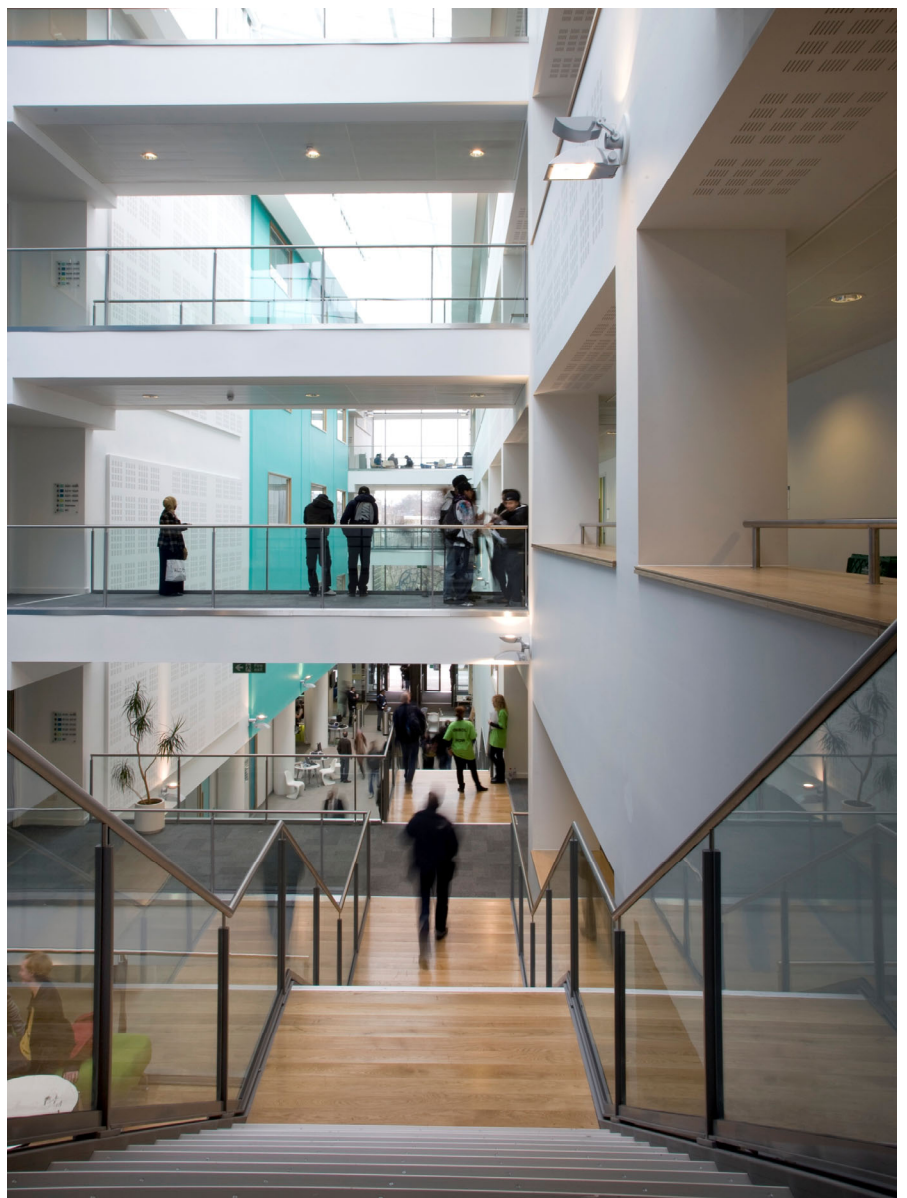


Capital City College Group

Report and Annual Accounts 2017-2018



Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

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

Andy Wilson, Chief Executive and Accounting Officer (to 31 August 2018)
Roy O'Shaughnessy, Chief Executive and Accounting Officer (from 1 September 2018)
Nirmal Borkhataria, Chief Operating Officer (from 1 November 2017)
Marcus Holder, Interim Group Director of Finance & Resources (to 3 November 2017)
Caireen Mitchell, Group Director of Planning & Performance (to 30 March 2018)
Claire Collins, Group Director of Human Resources & Organisational Development
Stewart Cross, Director of Information & Integration
Kim Caplin, Executive Principal Westminster Kingsway College
Anna Douglas, Executive Principal City & Islington College (to 3 November 2017)
Grant Glendinning, Executive Principal City & Islington College (1 August 2017 to 15 December 2017)
Andy Forbes, Executive Principal College of Haringey, Enfield & North East London (to 30 June 2018)
and Executive Principal City & Islington College (from 16 December 2017)
Kurt Hintz, Interim Executive Principal College of Haringey, Enfield & North East London (from 1 July 2018)
Paul Fegan, Managing Director, Capital City College Training
Graham Drummond, Group Director of Governance

Board of Governors

A full list of Governors is given on pages 12 and 13 of these financial statements.

Graham Drummond acted as Clerk to the Corporation throughout the period.

Professional advisers

Financial statements auditors and reporting accountants:

Buzzacott LLP
130 Wood Street
London, EC2V 6DL

Internal auditors:

Mazars LLP
St Katharine's Way
London, E1W 1DD

Bankers:

Barclays Bank PLC
1 Churchill Place
London, E14 5HP

Solicitors:

Eversheds Sutherland (International) LLP
Bridgewater Place, Water Lane
Leeds, LS11 5DR

Bates Wells & Braithwaite London LLP
10 Queen Street Place
London, EC4R 1BE

Actuary:

Barnett Waddingham LLP
Cheapside House, 138 Cheapside
London, EC2V 6BW

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Capital City College Group

Strategic Report

OBJECTIVES AND STRATEGIES

The members of the Corporation present their annual report together with the financial statements and auditor's report for Capital City College Group for the year ended 31 July 2018.

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purposes of conducting The WKCIC Group. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011. 'The WKCIC Group' is known under its licensed trading name of the Capital City College Group (CCCG).

On 1 November 2017, The WKCIC Group merged with the College of Haringey, Enfield & North East London (CONEL). The merger was established through the transfer of CONEL's assets and liabilities to The WKCIC Group followed by the dissolution of CONEL under a Type B merger. All the individual colleges, as well as a training arm - Capital City College Training, that make up the Group continue to operate under their own names. For financial purposes the Group is a single legal entity and throughout this report will be referred to as the 'College' unless stated otherwise.

Mission, vision, strategy and objectives

The College's purpose, as approved by the Corporation, is summarised in the Mission Statement, which states:

To inspire London's students and businesses with outstanding further and higher education and training which ensures their social and economic success

The mission and vision have no purpose unless we provide an outstanding learner experience for each and every student who entrusts us with a part of their journey. CCCG is committed to providing an educational experience which benefits the student whilst learning but also in his or her post education experience. We are only successful if our students are able to move into employment and progress in their journey through work. Every part of our organisation, from ICT to MIS, from the condition of our facilities to the resources available, need to be seamlessly linked with the student's needs. Like the student, we are on a journey as a group of colleges, we are making progress and are committed to improving our services each day. We are fortunate to have staff whose passion is providing each learner with whatever it takes to bring out the best within and put that into his/her education.

Resources

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

The College employed 1,474 people (expressed as full time equivalents), of whom 677 were teaching staff.

The College enrolled 31,534 students. The College's student population includes 9,470 16 to 18 year old students, 3,496 apprentices, 408 higher education students, 147 international students and 18,546 adult learners.

The College had £300.7 million of net assets (including £52.4 million pension liability) and long-term debt of £0.6 million. Tangible resources include sites in central London located in close proximity to

Capital City College Group

key transport hubs at King's Cross, Victoria, Angel, Finsbury Park, Holloway, Soho, Regent's Park and Tottenham Hale as well as a site in Enfield, north London.

The College has a good reputation locally and nationally. At the moment the CCCG brand and the individual college brands are not integrated into one compelling message. The priority in this current academic year is to not only maintain a quality brand for the individual colleges and training arm but also to expand our marketing reach in order to continue building an ever improving learner experience.

Stakeholders

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

- Students;
- Education sector funding bodies;
- FE Commissioner;
- Staff;
- Local employers (with specific links);
- Local authorities;
- Local Enterprise Partnerships (LEPs);
- The local community;
- HE and other FE institutions;
- Trade unions;
- Professional bodies.

In line with our expanded marketing objectives CCCG will be investing significant senior staff time in strategically building our stakeholder partnerships. This will be essential if we are to not only deal with the challenges facing the FE sector but also the opportunities available. The FE college of the future will need to provide added value services beyond current curriculum and in partnership with other colleges, the local authority, employers, and the students and staff.

DEVELOPMENT AND PERFORMANCE

Financial results

The College generated a deficit before other gains and losses in the year of £6,073,000 (2016/17 - £5,688,000), with total comprehensive income of £46,628,000 (2016/17 – expenditure of £1,170,000).

The operating loss before FRS102 pension adjustments (£5,161,000) and merger costs (£737,000) is £175,000 (2016/17: loss of £1,730,000) excluding £39,797,000 in respect of the net assets acquired on the merger with CONEL.

Developments

Tangible fixed asset additions during the year amounted to £4,334,000. In the main, this related to the purchase of ICT equipment, infrastructure and network upgrades (£2m). A further £0.5m was incurred on air handling and ventilation works at the Victoria Centre. Other fixed asset additions related mainly to building improvement works across the college sites and miscellaneous equipment purchases.

Capital City College Group

Reserves

The College had accumulated reserves of £300,674,000 and cash and short term investment balances of £28,954,000. The College wishes to continue to accumulate reserves and cash balances in order to support its estates strategy as well as create a more sustainable financial position.

Sources of income

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2017/18 the FE funding bodies provided 79.8% of the College's total income.

Group companies

The College has one subsidiary company, Apprenticeships First Limited, and participates in a joint venture with Haringey Council called the Tottenham Green Enterprise Centre. The principal activity of Apprenticeships First Limited is an Apprenticeships Training Agency which provides employment for apprentices whilst the Tottenham Green Enterprise Centre provides facilities for start-up businesses. Neither entities' financial transactions were material to the College and as such they have not been consolidated. In the current year the results generated were a £10,373 surplus (2016/17 - £8,991) and a £1,928 deficit (2016/17 - £21,071 surplus) respectively.

FUTURE PROSPECTS

Developments

The College is developing a new Estates Strategy with the intent of providing the buildings required for learning and at the same time creating an endowment to fund future innovative services.

Strategic plan

Following the merger, The WKCIC Group agreed a new strategic plan for the period 2017-20. The following strategic priorities are being implemented across the College:

- Addressing London's need with a portfolio of courses and services of technical, professional and academic education and training.
- Fostering the best professional practice to stimulate learning and exploit emerging technologies.
- Motivating students to optimise their college experience.
- Securing financial strength to ensure the best resources are available to facilitate teaching, learning and student support.
- Working with partners to address the needs of London, Londoners and others who might benefit.

The College is on target for achieving the majority of these objectives.

During the next year our focus is on: providing a consistently high learner experience across CCCG; approving the Estates strategy; and broadening our apprenticeship offering.

Capital City College Group

Treasury policies and objectives

The College has treasury management arrangements in place to manage cash flows, banking arrangements and money market transactions and the risks associated with those activities. All borrowing requires the authorisation of the Corporation.

Following the merger with the College of Haringey, Enfield and North East London the College has inherited bank loans amounting to £395,000 which were used to finance the construction of the Kingfisher Building on the Enfield campus in 2003, as well as other loans of £303,000, which were used to finance energy efficiency improvements.

The size of the College's total borrowing and its approach to interest rates has been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cashflow.

Cash flows and liquidity

At £3,486,000 (2016/17 – inflow of £2,989,000) net cash outflow from operating activities primarily resulted from the year-end loss and increased payments to creditors.

At 31 July 2018 the College held £16,454,000 (2016/17- £12,244,000) of cash and cash equivalents with a further £12,500,000 (2016/17 - £9,000,000) in short term deposits maturing more than three months after the balance sheet date.

Reserves policy

The College has no formal Reserves Policy, but recognises the importance of reserves in the financial stability of an organisation, whilst ensuring that adequate resources are provided for the College's core business. The College currently holds no restricted reserves. As at the balance sheet date, the Income and Expenditure account reserve stands at £92,592,000 (2016/17- £45,819,000). It is the Corporation's intention to increase reserves over the life of the Strategic Plan and by the generation of annual operating surpluses increasing its ability to invest in the infrastructure.

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.

PRINCIPAL RISKS AND UNCERTAINTIES

Risk management

The College has undertaken further work during the year to develop and embed the systems of internal control, including financial and operational, and risk management which is designed to protect the College's assets, reputation and financial stability. The Corporation has overall responsibility for risk management and its approach to managing risks and internal controls is explained in the Statement of Governance.

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Based on the strategic plan, the Group Leadership Team (GLT) undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the GLT also considers any risks which may arise as a result of a new area of work being undertaken. In 2017/18 this specifically reflected the extra risks resulting from the process of merging Capital City College Group and the College of Haringey, Enfield and North East London.

A risk register is reviewed on termly basis, and is overseen by the Audit Committee and reviewed at least annually by the Corporation, and more frequently where necessary. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system. This is supported by a risk management training programme to raise awareness of risk throughout the College.

The top highest risks are detailed below. Details of the controls and actions being taken to mitigate these risks are given in the risk register. Other factors besides those listed below may also adversely affect the College.

- Failure to establish a coherent curriculum strategy across the group.
- Poor services distract from teaching & learning, leading to a decline in colleges' performance.
- Failure to exceed 16-18 lagged learner number target, resulting in missed opportunity to grow in future years.
- Failure to achieve 97% of AEB contract through internal delivery resulting in income shortfall or extra subcontracting costs.
- Failure to control costs and operate efficiently.
- Poor financial planning.
- Devolution of AEB funding to the GLA from 2019/20.

KEY PERFORMANCE INDICATORS

The College has a number of key performance indicators which are subdivided into the following categories:

- Learner targets;
- Financial objectives.

The College's learner targets for 2017/18 were:

Key performance indicator	Measure/Target	Actuals for 2017/18
16-18 Learner Numbers	9,496	9,467
Adult Education Budget Enrolments	21,451	21,980
Adult Education Budget income [#]	£30,533k	£29,533k
Apprenticeships Income [#]	£8,482k	£5,946k

[#]The above values represent the full-year aggregated funding contracts and delivery for CCCG and CONEL. This differs from the values presented later within these financial statements which only recognise the proportion of the year (9 months) that CONEL was a member of the Group.

Capital City College Group

The College has delivered less than 97% of its ESFA Adult Education Budget (AEB) contract which, under ESFA's 2017/8 funding rules, will require it to repay the contract shortfall of £627k. Apprenticeships income in 2017-18 was considerably lower than planned. Apprenticeship starts fell across the sector following the introduction of the Apprenticeship Levy in May 2017, and College plans were based on a forecast upturn which did not happen.

Students continue to prosper at the College. Achievement rates in 2017/18 were 85.3% for the Group, only 0.6% below those for 2016/17 in a year of significant curriculum change across the sector. It is expected that the provider group national rates for 2017/18 will decline as a result of the introduction of more exams-based vocational qualifications and the introduction of two year A-levels. In this context, achievement rates for 16-18 year olds were 80.6%. Achievement rates for adults were 88.3%, comparing well to a national provider group rate of 87.9% in 2016/17. These achievement rates are particularly pleasing to note at a time of embedding new Group structures and processes.

The College's financial objectives for 2017/18 were:

Key performance indicator	Measure/ Target	Actuals for 2017/18
Operating surplus (EBITDA as a % of income - education specific)	>= 3%	5.37%
Staff costs (including contract tuition services, but excluding pensions adjustment and restructuring) as %age of total income	<= 64%	62.71%
Dependency on income other than from non-funding body sources	>= 24%	20.2%
Adjusted current ratio	>= 1.5:1	2:1
Adjusted cash days in hand	>= 60 days	95.88 days
Cash generated from operations to income	>= £8m	(£3.486m)

Dependency on income other than non-funding body sources is lower than target due to lower HE, Loan and Commercial activity than planned. The poor outcome for cash generated from operations to income is mainly due to the target assuming no movement in balance sheet debtors and creditors, which in reality were significant.

The College measures its performance towards the above financial objectives within its monthly management accounts. The College also regularly reviews its achievement against each of its funding contracts and the achievement rates of each programme.

The College is required to complete the annual Finance Record for the Education and Skills Funding Agency ("ESFA"). The College is assessed by the ESFA and is pleased to note it has rated the College as having "Outstanding" financial health grading throughout the period.

At the most recent inspections of Westminster Kingsway College, City & Islington College and the College of Haringey, Enfield and North East London, by OFSTED, each of the Colleges were graded as 'Good'. As a recently merged College the historical grading is no longer applicable and a new inspection, which is anticipated within the next two years, will be required to determine the grade.

Capital City College Group

OTHER INFORMATION

Public benefit

The College is an exempt charity under Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 12 and 13. In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit.

In delivering its mission, the College provides the following identifiable public benefits through the advancement of education to 31,534 students, including 313 students with high needs:

- Delivering and quality assuring high quality teaching across a range of general and specialist curriculum areas.
- Widening participation and tackling social exclusion.
- Providing strong student support systems that promote personal and social development in addition to the achievement of specific educational goals.
- Creating pathways from education and training into sustainable employment.
- Helping businesses and individuals thrive through tailored training support.
- Meeting the training and development needs of employers, industry and commerce.
- Creating and sustaining employment through continuous professional development of our staff.
- Developing links with Local Enterprise Partnerships.

The College provides courses without charge to young people, to those who are unemployed and adults taking English and Maths courses. The College adjusts its courses to meet the needs of local employers and provides training to 3,496 apprentices. The College is committed to providing information, advice and guidance to the students it enrolls and to finding suitable courses for as many students as possible regardless of their educational background.

Equality Diversity and Inclusion

The College is committed to ensuring equality of opportunity for all who learn and work here. The College respects and values the diversity of students and staff who share different aspects of their identity, for example in terms of their race and ethnicity, gender, sexual orientation, gender reassignment, religion and belief, disability or marital/civil partnership, socio-economic status and age. The College aims to ensure Equality, Diversity and Inclusion is reflected through the curriculum, enrichment activities and the range of direct and indirect student support services. The College's Equality Diversity and Inclusion Policy is published on its Intranet and includes monitoring details and is reviewed on an annual basis.

The College publishes an Annual Equality Diversity and Inclusion Report and has Strategic Equality, Diversity and Inclusion Objectives to ensure compliance with the relevant specific equality duties outlined in the Equality Act 2010. The College also undertakes equality impact assessments on all new policies, procedures and restructures with the results published and shared as appropriate. Equality impact assessments are also undertaken for existing policies and procedures on a prioritised basis.

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The College has achieved Level 1 of the Employers 'Disability Confident Committed' award and has made a further commitment to meet the standard at level 2. The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College is committed 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 made a formal commitment to the 'Mindful Employer' Charter as part of the initiative to support the mental health wellbeing of staff and have recently been awarded the Commitment standard for the London Healthy Workplace Charter. The College has also committed itself to achieve the Gold Award under the assessment of the United Kingdom Investors in Equality and Diversity. The College provides mandatory Equality, Diversity and Inclusion training for all new starters and has a planned two-year cycle for refresher training.

Disability statement

The College seeks to achieve the objectives set down in the Equality Act 2010:

- a) The College has appointed staff who provide information, advice and arrange support where necessary for students with disabilities/learning difficulties.
- b) There is a range of specialist equipment, e.g. hearing loops which the College can make available for use by students alongside a range of various assistive technology.
- c) Within the respective division's Admissions policy there are details on how to complain against a decision not to offer a place, linked to the Complaints policy.
- d) The College has appointed specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning.
- e) There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
- f) Specialist programmes are described in division's prospectus, and achievements and destinations are recorded and published in the standard College format.
- g) Counselling and welfare services are described in each division's Student Guide, which are available to students together with details on the Complaints and Disciplinary Procedure which are covered as part of induction and at other times throughout the year.

Trade union facility time

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

Numbers of employees who were relevant trade union officials during the relevant period	FTE employee number
34	31.35

Percentage of time	Number of employees
0%	0
1-50%	34
51-99%	0
100%	0

Capital City College Group

Total cost of facility time	£72,855
Total pay bill	£60,437,129
Percentage of total bill spent on facility time	0.1205%

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

The Late Payment of Commercial Debts (Interest) Act 1998, in the absence of agreement to the contrary, requires organisations 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 per cent. During the accounting period 1 August 2017 to 31 July 2018, the College paid 84.2% of its invoices within 30 days.

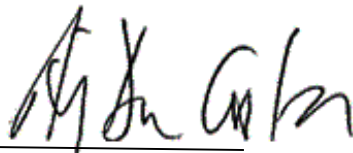
Events after the end of the reporting period

The College is not aware of any post balance sheet events which need to be disclosed.

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 13 December 2018 and signed on its behalf by:



Alastair Da Costa
Chair

Capital City College Group

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 an 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 Group endeavours to conduct its business:

- I. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- II. in accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges (“the Code”); and
- III. having due regard to the UK Corporate Governance Code 2014 insofar as it is applicable to the further education sector.

In the opinion of the Board, the College conducts itself in line with the provisions of the Code, and it has complied throughout the year ended 31 July 2018. The Board 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. Board members, 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 are serving on Capital City College Group Corporation up to the date of signature of this report are as listed in the table below.

Name	Status of Appointment	Date of Appointment or re-appointment	Current Term of office	Date Term ends (or resignation if earlier)	Committees Served	Corporation meeting attendance rate 17/18
Alastair Da Costa (Chair)	Independent	11.7.18	4 years	31.7.22	Finance and Resources* Remuneration Chairs’ Group (Chair)* Search Committee	100%
Ruth Duston (Vice Chair)	Independent	20.7.16	4 years	11.7.18	Chairs’ Group* CCCT Board (Chair)*	75%
Ozlem Top	Student Member	1.5.17	1 year	30.4.18	Curriculum and Performance* CIC Education Board	25%
Danish Ahmed	Student Member	1.5.18	1 year	31.7.19	Curriculum and Performance* CIC Education Board	20%
Robert Yankah	Student Member	1.9.17	1 year	31.7.19	CONEL Education Board	33%
Catherine Boyd-Maunsell	Independent	11.7.18	1 year	31.7.19	WKC Education Board (Chair) Chairs’ Group*	92%
Leslie Brissett	Independent	11.7.18	2 years	31.7.20	Remuneration (Chair) Chairs’ Group*	60%
Shane Chowen	Independent	11.7.18	2 years	31.7.20	Curriculum and Performance (Chair)* Chairs’ Group* Search Committee	100%

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Pamela Toluwa Esoimene	Student Member	1.9.17	1 year	11.7.18	<i>Curriculum and Performance*</i> WKC Education Board	38%
Joel Featherman	Independent	20.7.16	2 years	11.7.18	Audit <i>CCCT Board*</i>	83%
Heather James	Staff member	20.7.16	4 years	11.7.18	<i>Curriculum and Performance*</i> CIC Education Board	85%
Mike Magras	Staff member	20.7.16	4 years	11.7.18	Audit WKC Education Board	85%
Simon Pitkeathley	Independent	20.7.16	4 years	11.7.18	<i>Finance and Resources (Chair)*</i> <i>Chairs' Group*</i>	93%
Anthony Robinson	Staff member	21.11.16	2 years	11.7.18	CONEL College Board	25%
Anthony Smith	Independent	11.7.18	2 years	31.7.20	<i>Finance and Resources*</i> CIC Education Board (from Sep 2018)	50%
Amelia Sussman	Independent	11.7.18	2 years	31.7.20	CIC Education Board (Chair) <i>Curriculum and Performance*</i> <i>Chairs' Group*</i> Search Committee	100%
Fiona Thompson	Independent	11.7.18	1 year	31.7.19	Audit (Chair) <i>Chairs' Group*</i>	100%
Kay Willis	Independent	20.7.16	2 years	11.7.18	<i>Finance and Resources*</i> Remuneration	91%
Martina Milburn	Independent	08.3.17	18 months	11.7.18	<i>CCCT Board</i>	37.5%
Sarah Ebanja	Independent	11.7.18	3 years	31.7.21	CONEL Education Board (Chair) Search Committee <i>Chairs' Group*</i>	70%
Maarten Zuurmond	Independent	11.7.18	3 years	31.7.21	Audit (to Apr 2018) <i>Finance and Resources (from May 2018)*</i> CONEL Education Board Remuneration (from Sep 2018)	75%
Keith Brown	Independent	11.7.18	1 year	31.7.19	CONEL Education Board <i>Finance and Resources*</i> Audit (from Sep 2018)	58%
David Triesman	Independent	11.7.18	2 years	31.7.20	CONEL Education Board	37.5%
Andy Wilson	Chief Executive	20.7.16	N/A	31.08.18	<i>Finance and Resources*</i> <i>Curriculum and Performance*</i>	100%
Roy O'Shaughnessy	Chief Executive	1.9.18	N/A	<i>Ex officio</i>		N/A

* The following committees were disbanded on 11th July with their responsibilities re-allocated to the Board or to another committee/ education board, as a result of the governance review:

- *Finance and Resources*
- *Curriculum and Performance*
- *Chairs Group*
- *CCCT Board*

Graham Drummond acts as Clerk to the Corporation.

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

Capital City College Group

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. There were five full board meetings during 2017/18.

The Corporation conducted its business through a number of committees. Each committee had terms of reference, which were approved by the Corporation. These committees were curriculum and performance (until July 18), finance and resources (until July 18), remuneration, audit, chairs' group (until July 18), CIC college board, WKC college board, CONEL college board and the CCCT board (the terms of the college boards were revised in July 2018 and as a result these groups were renamed education boards. The CCCT Board was disbanded).

Minutes of board meetings are available at www.capitalccg.ac.uk, except those deemed to be confidential or are available from the Clerk to the Corporation at:

The WKCIC Group
Regent's Park Centre, Longford Street, London, NW1 3HB

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

All Board members 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 Board members in a timely manner, prior to meetings. Briefings are provided on an ad hoc 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 and Accounting Officer are separate.

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Board as a whole. The Chairs Group (up until July 2018) and then the Search committee was responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding four years.

Governance Review

The Board carried out a governance review in May and June 2018, and has subsequently reduced the number of members of the board from 23 to 14. Another outcome of the review was that the number of committees has been reduced with the Finance and Resources Committee, the Curriculum and Performance Committee and the Chairs' Group being disbanded from the 11th July 2018. The Chairs' Group has been replaced by a more traditional Search committee and the College Boards have been reconstituted into College Education Boards, with their focus being on the quality of education and the student experience at the respective colleges within the Group.

Capital City College Group

Remuneration Committee

Throughout the year ended 31 July 2018 the College's Remuneration Committee comprised of the Chair, Vice Chair and two other Board members. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other senior postholders.

Details of remuneration for the year ended 31 July 2018 are set out in note 7 to the financial statements.

Audit Committee

The Audit Committee comprises four members of the Corporation (excluding the Chief Executive and any member who serves on the finance and resources committee).

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

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

Management is responsible for the implementation of agreed audit recommendations and internal audit undertakes periodic follow-up reviews to ensure such recommendations have been implemented.

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

College Boards and the Training Board

During 2017/18 the Corporation had four oversight groups whose responsibility is to advise and oversee the management of the three separate divisions of the Group: City and Islington College, Westminster Kingsway College, The College of Haringey, Enfield and North East London and Capital City College Training. During 2017/18 these Boards had no delegated responsibility and their role was to provide advice with respect to strategy.

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 Chief Executive, 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 he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum between the College and the funding bodies. He is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

Capital City College Group

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the College 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 period ended 31 July 2018 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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

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

The College has an internal audit service, which operates in accordance with the requirements of the ESFA's *Post 16 Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. As a minimum, annually, the Head of Internal Audit (HIA) provides the Board with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

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

- the work of the internal auditors
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework
- comments made by the College's financial statements auditors, the reporting accountant for regularity assurance, the appointed funding auditors (for colleges subject to funding audit) in their management letters and other reports.

Capital City College Group

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

The Group Leadership Team (GLT) 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 GLT and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the GLT 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 GLT and internal audit, and taking account of events since 31 July 2018. It was noted that robust action plans are being implemented to address concerns in relation to the administration of learner number recording and control, and that further work will be carried out to ensure the security of information held by CCCG.

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

Going concern

The Corporation of The WKCIC Group confirms that the College believes it will be able to continue in operation and meet its liabilities taking account of the current position and principal risks for at least the next twelve months and the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 13 December 2018 and signed on its behalf by:

Alastair Da Costa
Chair

Roy O'Shaughnessy
Chief Executive and
Accounting Officer

Capital City College Group

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 financial memorandum. As part of our consideration we have had due regard to the requirements of the financial memorandum.

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 financial memorandum.

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.

Approved by order of the members of the Corporation on 13 December 2018 and signed on its behalf by:

Alastair Da Costa
Chair

Roy O'Shaughnessy
Chief Executive and
Accounting Officer

Capital City College Group

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the College's Financial Memorandum with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the *2015 Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's College Accounts Direction* and the UK's Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the College and 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 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 Corporation is responsible for the maintenance and integrity of the College website; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the ESFA are used only in accordance with the Financial Memorandum 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 from the ESFA are not put at risk.

Approved by order of the members of the Corporation on 13 December 2018 and signed on its behalf by:

Alastair da Costa
Chair

Capital City College Group

Independent Auditor's Report to the Members of the Corporation of Capital City College Group

Opinion

We have audited the financial statements of Capital City College Group (the 'College') for the year ended 31 July 2018 which comprise the statement of comprehensive income, the statement of changes in reserves, the balance sheet, the statement of cash flows, the principal accounting policies, and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the 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 members of the Corporation's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the members of 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 members of 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

Capital City College Group

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the members of the Corporation

As explained more fully in the statement of responsibilities of the members of the Corporation, the members of the Corporation are 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 members of 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 members of the Corporation are 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 members of the Corporation either intend to liquidate the College or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the members of the Corporation, as a body, in accordance with the College's Articles of Government. Our audit work has been undertaken so that we might state to the members of 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 members of the Corporation as a body, for our audit work, for this report, or for the opinions we have formed.

Buzzacott LLP

Chartered Accountants and Registered Auditor
130 Wood Street
London
EC2V 6DL

21 December 2018

Capital City College Group

Reporting Accountant's Assurance Report on Regularity

To: The Members of the Corporation of Capital City 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 3 July 2017 and further to the requirements of the financial memorandum with the Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Capital City 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 Capital City 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 Capital City 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 Capital City College Group and the Department for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Capital City College Group and the reporting accountant

The Corporation of Capital City 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.

Capital City College Group

Reporting accountant's assurance report on regularity (continued)

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

The work undertaken to draw to our conclusion includes:

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

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 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.

Buzzacott LLP

Chartered Accountants and Registered Auditor
130 Wood Street
London
EC2V 6DL

21 December 2018

Capital City College Group
Statement of Comprehensive Income and Expenditure

	Notes	Year ended 2018 £'000	Restated* Year ended 2017 £'000
INCOME			
Funding body grants	2	88,421	63,269
Tuition fees and education contracts	3	15,640	11,982
Other grants and contracts	4	4,311	1,866
Other income	5	3,440	3,452
Investment income	6	175	160
		<hr/>	<hr/>
Total income		111,987	80,729
EXPENDITURE			
Staff costs	7	73,315	53,649
Other operating expenses	8	34,363	24,246
Depreciation	11	8,658	7,136
Interest and other finance costs	9	1,724	1,386
		<hr/>	<hr/>
Total expenditure		118,060	86,417
		<hr/>	<hr/>
Deficit for the year		(6,073)	(5,688)
Fair value of net assets acquired	26	39,797	-
Actuarial gain in respect of pensions schemes	23	12,912	4,503
Actuarial (loss)/gain in respect of enhanced pensions		(8)	15
		<hr/>	<hr/>
Total Comprehensive income/(expenditure) for the year		46,628	(1,170)
		<hr/> <hr/>	<hr/> <hr/>
Represented by:			
Unrestricted comprehensive income/(expenditure)		46,628	(1,170)
		<hr/>	<hr/>
		46,628	(1,170)
		<hr/> <hr/>	<hr/> <hr/>

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

* The comparative balances have been restated to reflect the revision to the classification and valuation of certain tangible fixed assets at the time of the merger of City and Islington College and Westminster Kingsway College on 1 August 2016 (see note 11).

**Capital City College Group
Statement of Changes in Reserves**

	Income and Expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Restated balance at 1 August 2016 (see below*)	46,715	208,501	255,216
Deficit from the income and expenditure account	(5,688)	-	(5,688)
Other comprehensive income	4,518	-	4,518
Transfers between revaluation and income and expenditure reserves	274	(274)	-
Total comprehensive expenditure for the year	(896)	(274)	(1,170)
Restated Balance at 31 July 2017 (see below*)	45,819	208,227	254,046
Deficit from the income and expenditure account	(6,073)	-	(6,073)
Other comprehensive income:			
Acquired from the merger with the College of Haringey, Enfield & North East London (see note 26)	39,797	-	39,797
Actuarial gains in respect of pensions schemes	12,904	-	12,904
Transfers between revaluation and income and expenditure reserves	145	(145)	-
Total comprehensive income/(expenditure) for the year	46,773	(145)	46,628
Balance at 31 July 2018	92,592	208,082	300,674

* The comparative balances have been restated to reflect the revision to the classification and valuation of certain tangible fixed assets at the time of the merger of City and Islington College and Westminster Kingsway College on 1 August 2016 (see note 11).

**Capital City College Group
Balance Sheet as at 31 July**

	Notes	2018 £'000	Restated* 2017 £'000
Non current assets			
Tangible fixed assets	11	374,051	324,846
Investment properties	12	2,332	-
Investments	13	23	39
		376,406	324,885
Current assets			
Stocks		22	44
Trade and other receivables	14	13,784	5,018
Investments	15	12,500	9,000
Cash and cash equivalents	20	16,454	12,244
		42,760	26,306
Less: Creditors – amounts falling due within one year	16	(24,372)	(12,959)
		18,388	13,347
Net current assets		18,388	13,347
Total assets less current liabilities		394,794	338,232
Creditors – amounts falling due after more than one year	17	(40,696)	(34,421)
Provisions			
Defined benefit obligations	19	(52,384)	(48,685)
Other provisions	19	(1,040)	(1,080)
		300,674	254,046
Total net assets		300,674	254,046
Unrestricted reserves			
Income and expenditure account		92,592	45,819
Revaluation reserve		208,082	208,227
		300,674	254,046

* The comparative balances have been restated to reflect the revision to the classification and valuation of certain tangible fixed assets at the time of the merger of City and Islington College and Westminster Kingsway College on 1 August 2016 (see note 11).

The financial statements on pages 24 to 51 were approved and authorised for issue by the Corporation on 13 December 2018 and were signed on its behalf on that date by:

Alastair Da Costa
Chair

Roy O'Shaughnessy
Chief Executive and
Accounting Officer

**Capital City College Group
Statement of Cash Flows**

	Notes	2018 £'000	Restated 2017 £'000
Cash flow from operating activities			
Deficit for the year		(6,073)	(5,688)
Adjustment for non cash items			
Depreciation		8,658	7,136
Decrease in stocks		22	15
Increase in debtors		(4,979)	(844)
(Decrease)/increase in creditors due within one year		(4,844)	1,047
Decrease in creditors due after one year		(1,495)	(1,432)
Decrease in provisions		(48)	(31)
Pension costs including interest less contributions payable		5,161	2,943
Adjustment for investing or financing activities			
Investment income		(175)	(160)
Interest payable		82	3
Loss on sale of fixed assets		212	-
Gain on revaluation of investment properties		(7)	-
		<u>(3,486)</u>	<u>2,989</u>
Net cash flow from operating activities			
Cash flows from investing activities			
Acquired from the merger with the College of Haringey, Enfield & North East London	26	9,420	-
Disposal of non-current asset investments		16	-
Investment income		140	144
Withdrawal of deposits		6,500	14,002
New deposits		(4,000)	(14,002)
Payments made to acquire fixed assets		(4,216)	(2,116)
		<u>7,860</u>	<u>(1,972)</u>
Financing activities			
Interest paid		(82)	(3)
Repayment of amounts borrowed		(82)	-
		<u>(164)</u>	<u>(3)</u>
Increase in cash and cash equivalents in the year			
		<u>4,210</u>	<u>1,014</u>
Cash and cash equivalents at beginning of the year	20	12,244	11,230
Cash and cash equivalents at end of the year	20	<u>16,454</u>	<u>12,244</u>

Capital City College Group

Notes to the Accounts

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

The merger of Capital City College Group and the College of Haringey, Enfield & North East London, on 1 November 2017, has been accounted for by applying the acquisition method and the assets and liabilities acquired are adjusted to fair values, using external professional advisors where appropriate. See note 26.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention as modified by the use of previous valuations as deemed cost at transition for certain non-current assets.

Basis of consolidation

The College has one subsidiary and participates in one joint venture. Neither are material to the College's financial statements and have therefore not been consolidated. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities.

Going concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the 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 Capital City College Group had £29.0m of cash at bank and current asset investments and £0.6m of loans. Currently the College has £30.8m of cash at bank and current asset investments and £0.6m of loans. The College's forecasts and financial projections indicate that it will be able to operate 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.

Recognition of income

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

Capital City College Group

account. 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.

The recurrent grant from the Office for Students (OfS) represents the funding allocations attributable to the current financial year and is credited directly to the Statement of Comprehensive Income and Expenditure.

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

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual method as permitted by FRS 102. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

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

All income from short-term deposits is credited to the Statement of Comprehensive Income and Expenditure in the period in which it is earned on a receivable basis.

Accounting for post-employment benefits

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

Teachers' Pension Scheme (TPS)

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method.

The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the Statement of Comprehensive Income and Expenditure in the periods during which services are rendered by employees.

Local Government Pension Scheme (LGPS)

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

Net interest on the net defined benefit liability is also recognised in the Statement of Comprehensive Income and Expenditure 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 financial costs.

Capital City College Group

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 monthly. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the College's Statement of Comprehensive Income and Expenditure 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 body.

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

Freehold buildings are depreciated on a straight line basis over their expected useful lives as follows:

- Freehold buildings – 50 years
- Adaptations and Refurbishments – 10 years

Freehold land is not depreciated as it is considered to have an infinite useful life.

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

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

On adoption of FRS 102, the College followed the transitional provision to revalue its land assets, at fair value, but not to adopt a policy of revaluations of these assets in the future. Building assets were retained at book value. Building assets were previously revalued in 1994, at depreciated replacement cost.

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 the Statement of Comprehensive Income and Expenditure in the period it is incurred, unless it

Capital City College Group

increases the future benefits to the College, in which case it is capitalised and depreciated on the relevant basis.

Plant and equipment

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

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

- plant and technical equipment 10 to 20 years
- computer equipment 5 years
- furniture, fixtures and fittings 10 years

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any 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.

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term to the Statement of Comprehensive Income and Expenditure. Any lease premiums or incentives relating to leases signed after 1 August 2014 are spread over the minimum lease term.

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.

Stocks

Stocks are stated at the lower of their cost (using the first in first out method) and net realisable value, being selling price less costs to complete and sell. Where necessary, provision is made for obsolete, slow-moving and defective items.

Cash and cash equivalents

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

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

Financial liabilities and equity

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

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

Capital City College Group

Taxation

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

The College is partially exempt in respect of Value Added Tax, so that it can only recover around 1% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

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 discount rate. The unwinding of the discount is recognised as a finance cost in the Statement of Comprehensive Income and Expenditure 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.

The only provisions recognised by the College in its Financial Statements are the defined benefit obligations, arising under the Local Government Pension Scheme, and the enhanced pension benefit obligations, arising from the Teachers' Pension Scheme.

Agency arrangements

The College acts as an agent in the collection and payment of certain learner support funds, local authority payments and charitable funds. Related payments received from the funding and other 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.

Capital City College Group

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

- *Local Government Pension Scheme*

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

- *Provision for doubtful debts*

Debts arising from trading activities are provided for on the basis that a proportion, between 10% and 100% dependent on debt age, of those debts not funded through Student Loans Company loan agreements may ultimately not be collected.

Capital City College Group
Notes to the Accounts (continued)

2 Funding body grants

	2018	2017
	£'000	£'000
Recurrent grants		
Education and Skills Funding Agency - adult	28,812	18,597
Education and Skills Funding Agency - 16-18	51,151	38,868
Education and Skills Funding Agency - apprenticeships	5,011	2,895
Higher Education Funding Council	268	322
Specific Grants		
Education and Skills Funding Agency	1,419	1,057
Releases of government capital grants	1,760	1,530
Total	<u>88,421</u>	<u>63,269</u>

3 Tuition fees and education contracts

	2018	2017
	£'000	£'000
Adult education fees	3,305	1,481
Apprenticeship fees and contracts	391	86
Fees for FE loan supported courses	2,500	2,209
Fees for HE loan supported courses	1,265	1,940
International students fees	232	187
Total tuition fees	<u>7,693</u>	<u>5,903</u>
Education contracts	7,947	6,079
Total	<u>15,640</u>	<u>11,982</u>

4 Other grants and contracts

	2018	2017
	£'000	£'000
UK-based charities	11	11
European Commission	1,288	833
Other grants and contracts	3,012	1,022
Total	<u>4,311</u>	<u>1,866</u>

5 Other income

	2018	2017
	£'000	£'000
Catering and residences	1,810	1,446
Other income generating activities	91	52
Miscellaneous income	1,539	1,954
Total	<u>3,440</u>	<u>3,452</u>

6 Investment income

	2018	2017
	£'000	£'000
Other investment income	130	120
Other interest receivable	45	40
Total	<u>175</u>	<u>160</u>

Capital City College Group
Notes to the Accounts (continued)

7 Staff costs

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

	2018	2017
	No.	No.
Teaching staff	677	540
Non teaching staff	797	519
	<u>1,474</u>	<u>1,059</u>

Staff costs for the above persons

	2018	2017
	£'000	£'000
Wages and salaries	50,140	38,774
Social security costs	5,149	3,921
Other pension costs (note 23)	9,877	6,970
	<u>65,166</u>	<u>49,665</u>
Payroll sub total		
Contracted out staffing services	7,504	3,412
	<u>72,670</u>	<u>53,077</u>
Total staff costs excluding restructuring costs		
Restructuring costs - Contractual	464	360
Non-contractual	181	212
	<u>73,315</u>	<u>53,649</u>
Total staff costs		

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Group Leadership Team which comprises the Chief Executive (Accounting Officer), Chief Operating Officer, College Executive Principals, Training Arm Managing Director, Group Director of Human Resources & Organisational Development, Director of Information & Integration and the Director of Governance.

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 Officer was:	9	8
	<u>9</u>	<u>8</u>

Capital City College Group
Notes to the Accounts (continued)

7 Staff costs (continued)

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:

	Key management personnel		Other staff	
	2018 No.	2017 No.	2018 No.	2017 No.
£30,001 to £40,000	1	-	N/A	N/A
£40,001 to £50,000	1	-	N/A	N/A
£50,001 to £60,000	-	-	N/A	N/A
£60,001 to £70,000	-	-	13	12
£70,001 to £80,000	1	-	6	9
£80,001 to £90,000	2	1	6	4
£90,001 to £100,000	4	2	-	-
£110,001 to £120,000	1	4	-	-
£120,001 to £130,000	2	1	-	-
£210,001 to £220,000	1	1	-	-
	13	9	25	25
	13	9	25	25

During the year there were two separate post-holders for the Executive Principal posts of City & Islington College and the Group Director of Finance & Resources. There were three post-holders for the Executive Principal post of the College of Haringey, Enfield & North East London. One post, Group Director of Planning & Performance, was abolished during the year.

Key management personnel remuneration is made up as follows:	2018 £'000	2017 £'000
Salaries - gross of salary sacrifice	1,198	945
Employer's National Insurance	154	128
Benefits in kind	9	6
	1,361	1,079
Pension contributions	138	106
Payroll sub total	1,499	1,185
Contracted out staffing services for key management personnel	76	53
Total key management personnel remuneration	1,575	1,238
	1,575	1,238

There were no amounts due to key management personnel that were waived in the year. One member of the key management personnel was appointed on an interim basis and was paid outside of the payroll. The College operates a number of salary sacrifice benefits with two members of key management personnel receiving childcare vouchers through a salary sacrifice arrangement during the year.

Capital City College Group
Notes to the Accounts (continued)

7 Staff costs (continued)

The previous remuneration table includes amounts payable to the Accounting Officer (who is also the highest paid officer) of:

	2018	2017
	£'000	£'000
Salaries	210	210
Employer's National Insurance	28	28
Benefits in kind	1	1
	<u>239</u>	<u>239</u>
Pension contributions	<u>-</u>	<u>-</u>
Total remuneration	<u>239</u>	<u>239</u>

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

Capital City College Group
Notes to the Accounts (continued)

8 Other operating expenses

	2018	2017
	£'000	£'000
Teaching costs	11,347	7,685
Non teaching costs	13,768	9,438
Premises costs	9,248	7,123
Total	<u>34,363</u>	<u>24,246</u>

Other operating expenses include:

	2018	2017
	£'000	£'000
Auditors' remuneration:		
Financial statements audit	59	35
Internal audit	68	33
Other services provided by the financial statements auditors	6	9
Other services provided by the internal auditors - risk workshops	3	-
Losses on disposal of non-current assets	212	-
Hire of assets under operating leases	402	439
	<u>1,120</u>	<u>556</u>

9 Interest and other finance costs

	2018	2017
	£'000	£'000
On bank loans, overdrafts and other loans	82	3
Interest cost on enhanced pension liability	28	21
Net interest on defined pension liability (note 23)	1,614	1,362
Total	<u>1,724</u>	<u>1,386</u>

10 Taxation

The members do not believe the College was liable for any Corporation Tax arising out of its activities during either year.

Capital City College Group
Notes to the Accounts (continued)

11 Tangible fixed assets	Land and buildings		Plant and Equipment	Assets in the Course of Construction	Total
	Freehold	Long leasehold			
	£'000	£'000			
Cost or valuation					
At 1 August 2017	307,696	51,290	41,991	346	401,323
Acquired from the merger with the College of Haringey, Enfield & North East London	51,250	-	2,491	-	53,741
Additions	123	-	3,444	767	4,334
Transfers	(510)	-	790	(280)	-
Disposals	(363)	-	-	-	(363)
At 31 July 2018	358,196	51,290	48,716	833	459,035
Depreciation					
At 1 August 2017 as restated	38,954	6,340	31,183	-	76,477
Charge for the year	4,441	341	3,876	-	8,658
Transfers	(539)	-	539	-	-
Elimination in respect of disposals	(151)	-	-	-	(151)
At 31 July 2018	42,705	6,681	35,598	-	84,984
Net book value at 31 July 2018	315,491	44,609	13,118	833	374,051
Net book value at 31 July 2017 as restated	268,742	44,950	10,808	346	324,846

Other than as noted below, land has been valued for the purpose of the financial statements at fair value as at 1 August 2014 by Jones Lang LaSalle Limited a firm of independent chartered surveyors.

Tangible fixed assets transferred on merger from the College of Haringey, Enfield & North East London were adjusted to fair value as at 1 November 2017 (the date of merger). For fixtures, fittings and equipment fair value was considered to be the net book value immediately prior to merger. Freehold land and buildings were valued at market value on an existing use basis. The valuation of land and buildings was undertaken by MBRE Limited, a firm of independent chartered surveyors. One property, which is no longer used within the business, has been recategorised as an investment property on merger. The net losses on the adjustment to fair value of these assets was £10,124,803 (see note 26).

During the year it was noted that certain tangible fixed assets had been misclassified at the time of aligning accounting policies and estimates on the merger of City and Islington and Westminster Kingsway College on 1 August 2016. This resulted in certain assets having an incorrect estimated useful economic life being applied to them in 2016/7. As a result, the 2016/7 comparatives have been adjusted to reflect the correct classification of assets as at 1 August 2016. The effect of this is to increase the accumulated depreciation charge at 1 August 2016 by £3.77 million and to increase the depreciation charge for the 2016/7 year by £596,000.

The College does not have any assets held under finance leases.

If inherited land and buildings had not been valued they would have been included at £Nil historic cost.

In April 2017 the College granted a charge over its Victoria site to the London Pensions Fund Authority (LPFA) in return for a significant reduction in its ongoing pension contributions. A second charge in favour of the LPFA, over the Centre for Business, Arts and Technology, is currently in the process of being implemented. A further charge, in favour of The Football Foundation, which obligates the College to make its artificial sports pitch available to several local clubs and regulates the fees charged, is held over the freehold of the Enfield Centre.

Capital City College Group
Notes to the Accounts (continued)

12 Investment properties

The College owns two properties which it does not use within its business. One, which was previously accounted for in tangible fixed assets and now recategorised, is leased to a third party on a 10 year lease from 1 July 2016 and is operated as a Caribbean Cafe. The other is leased on a 21 year lease from 15 November 1999 to a joint venture company which is jointly owned by the College and Haringey Council. A 21 year extension to this lease from 2020 has been approved. As neither property is used by the College for educational purposes they are presented as investment properties.

13 Investments

	2018	2017
	£'000	£'000
Other non-current asset investments	23	39
	<hr/>	<hr/>
Total	23	39
	<hr/> <hr/>	<hr/> <hr/>

The bulk of other investments represent the College's prize funds. These funds are made up of a number of independent gifts. The income generated on these gifts is used to fund annual prizes in accordance with the donors' wishes.

The College owns 100% of Apprenticeships First Limited and 50% of Tottenham Green Enterprise Centre Limited, both of which are incorporated in England and Wales. Apprenticeships First Limited's principal activity is an Apprenticeship Training Agency which provides employment for apprentices. Tottenham Green Enterprise Centre Limited's principal business is the provision of facilities for start up businesses.

Neither the subsidiary or the joint venture are material to the College's financial statements and therefore have not been consolidated.

14 Trade and other receivables

	2018	2017
	£'000	£'000
Amounts falling due within one year:		
Trade receivables	5,817	2,725
Amounts owed by group undertakings:		
Subsidiary undertakings	10	-
Prepayments and accrued income	3,900	1,832
Amounts owed by the ESFA	3,769	268
Other debtors	288	193
	<hr/>	<hr/>
Total	13,784	5,018
	<hr/> <hr/>	<hr/> <hr/>

Capital City College Group
Notes to the Accounts (continued)

15 Current investments

	2018	2017
	£'000	£'000
Short term deposits	12,500	9,000
Total	<u>12,500</u>	<u>9,000</u>

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.

16 Creditors: amounts falling due within one year

	2018	2017
	£'000	£'000
Bank loans and overdrafts	42	-
Other loans	104	-
Trade payables	987	725
Other taxation and social security	2,235	1,681
Other tax provision (see below)	3,172	-
Accruals and deferred income	10,574	6,819
Deferred income - government capital grants	1,471	1,479
Deferred income - government revenue grants	-	8
Amounts owed to the ESFA	4,446	1,448
Learner Support Fund (note 25)	1,139	629
Other creditors	202	170
Total	<u>24,372</u>	<u>12,959</u>

In 2001 HM Revenue & Customs (HMRC) raised assessments against the College of Haringey, Enfield and North East London in respect of certain lease and lease back arrangements. The College, having taken professional advice, appealed the assessments. However after years of litigation the College's professional advisors finally concluded any further appeal would have less than a 50% chance of success. The College has therefore withdrawn its appeal.

17 Creditors: amounts falling due after one year

	2018	2017
	£'000	£'000
Bank loans	323	-
Other loans	147	-
Deferred income - government capital grants	40,226	34,421
Total	<u>40,696</u>	<u>34,421</u>

**Capital City College Group
Notes to the Accounts (continued)**

18 Maturity of debt

(a) Bank loans

Bank loans are repayable as follows:

	2018	2017
	£'000	£'000
In one year or less	42	-
Between one and two years	186	-
Between two and five years	99	-
In five years or more	38	-
Total	365	-

(b) Other loans

Other loans are repayable as follows:

	2018	2017
	£'000	£'000
In one year or less	104	-
Between two and five years	85	-
In five years or more	62	-
Total	251	-

Bank and other loans - College of Haringey, Enfield and North East London

Following the merger with the College of Haringey, Enfield and North East London on 1 November 2017, £395,400 of bank loans and £302,700 of energy efficiency loans were transferred to Capital City College Group.

The College of Haringey, Enfield and North East London drew down a bank loan of £300,000 in December 2003 at 6.8 per cent repayable by instalments falling due between 1 August 2004 and 31 July 2020.

The College of Haringey, Enfield and North East London drew down a bank loan of £450,000 in February 2004 at 6.9 per cent repayable by instalments falling due between 1 March 2004 and 31 July 2025.

The bank loans are secured on a portion of the freehold land and buildings of the College.

Capital City College Group
Notes to the Accounts (continued)

19 Provisions

	Defined benefit obligations	Enhanced pensions	Total
	£'000	£'000	£'000
At 1 August 2017	48,685	1,080	49,765
Expenditure in the period	(2,286)	(40)	(2,326)
Additions in period	5,985	-	5,985
At 31 July 2018	<u>52,384</u>	<u>1,040</u>	<u>53,424</u>

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.

The enhanced pension provision relates to the cost of pension enhancements for staff of the former Westminster, Kingsway and City & Islington Colleges who left employment prior to previous mergers. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:

	2018	2017
Price inflation	1.3%	1.3%
Interest rate	2.3%	2.3%

20 Cash and cash equivalents

	At 1 August 2017 £'000	Cash flows £'000	At 31 July 2018 £'000
Cash and cash equivalents	12,244	4,210	16,454
Total	<u>12,244</u>	<u>4,210</u>	<u>16,454</u>

21 Capital commitments

	2018 £'000	2017 £'000
Commitments contracted for at 31 July	<u>516</u>	<u>455</u>

Capital City College Group
Notes to the Accounts (continued)

22 Lease obligations

At 31 July 2018 the College had total minimum lease payments under non-cancellable operating leases as follows:

	2018	2017
	£'000	£'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	-	109
	<u>-</u>	<u>109</u>
Other		
Not later than one year	402	348
Later than one year and not later than five years	373	661
	<u>775</u>	<u>1,009</u>
Total lease payments due	<u><u>775</u></u>	<u><u>1,118</u></u>

Capital City College Group
Notes to the Accounts (continued)

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 the London Pension Fund Authority. Both are multi-employer defined-benefit plans.

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

Total pension cost for the year	2018	2017
	£'000	£'000
Teachers' Pension Scheme: contributions paid	3,947	3,115
Local Government Pension Scheme:		
Contributions paid	2,277	2,185
FRS 102 (28) charge	<u>3,547</u>	<u>1,581</u>
Charge to the Statement of Comprehensive Income	5,824	3,766
Other pension contributions paid	7	6
Enhanced pension charge to Statement of Comprehensive Income	99	83
Total pension cost for year (note 7)	<u>9,877</u>	<u>6,970</u>

Contributions amounting to £870,000 (2017: £589,000) were payable to the schemes at 31 July and are included in creditors.

Teachers' Pension Scheme

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

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

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

Accordingly the College has taken advantage of the exemption in FRS102 and has accounted for its contributions to the scheme as if it were a defined contributions plan. The College has set out below the information available on the plan and the implications for the College in terms of the anticipated contribution rates.

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

Capital City College Group

Notes to the Accounts (continued)

23 Defined benefit obligations (continued)

Teachers' Pension Scheme (Continued)

The latest actuarial review of the TPS was carried out as at 31 March 2012. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation are:

- 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 in 2019. The initial indications which will be confirmed in Spring 2019 are that this rate will increase, from September 2019, to around 23.5%.

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

The pension costs paid to TPS in the year amounted to £3,947,000 (2017: £3,115,000).

Capital City College Group
Notes to the Accounts (continued)

23 Defined benefit obligations (continued)

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by the London Pension Fund Authority. The total contributions made for the year ended 31 July 2018 were £3,331,000, of which employer's contributions totalled £2,277,000 and employees' contributions totalled £1,054,000. The agreed contribution rates for future years are 13% for employers and range from 5.5% to 12.5% cent for employees, depending on salary.

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:

	2018	2017
Rate of increase in salaries	3.85%	4.2%
Future pensions increases	2.35%	2.7%
Discount rate for scheme liabilities	2.65%	2.7%
Inflation assumption (CPI)	2.35%	2.7%
Commutation of pensions to lump sums	50%	50%

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

	2018	2017
	years	years
<i>Retiring today</i>		
Males	21.6	21.1
Females	24.5	24.2
<i>Retiring in 20 years</i>		
Males	23.9	23.5
Females	26.7	26.4

Had different assumptions been used, the impact on the service cost for the year ended 31 July 2018 and the present value of total obligations are shown below:

<i>Sensitivity analysis</i>	Service cost	Present value
	£'000	of total
		obligation
		£'000
Per accounts	5,833	173,378
Discount rate and mortality assumption (as above)	5,890	175,043
Discount rate +0.1%	5,758	171,824
Discount rate -0.1%	6,025	178,326
Mortality assumption - 1 year increase	6,078	181,463
Mortality assumption - 1 year decrease	5,708	168,858

The service cost for the year ended 31 July 2018 was calculated using an estimate of the total pensionable payroll during the year. From the contribution information provided to the actuary, the estimated total pensionable payroll during the year was £14,879,000. The service cost for the year ending 31 July 2019 has been calculated from an estimated payroll of £16,238,000.

Capital City College Group
Notes to the Accounts (continued)

23 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

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

	Fair Value at 31 July 2018 £'000	Fair Value at 31 July 2017 £'000
Equities	74,364	47,290
Target return portfolio	27,152	16,001
Infrastructure	6,100	3,476
Property	9,416	5,023
Cash	5,627	5,347
Total fair value of plan assets	<u>122,659</u>	<u>77,137</u>

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

	2018 £'000	2017 £'000
Fair value of plan assets	122,659	77,137
Present value of plan liabilities	(173,378)	(125,628)
Present value of unfunded liabilities	(1,665)	(194)
Net pensions liability (Note 19)	<u>(52,384)</u>	<u>(48,685)</u>

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

	2018 £'000	2017 £'000
Amounts included in staff costs		
Current service cost	5,833	3,836
Past service cost	-	39
Total	<u>5,833</u>	<u>3,875</u>

Amounts included in interest and other finance costs

Net interest payment	1,614	1,362
	<u>1,614</u>	<u>1,362</u>

Amounts recognised in Other Comprehensive Income

Return on pension plan assets	(2,915)	(8,262)
Other actuarial gains	-	(1,318)
Experience losses arising on defined benefit obligations	-	(1,615)
Changes in assumptions underlying the present value of plan liabilities	(9,997)	6,692
Amount recognised in Other Comprehensive Income	<u>(12,912)</u>	<u>(4,503)</u>

Capital City College Group
Notes to the Accounts (continued)

23 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

Movement in net defined benefit liability during the year

	2018	2017
	£'000	£'000
Deficit in scheme at 1 August	(48,685)	(50,245)
Movement in year:		
Current service cost	(5,833)	(3,836)
Estimated employer contributions	2,286	2,294
Past service cost	-	(39)
Administration expenses	(100)	(85)
Net interest on the defined liability	(1,514)	(1,277)
Net transfer from CoNEL	(11,450)	-
Actuarial gain	12,912	4,503
Net defined benefit liability at 31 July	<u>(52,384)</u>	<u>(48,685)</u>

Asset and Liability Reconciliation

	2018	2017
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	125,822	115,783
Current service cost	5,833	3,836
Interest cost	4,395	2,986
Estimated contributions by Scheme participants	995	787
Experience gains and losses on defined benefit obligations	-	(1,615)
Changes in financial assumptions	(10,313)	9,169
Changes in demographic assumptions	316	(2,477)
Estimated benefits paid	(3,338)	(2,686)
Past Service cost	-	39
Liabilities assumed from CoNEL	51,333	-
Defined benefit obligations at end of period	<u>175,043</u>	<u>125,822</u>

Changes in fair value of plan assets

Fair value of plan assets at start of period	77,137	65,538
Interest on plan assets	2,881	1,709
Return on plan assets	2,915	8,262
Other actuarial gains	-	1,318
Administration expenses	(100)	(85)
Estimated employer contributions	2,286	2,294
Estimated contributions by Scheme participants	995	787
Estimated benefits paid	(3,338)	(2,686)
Settlement prices received from CoNEL	39,883	-
Fair value of plan assets at end of period	<u>122,659</u>	<u>77,137</u>

Capital City College Group
Notes to the Accounts (continued)

24 Related party transactions

Due to the nature of the College's operations and that members of the Corporation are 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 members of the Corporation during the year was £854 for 3 members (2017: £1,851 for 3 members). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending meetings of the Corporation.

No Governor has received any remuneration or waived payments from the College during the year (2017: None).

Transactions totalling £Nil (2017 - £30,000), relating to the supply of executive recruitment services took place with Warren Partners Limited – a company in which Mr Da Costa, the Chair of Corporation, had a significant influence. There were no amounts outstanding (2017 - £Nil).

25 Amounts disbursed as agent

Learner support funds

	2018	2017
	£'000	£'000
Funding body grants – bursary support	2,832	2,752
Other Funding body grants	90	117
	<u>2,922</u>	<u>2,869</u>
Disbursed to students	(2,305)	(2,170)
Administration costs	(83)	(70)
	<u>534</u>	<u>629</u>
Balance unspent as at 31 July	<u>534</u>	<u>629</u>

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

Capital City College Group
Notes to the Accounts (continued)

26 Merger of Capital City College Group and College of Haringey, Enfield and North East London

On 1 November 2017, the College merged with the College of Haringey, Enfield and North East London. Given the relative sizes of the two colleges, this has been accounted for using the acquisition method of accounting.

The net assets acquired as at 1 November 2017 were as follows:

	Book value at 31 October 2017 £'000	Fair value adjustment £'000	Total value on merger £'000
Tangible fixed assets	63,865	(10,124)	53,741
Investment properties	-	2,325	2,325
	<u>63,865</u>	<u>(7,799)</u>	<u>56,066</u>
Current assets			
Trade and other receivables	3,787	-	3,787
Investments	6,000	-	6,000
Cash and cash equivalents	9,420	-	9,420
Creditors - amounts falling due within one year	(16,172)	-	(16,172)
Net current assets	<u>3,035</u>	<u>-</u>	<u>3,035</u>
Total assets less current liabilities	66,900	(7,799)	59,101
Creditors - amounts falling due after more than one year	(7,854)	-	(7,854)
Provisions			
Defined benefit obligations	(9,860)	-	(9,860)
Other provisions	(1,590)	-	(1,590)
Total net assets	<u><u>47,596</u></u>	<u><u>(7,799)</u></u>	<u><u>39,797</u></u>
Reserves			
Income and expenditure account	26,145	13,652	39,797
Revaluation reserve	21,451	(21,451)	-
Total unresstricted reserves	<u><u>47,596</u></u>	<u><u>(7,799)</u></u>	<u><u>39,797</u></u>