



OAKLANDS COLLEGE

OAKLANDS COLLEGE

HERTFORDSHIRE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2019

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 2018/19:

Zoe Hancock	Principal and CEO, Accounting Officer
Harpreet Nagra	Deputy Principal Curriculum and Quality
Sean Scully	Director of Student Experience
Nicola Caiger	Director of Curriculum
Sian Williams	Director of Curriculum
Ronnie Davidson	Director of Human Resource and Organisational Development
Paul McCormack	Finance Director

Members of the Corporation

A full list of members of the Corporation 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

Buzzacott LLP
130 Wood Street
London
EC2V 6DL

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 2019.

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 provide the opportunities and the support to ensure our communities reach their full potential.”

The mission and values are re-affirmed by the Corporation annually.

Public Benefit

Oaklands College is an exempt charity under Part 3 of the Charities Act 2011 and 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 the Hertfordshire Local Enterprise Partnership (LEP)
- Key role as a community asset and in supporting community well-being

Strategic priorities

The College has five strategic priorities:

- Skills and behaviours – to equip students with the skills and behaviours they will need to play a productive role in the economy and in their communities
- Curriculum – a high quality curriculum provision that meets the needs of students, employers and key stakeholders
- People – a motivated staff team with high aspirations for all and an unrelenting focus on the mission and values of the college

Oaklands College, Hertfordshire

Report of the Corporation (continued)

NATURE, OBJECTIVES AND STRATEGIES (continued)

Strategic Priorities (continued)

- Money – a clear focus on financial sustainability to enable investment in our students; now and in the future
- Partnerships – highly developed partnership working with key stakeholders which support the development of the college and its communities

Each strategic priority is supported by a further set of priorities 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 2018/19 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 2018, the Corporation agreed the Key Performance Indicators (KPIs) for 2018/19. 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 satisfaction surveys. 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 results

The College generated a deficit before other gains and losses in the year of £474k (2017/18: deficit of £1,684k), with total comprehensive expense of £3,509k (2017/18 : income of £51,627k, which included profit on disposal of land of £48.1m and an actuarial gain of £5.2m).

Oaklands College, Hertfordshire

Report of the Corporation (continued)

FINANCIAL POSITION

The College has accumulated general reserves of £71,250k (2017/18: £74,759k) and cash and short-term investment balances of £24,211k (2017/18: £16,392k). The College wishes to continue to accumulate reserves and to generate cash balances in order to invest in new facilities e.g. the current redevelopment of the St Albans campus.

Tangible fixed asset additions during the year amounted to £4,638k (2017/18: £3,784k). This was split between freehold and leasehold improvements of £3,966k (2017/18: £3,125k) and equipment purchased of £672k (2017/18: £659k).

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2018/19 the FE funding bodies provided 69% (2017/18: 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 £7,819k (2017/18: £9,412k). Net cash outflow from capital expenditure amounted to £4,638k (2017/18: £3,784k). A cash inflow of £9,864k was received during the year, as the second instalment following the sale of land.

Reserves Policy

The College has a reserves policy to maintain a minimum of £4m of cash 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. At the year end the cash position was £24.2m, of which £16.3m is for the development of the campus, leaving £7.9m of cash reserves.

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 2018/19 the College delivered activity that has produced £23,087k in funding body main allocation funding (2017/18 - £22,152k). The College has approximately 6,700 (2017/18: 6,400) funded and 1,700 (2017/18: 1,900) 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. Qualification rates for 16-18 year olds were 82.7% in 18/19 (81.9% in 17/18) and for adults were 86.1% in 18/19 (85.6% in 17/18). Student achievements were reviewed as part of the Ofsted audit in April 2018 (the report can be found on the College's website).

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 as apprenticeships.

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, Advanced and Higher Level Apprenticeships in a range of trades and vocations
- 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 Quality Improvement Facilitators 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 2018 to 31 July 2019.

Oaklands College, Hertfordshire

Report of the Corporation (continued)

RESOURCES

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

Tangible resources include the two main College campuses.

Financial

The College has £71,250k (2017/18: £74,759k) of net assets including £12,696k (2017/18: £8,439k) defined benefit pension liability at 31 July 2019.

People

The College employ 622 people (2017/18: 621), expressed as full time equivalents, of whom 279 (2017/18: 287) 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 the OfS. In 2018/19, 69% (2017/18: 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:

Oaklands College, Hertfordshire

Report of the Corporation (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

- Devolution of adult skills budget to Local Enterprise Partnerships (LEPs)
- 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 FRS 102. At 31 July 2019, this was computed by the Scheme's actuary in accordance with FRS 102, at £12,696k. 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 2019.

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

Oaklands College, Hertfordshire

Report of the Corporation (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

4. Failure to maintain the financial viability of the College

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. 13.3 hectares of land was sold to Taylor Wimpey for the residential development of 348 houses. In January 2019, Oaklands received its second cash instalment of £9.9m. Three further receipts are due every January between 2020 and 2022. Proceeds from the sale are being used to build new teaching and administration buildings together with new student accommodation. The sale of the land resulted in a profit on sale of £47.4m, recorded in the annual report and financial statements for the year ended 31 July 2018.

Following the disposal of the College's land in Borehamwood to Taylor Wimpey, the development of the site will include a 3,218 sq ft facility, which the College will rent, enabling it to maintain an educational provision in the Borehamwood area. The development also includes the building of 12 residential flats above the College facility. The profit on disposal of the land was recorded in the annual report and financial statements for the year ended 31 July 2018.

The College has also 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 to further enhance the STEM (Science, Technology, Engineering and Maths) focus at Welwyn Garden City.

6. OFSTED rating

In April 2018, Oaklands College received a "requires improvement" OFSTED rating. The College has implemented an action plan that will address the development points identified, whilst at the same time maintaining the strengths identified by the inspection. In April 2019, OFSTED performed a follow up monitoring visit. The inspectors judged four out of the five themes as "reasonable progress" and one theme as "insufficient". Numerous measures have been put in place to continue to address the issues identified.

Oaklands College, Hertfordshire

Report of the Corporation (continued)

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
- 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 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.

Oaklands College, Hertfordshire

Report of the Corporation (continued)

EQUALITY AND DIVERSITY (continued)

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.

TRADE UNION FACILITY TIME

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

Number of employees who were relevant union officials during the relevant period	FTE employee number
5	4

Percentage of time	Number of employees
0%	
1-50%	4
51-99%	
100%	

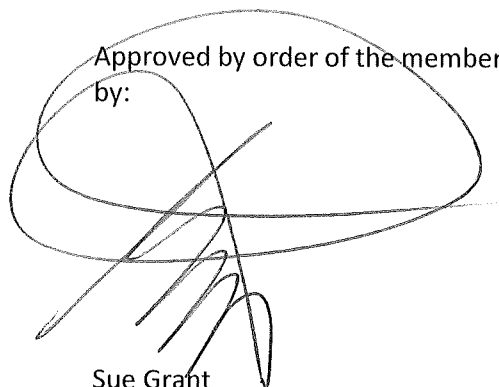
Percentage of total bill spent on facility time	0.10%
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Time spent on paid trade union activities as a percentage of total paid facility time	2.08%
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DISCLOSURE OF INFORMATION TO AUDITORS

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 9th December 2019 and signed on its behalf by:



Sue Grant
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 1st August 2018 to 31st July 2019 and up to the date of approval of the Annual Report and Financial Statements.

The College endeavours to conduct its business:

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

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the 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 2019. 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 2015.

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
Mrs C Chisholm	13 February 2017 (reappointed 11 February 2019)	4 years			Audit	100%
Ms J Cory	11 July 2016	4 years			Chair: Search to Oct 2019	71%

Oaklands College, Hertfordshire

Statement of Corporate Governance and Internal Control (Continued)

The Corporation (Continued)

Mr Mete Ekmekcioglu	12 November 2018	1 years	July 2019	Student		66%
Ms J Fawcett	11 October 2018	2 years				100%
Mrs S Grant	8 July 2013 (reappointed 9 July 2018)	2 years			Remuneration, Search, Chair: Corporation from Aug 2018	100%
Ms ZJC Hancock	1 April 2011			Principal	Search, UCSA, Together Training	100%
Ms T Heritage	8 January 2018	2 years	July 2019			100%
Mr K Hood	December 2017	4 years		Academic Staff		86%
Ms V Kerridge	10 December 2012 reappointed 8 July 2019	1 year			Audit, Together Training	86%
Mr G Lambert	11 July 2011, (reappointed 1 July 2015)	4 years	July 2019		Chair: Audit, Remuneration	57%
Mr P Marshall	November 2016	4 years		Support staff		86%
Mr N Myerson	13 February 2017 (reappointed 11 February 2019)	4 years			Remuneration, Vice Chair: Corporation from Aug 2018 Chair: Search and Governance from Oct 2019	88%

Oaklands College, Hertfordshire

Statement of Corporate Governance and Internal Control (Continued)

The Corporation (Continued)

Mr Vithu Ravichhandran	10 December 2018	1 year	July 2019	Student	50%
Mr R Payne	14 November 2016	4 years		Audit, UCSA	100%
Mr Peter Thompson	12 February 2018	2 years			86%
Mr J Wheeler	9 March 2015	4 years	March 2019		75%

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 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 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.

Oaklands College, Hertfordshire

Statement of Corporate Governance and Internal Control (continued)

Appointments to the Corporation

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.

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 two 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 31st July 2019 to be "good" based on continuing evidence to suggest sustainability and continuous improvement.

Remuneration Committee

During the year ended 31 July 2019, the College's Remuneration Committee comprised three members, the Chair and Vice-Chair of the Corporation and the Chair of the Audit Committee. 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.

The College has adopted AoC's Senior Staff Remuneration Code, whilst complying with the OfS registration framework. Additional senior staff pay disclosures can be found on pages 35-37.

Details of remuneration for the year ended 31 July 2019 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.

Oaklands College, Hertfordshire

Statement of Corporate Governance and Internal Control (continued)

Audit Committee (continued)

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.

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 Funding Agreement 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 2019 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 the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the year ended 31 July 2019 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:

Oaklands College, Hertfordshire

Statement of Corporate Governance and Internal Control (continued)

Internal control (continued)

- 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 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 2019 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2019 by considering documentation from the Senior Management Team and internal audit, and taking account of events since 31 July 2019.

The risk and control framework

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

Oaklands College, Hertfordshire

Statement of Corporate Governance and Internal Control (continued)

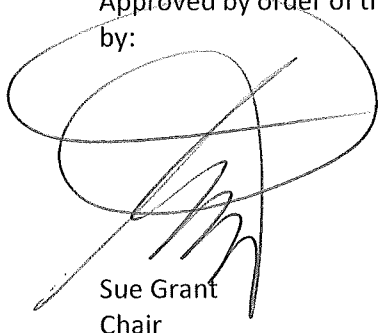
Internal control (continued)

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 9th December 2019 and signed on its behalf by:



Sue Grant
Chair



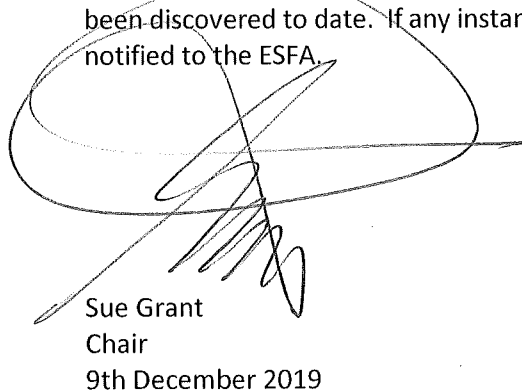
Zoe Hancock
Accounting Officer

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

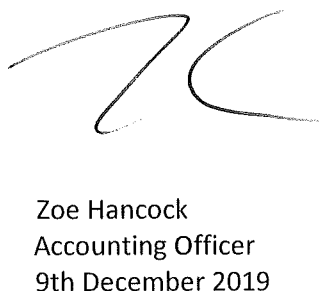
The Corporation has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the Corporation's grant funding agreements and contracts with ESFA. As part of its consideration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

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 Corporation's grant funding agreements and contracts with ESFA, or any other public funder.

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



Sue Grant
Chair
9th December 2019



Zoe Hancock
Accounting Officer
9th December 2019

Oaklands College, Hertfordshire

Statement of the Responsibilities of Members of the Corporation

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

Within the terms and conditions of the Corporations's grant funding agreements and contracts with ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements and an operating and financial review for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's college accounts direction, and the UK's Generally Accepted Accounting practice, and which give a true and fair view of the state of affairs of the Corporation and surplus / deficit of income over expenditure for that period.

In preparing the financial statements the Corporation is required to:

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

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

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

The 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 and any other public funds, are used only in accordance with the ESFA's grant funding agreements and contracts and any other conditions that may be prescribed from time to time by ESFA, or any other public funder. Members of the Corporation must ensure that there are appropriate financial and management controls in place 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 Corporation's resources and expenditure, so that the benefits that should be derived from the application of public funds from the ESFA and other public bodies 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 9th December 2019 and signed on its behalf
by:



Sue Grant
Chair

Oaklands College, Hertfordshire

Independent auditor's report to the Corporation of Oaklands College

Opinion

We have audited the financial statements of Oaklands College (the 'College') and its subsidiaries (the 'Group') for the year ended 31 July 2019 which comprise the Group statement of comprehensive income, the Group and College statement of changes in reserves and balance sheets, the Group statement of cash flows, the principal accounting policies, and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and the College's affairs as at 31 July 2019 and of the Group's deficit of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

Oaklands College, Hertfordshire

misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- proper accounting records have not been kept by the College; or
- the College financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Corporation

As explained more fully in the statement of responsibilities of members of the Corporation, the Corporation is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determines 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 the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporation either intends to liquidate the Group or the College or to cease operations, or has no realistic alternative but to do so.

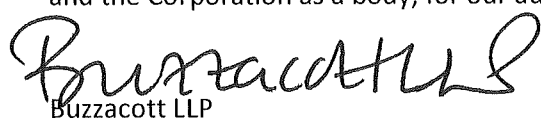
Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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



Buzzacott LLP

Statutory Auditor
130 Wood Street
London EC2V 6DL

11 December 2019

Oaklands College, Hertfordshire

Reporting accountant's assurance report on regularity

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

In accordance with the terms of our engagement letter dated 23 May 2019 and further to the requirements of funding agreement with the Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Oaklands College during the period 1st August 2018 to 31 July 2019 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

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 Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1st August 2018 to 31 July 2019 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

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

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

Oaklands College, Hertfordshire

Reporting accountant's assurance report on regularity (continued)

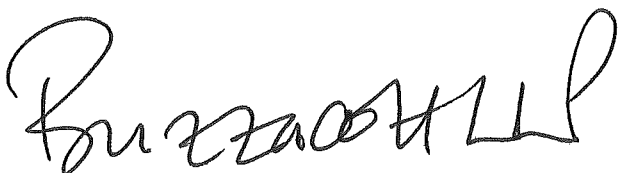
Our engagement includes examination, on a test basis, of evidence relevant to the regularity of the college's income and expenditure.

The work undertaken to draw to our conclusion includes:

- An assessment of the risk of material irregularity and impropriety across all of the College's activities;
- Further testing and review of self-assessment questionnaire including enquiry, identification of control processes and examination of supporting evidence across all areas identified as well as additional verification work where considered necessary; and
- Consideration of evidence obtained through the work detailed above and the work completed as part of our financial statements audit in order to support the regularity conclusion.

Conclusion

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



11 December 2019

BUZZACOTT LLP

Date:

Chartered Accountants and Registered Auditors

130 Wood Street

London

EC2V 6DL

Oaklands College, Hertfordshire

Consolidated and College Statements of Comprehensive Income

	Note	Year ended 31 July 2019		Year ended 31 July 2018	
		Group £'000	College £'000	Group £'000	College £'000
INCOME					
Funding body grants	2	23,661	23,661	22,719	22,719
Tuition fees and education contracts	3	7,056	7,056	6,699	6,699
Other grants and contracts	4	26	26	41	41
Other income	5	2,862	2,758	2,397	2,318
Investment income	6	1,012	1,012	25	25
Total income		34,617	34,513	31,881	31,802
EXPENDITURE					
Staff costs	7	24,025	23,921	23,039	22,960
Other operating expenses	8	8,712	8,712	8,010	8,010
Depreciation	11	2,056	2,056	2,105	2,105
Interest and other finance costs	9	298	298	411	411
Total expenditure		35,091	34,987	33,565	33,486
Deficit before other gains and losses		(474)	(474)	(1,684)	(1,684)
Profit on disposal of assets	11	179	179	48,120	48,120
(Deficit)/surplus before tax		(295)	(295)	46,436	46,436
Taxation	10	-	-	-	-
(Deficit)/surplus for the year		(295)	(295)	46,436	46,436
Actuarial (loss)/gain in respect of pension schemes	21	(3,214)	(3,214)	5,191	5,191
Total Comprehensive (Expense)/Income for the year		(3,509)	(3,509)	51,627	51,627

Oaklands College, Hertfordshire

Consolidated and College Statements of Changes in Reserves for the year ended 31 July 2019

	Income and expenditure account	Revaluation Reserve	Total Unrestricted Reserves
	£'000	£'000	£'000
Group and College			
Balance at 1 August 2017	14,465	8,667	23,132
Surplus from the income and expenditure account	46,436	-	46,436
Other comprehensive income	5,191	-	5,191
Transfers between revaluation and income and expenditure reserves	50	(50)	-
Total comprehensive income/(expense) for the year	51,677	(50)	51,627
Balance at 31 July 2018	66,142	8,617	74,759
Deficit from the income and expenditure account	(295)	-	(295)
Other comprehensive loss	(3,214)	-	(3,214)
Transfers between revaluation and income and expenditure reserves	50	(50)	-
Total comprehensive expense for the year	(3,459)	(50)	(3,509)
Balance at 31 July 2019	62,683	8,567	71,250


Oaklands College, Hertfordshire

Consolidated and College Balance sheets as at 31 July 2019

	Note	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Non current assets					
Tangible Fixed assets	11	42,237	42,237	39,655	39,655
Investments	12	600	600	600	600
Trade and other receivables	13	18,687	18,687	27,365	27,365
		61,524	61,524	67,620	67,620
Current assets					
Stocks		174	174	169	169
Trade and other receivables	13	10,606	10,606	10,563	10,781
Cash and cash equivalents	17	24,211	24,211	16,392	16,162
		34,991	34,991	27,124	27,112
Creditors – amounts falling due within one year	14	(5,311)	(5,311)	(4,387)	(4,375)
Net current assets		29,680	29,680	22,737	22,737
Total assets less current liabilities		91,204	91,204	90,357	90,357
Creditors – amounts falling due after more than one year	15	(4,191)	(4,191)	(4,238)	(4,238)
Provisions					
Defined benefit obligations	16	(12,696)	(12,696)	(8,439)	(8,439)
Other provisions	16	(3,067)	(3,067)	(2,921)	(2,921)
Total net assets		71,250	71,250	74,759	74,759
Unrestricted Reserves					
Income and expenditure account		62,683	62,683	66,142	66,142
Revaluation reserve		8,567	8,567	8,617	8,617
Total unrestricted reserves		71,250	71,250	74,759	74,759

The financial statements on pages 23 to 47 were approved and authorised for issue by the Corporation on 9th December 2019 and were signed on its behalf on that date by:


Sue Grant
Chair


Zoe Hancock
Accounting Officer

Oaklands College, Hertfordshire

Consolidated Statement of Cash Flows

		Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Cash flow from operating activities			
(Deficit)/surplus for the year		(295)	46,436
Adjustment for non-cash items			
Depreciation		2,056	2,105
Increase in stocks		(5)	-
(Increase)/decrease in debtors		(43)	1,193
Increase/(decrease) in creditors due within one year		924	(294)
Decrease in creditors due after one year		(47)	(189)
Decrease in provisions		(192)	(121)
Pensions costs less contributions payable		1,150	1,325
Pension finance costs		231	341
Adjustment for investing or financing activities			
Investment income		(1,012)	(25)
Profit on sale of fixed assets		(179)	(48,120)
Net cash flow generated from operating activities		<u>2,588</u>	<u>2,651</u>
Cash flows from investing activities			
Proceeds from sale of fixed assets		9,741	10,519
Investment income		128	25
Payments made to acquire fixed assets		(4,638)	(3,783)
Net cash flow generated from investing activities		<u>5,231</u>	<u>6,761</u>
Increase in cash and cash equivalents in the year		<u>7,819</u>	<u>9,412</u>
Cash and cash equivalents at beginning of the year	17	16,392	6,980
Cash and cash equivalents at end of the year	17	24,211	16,392

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 2018 to 2019* and in accordance with Financial Reporting Standard 102 – “*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Basis of accounting

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

Basis of consolidation

The consolidated financial statements include the College and its wholly owned subsidiary, Oaklands Commercial Limited. 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.

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 the OfS 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, non-governmental, 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 Statement of Comprehensive Income in the period in which it is earned on a receivable basis.

The College acts as an agent in the collection and payment of 16-18 bursary grants. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

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 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

Oaklands College, Hertfordshire

Notes to the Financial Statements (continued)

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

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.

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 Statement of Comprehensive 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 between 20 and 50 years. Leasehold improvements are depreciated over the period of the lease. 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.

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

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. Any lease premiums or incentives relating to leases signed after 1 August 2014 are spread over the minimum lease term.

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 two joint ventures, University Campus St Albans Limited and Together Training Ltd, at cost less impairment. At the end of each reporting period investments in joint ventures are assessed for objective impairment. If an investment is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated future cash flows. The impairment loss is recognised in profit or loss.

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 assets

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

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

Oaklands College, Hertfordshire

Notes to the Financial Statements (continued)

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

Taxation (continued)

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.

Provisions and contingent liabilities

Provisions are recognised when the Group 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 Group 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 Group. 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 Group 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

Oaklands College, Hertfordshire

Notes to the Financial Statements (continued)

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

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

asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 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 2019. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2	Funding body grants	Year ended 31 July		Year ended 31 July	
		2019 Group £'000	2019 College £'000	2018 Group £'000	2018 College £'000
	Recurrent grants				
	Education and Skills Funding Agency – adult	3,019	3,019	2,183	2,183
	Education and Skills Funding Agency – 16-18	20,068	20,068	18,082	18,082
	Education and Skills Funding Agency - apprenticeships	-	-	1,887	1,887
	Office for Students	233	233	218	218
	Specific grants				
	Education and Skills Funding Agency	102	102	101	101
	Releases of government capital grants	231	231	240	240
	HE grant	8	8	8	8
	Total	23,661	23,661	22,719	22,719

Oaklands College, Hertfordshire

Notes to the Financial Statements (continued)

3 Tuition fees and education contracts

	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	699	699	845	845
Apprenticeship fees and contracts	231	231	301	301
Fees for FE loan supported courses	430	430	458	458
Fees for HE loan supported courses	1,680	1,680	1,659	1,659
International students fees			-	-
Total tuition fees	3,040	3,040	3,263	3,263
Education contracts	4,016	4,016	3,436	3,436
Total	7,056	7,056	6,699	6,699

4 Other grants and contracts

	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other grants and contracts	26	26	41	41
Total	26	26	41	41

5 Other income

	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering and residences	940	940	959	959
Other income generating activities	1,040	937	940	861
Non-government capital grant			67	67
Miscellaneous income	882	881	431	431
Total	2,862	2,758	2,397	2,318

Oaklands College, Hertfordshire

Notes to the Financial Statements (continued)

6 Investment income

	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Release of discounting on trade receivables	884	884	-	-
Bank interest receivable	128	128	25	25
Total	1,012	1,012	25	25

As the sale of land in 2017/18 resulted in 5 annual cash receipts, the future cash receipts were discounted on disposal. The release of discounting on trade receivables relates to the discounted value that can now be realised in 2018/19.

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:

	2019	2019	2018	2018
	Group	College	Group	College
	No.	No.	No.	No.
Teaching staff	279	275	287	284
Non-teaching staff	343	343	334	334
	622	618	621	618

Staff costs for the above persons

	2019	2019	2018	2018
	£'000	£'000	£'000	£'000
Wages and salaries	18,176	18,093	17,094	17,031
Social security costs	1,518	1,507	1,468	1,455
Other pension costs (including FRS 102 adjustment of £1,150k – 2017/18 : £1,325k)	4,125	4,115	4,343	4,340
Payroll sub total	23,819	23,715	22,905	22,826
Fundamental restructuring costs – Contractual	206	206	134	134
Total Staff costs	24,025	23,921	23,039	22,960

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and comprises, the Principal, Deputy Principal Curriculum and Quality, Director of Student Experience, two Directors of Curriculum, Director of Human resources and the Finance Director

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

	2019	2018
	No.	No.
The number of key management personnel including the Accounting Officer was:	9	7

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	
	2019 No.	2018 No.	2019 No.	2018 No.
£1 to £5,000 p.a.	1	-	-	-
£60,001 to £65,000 p.a.	-	1	-	-
£65,001 to £70,000 p.a.	3	1	-	-
£70,001 to £75,000 p.a.	2	3	-	-
£95,001 to £100,000 p.a.	-	1	-	-
£120,001 to £125,000 p.a.	1	-	-	-
£130,001 to £135,000 p.a.	1	-	-	-
£145,001 to £150,000 p.a.	1	1	-	-
	<u>9</u>	<u>7</u>	<u>-</u>	<u>-</u>

Of the 9 Key management personnel in 2019 above, 3 left during the year, of which 2 received redundancy and PILON payments (included in the £120k to £125k and £130k to £135k bands above). Two new key management personnel have started post the year end.

Key management personnel compensation is made up as follows:

	2019 £'000	2018 £'000
Salaries	752	584
Employers National Insurance	88	72
Benefits in kind	2	1
	<u>842</u>	<u>657</u>
Pension contributions	125	120
Total key management personnel compensation	<u>967</u>	<u>777</u>

There were no amounts due to key management personnel that were waived in the year, nor any salary sacrifice arrangements in place. The 2019 amounts include the redundancy and PILON payments referred to above.

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

	2019 £'000	2018 £'000
Salaries	145	144
Benefits in kind	2	1
	<u>147</u>	<u>145</u>
Pension contributions	<u>35</u>	<u>34</u>

Oaklands College, Hertfordshire

Notes to the Financial Statements (continued)

7. Staff costs (continued)

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

The remuneration package of the Principal and Chief Executive is subject to annual review by the Remuneration Committee who use benchmarking information to provide objective guidance.

The Principal and Chief Executive reports to the Chair of the Corporation, who undertakes an annual review of her performance against the College's overall objectives using both qualitative and quantitative measures of performance.

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

Principal and Chief Executive's basic salary as a multiple of the median of all staff	5.8
Principal and Chief Executive's total remuneration as a multiple of the median of all staff	6.7

Compensation for loss of office paid to former key management personnel

	2019 £'000	2018 £'000
Compensation paid to former post holders	70	15
Number of post holders compensated	2	1

The severance payments were approved by the College's Remuneration Committee.

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.

8 Other operating expenses

	2019 Group £'000	2019 College £'000	2018 Group £'000	2018 College £'000
Teaching costs	2,786	2,786	2,784	2,784
Non-teaching costs	3,529	3,529	2,987	2,987
Premises costs	2,397	2,397	2,239	2,239
Total	8,712	8,712	8,010	8,010

Oaklands College, Hertfordshire

Notes to the Financial Statements (continued)

Other operating expenses (continued)

Other operating expenses include:	2019 £'000	2018 £'000
Auditors' remuneration:		
Financial statements audit*	29	39
Internal audit	35	36
Other services provided by the financial statements auditors – Regularity audit, Teachers Pension and VAT advice	1	7
Hire of assets under operating leases	<u>180</u>	<u>162</u>

* includes £28k in respect of the College (2017/18 : £34k)

9 Interest and other finance costs – Group and College

	2019 £'000	2018 £'000
Enhanced pension provision interest charge	67	70
Pension finance costs (note 21)	<u>231</u>	<u>341</u>
Total	<u>298</u>	<u>411</u>

10 Taxation – Group only

	2019 £'000	2018 £'000
United Kingdom corporation tax at 19 per cent on Oaklands Commercial Limited's surplus	-	-
Total	<u>-</u>	<u>-</u>

Oaklands College, Hertfordshire

Notes to the Financial Statements (continued)

11 Tangible fixed assets (Group and College)

	Land and buildings Freehold £'000	Equipment £'000	Assets in the course of construction £'000	Total £'000
Cost or valuation				
At 1 August 2018	49,564	13,246	3,071	65,881
Transfer	589		(589)	-
Additions	371	672	3,595	4,638
Disposals	-	(9)	-	(9)
At 31 July 2019	50,524	13,909	6,077	70,510
Accumulated depreciation				
At 1 August 2018	14,783	11,443	-	26,226
Charge for the year	1,281	775	-	2,056
Elimination in respect of disposals	-	(9)	-	(9)
At 31 July 2019	16,064	12,209	-	28,273
Net book value at 31 July 2019	34,460	1,700	6,077	42,237
Net book value at 31 July 2018	34,781	1,803	3,071	39,655

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.

The transfer of assets relates to the completion, and therefore capitalisation, of the STEM development at the Welwyn Garden City Campus. Additions to the assets in construction in the year, predominantly relate to the spend incurred to date on the St Albans Campus development.

12 Investments (Group and College)

	2019 £'000	2018 £'000
Investment in subsidiary	-	-
Investment in joint ventures	600	600
	600	600

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 (Company number 08338085), 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 (Company number 09975696), a company incorporated in England and Wales. The principal business activity of Together Training Ltd is the delivery of apprenticeships.

Oaklands College, Hertfordshire

Notes to the Financial Statements (continued)

12. Investments (continued)

The College also owns 100 per cent of the issued ordinary capital shares of Oaklands Commercial Limited (Company number 09144709), the initial cost of which was £1. The principal business activity of Oaklands Commercial Limited is to manage the commercial activities of Oaklands.

13 Trade and other receivables

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Amounts falling due after more than one year:				
Trade receivables	18,687	18,687	27,365	27,365
Total	18,687	18,687	27,365	27,365
	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Amounts falling due within one year:				
Trade receivables	9,974	9,974	9,557	9,558
Amounts owed by group undertakings:				
Subsidiary undertakings	-	-	-	217
Prepayments and accrued income	469	469	491	491
Amounts owed by the ESFA	155	155	230	230
Other	8	8	285	285
Total	10,606	10,606	10,563	10,781

14 Creditors - amounts falling due within one year

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Payments received in advance	879	879	855	855
Trade payables	495	495	388	388
Other taxation and social security	413	413	383	383
Pension creditor	362	362	346	346
Other creditor	464	464	532	519
Accruals	1,673	1,673	1,009	1,009
Holiday pay accrual	149	149	150	150
Deferred income - government capital grants	259	259	239	239
Amounts owed to the ESFA	617	617	485	485
Total	5,311	5,311	4,387	4,374

Oaklands College, Hertfordshire

Notes to the Financial Statements (continued)

15 Creditors - amounts falling due after more than one year

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Deferred income – government capital grants	4,191	4,191	4,238	4,238
Total	4,191	4,191	4,238	4,238

16 Provisions – Group and College

	Defined benefit obligations £'000	Enhanced Pension provision £'000	Total £'000
At 1 August 2018	8,439	2,921	11,360
Expenditure in the year	1,381	(192)	1,189
Actuarial loss in the year	2,876	338	3,214
At 31 July 2019	12,696	3,067	15,763

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:

	2019	2018
Price inflation	2.4%	1.3%
Discount rate	2.1%	2.3%

Oaklands College, Hertfordshire

Notes to the Financial Statements (continued)

17 Cash and cash equivalents

	At 1 August 2018 £'000	Cash flows £'000	At 31 July 2019 £'000
Cash and cash equivalents	<u>16,392</u>	<u>7,819</u>	<u>24,211</u>

18 Capital and other commitments

	Group and College	
	2019 £'000	2018 £'000
Commitments contracted for at 31 July	<u>1,031</u>	<u>553</u>

19 Lease obligations

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

	Group and College	
	2019 £'000	2018 £'000
Future minimum lease payments due		
Other		
Not later than one year	62	132
Later than one year and not later than five years	<u>94</u>	<u>79</u>
Total lease payments due	<u>156</u>	<u>211</u>

20 Events after the reporting period

There are no events after the reporting period (2018: none).

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	2019	2018
	£000	£000
Teachers' Pension Scheme: contributions paid	1,078	1,090
Local Government Pension Scheme:		
Contributions paid	1,930	1,974
FRS 102 (28) charge	1,150	1,325
Charge to the Statement of Comprehensive income	<u>3,080</u>	<u>3,299</u>
Enhance pension charge to Statement of Comprehensive Income	305	34
Total Pension Cost for Year within staff costs	<u>4,463</u>	<u>4,423</u>
Total actuarial (loss)/gain for the year	2019	2018
	£000	£000
Local Government Pension Scheme	(2,876)	5,191
TPS enhanced pension provision	<u>(338)</u>	<u>-</u>
Total actuarial (loss)/gain for the year	<u>(3,214)</u>	<u>5,191</u>

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 2016 and of the LGPS 31 March 2016.

Contributions amounting to £362k (2018: £346k) were payable to the scheme at 31st July and are included within creditors.

Teachers' Pension Scheme

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

The Teachers' Pension Budgeting and Valuation Account

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

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

Oaklands College, Hertfordshire

Notes to the Financial Statements (continued)

21. Defined benefit obligations (continued)

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

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

Valuation of the Teachers' Pension Scheme

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

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

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

The pension costs paid to TPS in the year amounted to £1,078k (2018: £1,090k)

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 2019 were £2,436k, of which employer's contributions totalled £1,930k and employees' contributions totalled £506k. 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 2019 by a qualified independent actuary.

	2019	2018
Rate of increase in salaries	2.5%	2.5%
Future pensions increases	2.4%	2.4%
Discount rate for scheme liabilities	2.1%	2.8%
Commutation of pensions to lump sums - services to 31 st March 2008	50%	50%
Commutation of pensions to lump sums - service from 1 st April 2008	75%	75%

Oaklands College, Hertfordshire

Notes to the Financial Statements (continued)

21. Defined benefit obligations (continued)

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

	2019 years	2018 years
<i>Retiring today</i>		
Males	21.5	22.5
Females	23.7	24.9
<i>Retiring in 20 years</i>		
Males	22.3	24.1
Females	25.0	26.7

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

	2019 £'000	2018 £'000
Fair value of plan assets	59,164	53,369
Present value of plan liabilities	(71,860)	(61,808)
Net pensions liability	(12,696)	(8,439)

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

	2019 £'000	2018 £'000
Amounts included in staff costs		
Current service cost	3,038	3,299
Past service cost	49	-
Total	3,087	3,299

	2019 £'000	2018 £'000
Amounts included in interest and other finance costs		
Net interest costs	(231)	(341)
	(231)	(341)

	2019 £'000	2018 £'000
Amount recognised in Other Comprehensive Income		
Return on pension plan assets	3,415	2,714
Other experience	-	-
Changes in assumptions underlying the present value of plan liabilities	(6,291)	2,477
Amount recognised in Other Comprehensive Income	(2,876)	5,191

Oaklands College, Hertfordshire

Notes to the Financial Statements (continued)

21. Defined benefit obligations (continued)

Movement in net defined benefit liability during the year

	2019 £'000	2018 £'000
Net defined benefit liability in scheme at 1 August	(8,439)	(11,964)
Movement in year:		
Current service cost	(3,038)	(3,299)
Employer contributions	1,937	1,974
Past service cost	(49)	-
Net interest on the defined liability	(231)	(341)
Actuarial (loss)/gain	(2,876)	5,191
Net defined benefit liability at 31 July	(12,696)	(8,439)

Asset and Liability Reconciliation

	2019 £'000	2018 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of the year	61,808	60,332
Current service cost	3,038	3,299
Past service cost	49	-
Interest cost	1,757	1,659
Contributions by Scheme participants	504	513
Changes in financial assumptions	6,291	(2,477)
Estimated benefits paid	(1,587)	(1,518)
Defined benefit obligations at end of the year	71,860	61,808

Changes in fair value of plan assets

	2019 £'000	2018 £'000
Fair value of plan assets at start of the year	53,369	48,368
Interest on plan assets	1,526	1,318
Return on plan assets	3,415	2,714
Employer contributions	1,937	1,974
Contributions by Scheme participants	504	513
Estimated benefits paid	(1,587)	(1,518)
Fair value of plan assets at end of the year	59,164	53,369

Oaklands College, Hertfordshire

Notes to the Financial Statements (continued)

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 £22; 1 Corporation member (2018: £282; 2 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 (2018: None).

My Mustard – a company in which Ms J Cory, Corporation member, has a majority interest. Transactions totalling £21,033, relating to the purchase of online marketing support took place.

23 Amounts disbursed as agent

	2019 £'000	2018 £'000
16-18 bursary grants	575	500
Disbursed to students	(537)	(564)
Administration costs	(22)	(20)
Balance unspent as at 31 July, included / (reduced) in creditors	16	(84)

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