

**WQE AND REGENT COLLEGE GROUP  
REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2018**

## KEY MANAGEMENT PERSONNEL, BOARD OF GOVERNORS AND PROFESSIONAL ADVISORS

### KEY MANAGEMENT PERSONNEL

Key management personnel are defined as members of the Senior College Leadership Teams and were represented by the following in 2017/18:

Sandra Hamilton-Fox    Principal; Accounting Officer of Wyggeston & Queen Elizabeth I College - retired 28 March 2018  
Paul Wilson            Principal; Accounting Officer of Regent College until its dissolution on 28 March 2018. Appointed Principal of WQE and Regent College Group on 29 March 2018

#### University Road Campus:

Tim Cullinan            Vice Principal (Curriculum and Guidance)  
Sue Ashwin            Vice Principal (Student and College Services)  
Andrew Jackson      Assistant Principal (Curriculum and Guidance)  
Carolyn Davies        Director of Finance and Resources

#### Regent Road Campus:

Sarah Oldfield        Vice Principal  
Paul Glossop          Director of Outcomes, Quality and Improvement  
Kim Pearson          Director of Student Development and Welfare

### BOARD OF GOVERNORS

A full list of Governors is given on pages 16 to 18 of these financial statements. Peter Butcher acted as Clerk to the Corporation throughout the period.

### PROFESSIONAL ADVISORS

#### Financial statements auditors and reporting accountants:

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

#### Bankers:

Lloyds Bank plc                      National Westminster Bank plc  
Butt Dyke House                      92 Queens Road  
33 Park Row                            Leicester  
Nottingham                              LE2 1SY  
NG1 6GY

#### Solicitors:

Greenwoods                              Shakespeare Martineau  
Monkstone House                      2 Colton Square  
City Road                                Leicester  
Peterborough                            LE1 1QH  
PE1 1JE

**REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31  
JULY 2018**

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## REPORT OF THE GOVERNING BODY

### NATURE, OBJECTIVES AND STRATEGIES

The members present their report together with the financial statements and auditor's reports for the WQE and Regent College Group for the year ended 31 July 2018.

#### MERGER

On 29 March 2018, Wyggeston & Queen Elizabeth I College merged with Regent College by way of a Type B merger. The Boards passed resolutions on 21 March 2018 to transfer the rights, assets and liabilities of Regent College to Wyggeston & Queen Elizabeth I College with effect from the merger date. The name of the merged College was changed to WQE and Regent College Group with effect from 29 March 2018, with the approval of the Secretary of State.

The Merger has created a strong institution delivering high quality education and skills training for young people in the local area.

#### LEGAL STATUS

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting WQE and Regent College Group, formerly Wyggeston & Queen Elizabeth I College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

#### MISSION

As part of the merger process, Governors made commitments to ensure that the College meets the needs of the communities it serves, provides a high quality education for all its students and uses its resources in the most efficient and effective way. As a merged College, our vision incorporates an overriding ambition for our students.

#### PUBLIC BENEFIT

WQE and Regent College Group is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Corporation (the Governing Body), who are trustees of the charity, are disclosed on pages 16 to 18.

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 identifiable public benefits through the advancement of education to over 3,200 students. This Report sets out the College's strategic objectives, key indicators, student achievements and curriculum developments all of which demonstrate the College's aim of delivering an outstanding education for its students.

#### IMPLEMENTATION OF STRATEGIC PLAN

Prior to merger, each college had a three year strategic plan that was reviewed every year to allow for medium term strategic planning and to take account of important internal or external developments. The strategic plans were linked to Property Strategies and Financial Plans and were based around three strategic themes:

- The Curriculum Offer and Student Numbers
- Student Outcomes and Experiences
- Leadership and Management

## WQE AND REGENT COLLEGE GROUP

The overarching strategic development and financial plans were supported by operational Development and Quality Improvement Plans.

The single most important strategic development during the year, was the merger between the two colleges. The proposed merger was endorsed and supported by the Government's formal Area Review Process and by key stakeholders, following a public consultation.

The Leicester and Leicestershire Area Based Review ran from September 2016 to February 2017. Through the Review process, the Corporations determined that partnership working with the three Sixth Form Colleges in the City was the preferred option. In moving this partnership forwards, it was agreed that the first phase would be a merger between Regent College and Wyggeston & Queen Elizabeth I College to create a single, inclusive, high quality curriculum offer, with the aim that benefits for learners can be realised by September 2018.

The merger has at its heart an educational vision that will serve well current and future student cohorts and which provides the best response to the key challenges that the Colleges were facing individually.

The merger implementation plan forms the strategic plan for the period 2017/18 – 2018/19. This plan includes curriculum, property and financial plans. The Corporation monitors the performance of the College against these plans. The College's strategic objectives are:

- Develop a strategy to grow student numbers, reflecting the demographic growth anticipated in the City. The College objective is to reach a funded student population of some 3,440 by 2019-20 reflecting growth over 3 years;
- Develop of fully re-aligned curriculum which maintains a broad and flexible offer so as to meet students' individual needs and promote effective progression. Enable participation, progression and the fulfilment of aspiration;
- Maintain a comprehensive offer of wider activities to support and enable students to develop a wide range of skills and attributes in preparation for their progression and adult life;
- Have consistently high student outcomes on all courses and for all groups of students to make good progress relative to their prior attainment;
- Achieve good or excellent standards of teaching and learning for all students in all subjects, through a process of continuous improvement and the sharing of excellent practice;
- Build on and strengthen the excellent support systems in place to ensure that students are safe, successful and make a positive contribution within College and their studies;
- Give a high priority to effective leadership and support for staff during a period of significant change;
- Develop and implement a Property Strategy with continued investment across both campuses to create outstanding teaching and learning facilities;
- Make effective use of financial resources, maintaining strong financial health and long term sustainability by realising savings arising from merger on a timely basis and reviewing all areas of the College's operations for efficiency gains.

The College is on target for achieving these objectives.

Key targets for 2017/18 and achievement against these indicators is addressed below:

Development plan target	Target 17/18	Outcome 17/18
Student Recruitment - number of full-time 16-19 students	3,189	3,271
Student Outcomes by predecessor college		
<b>Wyggeston &amp; Queen Elizabeth I College:</b>		
A Level pass rate	97.0%	98.4%
A Level High grades	46.5%	51.7%
Value Added (A Level) based on ALPS	5	4

## WQE AND REGENT COLLEGE GROUP

Regent College:	Target 17/18	Outcome 17/18
Achievement rate	86%	87%
Finance - financial health category	Good	N/A

16-19 Student numbers in 2017/18 were above the College's target and slightly above the prior year number of 3,231. Significant work continues to be undertaken with regard to student recruitment and the 16-19 student number target of 3,390 for 2018/19 has been significantly exceeded. The College recognises the competitive environment for students and does not underestimate the challenge of achieving the student numbers anticipated in the strategic plan. The positive impact of merger on the combined curriculum offer and the demographic growth in schools in the City give the College confidence that future targets are achievable.

The achievement rate for all level 3 (advanced level) courses exceeds the most recent Sixth Form College average. Retention rates are impossible to compare with previous years owing to a change in the methodology. Pass rates have also increased compared to the prior year; high grade achievement has continued to rise. The College has a quality improvement strategy and is investing considerable efforts into continuing to improve achievement to meet its ambitious targets.

The College did not set a Financial Health target for 2017/18 as significant one-off revenue costs were incurred during the year in relation to the merger process.

### FINANCIAL OBJECTIVES

The College's Financial Objectives for 2017/18 included the following key targets:

- operation of sound and efficient financial management and operating controls with improvements to financial systems kept under review;
- maintain the confidence of the College's bankers by ensuring compliance with loan covenants and continuing with an effective dialogue with the bank;
- maintaining a sound operating financial basis, measured against the key indicators in the table below.

The College met its financial objectives for 2017/18, other than in relation to generating an operating surplus. The one off costs incurred during the merger process and the impact of the merger accounting rules meant that the College did not generate a surplus in 2017/18. The Corporation reviewed the key indicators in July 2018 and, having regard to the financial environment the College is operating in, agreed the indicators set out below for 2018/19.

	2018/19	2017/18
Cash days in hand	60	60
Current ratio in excess of	1.5	1.5
Cash flow from operations	Positive and covering interest and debt repayments	Positive and covering interest and debt repayments
Operating surplus (excluding FRS 102 adjustments)	N/A	0.1%
Performance against ESFA funding target	100%	98.5%
Financial Health Grade	Good	N/A

The College is not anticipating it will generate an operating surplus in 2018/19 as this period post-merger will incorporate harmonisation costs and other one-off costs in relation to the delivery of the merger implementation plan. A key objective for 2018/19 is to ensure that proposals for efficiencies and cost savings in the merger implementation plan are effectively implemented to ensure that the financial benefits are felt in 2019/20.

### PERFORMANCE INDICATORS

Internal KPI's and the College's performance against them have been set out above.

The funding agencies continue to measure Further Education performance in terms of contribution to national targets. The predecessor colleges operated separate performance indicators up to the point of merger, with new measures being implemented for the 2018/19 academic year.

The College is committed to observing the importance of sector measures and indicators including measures that are assessed externally including Financial Health, delivery against funding targets and achievement rates. The College is required to complete the annual Finance Record for the Education and Skills Funding Agency (ESFA). The Finance Record produces the Financial Health Grade and the current rating of Good for 2017/18 is considered an acceptable outcome in particular in the light of the considerable one-off costs incurred in relation to the merger process and the sums invested into revenue maintenance and refurbishment.

### FINANCIAL POSITION

#### FINANCIAL RESULTS

The College generated a deficit before other gains and losses in the year of £923k (2016/17 - £67k) with total comprehensive income of £735k (2016/17 - £178k). The deficit in 2017/18 is after reflecting:

- revenue costs (less grant received) totalling £205k in relation to the merger process (2016/17 - £22k);
- £128k (2016/17 - £440k) in relation to refurbishment of classrooms at the University Road campus and the refurbishment and remodelling of the entrance at the Regent Road campus (2016/17 - refurbishment and remodelling of the kitchen/servery area and classrooms and corridors); and
- £673k (2016/17 - £503k) in relation to FRS 102 charges.

The underlying surplus, after excluding these items, amounts to £83k (2016/17 - £899k).

At 31 July 2018, the College had accumulated reserves of £15,313k (2016/17 - £14,578k) and cash and investment balances of £6,078k (2016/17 - £6,086k). The increase in the College's reserves reflects the actuarial gain in relation to the Local Government Pension Scheme which is partially offset by the operating deficit. The College regularly reviews the extent of its reserves, cash and loan balances to allow it to invest in its estate and manage the difficult external funding environment.

Tangible fixed asset additions in the year amounted to £293k (2016/17 - £605k), of which additions to land and buildings amounted to £24k (2016/17 - £162k), IT equipment £202k (2016/17 - £222k) and other equipment £67k (2016/17 - £221k). Additions in the year primarily relate to the refurbishment works and the on-going IT infrastructure and hardware replacement programme.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2017/18 the funding bodies provided 96% of the College's total income (2016/17 - 96%). This reliance on funding body income is expected to continue in 2018/19, and future years.

The College has one subsidiary company, QED (Leicester) Ltd, which managed the rental of the College's car parking spaces from 29 March 2018, the date of merger. This trading activity is expected to continue throughout 2018/19.

#### FINANCIAL PLAN

The College governors approved a three year financial plan in July 2018 which sets objectives for the period to 2020.

## TREASURY POLICIES AND OBJECTIVES

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

The College currently does not have any short term borrowing for temporary revenue purposes. Other borrowing requires the authorisation of the Corporation and complies with the requirements of the College's Funding Agreement.

## CASH FLOWS

The cash inflow from operating activities in the year was £523k (2016/17 - £1,231k). The College received £Nil (2016/17 - £Nil) in capital grants towards capital projects and £Nil in proceeds from the disposal of fixed assets (2016/17 - £Nil). These cash inflows were principally used to finance payments for capital expenditure of £293k (2016/17 - £728k) and the capital and interest payments for the long term loan.

## LIQUIDITY

In September 2007, the College entered into an unsecured term loan agreement up to a maximum amount of £5.17m with the Allied Irish Bank to part finance the new building and refurbishment programme. The final drawdown under the facility took place in October 2009 and repayments commenced in March 2010. Total debt at 31 July 2018 amounted to £2,015k (31 July 2017 - £2,214k).

£1,072k of the loan is due for repayment or refinancing in March 2019. The Corporation will consider its approach to this tranche of the loan in conjunction with its strategic objectives. As at 31 July 2018, this part of the loan has been shown as debt repayable within one year, as no formal refinancing facilities are currently in place. The size of the College's total borrowing and its approach to interest rate management has been carefully considered to provide a balance between the cost of servicing the debt and operating cash flow.

## RESERVES POLICY

The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation, and ensures that there are sufficient reserves to support the College's core activities and charitable obligations should there be an unexpected revenue shortfall. The existence of unrestricted reserves also offers the College flexibility to plan and fund major projects, including those to develop and maintain its buildings and facilities.

By their very nature, the availability of the restricted and endowed funds for the general operation of the College is limited. Accordingly it is the unrestricted reserves which are expendable at the discretion of the Corporation in the furtherance of the objectives of the College.

The College's reserves include £384k (2016/17 - £386k) held as restricted reserves. As at 31 July 2018, free reserves (unrestricted funds excluding the revaluation reserves) stand at £8,383k (£7,519k at 31 July 2017). It is the Corporation's intention to increase reserves over the life of the strategic plan through the generation of modest operating surpluses.

## 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.



## CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

### FINANCIAL HEALTH

The Financial Health Grade for 2017/18 is Good. This is considered an acceptable outcome in particular in the light of the considerable one-off costs incurred in relation to the merger process and the sums invested into revenue maintenance and refurbishment.

### STUDENT NUMBERS

The primary source of funding received by the College is from 16-19 ESFA funding. This funding is based on student numbers enrolled at the College, using a lagged formula model.

In 2017/18 the College enrolled 3,271 16-19 year-old students, 46 higher than the funded number of 3,225. The cash out-turn generated by these students was £14,487k. Funding for these students was £14,420k, the funding shortfall therefore being £67k.

The College had 89 students funded through the Adult Education Budget and Apprenticeship funding. The funding outturn overall was £159k, which was £80k lower than the original combined allocations. The national change in apprenticeship funding, with the move to the apprenticeship levy has changed the balance of risk in relation to this work. The College has therefore decided to withdraw from future apprenticeship provision.

### STUDENT ACHIEVEMENTS

A majority of the College's provision is for full-time students aged 16 to 19 on level 3 courses. These Level 3 students studied GCE, A level and equivalent and vocational courses. A wide range of courses are also provided for students with lower levels of prior attainment. There are clear pathways for progression onto Level 3 courses, providing excellent opportunities for these students.

The College has good levels of student achievement, as evidenced by the following outcomes (by Predecessor College):

#### **Wyggeston & Queen Elizabeth I College:**

- An A-level pass rate of 98.4%;
- High progression rates to higher education. The progression outcomes for those students who left the College at the end of their course in 2017 were excellent. 94.5% (2016 - 98.1%) of all leavers secured positive progression, with 85% progressing to Higher Education (2016 - 85%).

#### **Regent College:**

- Overall achievement rate 86.1% (2016/17 – 86.8%)
- Qualification pass rates 91.5% (2016/17 – 91%)
- A level achievement rate 93% (2016/17 – 93%)
- GCSE success rate 93% (2016/17 – 90%)

### CURRICULUM DEVELOPMENTS

The vision of the newly merged College is to bring together the strengths of the two predecessor colleges to provide a high quality, inclusive sixth form education for young people in the local area. The College keeps the curriculum under continuous review and will develop a fully re-aligned curriculum which maintains a broad and flexible offer so as to meet students' individual needs and promote effective progression, either to higher education or employment. The College seeks to enable participation, progression and the fulfilment of aspiration.

The College has a Curriculum Statement, reviewed annually, which is its statement of curriculum policy. In 2017/18 all full-time students followed a curriculum with two main elements:

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1. A main programme of courses including A levels or the equivalent, classroom based vocational courses and GCSEs;
2. A programme of extension options, enrichment and guidance.

All A levels were linear courses by September 2017. In linear courses, AS levels will continue as separate qualifications but will no longer count towards the final A level. The College no longer offers the AS qualification where the AS grade does not count towards the overall A level grade.

### 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 believes it meets this target. The College incurred no interest charges in respect of late payment during the year under review.

### POST BALANCE SHEET EVENTS

There are no post balance sheet events of significance.

### FUTURE DEVELOPMENTS

The future prospects of the College are intrinsically linked to the success of the merger. The College has invested significant financial and other resources into the merger and has a robust implementation plan to ensure its success.

The College will develop a single inclusive high quality curriculum offer and was seeking to achieve student numbers of approximately 3,415 16-19 learners by the year ending 31 July 2020. This number has already been exceeded in the September 2018 enrolment and future student number forecasts will link with the development of a new property strategy, which will fully reflect the merger.

A condition survey of both campuses was undertaken in September 2017 and a strategic estates options appraisal was undertaken in January 2018, both as part of the merger due diligence work. This work will assist the Corporation to determine the College's property strategy going forwards. Particular focus will continue to be given to the improvement of the quality of general teaching spaces, the accommodation of the growth in student numbers and improving teaching and working conditions for large numbers of staff and students in the College. In addition, the condition surveys will inform a programme of planned maintenance over the medium to long term.

Summer 2018 has seen the commencement of the roll out of the merged College identity across both campuses and a range of media. This work will continue in 2018/19.

The College is reviewing the delivery of all areas of its work, including a review of the curriculum offer, and is planning to introduce a number of efficiency schemes to ensure its financial viability given the funding reductions and inflationary pressures anticipated in the coming years.

The College undertakes comprehensive and regular financial forecasting, incorporating the financial impact of strategic plans, normally looking five years ahead. Taking account of its current position, strategic plans and the principal risks that it faces, the College believes that it will be able to continue in operation and meet its liabilities for the foreseeable future.

### RESOURCES

The College has various resources that it can deploy in pursuit of its strategic objectives. Tangible resources include the main College sites, including the new and refurbished buildings.

#### *Financial:*

The College has £15,313k of net assets. This is stated after taking account of pension liabilities of £4,979k, long term debt of £862k and capital grants due after 1 year of £6,519k.

### *People:*

The College employs 262 people expressed as full time equivalents, of whom 136 are teaching staff.

### *Reputation:*

The College has a strong reputation locally and nationally. Maintaining the all round high quality of education offered at the College is essential for the College's success in attracting students and maintaining external relationships.

## **PRINCIPAL RISKS AND UNCERTAINTIES**

The College has continued to work during the year to ensure high quality systems of internal control, including financial, operational and risk management which are designed to protect the College's assets and reputation.

The College's Leadership Teams undertake systematic and regular reviews of the risks to which the College is exposed, including any risks which may arise as a result of new areas of work being undertaken by the College. They identify systems and procedures, including specific preventative actions which should mitigate any potential impact on the College.

A risk register is maintained at College level which is reviewed twice yearly by the Audit Committee and the Corporation. The risk register identifies the significant risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

The principal risks that may affect the College are set out below. Not all of the risks relate to factors that are within the College's control. Other factors besides those listed below may also adversely affect the College.

### **Funding**

The College has considerable reliance on continued government funding through the education sector funding bodies. In 2017/18, 96% of the College's revenue was ultimately publically funded and this level of reliance is expected to continue. There can be no assurance that public funding will not continue to reduce in real terms over and above those reductions already announced. The College is aware of the following issues impacting future funding:

- Fundamental changes to the way our students are funded were introduced in the new funding methodology, effective from 2013/14. Financial protection was available to the College from the impact of these changes for the three years commencing 2013/14. This financial protection will be fully phased out for this College by 2019/20. Severe declines in real terms funding are being experienced in the Post 16 sector;
- Recent Government initiatives include a raft of education reforms, all with negative implications for sixth form colleges including increased competition for students, cuts to funding and ad hoc access to capital funding;
- Any failure to achieve good standards of student attainment could impact on the College's reputation and ability to recruit students in the medium term.

These risks are mitigated in a number of ways:

- Ensuring the College is rigorous in delivering high quality education and training;
- On-going work in relation to the new specifications, entry profiles, programmes of study and courses;
- Regular dialogue to maintain and manage relationships with the funding bodies and other key agencies;
- Continuing focus on student recruitment, especially in the core 16-18 provision, including ongoing review of branding and marketing, and ensuring a proactive approach with prospective students;
- Maintaining flexibility and responsiveness in the delivery and cost models;
- Identification of areas for possible cost reduction.

### Property Strategy

The College has invested considerable resources in improving and developing its estate to deliver an outstanding environment for teaching and learning. Projects completed in recent years include:

- £10m project creating a new building to accommodate art and design, business and economics and performing arts and a full refurbishment of the science block;
- £700k project to further extend specialist science accommodation;
- £2.6m project to build a new sports centre;
- £900k project to refurbish general teaching areas;
- £1.3m project to increase the student social space by adding a mezzanine floor to the dining room;
- £1m project to refurbish the Great Hall and relocate and expand the Learning Resource Centre, increasing the number of study spaces available to students;
- £1m project to refurbish the George Thompson building creating high quality teaching and learning spaces and a £700k project to create new ICT classrooms;
- £650k project to remodel and refurbish teaching rooms in the G Building, the main reception area and support staff offices;
- £1.6m projects to remodel and refurbish teaching rooms in the G Building, East Block and M Block and a full refurbishment of the main kitchen and servery areas;
- £200k project to remodel reception and student support areas;

Given the significant real terms funding reductions that are being experienced by the College, there is a risk that the College will be unable to ensure sufficient sums are allocated to future capital building and maintenance. In addition the Building Condition Improvement Fund has been discontinued and the grant funding available to Sixth Form Colleges through the Condition Improvement Fund are much more limited. In addition, without further investment in the estate, the College may be unable to accommodate the growth in student numbers in the medium term, as indicated by the current demographic data.

This risk is mitigated in a number of ways:

- A full review of the merged College's property strategy, ensuring that the potential of the estate is fully realised in the most efficient way;
- A significant part of the College's building stock has already been replaced or thoroughly refurbished reducing the scale of works required in the short/medium term;
- The College is proactive in bidding for funds to support its property strategy although the government funds available are significantly reduced;
- Careful management of the College's cash reserves has ensured that the College has funds available for infrastructure projects.

### Adequate funding of pay increases and pension liabilities

The Sixth Form College's Association (SFCA) negotiates staff salary increases at a national level. If recommended increases are higher than those budgeted, the College risks having a shortfall in its finances. The College is not however bound by the SFCA recommendations and maintains sufficient reserves to manage increases over those budgeted for the short term.

The financial statements report the share of the Local Government Pension Scheme (LGPS) deficit on the College's balance sheet in line with the requirements of accounting standards. The College also participates in the Teachers Pension Scheme (TPS), which is treated as a defined contribution scheme for accounting purposes. The costs of maintaining final salary pension schemes are significant and poor returns on assets invested are significantly increasing the deficits in these schemes, which in turn impact the cost of maintaining these schemes. Very significant increases in employer contributions to both the LGPS and TPS have already been announced.

Current indications are that Sixth Form Colleges will be expected to suffer these additional pay costs as they will be excluded from the likely teacher pay grant and pension cost protection arrangements afforded to schools.

**INVESTORS IN PEOPLE STATUS**

The College was first awarded *Investors in People* status in June 2004 and this was most recently renewed in September 2016 when a bronze award was achieved.

**STAKEHOLDER RELATIONSHIPS**

In line with other colleges, the WQE and Regent College Group has many stakeholders. These include:

- Students
- Parents/carers
- Education sector funding bodies
- Staff
- Local Authorities
- Local Enterprise Partnerships
- The local community
- Other FE institutions
- Partner Schools
- Trade unions

The College recognises the importance of these relationships and engages in regular communication with its stakeholders.

**TRADE UNION FACILITY TIME**

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

Numbers of employees in the year ended 31 July 2018	FTE employee number
7	7

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

Total cost of facility time	£16,171
Total pay bill	£10,745,021
Percentage of total bill spent on facility time	0.15%

Time spent on paid trade union activities as a percentage of total paid facility time	11.31%
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### EQUAL OPPORTUNITIES

The following statement, encapsulating the College's commitment in this area, is included as an integral part of all policy documents:

*The College is committed to the equality of opportunity and a proactive approach to equality, which supports and encourages under-represented groups, promotes inclusivity and values diversity.*

A central part of the College's mission is to maximise the extent to which members of the College, be they students or employees, are able to fulfil their potential. An intrinsic part of this is to ensure that the College redresses inequality where it can – and certainly does not perpetuate such inequality. The College seeks to be fully compliant with appropriate legislation. The College also seeks to practice what is implied in the policies it develops from such legislation. Wherever it can, therefore, the College scrutinises the impact of its work from an Equalities perspective, analysing for example its performance in terms of enrolment, achievement and progression for the students and recruitment, selection and employment for staff. Reporting is thorough and emerging issues are addressed.

The College's Single Equalities Scheme is published on the College's VLE, Staff Intranet and Website and a Single Equality Scheme Action Plan, which is reviewed regularly and monitored by managers and governors. The College has an Equalities and Diversity Forum which meets regularly.

The College considers all applications for employment based solely on merit. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non-disabled employees.

The College has a regularly updated Equality & Diversity training programme which all staff and governors attend. Refresher training and training for new starters is carried out on an ongoing basis, the frequency in line with legislative requirements.

### DISABILITY STATEMENT

The College recognises its obligations and seeks to achieve the objectives set down in the Equality Act 2010. In particular the following are noted:

- a) all new buildings are accessible. All specialist accommodation is accessible by wheelchair;
- b) the College has a range of specialist equipment which can be made available for use by students and staff and uses software that can provide greater flexibility in learning methods for students with disabilities;
- c) the admissions policy for all students is included in the Prospectus. After interviews have taken place, the applications of all students with a significant learning difficulty, disability or medical condition are reviewed to see whether a discretionary offer, below the normal level of attainment, would be appropriate. Wherever a member of the College Leadership Team has discretion in allowing special arrangements that deviate from normal College practice, disabilities and health considerations will be amongst the factors taken into account;
- d) the College has made a significant investment in the appointment of staff to support students with learning difficulties and/or disabilities. In addition a number of students act as note-takers, providing in-class support to students with additional needs; where appropriate, specialist support is bought in from the Special Needs Teaching Service or elsewhere. Training on disability awareness and the College's support measures is provided for staff new to the College; special training sessions are provided for those teaching or supporting students with particular needs, such as Asperger Syndrome;
- e) help available is outlined on the College's VLE; the induction process also includes information about this.

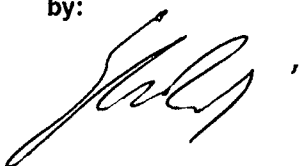
## WQE AND REGENT COLLEGE GROUP

The College is aware of its obligations under the Disability Equality Duty. In particular, it is aware of the need to involve people with disabilities in planning and decision-making and of the importance of promoting a positive attitude to those with disabilities.

### 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 19 December 2018 and signed on its behalf by:**



Stuart Dawkins  
Chair of the Corporation

**STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL**

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

The College endeavours to conduct its business:

- in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- in accordance with the Association of Colleges Code of Good Governance for English Colleges, which the Corporation adopted on 29 June 2016 (the Colleges' Code); and
- having due regard to the UK Corporate Governance Code (the Code) insofar as it is applicable to the further education sector.

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

In the opinion of the governors, the College complies with the mandatory provisions of the Colleges' Code and it has complied throughout the year ended 31 July 2018. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times.

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

**The Corporation**

The members who served on the Corporation during the year and up to the date of signature of this report are set out below. At 1 August 2017, governors were members of the Corporation of one of the two predecessor colleges. All appointments to the merged College Corporation were effective from 29 March 2018.

Members	Date of appointment	Term of office	Date of resignation/retirement	Status of appointment	Committee Membership	Attendance*
W Allsopp	01.01.17; reappointed 29.03.18	To 31.03.21		External member	Audit	82%
R Bayliss	01.10.18	1 year		Student member		n/a
J Black	01.06.09; reappointed 01.06.13, 01.06.17 and 29.03.18	To 30.06.19		External member	Remuneration, Search	100%
S Clarke	01.12.16; Reappointed 29.03.18	2 years	23.05.18	Parent		63%



## WQE AND REGENT COLLEGE GROUP

J Cooke	01.07.14; reappointed 29.03.18	To 30.06.22		External member	Audit	64%
S Dawkins	06.07.11; reappointed 01.09.15 and 29.03.18	To 31.08.19		External member	Remuneration, Search	100%
S Fox	01.11.18	To 31.10.22		External Member	Audit	n/a
B Green	31.01.18; reappointed 29.03.18	4 years		External Member		100%
S Hamilton- Fox	01.09.12	Ex- officio	28.03.18	Principal	Search	89%
A Hill	10.04.14	4 years	28.03.18	External member	Search Remuneration	80%
G Hulley	10.04.14	4 years	28.03.18	External member	Audit, Remuneration	77%
J Johnston- Fletcher	01.10.17	1 year	30.06.18	Student member		89%
T Kanyatta	01.04.18	1 year		Student member		86%
A Lockhart- Smith	01.06.17; reappointed 29.03.18	To 31.05.21		External member	Audit	69%
M Lovegrove- Huggins	01.01.17	4 years	31.08.17	External member		0%
M Makda	01.04.17	1 year	29.03.18	Student member		67%
N McGhee	01.06.17; reappointed 29.03.18	To 30.06.21		External member	Search	91%
K Nangreave	01.01.06; reappointed 01.01.10 & 01.01.14	4 years	28.03.18	Teaching staff member		89%
N Navsariwala	01.11.18	To 31.10.22		Parent member		n/a
P Parkinson	01.04.12; reappointed 01.04.16 and 29.03.18	To 31.03.20		External member	Audit, Remuneration, Search	83%
P Patel	01.01.17; reappointed 29.03.18	To 31.12.20	02.04.18	External member		90%

## WQE AND REGENT COLLEGE GROUP

J Phillips	28.06.17; reappointed 29.03.18	To 27.06.20		External member		100%
C Shaw	01.01.13; reappointed 01.01.17 and 29.03.18	To 31.12.20		Support staff member	Audit	79%
N Sibanda	01.01.17	1 year	31.12.17	Student member		60%
A Singh	17.05.11; reappointed 01.06.15 and 29.03.18	To 31.05.19		External member	Remuneration, Search	64%
P Wilson	01.11.08; reappointed 29.03.18	Ex- officio		Principal	Search	100%
A Winterton	01.06.12; reappointed 01.06.16 and 9 03.18	To 30.06.20		Staff member		90%
J Zachariah	01.11.18	To 31.10.22		External member		n/a

\*Attendance data is disclosed for attendance at Corporation meetings throughout 2017/18.

Peter Butcher has been the Clerk to the Corporation with effect from 1 September 2011.

It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct. The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues. The Corporation meets at least three times a term.

The Corporation discharges all of its functions directly and reviews the arrangements at the end of each year to ensure they continue to be effective. There are three committees, each with terms of reference, which have been approved by the Corporation. These committees are Audit, Remuneration and Search. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Clerk to the Corporation at: WQE and Regent College Group, University Road, Leicester, LE1 7RJ or are available on the College website at [www.wqe.ac.uk](http://www.wqe.ac.uk).

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

All governors are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Clerk to the Corporation, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Corporation as a whole. Formal agendas, papers and reports are supplied to governors in a timely manner prior to Corporation and committee meetings. Briefings are also provided on a periodic basis.

The Corporation has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Corporation considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. There is a clear division of responsibility in that the roles of the Chair of the Corporation and Accounting Officer of the College are separate.

### **Appointments to the Corporation**

Any new appointments to the Corporation are a matter for the Corporation as a whole. The Corporation has a Search Committee which is comprised of the Chair and Vice Chair of the Corporation and a minimum of three other Corporation members. The Committee is responsible for the selection and nomination of suitable candidates in respect of vacancies for any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required and a formal training and development plan is refreshed annually.

Members of the Corporation are appointed for a term of office not exceeding four years and a maximum of two terms of office.

### **Corporation Performance**

The Corporation carried out a self-assessment of its own performance for the year ended 31 July 2018 and graded itself as Good on the Ofsted scale.

### **Remuneration Committee**

Throughout the year ended 31 July 2018, the Remuneration Committee comprised the Chair and Vice Chair of the Corporation and a minimum of three other Corporation members and a co-opted member who has relevant commercial experience. The committee's responsibilities are to make recommendations to the Corporation on the remuneration and benefits of the Accounting Officer and other senior postholders.

Details of remuneration of the senior postholders for the year ended 31 July 2018 are set out in note 6 of the financial statements.

### **Audit Committee**

In the year ended 31 July 2018, the Audit Committee comprised a minimum of four members of the Corporation and up to three co-opted members. It was chaired by a member of the Corporation. The Accounting Officer and Chair of the Corporation are not eligible to serve on this committee. In line with the Post 16 Audit Code Practice, staff members do not serve on the Audit Committee. The committee operates in accordance with written terms of reference approved by the Corporation annually. Its purpose is to advise the Corporation on the adequacy and effectiveness of the college's systems of internal control and its arrangements for risk management, control and governance processes.

The Audit Committee meets at least termly and provides a forum for reporting by the College's 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 College's funding bodies, as they affect the College's business. In the year ended 31 July 2018, the Committee approved a programme of external assurance on the College's systems of internal control. Specialist external assurance was sought in a number of areas in accordance with the agreed plan. Their findings were reported to management and the Audit Committee.

Management is responsible for the implementation of agreed audit and assurance recommendations, and the Audit Committee monitors progress to ensure such recommendations have been implemented. The Audit Committee also advises the Corporation on the appointment of regularity and financial statements auditors and their remuneration for audit and non-audit work as well as reporting annually to the Corporation.

### **Internal Control**

#### **Scope of responsibility**

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

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

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

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an 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 at WQE and Regent College Group for the year ended 31 July 2018 and up to the date of approval of the annual report and accounts.

### **Capacity to handle risk**

The Corporation has reviewed the key risks to which the 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 ending 31 July 2018 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

### **The risk and control framework**

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

- comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the 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 guidelines;
- the adoption of formal project management disciplines, where appropriate.

The College did not appoint an internal audit service for the year ended 31 July 2018. College management and Governors have assessed the internal controls and developed a Board Assurance Framework, clearly showing the mapping of assurance sources against the risks identified.

The College analysed the risks to which it was exposed, and a programme of assurance was agreed with the Audit Committee. The Audit Committee was provided with regular reports on this assurance activity in the College, which included independent assessment on the College's student records and funding systems. This basis of targeted external assurance work will continue for the year ending 31 July 2018.

### **Review of effectiveness**

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. The Principal's review of the effectiveness of the system of internal control in the year ended 31 July 2018 was informed by:

- the work of auditors and other external advisors
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework

## WQE AND REGENT COLLEGE GROUP

- comments made by the College's financial statements and regularity auditors and the appointed funding auditors in their management letters and other reports.

The Accounting Officer has been advised on the implications of the result of the reviews of the effectiveness of the systems of internal control by the Audit Committee, which oversees the operation of the Board Assurance Framework and other sources of assurance and a plan to address weaknesses and ensure continuous improvement of the systems are in place.

The College Leadership 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 College Leadership Team and the Audit Committee also received reports from auditors, external advisors and other sources of assurance, which included 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 College Leadership Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2018 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2018 by considering documentation from the senior leadership team and the Audit Committee, and taking account of events since 31 July 2018.

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

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



Stuart Dawkins  
Chair of the Corporation



Paul Wilson  
Accounting Officer

**STATEMENT OF REGULARITY, PROPRIETY AND COMPLIANCE**

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

We confirm, on behalf of the Corporation, that after due enquiry, and to the best of our knowledge, we are able to identify any material irregular or improper use of funds by the College, or material non-compliance with the terms and conditions of funding under the College's funding agreements and contract with ESFA.

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.



Stuart Dawkins  
Chair of the Corporation  
19 December 2018



Paul Wilson  
Accounting Officer  
19 December 2018

**STATEMENT OF RESPONSIBILITIES OF THE 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 College's Funding Agreement with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements and an operational and financial review for each financial year in accordance with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *College Accounts Direction 2017 to 2018* issued by the ESFA and the UK's Generally Accepted Accounting Practice,, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

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

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

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

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

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



Stuart Dawkins  
Chair of the Corporation

**Independent auditor's report to the members of WQE & Regent College Group**

**Opinion**

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

In our opinion, the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2018 and of the College's deficit of expenditure over income for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

**Basis for opinion**

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

**Conclusions relating to going concern**

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

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

**Other information**

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

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

We have nothing to report in this regard.



**Matters on which we are required to report by exception**

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

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

**Responsibilities of the Corporation**

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 23, 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 determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

**Auditor's responsibilities for the audit of the financial statements**

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

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

**Use of the audit report**

This report is made solely to the Corporation as a body in accordance with Article 22 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the Corporation as a body for our audit work, for this report, or for the opinions we have formed.

*Mazars LLP*

Mazars LLP  
Chartered Accountants and Statutory Auditor  
Park View House  
58 The Ropewalk  
Nottingham  
NG1 5DW  
Date: 20/12/18

## WQE AND REGENT COLLEGE GROUP

**To: The Corporation of WQE & Regent College Group and Secretary of State for Education acting through the Department for Education ("the Department")**

In accordance with the terms of our engagement letter dated 8 August 2018 and further to the requirements of the funding agreement with the Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by WQE & Regent College Group during the period 1 August 2017 to 31 July 2018 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

### **Respective responsibilities of WQE & Regent College Group and the reporting accountant**

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2017 to 31 July 2018 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

### **Approach**

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

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

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

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

The work undertaken to draw to our conclusion includes:

- Reviewed the statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding.
- Reviewed the College's completed self-assessment questionnaire on regularity.
- Read the financial memorandum with the ESFA
- Tested a sample of expenditure disbursed and income received to consider whether they have been applied to purposes intended by Parliament and in accordance with funding agreements where relevant.
- Obtained the policy for personal gifts and/or hospitality.
- Obtained the register of personal interests.
- Obtained the financial regulations/financial procedures.
- Obtained the College's whistleblowing policy.

**Conclusion**

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

Signed: *Mazars LLP*

Mazars LLP

Date: *20/12/18*

**WQE AND REGENT COLLEGE GROUP**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE**

	<i>Notes</i>	<i>Year ended 31 July 2018</i>	<i>Year ended 31 July 2018</i>	<i>Year ended 31 July 2017</i>	<i>Year ended 31 July 2017</i>
		<b>Group £'000</b>	<b>College £'000</b>	<b>Group £'000</b>	<b>College £'000</b>
<b>Income</b>					
Funding Body grants	2	15,179	15,179	15,573	15,573
Tuition fees and education contracts	3	6	6	24	24
Other income	4	536	520	617	617
Investment income	5	48	48	49	49
<b>Total income</b>		<b>15,769</b>	<b>15,753</b>	<b>16,263</b>	<b>16,263</b>
<b>Expenditure</b>					
Staff costs	6	11,730	11,730	11,451	11,451
Other operating expenses	7	3,478	3,477	3,363	3,363
Depreciation	10	1,252	1,252	1,301	1,301
Interest and other finance costs	8	232	232	208	208
<b>Total expenditure</b>		<b>16,692</b>	<b>16,691</b>	<b>16,323</b>	<b>16,323</b>
<b>Deficit before other gains and losses</b>		<b>(923)</b>	<b>(938)</b>	<b>(60)</b>	<b>(60)</b>
Loss on disposal of assets	10	-	-	(7)	(7)
<b>Deficit before tax</b>		<b>(923)</b>	<b>(938)</b>	<b>(67)</b>	<b>(67)</b>
Taxation	9	-	-	-	-
<b>Deficit for the year</b>		<b>(923)</b>	<b>(938)</b>	<b>(67)</b>	<b>(67)</b>
Unrealised surplus/(deficit) on revaluation of assets	11	(2)	(2)	5	5
Actuarial gain in respect of pension schemes	23	1,660	1,660	240	240
<b>Total Comprehensive Income for the year</b>		<b>735</b>	<b>720</b>	<b>178</b>	<b>178</b>
<b>Represented by:</b>					
Restricted comprehensive income		(2)	(2)	5	5
Unrestricted comprehensive income		737	722	173	173
		<b>735</b>	<b>720</b>	<b>178</b>	<b>178</b>

The statement of comprehensive income is in respect of continuing activities.

The notes on pages 33 to 56 form part of these financial statements.

WQE AND REGENT COLLEGE GROUP

CONSOLIDATED AND COLLEGE STATEMENT OF CHANGES IN RESERVES

	Income and expenditure account	Revaluation reserve	Restricted reserves	Total
	£'000	£'000	£'000	£'000
<b>Group</b>				
<b>Balance at 1 August 2016</b>	7,219	6,800	381	14,400
Deficit from the income and expenditure account	(67)	-	-	(67)
Other comprehensive income	240	-	5	245
Transfers between revaluation and income and expenditure reserves	127	(127)	-	-
<b>Balance at 31 July 2017</b>	<b>7,519</b>	<b>6,673</b>	<b>386</b>	<b>14,578</b>
Deficit from the income and expenditure account	(923)	-	-	(923)
Other comprehensive income	1,660	-	(2)	1,658
Transfers between revaluation and income and expenditure reserves	127	(127)	-	-
<b>Total comprehensive income for the year</b>	<b>864</b>	<b>(127)</b>	<b>(2)</b>	<b>735</b>
<b>Balance at 31 July 2018</b>	<b>8,383</b>	<b>6,546</b>	<b>384</b>	<b>15,313</b>
<b>College</b>				
<b>Balance at 1 August 2016</b>	7,216	6,800	381	14,397
Surplus from the income and expenditure account	(67)	-	-	(67)
Other comprehensive income	240	0	5	245
Transfers between revaluation and income and expenditure reserves	127	(127)	-	-
<b>Balance at 31 July 2017</b>	<b>7,516</b>	<b>6,673</b>	<b>386</b>	<b>14,575</b>
Surplus from the income and expenditure account	(938)	-	-	(938)
Other comprehensive income	1,660	-	(2)	1,658
Transfers between revaluation and income and expenditure reserves	127	(127)	-	-
<b>Total comprehensive income for the year</b>	<b>849</b>	<b>(127)</b>	<b>(2)</b>	<b>720</b>
<b>Balance at 31 July 2018</b>	<b>8,365</b>	<b>6,546</b>	<b>384</b>	<b>15,295</b>

The notes on pages 33 to 56 form part of these financial statements.

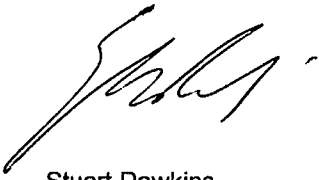
**WQE AND REGENT COLLEGE GROUP**

**BALANCE SHEETS AS AT 31 JULY 2018**

	<i>Notes</i>	<b>Group 2018 £'000</b>	<b>College 2018 £'000</b>	<b>Group 2017 £'000</b>	<b>College 2017 £'000</b>
<b>Non current assets</b>					
Tangible Fixed assets	10	24,305	24,305	25,264	25,264
Investments	11	384	384	386	386
		24,689	24,689	25,650	25,650
<b>Current assets</b>					
Trade and other receivables	12	294	287	252	252
Investments	13	2,999	2,999	2,782	2,782
Cash and cash equivalents		3,079	3,064	3,304	3,301
		6,372	6,350	6,338	6,335
<b>Creditors - amounts falling due within one year</b>	14	3,286	3,282	2,310	2,310
<b>Net current assets</b>		3,086	3,068	4,028	4,025
<b>Total assets less current liabilities</b>		27,775	27,757	29,678	29,675
<b>Creditors - amounts falling due after more than one year</b>	15	7,383	7,383	9,134	9,134
<b>Provisions</b>					
Other	17	100	100	-	-
Defined benefit obligations	23	4,979	4,979	5,966	5,966
<b>TOTAL NET ASSETS</b>		15,313	15,295	14,578	14,575
<b>Restricted reserves</b>					
Endowment funds	11	384	384	386	386
<b>Total restricted reserves</b>		384	384	386	386
<b>Unrestricted reserves</b>					
Income and expenditure account		8,383	8,365	7,519	7,516
Revaluation reserve		6,546	6,546	6,673	6,673
<b>Total unrestricted reserves</b>		14,929	14,926	14,192	14,189
<b>TOTAL RESERVES</b>		15,313	15,295	14,578	14,575

## WQE AND REGENT COLLEGE GROUP

The financial statements on pages 28 to 56 were approved by the Corporation on 19 December 2018 and were signed on its behalf by:



Stuart Dawkins  
Chair of the Corporation



Paul Wilson  
Accounting Officer

The notes on pages 33 to 56 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 July 2018	Year ended 31 July 2017	
	£'000	£'000	Note
<b>Cash flow from operating activities:</b>			
Deficit for the year	(923)	(67)	
<b>Adjustment for non-cash items:</b>			
Depreciation	1,252	1,302	
(Increase)/decrease in debtors	(42)	3	
Increase in creditors due within one year	38	8	
Decrease in creditors due after one year	(490)	(519)	
Pensions costs less contributions payable	673	470	
<b>Adjustment for investing or financing activities:</b>			
Investment income	(48)	(38)	
Interest payable	63	65	
Loss on sale of fixed assets	-	7	
<b>Net cash flow from operating activities</b>	<b>523</b>	<b>1,231</b>	
<b>Cash flows from investing activities</b>			
Investment income	42	42	
Withdrawal of deposits	-	-	
New deposits	(217)	(213)	
Payments made to acquire fixed assets	(293)	(728)	
<b>Cash flows from financing activities</b>			
Interest paid	(63)	(66)	
New loan	-	144	
Repayments of amounts borrowed	(217)	(216)	
<b>(Decrease)/Increase in cash and cash equivalents in the year</b>	<b>(225)</b>	<b>194</b>	
Cash and cash equivalents at beginning of year	3,304	3,110	
Cash and cash equivalents at end of year	3,079	3,304	
<b>(Decrease)/ Increase in cash and cash equivalents in the year</b>	<b>(225)</b>	<b>194</b>	

The notes on pages 33 to 56 form part of these financial statements.



## NOTES TO THE FINANCIAL STATEMENTS

### 1 STATEMENT OF ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES

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

#### Basis of Preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2017 to 2018* 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.

#### Merger

Wyggeston and Queen Elizabeth I College and Regent College merged on 29 March 2018 to form the WQE and Regent College Group.

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

The combination of Wyggeston and Queen Elizabeth I College and Regent College has met the merger accounting criteria under FRS 102. Throughout the merger process the two College Boards referred to the combination as a merger with a new corporate identity.

#### Basis of Accounting

The financial statements are prepared in accordance with the historical cost convention as modified by the revaluation of certain fixed assets.

#### Going Concern

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

At 31 July 2018, the College had £2.02m of loans outstanding with bankers on terms negotiated in 2007. Part of the loan is due for repayment or refinancing in March 2019 and the balance is due for repayment in 2032. The College has sufficient cash reserves to meet the repayment due in 2019. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future. 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.

#### Basis of Consolidation

The consolidated financial statements include the College and its subsidiary, QED (Leicester) Limited, controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. All financial statements are made up to 31 July 2018.

### Recognition of Income

#### *Revenue Grant Funding*

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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

#### *Capital Grant Funding*

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual model as permitted by FRS 102. Where part of a government grant is deferred, the deferred element is recognised as deferred income within creditors and allocated between creditors due within one year and creditors due after more than one year, as appropriate. 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 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.

#### *Fee Income*

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

#### *Investment Income*

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned on a receivable basis. Income from restricted purpose permanent endowment funds not expended in accordance with the restrictions of the endowment in the period is transferred from the income and expenditure account to accumulated income within endowment funds.

### 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 schemes, which are externally funded and contracted out of the State Second Pension.

#### *Teachers' Pension Scheme*

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. As stated in Note 23, 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 scheme and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

#### *Leicestershire Local Government Pension Scheme*

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred.

Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in interest and other finance costs. Actuarial gains and losses are recognised immediately in actuarial gains and losses.

### **Short Term Employment benefits**

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

### **Enhanced Pensions**

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

### **Non-current Assets - Tangible Fixed Assets**

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

#### *Land and buildings:*

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost, as the open market value for existing use is not readily obtainable. Building improvements made since incorporation are included in the balance sheet at cost. Freehold land is not depreciated as it is considered to have an infinite useful life. Freehold buildings are depreciated over their expected useful life to the College of between 10 and 50 years. The College has a policy of depreciating major adaptations to building over the period of their useful economic life of between 10 and 50 years.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Comprehensive Income and Expenditure.

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued at 31 July 1999 (University Road campus) and in 1996 (Regent Road campus), as deemed cost 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.

### *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 £500 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost. Computer equipment purchased as part of the College's rolling computer refresh is capitalised. Capitalised equipment is depreciated on a straight line basis over its useful economic life as follows:

Plant	10 years
Furniture, fixtures and fittings	5 to 10 years
Computer and electronic equipment	4 to 5 years

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated as above.

### *Borrowing Costs:*

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

### **Leased Assets**

Costs in respect of operating leases are charged on a straight line basis over the lease term to the Statement of Comprehensive Income and Expenditure. Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as finance leases.

### **Investments**

#### *Investments in subsidiaries*

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

#### *Other Investments*

Listed investments held as non-current assets and current asset investments, which may include listed investments, are stated at fair value, with movements recognised in Comprehensive Income. Investments comprising unquoted equity instruments are measured at fair value, estimated using a valuation technique.

### **Cash and cash equivalents**

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

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

### **Financial liabilities and equity**

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

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

### Taxation

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

The College receives no similar exemption in respect of Value Added Tax. For this reason the College is unable to recover the VAT it suffers on goods and services purchased. Irrecoverable VAT on expenditure is included in the costs of such expenditure and added to the cost of tangible fixed assets as appropriate, where the expenditure itself is a tangible fixed asset by nature.

The College's subsidiary company is subject to corporation tax and VAT in the same way as any commercial organisation. Profits arising from the activities of the subsidiary company are generally eliminated by a payment of gift aid to the College.

### Provisions and contingent liabilities

Provisions are recognised when:

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

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

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

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

### Agency arrangements

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

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

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

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the 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. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

*Other key sources of estimation uncertainty:*

- *Tangible fixed assets*  
Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary

## WQE AND REGENT COLLEGE GROUP

depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 23, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

## WQE AND REGENT COLLEGE GROUP

### 2 FUNDING BODY GRANTS – GROUP AND COLLEGE

	<i>Year ended 31 July 2018 £'000</i>	<i>Year ended 31 July 2017 £'000</i>
<b>Recurrent grants</b>		
Education and Skills Funding Agency 16-18	14,382	14,756
Education and Skills Funding Agency Adult	115	143
Education and Skills Funding Agency Apprenticeships	70	59
<b>Specific grants</b>		
Education and Skills Funding Agency	107	94
Releases of government capital grants	505	521
<b>Total</b>	15,179	15,573

### 3 TUITION FEES AND EDUCATION CONTRACTS – GROUP AND COLLEGE

	<i>Year ended 31 July 2018 £'000</i>	<i>Year ended 31 July 2017 £'000</i>
International students fees	6	16
Education contracts	-	8
<b>Total</b>	6	24

### 4 OTHER INCOME

	<i>Year ended 31 July 2018 Group £'000</i>	<i>Year ended 31 July 2018 College £'000</i>	<i>Year ended 31 July 2017 Group £'000</i>	<i>Year ended 31 July 2017 College £'000</i>
Catering	162	162	215	215
Other income generating activity	56	40	75	75
Other grant income	1	1	24	24
Miscellaneous income	317	317	303	303
<b>Total</b>	536	520	617	617

### 5 INVESTMENT INCOME – GROUP AND COLLEGE

	<i>Year ended 31 July 2018 £'000</i>	<i>Year ended 31 July 2017 £'000</i>
Other investment income	11	11
Other interest receivable	37	38
<b>Total</b>	48	49

**6 STAFF COSTS – GROUP AND COLLEGE**

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

	<i>Year ended 31 July 2018 No</i>	<i>Year ended 31 July 2017 No</i>
Teaching staff	136	138
Non teaching staff	126	126
	262	264
	262	264
	<i>Year ended 31 July 2018</i>	<i>Year ended 31 July 2017</i>
	<i>£'000</i>	<i>£'000</i>
<b>Staff costs for the above persons:</b>		
Wages and salaries	8,613	8,579
Social security costs	803	804
Other pension costs (Note 23)	1,886	1,686
	11,302	11,069
<b>Payroll sub total</b>	11,302	11,069
Contracted out staffing services	382	330
Restructuring costs – non contractual	7	34
Restructuring costs – contractual	39	18
	11,730	11,451
<b>Total staff costs</b>	11,730	11,451

**Key management personnel**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College. They are represented by the Senior College Leadership Teams which comprise the Principal, Vice Principals, Assistant Principal and Directors for the University Road and Regent Road campus's. Staff costs include compensation paid to key management personnel for loss of office.

**Emoluments of Key Management Personnel, Accounting Officer and other higher paid staff:**

	2018	2017
	No.	No.
The number of key management personnel including the Accounting Officers was:	9	10
	9	10

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



## WQE AND REGENT COLLEGE GROUP

	<i>Year ended 31 July 2018</i>	<i>Year ended 31 July 2018</i>	<i>Year ended 31 July 2017</i>	<i>Year ended 31 July 2017</i>
	<i>Number key management personnel</i>	<i>Number Other staff</i>	<i>Number key management personnel</i>	<i>Number Other staff</i>
£50,001 - £60,000	4	-	6	-
£60,001 - £70,000	1	-	-	-
£70,001 - £80,000	2	-	2	-
£90,001 - £100,000	-	-	1	-
£100,001 - £110,000	1	-	-	-
£110,001 - £120,000	-	-	1	-
£120,001 - £130,000	1	-	-	-
	<u>9</u>	<u>-</u>	<u>10</u>	<u>-</u>

Key management personnel emoluments are made up as follows:

	<i>Year ended 31 July 2018 £'000</i>	<i>Year ended 31 July 2017 £'000</i>
Salaries – gross of salary sacrifice	668	674
Employers National Insurance	82	81
Benefits in kind	-	-
	<u>106</u>	<u>113</u>
Pension contributions	106	113
<b>Total emoluments</b>	<u><u>856</u></u>	<u><u>868</u></u>

There were no amounts due to key management personnel that were waived in the year.

The above emoluments include amounts payable to the Accounting Officers - (who were also the highest paid officers) of:

**Accounting Officer Regent College  
01.08.17 to 28.03.18 and the WQE  
and Regent College Group from  
29.03.18 to 31.07.2018**

	<i>Year ended 31 July 2018 £'000</i>	<i>Year ended 31 July 2017 £'000</i>
Salaries	109	90
Benefits in kind	-	-
Pension contributions	17	15
<b>Total emoluments</b>	<u><u>126</u></u>	<u><u>105</u></u>

**Accounting Officer for Wyggeston &  
Queen Elizabeth I College 01.08.17 to  
28.03.18**

	<i>Year ended 31 July 2018 £'000</i>	<i>Year ended 31 July 2017 £'000</i>
Salaries	125	119
Benefits in kind	-	-
Pension contributions	14	20
<b>Total emoluments</b>	<u><u>139</u></u>	<u><u>139</u></u>

## WQE AND REGENT COLLEGE GROUP

### Compensation for loss of office paid to former key management personnel

	2018 £	2017 £
Payment in lieu of notice paid to the former post-holder - contractual	41,763	-

The payment in lieu of notice was approved by the Corporation.

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

### 7 OTHER OPERATING EXPENSES

	Year ended 31 July 2018	Year ended 31 July 2018	Year ended 31 July 2017	Year ended 31 July 2018
	Group £'000	College £'000	Group £'000	College £'000
Teaching costs	733	733	650	650
Non teaching costs	1,644	1,643	1,459	1,459
Premises costs	1,011	1,011	1,163	1,163
Catering costs	90	90	91	91
<b>Total</b>	<b>3,478</b>	<b>3,477</b>	<b>3,363</b>	<b>3,363</b>

#### Other operating expenses include:

Auditors' remuneration:				
Financial statements audit	25	24	23	23
Other services provided by the financial statement auditors	1	-	4	-
Hire of assets under operating leases	72	72	75	75
Losses on disposal of non-current assets	-	-	7	7
	-	-	7	7

### 8 INTEREST AND OTHER FINANCE COSTS – GROUP AND COLLEGE

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
On bank loans	63	65
Net interest on defined pension liability (note 23)	169	143
<b>Total</b>	<b>232</b>	<b>208</b>

### 9 TAXATION

The members do not believe the College was liable for any Corporation tax arising out of its activities during the year. The Corporation tax charge in respect of QED (Leicester) Ltd for the year is £Nil (2017 £Nil).

## 10 TANGIBLE FIXED ASSETS

	<i>Freehold land and buildings</i>	<i>Assets in the Course of Construction</i>	<i>Equipment</i>	<i>Total</i>
	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>				
At 1 August 2017	34,502	37	4,805	39,344
Additions	24	-	269	293
Transferred to land and buildings	37	(37)	-	-
Disposals	-	-	(46)	(46)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2018	34,563	-	5,028	39,591
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Depreciation</b>				
At 1 August 2017	10,149	-	3,931	14,080
Charge for period	1,001	-	251	1,252
Eliminated in respect of disposals	-	-	(46)	(46)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2018	11,150	-	4,136	15,286
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Net book amount at 31 July 2018</b>	23,413	-	892	24,305
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Net book amount at 1 August 2017	24,353	37	874	25,264
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Land and buildings at the University Road Campus were valued in 1999 by GVA Grimley. The valuation at 31 July 1999 was £8,150,000, inclusive of VAT and was at depreciated replacement cost. This basis of valuation was adopted since it was not practical to ascertain an open market value. There is no evidence to suggest that the depreciated replacement cost values placed on the buildings could be achieved in the open market. Land and buildings at the Regent Road Campus were valued in June 1997 at depreciated replacement cost by a professional valuer. The transitional rules set out in FRS 15 (Tangible Fixed Assets) were applied on its implementation. Accordingly, book values at implementation have been retained.

Land and buildings with a net book value of £12,973k (2017 - £13,658k) have been partly financed by exchequer funds, through for example the receipt of capital grants and the value of inherited land and buildings at incorporation. Should these assets be sold or leased the College may be liable to surrender the sale proceeds to the main funding body or use them in accordance with the terms of the financial memorandum of the main funding body.

If land and buildings had not been revalued before being deemed as cost on transition, they would have been included at the following historical cost amounts:

## WQE AND REGENT COLLEGE GROUP

	<i>Year ended 31 July 2018 £'000</i>	<i>Year ended 31 July 2017 £'000</i>
Cost	-	-
Aggregate depreciation based on cost	-	-
	-	-
Net book amount based on cost	-	-

### 11 NON-CURRENT INVESTMENTS

	<i>Year ended 31 July 2018 £</i>	<i>Year ended 31 July 2017 £</i>
Investment in subsidiary undertaking at cost	2	2
	2	2

The College owns 100% of the issued ordinary £1 shares of QED (Leicester) Limited, a company incorporated in England and Wales. QED (Leicester) Limited was incorporated on 12 April 1996 with the principal activity of the company during the year being the commercial activity of its parent undertaking WQE and Regent College Group.

#### Joint arrangements

The College entered into a joint arrangement with a private sector company, Vardon Health and Fitness Ltd for the use of a sports hall built on its land. The agreement was entered into in December 1997 and the sports hall was opened in December 1998. The College leases its land for one peppercorn rent per annum and the building is leased to the College for one peppercorn rent per annum. The terms of both leases are 99 years. The College has access to the sports hall facilities between the hours of 8.00 a.m. and 6.00 p.m. weekdays and also one night per week until 11.00 p.m. (both term-time only). The College also has unrestricted access to its own fitness suite and sports laboratory within the building.

Restructuring of the operating entity led to the lease to Vardon being assigned to other parties – Cannons and then Thrapston Ltd. In March 2011, the lease was assigned from Thrapston Ltd to the University of Leicester. The health club on the site was operated by Nuffield Health until March 2012, when the University of Leicester took over its operation.

The operator of the health club (formerly Nuffield Health and now the University) is obliged to meet insurance costs, maintenance costs and utility costs for the entire building. The operator retains the right to charge a fair and reasonable proportion of these costs to the College. The College is obliged to meet insurance costs (for that equipment that is owned by the College and stored in the building) and those non-structural maintenance costs pertaining to its own areas.

All costs of construction – save for those in connection with a Groundsman's Store – were met by Nuffield Health. In the event of the sale of the building, buildings proceeds would revert to the University of Leicester, whilst land proceeds would revert to the College.

ENDOWMENT ASSETS

	<i>Group and College 2018</i>	<i>Group and College 2018</i>	<i>Group and College 2018 Total</i>	<i>Group and College 2017</i>	<i>Group and College 2017</i>	<i>Group and College 2017 Total</i>
	<i>Restricted Expendable £'000</i>	<i>Restricted Permanent £'000</i>	<i>£'000</i>	<i>Restricted Expendable £'000</i>	<i>Restricted Permanent £'000</i>	<i>£'000</i>
<b>At 1 August 2017</b>	58	328	386	59	322	381
Movement in valuation of funds	-	(4)	(4)	-	6	6
Endowment income	9	-	9	9	-	9
Endowment expenditure	(7)	-	(7)	(10)	-	(10)
<b>Balance at 31 July 2018</b>	<u>60</u>	<u>324</u>	<u>384</u>	<u>58</u>	<u>328</u>	<u>386</u>

Representing

Elizabeth Maud Vaughan Fund	56	277	333	53	283	336
Prize funds	-	47	47	-	45	45
Thornton fund	4	-	4	5	-	5
	<u>60</u>	<u>324</u>	<u>384</u>	<u>58</u>	<u>328</u>	<u>386</u>

Represented by:

Cash balances			56			53
Fixed interest stocks (listed)			246			253
Equities (listed)			31			30
Cash held in Thornton Fund			4			5
COIF Charities investment fund			47			45
			<u>384</u>			<u>386</u>

The listed stocks were valued at 31 July by HSBC.

Before the College was incorporated on 1 April 1993, its prize and scholarship endowments were held in a Leicestershire County Council common endowment fund which had been set up to hold all such endowments attached to Leicestershire schools. Incorporation took the College out of the control of the County Council and thus it became ineligible to participate in that fund. The Corporation therefore placed these endowments in the Charities Organisation Investment Fund (COIF) drawing income as needed for the purposes of the various trusts.

The balance at 31 July 2018 includes £56,000 (2017 - £53,000) of income in respect of the Vaughan Fund that will be distributed by the Corporation by way of grants in November 2018 and subsequent years.

**Vaughan Fund:**

The Elizabeth Maud Vaughan Fund was bequeathed to the College upon the death of Miss L M Vaughan on 15<sup>th</sup> August 2000. The will of Mrs E M Vaughan specifies the terms of this legacy:

## WQE AND REGENT COLLEGE GROUP

*I give and bequeath the residuary trust fund to the Governors for the time being of Wyggeston Grammar School for Boys Leicester [now WQE and Regent College Group] to apply the income to arise therefrom in making grants to pupils of the said school proceeding from the school to Universities or other places of higher education such grants to be on the recommendation of the Headmaster for the time being of the said school and the amounts thereof and the conditions attaching to the grants to be at the sole discretion of the Governors for the time being of the said school.*

### Thornton Fund:

This fund was set up in 2013. A donation was received from Mr Ralph Thornton, a former student of the Wyggeston Grammar School. The fund awards a bursary each year of £500 to a student of the College who is progressing to take up a place in higher education relating to mathematics.

## 12 TRADE AND OTHER RECEIVABLES

	<i>Group 2018</i> £'000	<i>College 2018</i> £'000	<i>Group 2017</i> £'000	<i>College 2017</i> £'000
Amounts falling due within one year:				
Trade receivables	13	6	21	21
Prepayments and accrued income	248	248	209	209
Other debtors	33	33	22	22
<b>Total</b>	<b>294</b>	<b>287</b>	<b>252</b>	<b>252</b>

## 13 CURRENT INVESTMENTS

	<i>Group 2018</i> £'000	<i>College 2018</i> £'000	<i>Group 2017</i> £'000	<i>College 2017</i> £'000
Short term deposits	2,999	2,999	2,782	2,782
<b>Total</b>	<b>2,999</b>	<b>2,999</b>	<b>2,782</b>	<b>2,782</b>

Deposits are held with banks and building societies operating in the London market and licensed by the Financial Conduct Authority with more than three months maturity at the balance sheet date. The interest rates for these deposits are fixed for the duration of the deposit at time of placement.

**WQE AND REGENT COLLEGE GROUP**

**14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<i>Group 2018</i> £'000	<i>College 2018</i> £'000	<i>Group 2017</i> £'000	<i>College 2017</i> £'000
Bank loans	1,237	1,237	199	199
Other loan	21	21	21	21
Trade payables	488	488	222	222
Taxation and social security	251	249	373	373
Accruals and deferred income	391	389	687	687
Deferred income – government capital grants	496	496	506	506
Deferred income – government revenue grants	59	59	61	61
Amounts owed to the ESFA	343	343	241	241
<b>Total</b>	<b>3,286</b>	<b>3,282</b>	<b>2,310</b>	<b>2,310</b>

Within accruals and deferred income, the accrual for holiday pay is £24k (2017 - £19k).

**15 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR**

	<i>Group 2018</i> £'000	<i>College 2018</i> £'000	<i>Group 2017</i> £'000	<i>College 2017</i> £'000
Trade payables	2	2	-	-
Bank loans	778	778	2,015	2,015
Other loan	84	84	103	103
Deferred income – government capital grants	6,519	6,519	7,016	7,016
<b>Total</b>	<b>7,383</b>	<b>7,383</b>	<b>9,134</b>	<b>9,134</b>

**16 MATURITY OF DEBT**

**Bank loans and overdrafts**

	<i>Group 2018</i> £'000	<i>College 2018</i> £'000	<i>Group 2017</i> £'000	<i>College 2017</i> £'000
Bank loans are repayable as follows:				
In one year or less	1,237	1,237	199	199
Between one and two years	142	142	1,242	1,242
Between two and five years	426	426	426	426
In five years or more	210	210	347	347
	<b>2,015</b>	<b>2,015</b>	<b>2,214</b>	<b>2,214</b>

## WQE AND REGENT COLLEGE GROUP

### Other loan

	<i>Group 2018 £'000</i>	<i>College 2018 £'000</i>	<i>Group 2017 £'000</i>	<i>College 2017 £'000</i>
Other loans are repayable as follows:				
In one year or less	21	21	21	21
Between one and two years	21	21	20	20
Between two and five years	63	63	82	82
In five years or more	-	-	-	-
	<u>105</u>	<u>105</u>	<u>123</u>	<u>123</u>

Interest on £1,211k of the bank loan is fixed at a rate of 4.8174% until March 2019, when it is due for repayment or renegotiation. The remainder of the loan is at a variable rate of interest of 0.45% above the Bank's base rate and is for an original term of twenty five years. The loan is not secured on the College's assets.

The other loan is an interest free loan from Caterlink Ltd, the College's catering supplier. This loan is repayable over the life of the catering contract.

## 17 PROVISIONS

	<b>Defined benefit obligations</b>	<b>Other</b>	<b>Total</b>
	£'000	£'000	£'000
At 1 August 2017	5,966	-	5,966
Expenditure in the period	(2,282)	-	(2,282)
Additions in period	1,295	100	1,395
	<u>4,979</u>	<u>100</u>	<u>5,079</u>
<b>At 31 July 2018</b>			

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Note 23. Other relates to a provision for tax potentially payable following the merger.

## 18 CASH AND CASH EQUIVALENTS

	<b>At 1 August 2017</b>	<b>Cash flows</b>	<b>Other changes</b>	<b>At 31 July 2018</b>
	£'000	£'000	£'000	£'000
Cash and cash equivalents	3,304	(225)	-	3,079
	<u>3,304</u>	<u>(225)</u>	<u>-</u>	<u>3,079</u>
<b>Total</b>				



## 19 CAPITAL COMMITMENTS

	<i>Group and College</i>	
	<i>Year ended 31 July 2018 £'000</i>	<i>Year ended 31 July 2017 £'000</i>
Capital commitments contracted for at 31 July:		
Capital projects	-	41
Equipment	-	-
<b>Total</b>	<b>-</b>	<b>41</b>

## 20 LEASE OBLIGATIONS

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

	<i>Group and College</i>	
	<i>Year ended 31 July 2018 £'000</i>	<i>Year ended 31 July 2017 £'000</i>
<i>Other equipment:</i>		
Not later than one year	74	66
Later than one year and not later than five years	43	81
Later than 5 years	-	-
<b>Total</b>	<b>117</b>	<b>147</b>

## 21 CONTINGENT LIABILITIES

To the best of the College's knowledge, there are no contingent liabilities.

## 22 POST-BALANCE SHEET EVENTS

There are no events after the reporting period.

## 23 DEFINED BENEFIT OBLIGATIONS

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

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2012 and the LGPS, 31 March 2016. There were no outstanding or prepaid contributions at either the beginning or the end of the financial year.

On 26 October 2018, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The judgement concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits, ('GMP').

## WQE AND REGENT COLLEGE GROUP

The Government will need to consider this outcome in conjunction with the Government's recent consultation on GMP indexation in public sector schemes before concluding on any changes required to LGPS schemes.

<b>Total Pension Cost for the Year</b>	<b>Year ended 31 July 2018 £000</b>	<b>Year ended 31 July 2017 £000</b>
Teachers' Pension Scheme: contributions	1,002	913
Local Government Pension Scheme: Contributions paid	380	446
FRS 102 (28) charge	504	327
Charge to the Statement of Comprehensive Income	1,886	1,686
Enhanced pension credit to Statement of Comprehensive Income	-	-
<b>Total Pension Cost for the year within staff costs (Note 6)</b>	<b>1,886</b>	<b>1,686</b>

### Teachers' Pension Scheme

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

### 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, together 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.

### Valuation of the Teachers' Pension Scheme

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

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

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

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

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

### **Scheme Changes**

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

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

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

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

The pension costs paid by the College to the TPS in the year amounted to £1,002,000 (2017 - £913,000).

### **FRS 102 (28)**

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

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

### **Local Government Pension Scheme**

The LGPS is a funded defined benefit plan, with the assets held in separate funds administered by Leicestershire County Council. The total contributions made for the year ended 31 July 2018 were £495,000 (2017 - £597,000) of which employer's contributions totalled £380,000 (2016 - £446,000) and employees' contributions totalled £115,000 (2017 - £151,000). The agreed employer contribution rate for future years is 20.49% until 31 March 2019 and 22.09% until 31 March 2020. At this College, in 2017/18, employee contribution rates ranged between 5.5% and 8.5% depending on salary.

## WQE AND REGENT COLLEGE GROUP

### Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2018 by a qualified independent actuary.

	At 31 July 2018	At 31 July 2017
Rate of increase in salaries	3.4%	3.5%
Future pensions increases	2.4%	2.5%
Discount rate for scheme liabilities	2.8%	2.7%
Inflation assumption (CPI)	2.4%	2.4%
Commutation of pensions to lump sums	50%-75%	50%-75%

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

	At 31 July 2018 years	At 31 July 2017 Years
<i>Retiring today:</i>		
Males	22.1	22.1
Females	24.3	24.3
<i>Retiring in 20 years:</i>		
Males	23.8	23.8
Females	26.2	26.2

The sensitivity analysis below shows the increased cost to the college based on the various possible changes to the scheme:

Sensitivity analysis	At 31 July 2018 £'000	At 31 July 2017 £'000
Salary increase rate +0.5%	504	291
Real discount rate -0.5%	2,423	1,341
Pension increase rate +0.5%	1,876	1,023

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

	Long-term rate of return expected at 31 July 2018	Fair Value at 31 July 2018	Long-term rate of return expected at 31 July 2017	Fair Value at 31 July 2017
		£000		£000
Equity instruments		8,632		8,377
Debt instruments		3,759		2,500
Property		1,253		1,000
Cash		279		626
<b>Total Fair Value of plan assets</b>		<b>13,923</b>		<b>12,503</b>
<b>Weighted average expected long term rate of return</b>	<b>2.7%</b>		<b>10.3%</b>	
<b>Actual return on plan assets</b>		<b>967</b>		<b>984</b>

31 July 2018 £'000

31 July 2017 £'000

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

Fair value of plan assets	13,923	12,503
Present value of plan liabilities	(18,902)	(18,469)
Net pensions liability (Note 17)	(4,979)	(5,966)

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

Amounts included in staff costs	981	773
Current service cost	981	773
Past service (credit)/cost	-	-
<b>Total</b>	<b>981</b>	<b>773</b>

Amounts included in interest payable

Net interest cost	169	143
	169	143

Amount recognised in Other Comprehensive Income

Return on pension scheme assets	728	1,026
Experience gains and losses arising on defined benefit obligations	-	442
Change in assumptions underlying the present value of scheme liabilities	932	193
Actuarial loss in pension plan recognised	-	(1,421)
Amount recognised in Other Comprehensive Income	1,660	240

Movement in net defined liability during year

Net defined liability in scheme at 1 August	(5,966)	(5,736)
Movement in year:		
Current service cost	(981)	(773)
Employer contributions	477	446
Past service (credit)/cost	-	-
Net interest on the defined liability	(169)	(143)
Effect of business combinations and disposals	-	-
Actuarial gain or loss	1,660	240
Net defined liability at 31 July	(4,979)	(5,966)

**Asset and Liability Reconciliation**

<b>Changes in the present value of defined benefit obligations</b>	<b>31 July 2018</b>	<b>31 July 2017</b>
	<b>£'000</b>	<b>£'000</b>
Defined benefit obligations at start of the period	18,469	16,621
Current service cost	981	773
Interest cost	511	413
Contributions by scheme participants	150	151
Experience gains and losses on defined benefit obligations	-	(442)
Changes in financial assumptions	(1,116)	1,421
Estimated benefits paid	(277)	(275)
Changes in demographic assumptions	184	(193)
Effect of business combinations and disposals	-	-
Curtailments and settlements	-	-
	<hr/>	<hr/>
Defined benefit obligations at end of period	<b>18,902</b>	<b>18,469</b>
	<hr/> <hr/>	<hr/> <hr/>
 <b>Changes in fair value of plan assets</b>		
Fair value of plan assets at start of the period	12,503	10,885
Interest on plan assets	342	270
Return on plan assets	728	1,026
Employer contributions	477	446
Contributions by scheme participants	150	151
Effect of business combinations and disposals	-	-
Estimated benefits paid	(277)	(275)
	<hr/>	<hr/>
Fair value of plan assets at end of period	<b>13,923</b>	<b>12,503</b>
	<hr/> <hr/>	<hr/> <hr/>

**Deficit contributions**

The College has not been required to enter into an agreement with the LGPS to make additional contributions in addition to normal funding levels at the present time.

**24 RELATED PARTY TRANSACTIONS**

Due to the nature of the College's operations and the composition of the Corporation (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 Corporation may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

The total expenses paid to or on behalf of the Governors during the year was £46 for 1 governor (2017: £12). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor Meetings and events in their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2017: £Nil)

**25 BUSINESS LINKS**

Co-operation takes place between the College and the University of Leicester in matters of security of the site. The University Space Centre is built on the College site on land that has been leased to the University for 125 years. The College has further links with the University of Leicester (see note 11).

## WQE AND REGENT COLLEGE GROUP

On 23 March 2012, the College entered into a 125 year lease with Assura Medical Centres Limited for College land to be used for the construction of a medical centre.

### 26 AMOUNTS DISBURSED AS AGENT

#### 16-19 Bursary Funds

	<i>Year ended 31 July 2018 £'000</i>	<i>Year ended 31 July 2017 £'000</i>
Balance at 1 August	94	144
Funding Body grants - 16-19 Bursary	524	516
Funding Body grants – VYP	12	11
Funding Body grants – Free school meals	145	136
Funding Body grants – residential schemes	-	-
Disbursed to students	(402)	(527)
Consolidated into College accounts	(161)	(155)
Funds to be returned	-	-
Administration costs	(31)	(31)
	181	94
Balance unspent as at 31 July, included in creditors	181	94

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. The income and expenditure consolidated in the College's financial statements relates to subsidised student meals, bus passes, trips and exam fees.

### 27 MERGER ACCOUNTING

Wyggeston and Queen Elizabeth I College and Regent College merged on 29 March 2018. Wyggeston & Queen Elizabeth I College changed its name on 29 March 2018 to WQE and Regent College Group.

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

	Wyggeston and Queen Elizabeth I College to merger	Regent College to merger	WQE and Regent College Group post- merger	Total
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Total Income	6,603	3,970	5,196	15,769
Operating Expenditure	6,662	4,131	5,226	16,019
Operating deficit before FRS 102 charges	(59)	(161)	(30)	(250)
FRS 102 charges	-	(151)	(522)	(673)
Deficit for the period	(59)	(312)	(552)	(923)

## WQE AND REGENT COLLEGE GROUP

### Analysis of comparative total comprehensive income

	Wyggeston and Queen Elizabeth I College 31 July 2017	Regent College 31 July 2017	Total
	£'000	£'000	£'000
Total comprehensive income	428	(250)	178

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

	Wyggeston and Queen Elizabeth I College	Regent College	Total
	£'000	£'000	£'000
Book value of net assets at merger	11,349	3,052	14,401

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