income

	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering and residences	941	941	961	961
Other income generating activities	1,040	962	926	784
Miscellaneous income	479	479	680	680
<b>Total</b>	<b>2,460</b>	<b>2,382</b>	<b>2,567</b>	<b>2,425</b>

### 6 Investment income

	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other interest receivable	37	37	24	24

# Oaklands College, Hertfordshire

## Notes to the Financial Statements (continued)

### 7 Staff costs

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

	2017 Group No.	2017 College No.	2016 Group No.	2016 College No.
Teaching staff	302	302	303	303
Non-teaching staff	343	339	347	345
	<b>645</b>	<b>641</b>	<b>650</b>	<b>648</b>
<b>Staff costs for the above persons</b>				
	2017 £'000	2017 £'000	2016 £'000	2016 £'000
Wages and salaries	17,158	17,094	17,245	17,191
Social security costs	1,490	1,478	1,253	1,249
Other pension costs (including FRS102 adjustment of £504k – 2015/16 : £175k)	3,623	3,621	3,039	3,037
<b>Payroll sub total</b>	<b>22,271</b>	<b>22,193</b>	<b>21,537</b>	<b>21,477</b>
Fundamental restructuring costs – Contractual	250	250	106	106
<b>Total Staff costs</b>	<b>22,521</b>	<b>22,443</b>	<b>21,643</b>	<b>21,583</b>

### Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Senior Leadership Team which comprises the Principal, Deputy Principal, Director of Student Experience and two Heads of Curriculum.

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

	2017 No.	2016 No.
The number of key management personnel including the Accounting Officer was:	<u>5</u>	<u>5</u>

# Oaklands College, Hertfordshire

## Notes to the Financial Statements (continued)

### 7. Staff costs (continued)

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

	Key management personnel		Other staff	
	2017	2016	2017	2016
	No.	No.	No.	No.
£40,001 to £50,000 p.a.	1	-	1	-
£60,001 to £70,000 p.a.	-	3	3	4
£70,001 to £80,000 p.a.	2	-	-	-
£80,001 to £90,000 p.a.	-	1	-	-
£90,001 to £100,000 p.a.	1	-	-	-
£140,001 to £150,000 p.a.	1	1	-	-
	<u>5</u>	<u>5</u>	<u>4</u>	<u>4</u>

Key management personnel compensation is made up as follows:

	2017	2016
	£'000	£'000
Salaries	423	431
Benefits in kind	<u>1</u>	<u>1</u>
	424	432
Pension contributions	<u>85</u>	<u>73</u>
<b>Total key management personnel compensation</b>	<u>509</u>	<u>505</u>

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

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

	2017	2016
	£'000	£'000
Salaries	142	140
Benefits in kind	<u>1</u>	<u>1</u>
	143	141
Pension contributions	<u>36</u>	<u>37</u>

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.

# Oaklands College, Hertfordshire

## Notes to the Financial Statements (continued)

### 8 Other operating expenses

	2017 Group £'000	2017 College £'000	2016 Group £'000	2016 College £'000
Teaching costs	2,646	2,646	2,722	2,722
Non-teaching costs	3,078	3,078	3,070	2,996
Premises costs	2,131	2,131	2,003	1,996
<b>Total</b>	<b>7,855</b>	<b>7,855</b>	<b>7,795</b>	<b>7,714</b>

#### Other operating expenses include:

	2017 £'000	2016 £'000
Auditors' remuneration:		
Financial statements audit*	39	38
Internal audit	42	34
Other services provided by the financial statements auditor – Regularity audit, Teachers Pension and VAT advice	22	6
Other services provided by the internal auditors	-	-
Hire of assets under operating leases	172	182

\* includes £35k in respect of the College (2015/16 : £33k)

### 9 Interest and other finance costs – Group and College

	2017 £'000	2016 £'000
Enhanced pension provision interest charge	75	71
Pension finance costs (note 21)	436	506
<b>Total</b>	<b>511</b>	<b>577</b>

### 10 Taxation – Group only

	2017 £'000	2016 £'000
United Kingdom corporation tax at 20 per cent on Oaklands Commercial Limited's surplus	-	-
<b>Total</b>	<b>-</b>	<b>-</b>



# Oaklands College, Hertfordshire

## Notes to the Financial Statements (continued)

### 11 Tangible fixed assets (Group and College)

	Land and buildings Freehold	Equipment	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At 1 August 2016	48,220	11,768	626	60,613
Transfer	112	153	(265)	-
Additions	197	666	1,141	2,004
Disposals	-	-	-	-
<b>At 31 July 2017</b>	<b>48,529</b>	<b>12,587</b>	<b>1,502</b>	<b>62,618</b>
<b>Accumulated depreciation</b>				
At 1 August 2016	12,257	9,745	-	22,002
Charge for the year	1,261	858	-	2,119
Elimination in respect of disposals	-	-	-	-
<b>At 31 July 2017</b>	<b>13,518</b>	<b>10,603</b>	<b>-</b>	<b>24,121</b>
<b>Net book value at 31 July 2017</b>	<b>35,011</b>	<b>1,984</b>	<b>1,502</b>	<b>38,497</b>
Net book value at 31 July 2016	35,962	2,023	626	38,611

Inherited land and buildings were valued as at 1 April 1993 for the purpose of the financial statements on the basis of depreciated replacement cost or, where appropriate, open market value for existing use by the Property Services Department of Hertfordshire County Council. Other inherited tangible fixed assets have been valued by the Corporation at their open market value at the date of incorporation.

### 12 Investments

	College 2017 £'000	College 2016 £'000
Investment in subsidiary	-	-
Investment in joint ventures	600	300
<b>Total</b>	<b>600</b>	<b>300</b>

# Oaklands College, Hertfordshire

## Notes to the Financial Statements (continued)

### 12. Investments (continued)

The College owns 50 per cent of the issued "A" ordinary £1 shares and 49 per cent of the issued "B" ordinary £1 shares of University Campus St Albans Limited, a company incorporated in England and Wales. The principal business activity of University Campus St Albans Limited is the delivery of Higher Education degrees.

The College also owns 50 percent of the issued ordinary shares of Together Training Ltd, a company incorporated in England and Wales. The principal business activity of Together Training Ltd is the delivery of apprenticeships.

The College also owns 100 per cent of the issued ordinary capital shares of Oaklands Commercial Limited, the initial cost of which was £1. The principal business activity of Oaklands Commercial Limited is to manage the commercial activities of Oaklands College.

### 13 Trade and other receivables

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Amounts falling due within one year:				
Trade receivables	190	190	452	452
Amounts owed by group undertakings:				
Subsidiary undertakings	-	186	-	116
Prepayments and accrued income	398	398	339	339
Amounts owed by the ESFA	116	116	91	91
Other	295	295	295	295
<b>Total</b>	<b>999</b>	<b>1,185</b>	<b>1,176</b>	<b>1,293</b>

### 14 Creditors - amounts falling due within one year

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Payments received in advance	931	931	894	894
Trade payables	420	420	533	533
Amount owed to group undertaking – Associate undertaking	200	200	-	-
Other taxation and social security	406	406	400	400
Pension creditor	361	361	344	344
Other creditor	490	446	421	307
Accruals and deferred income	1,109	1,109	1,024	1,024
Holiday pay accrual	159	159	147	147
Deferred income - government capital grants	248	248	233	233
Amounts owed to the ESFA	356	356	366	366
<b>Total</b>	<b>4,680</b>	<b>4,636</b>	<b>4,361</b>	<b>4,248</b>

# Oaklands College, Hertfordshire

## Notes to the Financial Statements (continued)

### 15 Creditors - amounts falling due after more than one year

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Memorial funds	-	-	8	8
Deferred income – government capital grants	4,427	4,427	3,764	3,764
<b>Total</b>	<b>4,427</b>	<b>4,427</b>	<b>3,773</b>	<b>3,773</b>

### 16 Provisions – Group and College

	Defined benefit obligations £'000	Enhanced pensions £'000	Total £'000
At 1 August 2016	19,720	3,282	23,002
Expenditure in the year	2,051	(223)	1,828
Additions in the year	(9,807)	(17)	(9,824)
<b>At 31 July 2017</b>	<b>11,964</b>	<b>3,042</b>	<b>15,006</b>

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

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

The principal assumptions for this calculation are:

	2017	2016
Price inflation	1.3%	1.3%
Discount rate	2.3%	2.3%

# Oaklands College, Hertfordshire

## Notes to the Financial Statements (continued)

### 17 Cash and cash equivalents

	At 1 August 2016 £'000	Cash flows £'000	At 31 July 2017 £'000
Cash and cash equivalents	<u>6,260</u>	<u>720</u>	<u>6,980</u>

### 18 Capital and other commitments

	Group and College	
	2017 £'000	2016 £'000
Commitments contracted for at 31 July	<u>253</u>	<u>920</u>

### 19 Lease obligations

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

	Group and College	
	2017 £'000	2016 £'000
Future minimum lease payments due		
Other		
Not later than one year	159	140
Later than one year and not later than five years	211	292
Later than five years	-	-
Total lease payments due	<u>370</u>	<u>432</u>

### 20 Events after the reporting period

There are no events after the reporting period.

# Oaklands College, Hertfordshire

## Notes to the Financial Statements (continued)

### 21 Defined benefit obligations

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

Total pension cost for the year	2017 £000	2016 £000
Teachers' Pension Scheme: contributions paid	1,129	1,074
Local Government Pension Scheme:		
Contributions paid	1,990	1,790
FRS 102 (28) charge	504	175
Charge to the Statement of Comprehensive income	2,494	1,965
<b>Total Pension Cost for Year within staff costs</b>	<b>3,623</b>	<b>3,039</b>

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

Contributions amounting to £361k (2016: £344K) were payable to the scheme at 31<sup>st</sup> 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 2010, and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

### The Teachers' Pension Budgeting and Valuation Account

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

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

# Oaklands College, Hertfordshire

## Notes to the Financial Statements (continued)

### 21. Defined benefit obligations (continued)

#### Valuation of the Teachers' Pension Scheme

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

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

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

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

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

#### Scheme Changes

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

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

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

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

The pension costs paid to TPS in the year amounted to £1,129k (2016: £1,074k)

# Oaklands College, Hertfordshire

## Notes to the Financial Statements (continued)

### 21. Defined benefit obligations (continued)

#### FRS 102 (28)

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

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

#### Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Hertfordshire County Council. The total contributions made for the year ended 31 July 2017 were £2,476k, of which employer's contributions totalled £1,990k and employees' contributions totalled £486k. The agreed contribution rates for future years are 23.7% for employers and range from 5.5% to 11.4% for employees, depending on salary.

#### Principal Actuarial Assumptions

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

	2017	2016
Rate of increase in salaries	2.6%	3.4%
Future pensions increases	2.5%	1.9%
Discount rate for scheme liabilities	2.7%	2.4%
Commutation of pensions to lump sums - services to 31 <sup>st</sup> March 2008	50%	50%
Commutation of pensions to lump sums – service from 1 <sup>st</sup> April 2008	75%	75%
The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:		
	2017	2016
	years	years
<i>Retiring today</i>		
Males	22.5	22.3
Females	24.9	24.5
<i>Retiring in 20 years</i>		
Males	24.1	24.3
Females	26.7	26.7

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

	2017	2016
	£'000	£'000
Fair value of plan assets	48,368	39,026
Present value of plan liabilities	(60,332)	(58,746)
<b>Net pensions liability</b>	<b>(11,964)</b>	<b>(19,720)</b>

# Oaklands College, Hertfordshire

## Notes to the Financial Statements (continued)

### 21. Defined benefit obligations (continued)

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

	2017 £'000	2016 £'000
<b>Amounts included in staff costs</b>		
Current service cost	2,543	1,958
Past service cost	12	-
<b>Total</b>	<b>2,555</b>	<b>1,958</b>
	2017 £'000	2016 £'000
<b>Amounts included in interest and other finance costs</b>		
Net interest costs	(436)	(506)
	<b>(436)</b>	<b>(506)</b>
	2017 £'000	2016 £'000
<b>Amount recognised in Other Comprehensive Income</b>		
Return on pension plan assets	7,420	1,674
Other experience	2,447	708
Changes in assumptions underlying the present value of plan	(1,171)	(7,467)
<b>Amount recognised in Other Comprehensive Income</b>	<b>8,696</b>	<b>(5,085)</b>
	2017 £'000	2016 £'000
<b>Movement in net defined benefit (liability)/asset during the year</b>		
Net defined benefit liability in scheme at 1 August	(19,720)	(13,954)
Movement in year:		
Current service cost	(2,543)	(1,958)
Employer contributions	2,051	1,783
Past service cost	(12)	-
Net interest on the defined liability	(436)	(506)
Actuarial profit/(loss)	8,696	(5,085)
<b>Net defined benefit liability at 31 July</b>	<b>(11,964)</b>	<b>(19,720)</b>



# Oaklands College, Hertfordshire

## Notes to the Financial Statements (continued)

### 21. Defined benefit obligations (continued)

#### Asset and Liability Reconciliation

	2017	2016
	£'000	£'000
<b>Changes in the present value of defined benefit obligations</b>		
Defined benefit obligations at start of the year	58,746	50,950
Current service cost	2,543	1,958
Interest cost	1,426	1,852
Contributions by Scheme participants	489	429
Experience gains and losses on defined benefit obligations	(2,447)	(708)
Changes in demographic assumptions	(724)	-
Changes in financial assumptions	1,895	5,670
Estimated benefits paid	(1,608)	(1,405)
Past Service cost	12	-
<b>Defined benefit obligations at end of the year</b>	<b>60,332</b>	<b>58,746</b>

#### Changes in fair value of plan assets

	2017	2016
	£'000	£'000
Fair value of plan assets at start of the year	39,026	36,996
Interest on plan assets	990	1,346
Return on plan assets	7,420	(123)
Employer contributions	2,051	1,783
Contributions by Scheme participants	489	429
Estimated benefits paid	(1,608)	(1,405)
<b>Fair value of plan assets at end of the year</b>	<b>48,368</b>	<b>39,026</b>

### 22 Related party transactions

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

The total expenses paid to or on behalf of the Corporation members during the year was £201; 1 Corporation member (2016: £562; 5 Corporation members). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Corporation meetings and other College related events and meetings in their official capacity.

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

My Mustard – a company in which Ms J Cory, Corporation member, has a majority interest. Transactions totalling £28,071, relating to the purchase of online marketing support took place. There were no amounts outstanding.

