Nescot

Epsom's college of further and higher education

NESCOT CORPORATION

Report and Financial Statements for the Year Ended 31 July 2017

Key Management Personnel, Board of Governors and Professional Advisers

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College. These persons are the most senior members of the College Senior Management Team (SMT) and were represented by the following in the year ended 31 July 2017:

Frances Rutter	Chief Executive and Principal From 3 April 2017 to 31 July 2017
Cliff Hall	Acting Principal and Group Chief Executive Officer (CEO) From 1 August 2016 to 2 April 2017
Carol Martin	Deputy Principal (Curriculum & Quality)
Maria Vetrone	Deputy Principal (Finance & Resources)

Board of Governors

A full list of Governors of the Corporation is given on pages 27 and 28 of these financial statements.

Professional advisers

External Auditors	**Internal Auditors**
MHA MacIntyre Hudson New Bridge Street House 30-34 New Bridge Street London EC4V 6BJ	RSM 6th Floor 25 Farringdon Street London EC4A 4AB
Funding Auditors	**Bankers**
KPMG 1 Forest Gate Brighton Road Crawley W Sussex RH11 9PT	HSBC Bank plc 54 Clarence Street Kingston upon Thames Surrey KT1 1NS

Contents

NATURE, OBJECTIVES AND STRATEGIES

The Members of the Corporation have great pleasure in presenting their annual report and consolidated audited financial statements for the NESCOT Group for the year ended 31 July 2017.

Legal status

The Corporation was established under 'The Further and Higher Education Act 1992' for the purpose of conducting the business of North East Surrey College of Technology. The College is an exempt charity for the purposes Part 3 of the Charities Act 2011.

Corporation name

The Corporation was incorporated as the North East Surrey College of Technology (NESCOT).

Public Benefit

The College is an exempt charity under Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016, is regulated by the Secretary of State for Education. The Members of the Corporation, who are trustees of the charity, are disclosed on pages 27 and 28.

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

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

- High-quality teaching.
- Widening participation and tackling social exclusion.
- The advancement of citizenship and community development.
- Excellent employment record for students.
- Strong student support systems.
- Links with employers, industry and commerce.
- Links with Local Enterprise Partnerships (LEPs).

The Corporation is aware of its responsibilities in relation to charitable purposes in making decisions on the College's educational and vocational character and mission and in relation to the effective and efficient use of resources.

To deliver its mission, NESCOT has developed as a comprehensive College, with a wide range of subjects taught at all levels and a diverse student body. The College is proud of its long history as a technical and professional education institution, from which enduring commitments to widening participation and technical and professional preparation are derived. It is ambitious for its future as a college, with a growing reputation for technical and professional excellence and international presence.

Mission statement

The Members reviewed the College's mission during 2016-17, with a more comprehensive review and renewal taking place in 2017-18 led by the College's new Chief Executive and Principal. The current mission of the College as approved by the Members is:

"To inspire our students to be the best that they can be."

At NESCOT, our **vision** is to:

- Be recognised as one of the top colleges of Further and Higher Education.
- Maintain a sustainable financial platform for continued success.
- Achieve exceptional levels of student success.
- Excite students with the quality of our teaching and our learning programmes.
- Innovate in our working methods, our approach to learning and our use of technologies.
- Provide an inspirational learning environment and learning resources.
- Be recognised for our sheer professionalism.
- Create a great place to work, with high levels of staff participation and satisfaction.
- Engage with the community as a trusted partner organisation.
- Be exceptionally well engaged with local and regional employers.
- Expand where we can and with care.

Our **values** are that we:

- Put students' success and wellbeing at the heart of everything we do.
- Have high expectations and aim for excellence.
- Are collaborative, striving to positively engage our students, staff and partners.
- Are committed to sharing good practice, entrepreneurship and innovation.
- Celebrate diversity and challenge bigotry.
- Are ethical and inclusive.

Implementation of the Strategic Plan NESCOT 2020

The Corporation and management have re-considered the educational character and size of the College to ensure that it best serves the needs of its students, and has a strong curriculum and financial base for the future. In order to make a sustainable contribution to national, regional and local targets, the College aims to continue to consolidate existing provision against a robust quality and financial framework.

In September 2015, the Corporation adopted a new Corporate Strategic Plan for the period 2015-2020, 'NESCOT 2020'. In October 2016, the Corporate Strategic Plan was reviewed, updated and approved by the Corporation. The Strategic Plan includes developments in the curriculum, quality, partnerships, human resources, property and financial plans. The Corporation monitors the performance of the College against these plans. The plans are reviewed and updated each year.

The College continues to provide a wide ranging technical and professional curriculum offer to Level 3 and beyond. Apprenticeship provision has grown significantly. The College is well placed to respond to the curriculum change required by the Government's Post-16 Skills Plan.

Strategic goals

The College has nine strategic goals which underpin the delivery of the mission:

1. An outstanding learning experience for all of our students.
2. Financial stability.
3. A curriculum for employability, creativity and innovation.
4. Meaningful collaborative engagement with our students and staff.
5. A highly professional workforce, skilled and adept.
6. Dynamic and sustainable support services and infrastructure.
7. Continuous engagement with employers, partners and the local community.
8. A 21st century learning environment.
9. Sustainable international partnerships.

The achievement of these strategic goals will deliver high-quality, student centred and business focused education and training that responds to the cultural diversity of the community, enriches lives and contributes to economic prosperity. The overall College offer is regularly reviewed and realigned to meet national, regional and local needs. Any growth planned will be achieved within a streamlined and cost-efficient curriculum model that aims to maximise income and reduce cost through more effective design of the curriculum and more efficient utilisation of teaching hours.



The technical areas in which the College has a competitive advantage and key strengths are Animal Studies; Computing; Performing Arts; Art; Hair and Beauty; Foundation Learning; Sport; Media; and Early Years.

Each of the College's nine strategic goals (SG) is further underpinned by a number of annual and longer term objectives. These are summarised as follows:

SG1: An outstanding learning experience for all of our students

- Further developing our teaching staff's skills and knowledge to provide the most effective teaching strategies.
- Learning from our students on the best ways to help them succeed and adjusting our teaching strategies in the light of feedback from students and peer observers.
- Learning from research about the teaching strategies that make the most impact.
- Providing expert tutorial support and mentoring.
- Using learning technologies in engaging and interactive ways.
- Developing further our skills and expertise in using assessment to advance learning.
- Creating self-confident, resilient, self-reliant students.
- Encouraging students to stretch their horizons and their level of performance.

SG2: Financial stability

- Implementing a robust financial strategy over the 2015-2020 period.
- Reviewing the cost effectiveness of all aspects of the College's performance.
- Eliminating any wasteful expenditure.
- Maintaining a sound contribution to overhead from teaching departments.
- Ensuring that group sizes are viable.
- Generating additional income through external contracts, commercial activity and opportunities to bid for additional funding.
- Ensuring that the College is efficient in managing finances whilst providing the best facilities for students.



SG3: A curriculum for employability, creativity and innovation

- Designing learning programmes that develop employability skills.
- Offering leading edge qualifications that are endorsed by employers and industry partners.
- Enabling students to compete in skills competitions, including WorldSkills.
- Supporting students to achieve good levels of competence in English and mathematics.
- Encouraging all students to use technology creatively and responsibly.
- Providing meaningful and high quality work experience programmes.
- Enabling students to engage with employers in their vocational fields.
- Designing a tutorial programme that extends employability skills and self-confidence.

SG4: Meaningful collaborative engagement with our students and staff

- Enhancing our student engagement strategy.
- Implementing a comprehensive communication strategy.
- Opening up new channels of communication with students and staff.
- Listening to students and staff and acting on feedback.
- Reviewing regularly the impact and effectiveness of communication strategies through surveys and face to face meetings.
- Consulting students and staff on key decisions.

SG5: A highly professional workforce, skilled and adept

- Providing professional development programmes and opportunities that extend knowledge and skills.
- Developing tailored programmes for staff at different levels of the organisation and different stages in their careers.
- Ensuring that all staff experience an effective induction programme with mentoring and support.
- Sharing best practice and drawing upon research in professional development.
- Enhancing coaching, mentoring and listening skills.
- Equipping staff with the skills, knowledge and confidence to operate confidently and independently in their roles.
- Ensuring that the appraisal process supports staff to fulfil their roles and responsibilities.

SG6: Dynamic and sustainable support services and infrastructure

- Investing in professional development of our staff delivering key support services.
- Optimising the use of technology to support key processes such as enrolment and admission to the College.
- Seeking out best practice in the use of technology for business support.
- Reviewing all of our support services to determine how to achieve best value from them.
- Improving our energy efficiency and care for the environment.

SG7: Continuous engagement with employers, partners and the local community

- Working with local and regional employers to increase the availability and quality of apprenticeships.
- Encouraging employers to use the College as a resource for engaging young people in the world of work.
- Ensuring our students leave Nescot prepared for work.
- Working where we can with local schools to promote vocational learning for their students and providing their staff with greater awareness of what Nescot offers.
- Where possible, creating strategic partnerships with neighbouring Further Education colleges and training providers.
- Creating opportunities for our students to provide services to the local community.
- Raising community awareness of the College's range of provision and services.
- Developing a sense in the community of the College as a resource for the community.
- Maintaining strong relationships with our partner universities and joint opportunities for expansion of HE provision.
- Continuing to forge effective links to the Local Enterprise Partnerships in support of their priorities for skills and economic development.
- Exploring collaboration and federation with other learning providers.

SG8: A 21st century learning environment

- Completing the new build and refurbishment project for the Nescot campus.
- Continuing to invest significantly in learning technology and learning resources.
- Identifying and sharing best practice in the use of learning technology.
- Further developing the Learning Resource Centre as a hub for student research.
- Creating practical work spaces and salons for vocational learning that match best practice in industry.
- Using space flexibly.
- Optimising the use of the Virtual Learning Environment.

SG9: Sustainable international partnerships

- Continuing to develop the partnership with the Italian College of Osteopathic Medicine in Milan.
- Exploring further opportunities for the development of links with Colleges of Osteopathy in Italy.
- Exploring continued links with Palakad Polytechnic, Kerala, India.
- Exploring international collaborations that mutually benefit students, the College and partner institutions.
- Ensuring that all international partnerships will be overseen and governed by Nescot Business Services Ltd (NBS).

The achievement of targets is regularly monitored by College management and reviewed by the Corporation through the Annual Operating Plan and Key Performance Indicators (KPIs) using a variety of dashboards.

Performance Indicators

The College is committed to observing the importance of sector measures and indicators and uses the FE Choices data available on the GOV.UK website, which looks at measures such as success rates. The College adopts a wide range of measures and indicators to review the achievement of financial and academic objectives and targets, which are regularly reported to the Corporation.

Financial performance

The College is required to complete the annual Finance Record for the Education and Skills Funding Agency (ESFA).

Financial performance in the sector is measured against a number of established measures and targets. The following table confirms the actual results for the College for the year ended 31 July 2017 against high level key measures and targets:

Key performance Indicator	Measure/Target 2016-17	Actual 2016-17	Performance assessment
Operating surplus/sector EBITDA as % of income	9.1%	10.0%	✓
Staff costs as % of income (excluding subcontracted income)	66.2%	66.6%	✗
Cash days in hand	139	152	✓
Borrowing as % of income	0.42%	0.38%	✓
Reliance on ESFA income	68.0%	66.9%	✓
Financial Health Score	Outstanding	Outstanding	✓

The Finance Strategy 2020 incorporates a range of KPIs and targets, is updated periodically, and has been used to inform the 2017-18 Budget and 2018-19 Forecast. High level Finance Strategy KPIs include the following, with an indication of the College performance against each for 2016-17 outturn:

High level KPIs for Strategic Goal 2 – Financial Stability	
• Maintain 'outstanding' financial status from the ESFA.	✓
• Achieve 3% surplus of total income or more per annum.	✗
• Invest 3% of total income per annum as capital investment.	✓
• Maintain operating cash in the range of 60 to 120 days.	✓

Academic performance

The College's progress in achieving its key academic objectives is as follows:

- The College's qualification achievement rate has fallen by 1% from 86% in 2015-16 to 85% in 2016-17. This is 3% above the national average of 82%.
- Achievement rates for Diplomas at Level 3 are excellent at 93% for students aged 19 and over (82% national average) and good at 84% for students aged under 19 (83% national average).
- Achievement rates for Diplomas at foundation learning levels (entry and level 1) are excellent at 92% for students aged 19 and over (86% national average) and good at 87% for students aged under 19 (84% national average). For the 19 and over, this was an increase of 9% on 2015-16 and for the under 19s this was an increase of 8%.
- Overall achievement rates for students on apprenticeship programmes have declined at 67% from 80%, 2% below the national average of 69%. However, achievement rates increased by 7% for 16-18 year olds to 68% (70% national average) and by 5% for 19-24 year olds to 73% (70% national average).
- English and maths are mandatory components of study programmes for students who did not achieve GCSE Grade C or above at school. There were 1,426 functional skills enrolments, and achievement increased by 7% from the previous year of 72% (63% national average). However, achievement for the 584 enrolments for 16-18 year olds at 59% had declined by 2% but remains over the national average of 57%.
- 477 and 415 students were enrolled on GCSE English and GCSE maths respectively in 2016-17. 17% (24% national average) and 31% (23% national average) achieved A*-C passes. The rates in 2015-16 were 19% and 24% respectively.
- High grade achievement for Level 2 programmes has increased from 30% in 2015-16 to 34% in 2016-17. For Level 3 programmes, high grade achievement has decreased from 51% in 2014-15 to 37%.
- 91% of full time students had positive intended destinations on leaving the College in 2016-17. Of the 82% known actual destinations for full time student leavers in 2015-16, 93% were positive destinations.

The ALPs score for Level 3 vocational courses has fallen from a 4 (very good) to a 5 (good). Three subjects are classified as outstanding: Sport Science, Travel & Tourism, and Music Technology.

Methods of teaching and learning are under continuous review and development to ensure that the curriculum meets the needs of the local population and that targets for academic performance are met.

In January 2016, the College received a short inspection by Ofsted, the government inspectors of schools and colleges. Ofsted's independent assessment of the College was that it continues to be **good** and that safeguarding is **effective**.

Funding targets and student numbers

The College received government funding in 2016-17 from the ESFA, and the Higher Education Funding Council for England (HEFCE). Performance in relation to funding targets and student numbers is as follows:

1. **Funding targets**

ESFA 16-18 funding - In 2016-17, the College achieved 101.0% of its ESFA 16-18 funding target of £8,639k of grant income, excluding bursary funds.

ESFA 19+ funding - In 2016-17, the College achieved 99.2% of its ESFA Adult Education Budget (AEB) funding target of £3,739k of grant income, excluding discretionary support funds.

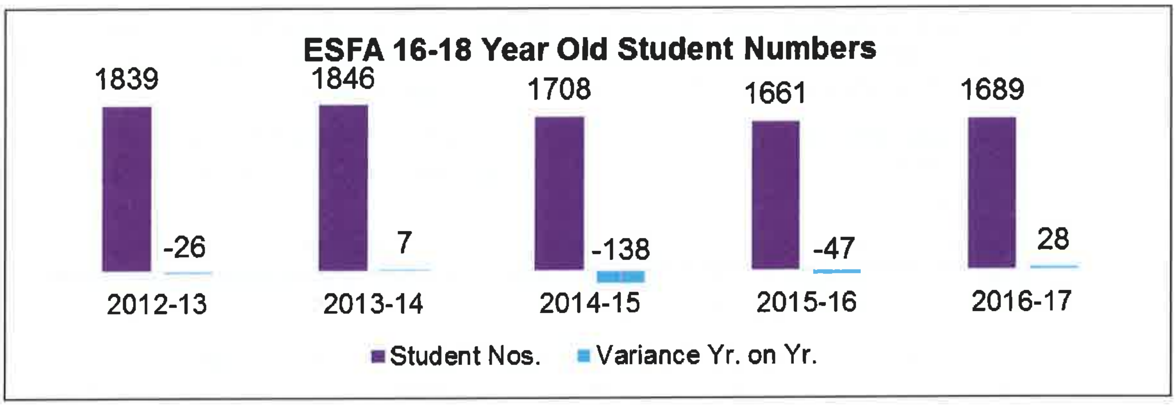
HEFCE - The College achieved 103.9% of its learner FTE target relating to HEFCE funding of £365k.

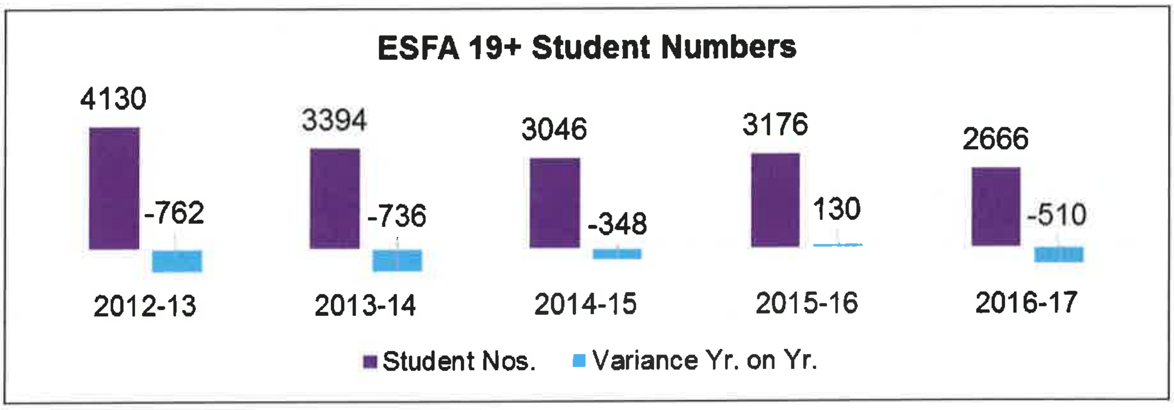
2. **Student numbers**

The College's ESFA funded 16-18 student numbers (headcount) increased by 28 in 2016-17, to 1,689 students. Additional lagged funding will be achieved in 2017-18 as a result.

The headcount numbers decreased by 510 for students aged 19+, to 2,666. In 2016-17, there has been a significant drop in ESFA funded 19+ student numbers due to increases in non-funded Level 3 advanced learner loan provision and a movement away from short distance learning courses to more substantial Traineeship programmes.

The following graphs depict movement in FE student numbers since 2012-13.





FINANCIAL POSITION

Group structure in the year ended 31 July 2017

The consolidated audited financial statements comprise the results of the activities of the NESCOT Group, including the NESCOT UK College ('the College').

The College has five subsidiary companies, two of these were active during the year ended 31 July 2017: Nescot Business Services Ltd (NBS), 100% owned by the College; and Nescot Consortium Limited (NCL), which was 60% owned by NBS during the financial year. The results of NCL for 2016-17 were received in January 2018. The College sold its interest in NCL in August 2017, with a dividend payment received in June 2017 which is shown as income and a debtor in the NBS financial statements for the year ended 31 July 2017 and in the College's cash holdings and creditor balances. NCL comprised of the College's share of educational interests in Saudi Arabia, channelled through the NESCOT UK College as a legal entity.

Nescot Consortium Limited (NCL)

Nescot Consortium Limited ('the Company') was a company registered in the Kingdom of Saudi Arabia under Commercial Registration number 4030255268 dated 13 Dhul Qadah 1434H (corresponding to 19 September 2013). It was wholly owned by Nescot Business Services Ltd – 60%; Burton and South Derbyshire College – 20%; and Highbury College Portsmouth – 20%.

The Company was licensed to engage in providing services of vocational and technical training according to the guidelines and conditions of the General Organization for Technical and Vocational training in accordance with the Saudi Arabian General Investment Authority ('SAGIA') Service Investment License No 69340933171 dated 22 Ramadan 1434 H (corresponding to 30 July 2013).

In accordance with the Company's Articles of Association, the Company's fourth fiscal period commenced from 1 August 2016 and ended on 31 July 2017. The Company's results are consolidated into these financial statements.

Financial results for the year ended 31 July 2017

The NESCOT Group results for the year are positive, with financial targets having been exceeded by both NCL and the NESCOT UK College. Total income for the NESCOT Group was £30,912k (£27,593k 2015-16), increased by 12% from the previous year. NCL generated £6.1m from education contracts during the year, with an average of 763 students enrolled and attending, compared to 663 in 2015-16. This is an increase of 15% on the previous year. Total expenditure was £30,195k (£26,230k 2015-16), increased by 15% from the previous year. The Group generated a surplus before other gains and losses of £717k (£1,362k 2015-16). After gains on the disposal of assets, and an operational deficit from a joint venture in the UK, the NESCOT Group generated a surplus for the year before tax of £1,277k (£2,446k 2015-16).

The overall financial position of the NESCOT UK College continues to be strong. All key financial ratios are positive, although the pay expenditure/ staff costs ratio continues to rise as a result of increases in mainly teaching staff numbers and the increasing cost of pension schemes. Operating surpluses are still being achieved, although these are reducing down year on year as the College's cost base rises at a faster rate than income generation. The NESCOT UK Balance Sheet is strong, demonstrating solvency and liquidity. Cash balances are reducing as planned, whilst the College invests further in the redevelopment of the estate, and remain within Finance Strategy parameters and ahead of sector benchmarks. The College has a healthy level of cash days in hand, and net current assets and total fund balances/reserves that are robust, ahead of budgets and sector benchmarks.

The College has maintained its 'outstanding' financial health status for the year.

Total income for the College was £24,184k (£21,214k 2015-16), increased by 14% from the previous year predominantly due to additional growth funding from the ESFA most noticeably in 19+ apprenticeships; additional tuition fee income from advanced learner loans in partnership with a private training provider; additional funding from local authorities for students with special needs; and donations from ICOM in recognition of the investment made by the College in the new Osteopathy clinic on campus.

Total expenditure for the College was £24,077k (£21,137k 2015-16), increased by 14% from the previous year predominantly due to an increase in staff costs including uncontrollable pension scheme cost increases; subcontractor costs; and depreciation charges.

The College generated a surplus before other gains and losses of £106k (£78k 2015-16 restated), which was ahead of target for the year. After gains on the disposal of assets, and an operational deficit from a joint venture, the College generated a surplus for the year of £666k (£1,162k 2015-16 restated).

The College has now completed its four-year capital investment of £43m in the redevelopment of its estate in Epsom, which has transformed the College into a modern and up to date learning and teaching environment, as well as becoming a commercial hub for the local area. A further £3.7m was spent in 2016-17 to redevelop other areas of the campus which required attention, and another £4m is planned in 2017-18. The College's Property Strategy to 2020 will be updated in 2017-18 for the next 10 years, which will include further ambitious developments to the estate.

With the continuing redevelopment of the estate, the College has also now implemented an Asset Management Plan. This is a tactical plan for managing the College's infrastructure and other assets to deliver an agreed standard of service and optimise asset value. The College's Asset Management Plan takes a five year rolling view and covers all campus buildings and floors costed for planned maintenance purposes.

As a result, tangible fixed asset additions during the year amounted to £5,093k, which mainly relate to the completion of the capital building projects which had previously been disclosed as assets under the course of construction in the previous year. This is analysed between buildings acquired of £3,374k; assets in the course of construction of £297k, relating to ongoing works for the College car parks and the Refectory; and equipment purchased of £1,422k, relating predominantly to the fit out of the newly refurbished areas with up to date IT infrastructure and devices, and replacement of IT devices in accordance with College replacement policy.

During the year, profit on disposals of £573k were taken which were held in escrow relating to the sale of land in 2015-16.

The redevelopment of the College estate has been managed without any borrowing.

The College has accumulated reserves of £49,648k after FRS102 pension adjustments and defined benefit obligations of £7,768k. The College has cash balances of £9,903k.

The College continues to have significant reliance on the education sector funding bodies for its principal funding sources, largely from the ESFA and some funding from HEFCE for higher education provision. In 2016-17, the funding bodies provided 66.9% of the College's total income.

Treasury policies and objectives

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

The College has a separate treasury management policy in place, adopting the key recommendations of CIPFA's 'Treasury Management in the Public Services: Code of Practice' (the Code), as described in Section 4 of that Code. The College delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Finance & General Purposes (F&GP) Committee, and for the execution and administration of treasury management decisions to the Deputy Principal (Finance & Resources), who acts in accordance with the College's policy, if they are a CIPFA member, CIPFA's 'Standard of Professional Practice on Treasury Management'.

The College regards its investment priorities to be security and liquidity in its overall Treasury Management Policy. It balances risk and return within these priorities to achieve optimum income on its investments. The College also adopts an ethical investment policy based on the premise that the College's choice of where to make equity investments should reflect the ethical values it espouses in public life. The College will not knowingly invest in companies whose activities include practices which directly pose a risk of serious harm to individuals or groups, or whose activities are inconsistent with the mission and values of the College.

The College's Treasury Management Policy states that the College's performance will be measured against the Bank of England base rate as follows:

Value of investments	Benchmark target for return on investments
£ under £0.5m	Base rate + 0.25%
£ over £0.5m	Base rate + 0.50%

The College's treasury performance to 31 July 2017, using the Bank of England base rate of 0.25% at this date, is as follows:

	Benchmark target %	College funds average balances £	Benchmark target return £	Actual return £
£ under £0.5m	0.50%	NIL	NIL	NIL
£ over £0.5m	0.75%	£9,230,000	£69,225	£52,000

The College is currently underperforming against treasury management targets, although investment income of £52k has risen slightly from the previous year (£47k 2015-16), as the College has invested in higher interest rate achieving accounts. This underperformance is being reviewed, with options being considered for the employment of external cash managers and investment in other higher-return financial and non-financial instruments.

The College does not adopt a policy of short term borrowing for temporary revenue purposes. The College has no borrowing.

Cash flows and liquidity

The Group started the year with £14,207k in cash and cash equivalents, and ended the year with £10,923k, with cash reserves decreasing by £3,284k. Net payments made to acquire fixed assets during the year amounted to £3,186k. There was a net cash outflow from operating activities of £286k.

Reserves Policy

The College aims to maintain a level of cash reserves that enables it to fulfil its future commitment to existing students, notwithstanding unforeseen adverse events. The College's Treasury Management Policy requires that the College ensures that adequate cash resources are available to fund daily activities from the College's cash balances or from any designated borrowing facilities. This policy is operated to ensure compliance with the minimum liquidity levels as defined in the College's Finance Strategy and in the Treasury Management Policy.

The College maintains a cash flow forecast updated on a rolling basis to the end of the current academic year and into the following two academic years to ensure that future cash requirements are identified and that investments and any borrowings that may be required are managed accordingly. The College invests surplus funds in a mix of financial instruments to include readily available funds and term deposits whilst ensuring optimum returns. The College monitors and forecasts cash flows and reports routinely to the F&GP Committee and to the Corporation, highlighting any significant variances.

The College's policy is to maintain cash facilities of at least two months of operating and payroll costs to allow for unforeseen liquidity requirements, and up to five months of operating and payroll costs as a maximum for investment purposes. At 31 July 2017, these parameters required cash reserves of between £5.4m and £13.6m to be maintained. An average throughout the year would equate to the maintenance of cash reserves of between £3.5m and £8.9m. The College maintained average cash balances of £9,230k, well within the College's Treasury Management Policy parameters.

The College's current 'house' bankers are HSBC plc, with whom the College deposits cash reserves in a current account and overnight money markets. The College also holds £2.6m cash reserves with Metro Bank at higher interest rates.

At 31 July 2017, the College held a total of £9,903k in cash reserves analysed as follows:

Account	Balance	Interest Rate	Comment
HSBC Current	£10k	0%	Sweep facility
HSBC Money Market	£7,321k	0.3%	Instant access
Metrobank Instant	£40k	0.5%	Instant access
Metrobank Deposit	£2,532k	0.75%	100 day notice

The Bank of England base rate increased from 0.25% to 0.5% on 2 November 2017. The College earned a total of £52k in interest from cash balances in the year ended 31 July 2017.

Annual capital expenditure and planned maintenance programme

In recent years, the College has received SFA and EFA grant funding of £11.7m to update and improve its campus. The SFA and EFA funding has been matched by £30m of College funding. The impact of these works has significantly reduced the College's backlog maintenance. The College now has an annual programme of over £4m capital expenditure for further refurbishment and update of the estate, and approximately £300k per annum in planned maintenance.

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes. The College is partially exempt in respect of Value Added Tax (VAT), so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature. The College's subsidiary companies are subject to corporation taxes and VAT in the same way as any commercial organisation.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Financial performance

The NESCOT Group generated an operating surplus of £717k in 2016-17, equivalent to 2.3% of total income of £30,912k.

The NESCOT UK College generated an operating surplus of £106k in 2016-17 (equivalent to 0.4% of total income of £24,184k), exceeding budget targets for the year although behind the College's Finance Strategy parameters of at least 3% per annum. The College's financial forecasting during the year was accurate.

Pay expenditure is beginning to exceed planning parameters and College KPIs, with total pay of £12,940k for the year ended 31 July 2017, £749k (6%) higher than the previous year due to increases mainly in teaching staff and increasing pension costs. The College has sought to maintain academic quality in delivery of the curriculum, which has necessitated additional teaching staff and teaching assistants in a number of areas. Pay expenditure as a percentage of income was 53.5% for 2016-17. However, after excluding the College's sub-contracted income from these calculations, pay costs account for nearly 67% of total income which is not sustainable. The College is reviewing its models of curriculum delivery again in 2017-18 to optimise efficiency and reduce costs whilst maintaining quality standards. The College is also reviewing pension costs and options for cost reduction.

Total non-pay expenditure of £11,138k (including £2,502k of depreciation charges) increased by £2,193k (24.5%) from the previous year. Additional subcontracting took place during the year and additional depreciation charges were incurred from further capital developments on the estate.

The College's EBITDA for 2016-17 was 10.0%, contributing to the College's outstanding financial health grade. This performance is almost exactly on budget and well ahead of sector averages, indicating that the College is efficient and effective in generating cash from operations.

The balance sheet is strong with cash reserves of £9,903k at 31 July 2017. Cash days in hand of 152 are significantly ahead of the sector average. The adjusted current ratio of 1:3.46 indicates a healthy level of net current assets and ability to discharge current liabilities easily.

The College's gearing ratio is 0% (excluding some small financial lease commitments), very significantly ahead of sector benchmarks. The College does not anticipate any borrowing requirement throughout the period of the financial plan to 2020.

The ESFA automated financial health grade was 'outstanding' at 31 July 2017 and forecast to be 'outstanding' throughout 2017-18 and throughout the period of the financial plan.

Student numbers

For the year ended 31 July 2017, the College delivered activity that has produced £16.2m in funding body main allocations (2015-16 – £14.7m).

The College had 6,706 funded and 2,025 non-funded students, as detailed below:

	Headcount
ESFA funded 16-18 students	1,689
ESFA funded 19+ classroom students (including Traineeships)	2,666
ESFA funded apprentices	1,843
HEFCE funded students	508
Total funded students	**6,706**
Total non-funded students	**2,025**

League tables

In November 2017, FE Week compiled a league table of colleges using four measures, sourced from the FE Choices annual surveys commissioned by the ESFA: employer satisfaction; learner satisfaction; and positive destinations for 16-18 and adult learners. The College achieved joint 5th ranking nationally out of 199 colleges, along with several other colleges who scored 31 out of a maximum of 40. The College received the maximum rating of 10 from the employer satisfaction survey, 8 for learner satisfaction, 7 for positive adult destinations, and 6 for 16-18 positive destinations.

Student achievements

The College delivers a range of vocational provision to a high standard, including a number of BTEC courses. In the past few years, the College has won the 'BTEC Student of the Year' in Animal Studies and in Computing, and 'Overall Student of the Year' at the annual Pearson Awards.

In the 2016 Ofsted report, inspectors commented that the vast majority of the College's students and apprentices achieve their qualifications successfully. It was recognised that adult learners achieve particularly well and that students on study programmes make very good progress in their main qualifications.

Students continue to prosper at the College. Achievement rates have remained above the sector average for the past three years with 86% in 2014-15, 86% in 2015-16, and 85% in 2016-17.

Overall success (achievement rate) is 85%, 3% above national average. Long success has decreased slightly to 83% and is at national average. Achievement on adult learning programmes is consistently above national average but declined slightly to 89% in 2017. Achievement on 16-18 vocational courses is good in some areas but has declined and requires improvement in others. Achievement for males and females are similar (2% gap), but learners with disabilities or learning difficulties achieved less well (75% v 86%, 11% gap)

In 2016-17, good progress was made by the majority of students on most vocational programmes, with 10 areas securing over 85% achievement rates: Foundation Learning (94%); Sport; Brickwork; Performing Arts; Carpentry; Art; Media; Hairdressing; Animal Studies; and Early Years (all achieving 85%). However, relatively low achievement or retention on some courses (Motor Vehicle; Plastering; Beauty; Computing; Plumbing; and Health and Social Care) resulted in some students not making the progress expected of them. Achievements at Level 3 are good and have been above the national average for the past four years. The ALPS value added score has been 'good' for the past three years, but declined slightly in 2016-17, mainly due to one subject performing less well than previously (Sport). Value added at Level 3 is good or better on some courses but requires improvement in others. Progress at Level 2 is variable and requires improvement in some subjects due to the low achievement rate on the new BTEC externally assessed units in some areas.

Achievement in GCSE maths improved in 2016-17 and the College is now performing better than the sector generally. GCSE English outcomes remain low and have not yet improved. Progress in English and maths is inconsistent. Functional skills achievement is high for adult learners but requires improvement for 16-18 year olds.

Adults make good progress on their courses. 89% of adults achieved their qualification in 2016-17 and adults achieve exceptionally high success in functional skills at 89%, 25% above national average. However, adults achieve less well on long courses with an achievement rate of 81%.

Apprenticeship achievement has been high for two out of the past three years, but fell in 2017 to 67%. This is improving again in 2017-18.

There is outstanding success for students with high needs at 91%, although achievement in English and maths for these students is less good. Success for looked after students and students who are in receipt of free school meals require improvement at 71% and 80% respectively.

Many students are involved in competitions or take part in events showcasing their particular talent to new students. For example, students in Foundation Learning develop their enterprise and independence skills by producing work for resale or providing catering for outside events. Teachers in Computing and Media use competitions effectively to motivate and encourage students to produce work of an exceptionally high standard and most recently students from these areas have won Gold and Silver medals at World skills (the College has won more medals than any college in England). The College also successfully supported one of its students from computing to compete in the international finals in Abu Dhabi in 2017. A NESCOT apprentice has also successfully won a Surrey SATRO award for the past five years.

Curriculum developments

There is a strong match between the College's curriculum at all levels and national priorities and local needs. This is a result of a clear strategic direction laid out by governors and senior managers, a five-year academic strategy to 2020 and beyond, and effective arrangements with partners, including the Local Enterprise Partnership (LEP), businesses, and university partners. The College has recently invested in new facilities and introduced new courses in many areas of the curriculum in order to better meet LEP priorities, including Motor Vehicle, Electrical, Catering, Hair and Media Make-Up, and Games Design (visual effects and animation).

Courses have been designed to ensure that students are able to move securely into the labour market. Most learners complete work experience placements as part of their study programmes, and the College is the most successful in England at the annual World Skills event. Several curriculum areas have strong links with industry, and this has led to a number of new initiatives such as the introduction of higher level apprenticeships and new employer-endorsed courses in Computing and Media.

Other courses prepare students for university. These include:

- Access courses for adults.

- Development of Level 4/5 courses including HNCs and degrees where they clearly fit the needs of our students.

- A wide range of Level 3 provision, which accounts for the majority of 16-18 enrolments, that achieves good success rates and provides good progression rates to further study or employment.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2016 to 31 July 2017, the College paid only 68 per cent of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period, but will endeavour to improve this statistic with immediate effect.

Events after the end of the reporting period

The College's Corporation approved the sale of NBS' interest in NCL, which completed in August 2017.

Future prospects and developments

The College continues to work in an increasingly challenging and dynamic operating environment generally in the FE sector. The main challenges relate to:

- Technical education reforms
- Apprenticeship reforms
- Devolved Adult Education Budget (AEB) funding
- Area reviews resulting in more mergers of FE colleges
- Public spending reductions continuing to add to financial pressure in the sector
- Continued reductions in 16 to 18 student enrolments
- English and maths arrangements, and impact on Ofsted inspection outcomes

Over the last year or so, the government has made a radical investment to implement the most ambitious post-16 education reforms for decades, which have now started.

The Technical and Further Education Bill 2017 received Royal Assent on 27 April 2017 and is now an Act of Parliament. It allows a series of reforms to technical education to be underpinned by a transformation of the current system, which is made up of around 13,000 separate qualifications. It will be replaced with a more streamlined model of 15 world class 'routes' that should better suit the needs of students and businesses. The government is working with employers and colleges to design these routes, from construction to creative based design professions, so that when young people leave college they have the skills, knowledge and expertise that employers want, as the Industrial Strategy boosts opportunities and spreads them to all sections of society and all regions of the country.

There will be two genuine routes of equal footing to develop world class skills for young people, either via a well-established academic route or a technical skills route with a new and improved upgraded system. By pressing ahead with these reforms, the government will deliver in full the recommendations of Lord Sainsbury's review on technical education. The emphasis in the FE sector is now on the delivery of 'T-levels' and apprenticeships.

2017 is a hugely significant year for apprenticeships and skills, as the Apprenticeship Levy came into force on 1 May 2017 and £2.5bn is invested in apprenticeships by 2019-20. The Institute for Apprenticeships and Technical Education is now live from April 2017. A key function of this body will be to give employers a stronger role in the apprenticeship system, ensuring they and employees get the skills they need to succeed. The Institute will ensure that technical training is of the highest quality and based on the needs of employers. They will also be protecting students in the event that colleges face extreme financial difficulties due to insolvency.

There are also significant changes to FE funding, as the government looks to press forward with its decentralisation plans and devolve the AEB on a countrywide basis. Their aim is for fully localised funding by 2018-19. Plans for any devolution in Surrey are yet to be announced.
With the fifth and final wave of Area Reviews now completed, focus has turned to implementing the recommendations. The FE Commissioner anticipated the number of FE colleges would drop by a third, from 243 to 170. However, judging by the final recommendations of the Area Reviews, it is now expected the percentage to be closer to a quarter, as just 21 mergers involving 45 colleges are proposed.

As well as the expectation of continuing public spending reductions, the sector faces a cocktail of financial challenges as funding reduces in real terms and operating costs continue to escalate:

- Rising staff costs, including pressure to increase salaries and escalating oncosts
- Flat cash funding on AEB and 16-18 provision
- Competition for students
- Funding reform and uncertainty
- College credit crunch (ie unwillingness of banks to lend to the sector)
- Poorly controlled staff pension system and increasing costs

With the continuing national decline in the 16-18 demographic and increasing competition for these students from schools, colleges, universities and private training providers, enrolments are spread increasingly thinly across the sector.

With flat cash funding and reducing student numbers, the financial challenges for FE colleges, and for NESCOT, are now very significant.

The sector continues to struggle with the challenges of raising success rates in English and maths, as the newly merged ESFA instruct that 'full time students starting their study programmes who have a grade 3 or D, or equivalent qualification in maths and/or English, must be enrolled on a GCSE, rather than an approved stepping stone qualification.' Success rates are tumbling across the sector and affecting overall college performances and Ofsted ratings.

Other sector challenges include Brexit. It is still not clear what impact Brexit will have although it is expected that the government will maintain its commitment to the three million apprenticeship target and ensure that there is funding in place to replace that which currently comes from the European Union (EU).

The sector's response to these funding challenges, and in the context of the current dynamic operating environment, includes merger and re-organisation; increased partnership arrangements; reduction in capital investment; diversification of income into higher education, international business, and commercial activities; containment of staff costs; and more efficient delivery models. The sector is increasing investment in both online and blended delivery of education, with many colleges getting involved and rolling out different technologies within the classroom to improve teaching and learning. Technologies that allow colleges to successfully network are proving to have real benefits. This forms the backdrop for the College's academic and financial planning. The College is taking positive and active steps to ensure that it can continue to operate successfully in the new FE landscape.

RESOURCES

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

Financial

The College has £49.6m of net assets, including £7.768m pension liability, and no debt.

People

The College employs 450 people (expressed as full time equivalents including sessional and casual staff), of whom 203 (full time equivalents) are teaching staff.

Reputation

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

PRINCIPAL RISKS AND UNCERTAINTIES

The College has undertaken further work during the year to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation.

The College has robust strategic and operational risk registers in place with mitigating action plans that are regularly monitored by management to manage these risks, and which are particularly focused on financial sustainability and maintaining curriculum quality. The College's most significant strategic risks as recorded in the latest strategic risk register relate to:

1. The secure maintenance and management of key information systems and data.
2. The achievement of funding body and apprenticeship recruitment targets.
3. The planning and management of major capital projects.
4. Sustaining OFSTED 'good' or better teaching, learning and assessment; and maintaining confidence in HE provision as assessed by the QAA.
5. Ensuring that the curriculum offer meets the needs of regulatory bodies, students and employers.
6. Ensuring effective business planning of the international partnership with the ICOM.
7. Achieving and maintaining a fit for purpose estate and facilities, IT infrastructure and learning resources.
8. The effective management of the College's commercial activities.
9. Managing reform of Apprenticeship provision.

A strategic risk register is maintained at the College level, which is updated regularly by the SMT and reviewed at each meeting of the Audit Committee. The risk register identifies key risks, the likelihood of those risks occurring and preventing the College's strategic objectives from being achieved, their potential impact on the College, and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system. The College also maintains an operational risk register at departmental level. The College has a Risk Management Action Group, which undertakes a comprehensive review of operational risks to which the College is exposed. The Group meets termly and identifies systems and procedures, including specific actions, which should prevent identified risks materialising and adversely impacting on the College. The internal controls are then implemented and subsequent termly appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the termly reviews, the Risk Management Action Group will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

STAKEHOLDER RELATIONSHIPS

In line with other colleges and with universities, NESCOT 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
- Other FE and HE institutions
- Trade unions
- Professional bodies

The College recognises the importance of these relationships and engages in regular communication with them through the College internet and intranet sites and through meetings and events.

The College considers good communication with its staff to be very important, and to this end has an electronic newsletter which managers use to keep all staff informed of activity in their area or any essential updates, and each term there is a Core Brief meeting of the College Management Team (CMT). The College encourages staff and student involvement through membership of formal committees. There is a Staff Consultative Committee with representatives meeting with the Chief Executive and Principal twice a term. The ‘Student Voice’ has regular meetings at which staff and management are present. Four student representatives attend Corporation meetings.

Equality

The College is committed to ensuring equality of opportunity for all who learn and work at NESCOT. We respect and value positively differences in race, gender, sexual orientation, disability, religion or belief and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy is resourced, implemented and monitored on a planned basis. The College’s Equal Opportunities Policy is published on the College’s internet and intranet sites.

The College seeks to achieve the objective set out in the Equality Act 2010 and to this end has agreed a single equality scheme and associated action plan, which sets out the planned actions it proposes in support of each of the protected characteristics, including disability:

a) The College aims to comply with its general and specific duties as set out in the Equality Act 2010, which recognises that all have a right to equality of opportunity irrespective of race, disability, gender, gender reassignment, age, nationality, sexual orientation, religion or belief, marital or civil partnership status, or socio-economic status, background or class. The College has prepared appropriate polices, schemes and action plans, which are monitored by the Equality and Diversity Working Group. An Equality and Diversity Policy has been developed which meets the requirements of the Equalities Act 2010.

b) The College is a 'Disability Confident Employer' and has committed to the principles and objectives of the Disability Confident scheme. 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's policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non-disabled employees. The College was awarded the 'Two Ticks' symbol ("Positive about Disabled People") in October 2004 which has now transferred to the new Disability Confident scheme. This is in recognition of the support that is provided for disabled job applicants, and for staff with disabilities, and is regularly reassessed against this standard and was last assessed in September 2017. This assessment will be reviewed again in September 2019. As part of this commitment, the College has agreed the following:

   (i) Actively looking to attract and recruit disabled people.

   (ii) Providing a fully inclusive and accessible recruitment process.

   (iii) Offering an interview to disabled people who meet the minimum criteria for the job.

   (iv) Flexibility when assessing people so disabled job applicants have the best opportunity to demonstrate that they can do the job.

   (v) Proactively offering and making reasonable adjustments as required.

   (vi) Encouraging our suppliers and partner firms to be Disability Confident.

The College maintains an Equality and Diversity Working Group, which ensures that effective systems to monitor and evaluate equality and diversity practice are in place by:

- Setting and monitoring equality and diversity performance indicators.
- Monitoring and analysing data on student applications, enrolment, retention and achievement in terms of age, ethnicity, gender and disability with a view to comparing trends and highlighting and improving or narrowing the gap of any imbalances identified.
- Monitoring and analysing student progression and destinations in terms of age, ethnicity, gender and disability, including progression within the College, progression into other educational institutions and, where possible, progression to employment.
- Monitoring and analysing staff recruitment, grievance and disciplinary, staff progression and gender pay gap in terms of age, gender, and disability.
- Monitoring and analysing the take-up of staff training and development opportunities

- Ensuring College policies in relation to Equality and Diversity are regularly monitored, reviewed and updated, in line with legal requirements.
- Producing an Annual Equality and Diversity Report for approval by the Board of Governors and publication on the College website.

Support for students with learning difficulties and/or disabilities

The College welcomes students with learning difficulties and/or disabilities. The Children and Families Act 2014 sets out the requirement for Schools and Colleges to make available the local SEND offer to prospective and existing students and their families.

The College provides on-going, tailored support to make sure students are successful in their learning. Students with learning difficulties or disabilities have a choice of pathways:

- Mainstream courses with learning support.
- Courses for students who have mild to moderate learning difficulties and/or disabilities and those who have no formal qualifications or are not in education.
- Preparation for Working Life for students with moderate learning difficulties in a supported learning environment in Seasons Learning Hub 1.
- Seasons Learning Hub 2 for students with more profound difficulties focussing on Independent Living.
- Transition into Employment (TIE) or Progressing into Employment (PIE) programmes are also available if appropriate for the young person.

To meet individual needs, some or all of the following may be provided to our students:

- 1:1 support for language, literacy and numeracy outside of normal class.
- Specialist software or adapted handouts, course notes.
- Mentoring.
- Learning support assistant for in class support or 1:1 support.
- A British Sign Language communicator and/or note taker.
- Access arrangements for exams such as a reader, scribe or extra time.
- If students have a medical condition or physical disability, a care plan will be drawn up to share with the staff that work with them.
- Sensory support.
- Access to the College Nurse and Counsellors.
- Bespoke support can also be accessed from external agencies.
- Financial support and/or bursaries may be available.

Disability statement

The College seeks to achieve the general and specific duties set down in the Equality Act 2010, and in particular makes the following commitments:

a) There is specialist equipment, such as electronic note pads, adjustable height furniture, hearing loop, and other physical aids which can be used by students with learning difficulties/disabilities.

b) The admissions policy for all students is advertised on the College website and is clearly displayed on the wall in our Advice and Guidance area. Appeals against a decision not to offer a place are dealt with under the Complaints Policy.

c) There are a number of learning support assistants who provide in-class support. Specialist Support Tutors are also employed who support learners with specific difficulties and/or disabilities on a 1:1 or small group basis in addition to class times.

d) There is a programme of staff development to ensure the provision of a high level of appropriate support for learners who have learning difficulties and/or disabilities.

e) Appropriate courses are described in programme information guides, and achievements and destinations are recorded and published in the standard college format.

f) Counselling and welfare services are described in the College Prospectus.

Prevent Duty

In July 2015, a legal duty was placed on colleges, amongst others, to show "due regard to the need to prevent people from being drawn into terrorism." The College has put in place certain safeguards in recognition of this and has included the matter on its risk register so that it can be monitored regularly by Corporation.

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 24 March 2018 signed on its behalf by:

Professor Sam Luke
Chair of NESCOT Corporation

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2016 to 31 July 2017 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);

ii. in full accordance with the guidance to colleges from the Association of Colleges in 'The Code of Good Governance for English Colleges' ('the Code'); and

iii. having due regard to the UK Corporate Governance Code 2016 insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in the UK Corporate Governance Code (formerly known as the *Combined Code on Corporate Governance).* Its purpose is to help the reader of the accounts understand how the principles have been applied. The College has adopted the 'English Colleges' Foundation Code of Governance' issued by the Association of Colleges in December 2011. The Corporation also adopted the Audit and Accountability Annex to the Foundation Code of Governance as part of its commitment to the Financial Reporting Council's UK Corporate Governance Code. The Corporation therefore now reports the attendance of Members of the Corporation in the Annual Report and Financial Statements.

In the opinion of the Members, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2017. The Corporation recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of the Code, which it formally adopted on 10 July 2015.

The College is an exempt charity within the meaning of Part 3 of the Charities Act 2011. The 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 served on the Corporation during the year and up to the date of signature of this report were as follows:

FE CORPORATION 2016 – 2017

NAME	ELIGIBILITY	COMMITTEES	ELECTED	RE-ELECTED	TERM OF OFFICE EXPIRES / RESIGNED	ATTENDANCE RECORD[1]
Mr L Finn	Teaching Staff Governor	CQC	01/09/2015		31/07/2017	6/9
Mr J Roberts	Teaching Staff Governor	CQC	01/09/2017		2019	1/1
Mr M Broadbent	Student Governor (HE)	CQC	13/05/2016		31/07/2017	6/9
Ms A Lawrence	External	CQC; NBS Ltd	01/09/2013	2015	31/07/2017	9/16
Professor S Luke	External	Corporation (Chair 09/07/16); F&GP; NBS Ltd; Search & Governance (Chair); SSPRC (Chair)	01/09/2013	2015	2019	34/35
Mr C Hall	Group CEO & Principal	F&GP; NBS Ltd; Search & Governance; CQC	01/06/2016		31/03/2017	16/16
Mr C Muller	External	CQC (Chair); NBS Ltd	05/04/2011	2013; 2016	2018	18/26
Mr C Shortt	External	F&GP: Search & Governance; Property Group	10/07/2009	2012 2014 2015	2018	21/25
Mr P Stamps	External	F&GP (to 08/12/17); NBS Ltd; SSPRC; Search and Governance; Audit Committee (from 15/03/18)	06/12/2013	2016	2020	35/38
Ms M Kilminster	External	Audit; CQC (from 29/11/17)	01/08/2016		2018	14/16
Ms C Biscoe	External	Audit (Chair)	15/05/2015		Resigned 15/03/18	15/17
Ms Y Malik	External	Audit	01/08/2016		15/02/2017	2/4
Mr J Spooner[2]	Student Governor (FE)	CQC	13/05/2016		31/07/2017	5/9

[1] Actual number of attendances against possible attendances.
[2] Student Governor (FE) with voting powers 2016/17

NAME	ELIGIBILITY	COMMITTEES	ELECTED	RE-	TERM OF	ATTENDANCE
Mr M Stone[3]	Student Support Governor (FE)		13/05/2016		31/07/2017	3/6
Ms D Appiah[4]	Student Support Governor (FE)		13/05/2016		31/07/2017	3/6
Dr M West	External	F&GP (from 03/03/2017 - Chair)	07/10/2016		2018	13/16
Ms L Reddick	External	CQC	01/08/2016		2018	12/14
Ms G Ozolua	External	F&GP	04/02/2017		2019	10/12
Ms F Rutter	Group CEO & Principal	F&GP; CQC; Audit; Search & Governance; NBS Ltd	01/04/2017 (ex officeo)			21/22
Ms J Lloyd	Non-teaching staff Governor	Audit	15/05/2015		09/12/2016	3/3
Mr G Hodge	Non-teaching staff Governor	Audit	16/01/2017		2019	11/11
Ms S Pritchett	External		06/10/2017		2019	1/3
Ms M Martin	External	F&GP	06/10/2017		2019	8/8
Ms Alexandra Cartmell[5]	Student Governor (HE)	CQC	01/09/2017		2018	3/5
Mr Kieran Sainsbury[6]	Student Governor (HE)		01/09/2017		2018	3/3
Ms Emily Hall[7]	Student Governor (FE)	CQC	01/09/2017		2018	2/5

Mr David Round was Clerk to the Corporation in 2016-17.

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

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

The Corporation conducts its business through a number of committees. Each committee has documented terms of reference, which have been approved by the full Corporation. These committees are: Finance and General Purposes; Curriculum and Quality; Senior Staff Performance and Remuneration; Search and Governance; and Audit.

Full minutes of all meetings, except those deemed to be confidential, are posted on the College's website and are available from the Clerk to the Corporation at:

North East Surrey College of Technology (NESCOT)
Reigate Road
Ewell
Epsom
Surrey
KT17 3DS

[3] Student Support Governor (FE) without voting powers 2016/17
[4] Student Support Governor (FE) without voting powers 2016/17
[5] Student Governor (HE) with voting powers 2017/18
[6] Student Governor (HE) without voting powers 2017/18
[7] Student Governor (FE) with voting powers 2017/18

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

All 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 Members in a timely manner, prior to Board meetings. Briefings are provided on an ad hoc basis as and when required.

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

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

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search Committee comprised: the Chair; the Vice-Chair; one member of the Corporation; the Chief Executive and Principal; and one member of senior management. The Committee is responsible for advising the Corporation on the appointment of Members (other than staff or student Members), and such other matters relating to membership and appointments as requested by the Corporation. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for terms of office not exceeding four years with the exception of Staff Governors who are appointed for two years and Student Governors who are appointed for one year.

Corporation performance

It is good governance practice that the Corporation reviews its own performance on a regular basis. It is also a recommendation in the Code. Following review at the Search and Governance Committee, the Corporation approved the implementation of a Governor appraisal system as part of the Board effectiveness strategy and in compliance with the Code. Other components of the strategy are:

- a self-assessment questionnaire to be completed by Governors; and
- an independent review of Board performance.

The Governor appraisal system was launched on 16 February 2016 including copies of the templates for collating feedback. The online Board self-evaluation questionnaire was issued at the end of January 2016 and has been used since. All external Governors and Staff Governors complete the questionnaire annually. The May 2016 meeting of the Corporation was observed by an external consultant who is a National Leader of Governance consultant appointed by the AoC/EFTL. The resulting report was both positive with a number of useful recommendations which were:

1. Assess Governors' training needs to ensure all governors are up to date on current developments within the sector.
2. Ensure that the new Chair is provided with support.

3. Consider engaging a range of Governors in Area Reviews.
4. Consider ways of building relationships with other colleges, at Board level, if there are plans to collaborate/federate or merge with other colleges.

These recommendations were taken forward during the year ended 31 July 2017.

An Effectiveness Review of the Corporation Board was carried out during the year for 2016-17 (initiated at the Corporation Board meeting of 7 July 2017) with positive outcomes. A report was presented at the Corporation Board meeting of 6 October 2017.

Senior Staff Performance and Remuneration Committee

Throughout the year ending 31 July 2017, the College's Remuneration Committee comprised: the Chair of the Corporation; the Vice Chair of the Corporation; and Chairs of the Finance and General Purposes, Curriculum Standards and Student Services and Audit Committees. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal and other senior post holders.

Details of remuneration for the year ended 31 July 2017 are set out in Note 8 to the financial statements.

Audit Committee

The Audit Committee comprises up to five members of the Corporation (excluding the Accounting Officer and the Chair). The Committee has authority to appoint additional external co-opted members as necessary. The Committee operates in accordance with documented terms of reference approved by the Corporation. Its purpose is to advise the Corporation on the adequacy and effectiveness of the College's systems of internal control and its arrangements for risk management, control and governance.

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

The College's internal auditors 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 the internal auditors, the reporting accountants and financial statements auditors and their remuneration for audit and non-audit work as well as reporting annually to the Corporation.

Internal control

Scope of responsibility

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

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place at the College for the year ended 31 July 2017 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 ending 31 July 2017 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 governing body;
- regular reviews by the governing body of periodic and annual financial reports which indicate financial performance against forecasts;
- setting targets to measure financial and other performance;
- clearly defined capital investment control guidelines; and
- the adoption of formal project management disciplines, where appropriate.

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. At minimum annually, the Head of Internal Audit (HIA) provides the Corporation with a report on internal audit activity at 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 the Accounting Officer, the Chief Executive and Principal has responsibility for reviewing the effectiveness of the system of internal control. The Chief Executive and Principal's 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; and
- comments made by the College's external/ financial statements auditors, the reporting accountant for regularity assurance, and the appointed funding auditors in their management letters and other reports.

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

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

Going concern

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

The last update of the 2017-18 Budget and One Year Forecast, and the last update of the Finance Strategy 2020, indicated that the College has met the majority of its high level and operational KPIs for 2016-17 and that it is capable of further increasing its income, with total income expected to be generated reaching £24.9m in 2019. The cost base is expected to reach £24.7m in 2019 to support growth in the business, realising a planned surplus after interest, tax, depreciation and amortisation (ITDA) of £200k. Although well below original Finance Strategy targets, the latest plans have been adjusted to reflect the challenges of the current FE operating environment and are based on cautious and realistic underlying assumptions.

The College's financial health remains 'outstanding' throughout the remainder of the financial plan with positive ESFA key performance indicators. Where KPIs are adverse, management action is taken to address the underlying underperformance.

A Finance Strategy was developed and approved by Corporation in December 2015, which includes a five year financial plan to 2020 intended to support the delivery of the NESCOT Corporate Strategy 2020. The five year financial plan is being updated from current year forecasts and projections to 2023. The financial plan is driven by the College's Academic Strategy and student number targets, which incorporates growth assumptions over the planning period. The Finance Strategy also has a number of other assumptions and variables built in, including increasing costs (inflation, pension schemes, and national insurance contributions) and further funding cuts and reconfiguration of funding. Assumptions to increase other non-government income streams are also developed within the five year financial planning model.

Performance against the five year financial plan is being managed and reported using a comprehensive Financial KPI Dashboard. The current Dashboard indicates strong financial performance each year through to 2020 and an ESFA automated financial health grade of 'outstanding' throughout. The year 2017-18 will be the most challenging with a budgeted operating surplus of only £14k as a result of significantly increased pay costs and depreciation charges from bringing new buildings into full use. The College will be reviewing options for increasing income and/or reducing costs.

On this basis, the College's 2017-18 Budget and One Year Forecast, and the Finance Strategy and five year financial plan, demonstrate that the College, as a single stand-alone entity, remains financially sustainable over the period of the plan and is a longer term going concern.

The College participated in the Surrey Area Based Review in 2016, which concluded that the College can remain as an independent FE college but to also explore options for partnership that will deliver greater financial resilience in the longer term. The Corporation has carried out a robust assessment of the principal risks facing the College, which have included solvency and liquidity risks.

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

Approved by order of the Members of the Corporation on 24 March 2018 and signed on its behalf by:

Signed: Sam Luke

Professor Sam Luke
Chair of NESCOT Corporation

Signed: Frances L Rutter

Frances Rutter
Chief Executive and Principal

Nescot

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.

Signed: Sam Luke

Professor Sam Luke
Chair of NESCOT Corporation

Signed: Frances A Rutter

Frances Rutter
Chief Executive and Principal

NESCOT Corporation
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 Financial Memorandum with the Education and Skills Funding Agency, 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 Institutions' and with the 'College Accounts Direction 2016 to 2017' issued by the Education and Skills Funding Agency (ESFA) and which give a true and fair view of the state of affairs of the College and the result for that year.

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

- select suitable accounting policies and 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; and
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation.

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

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

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

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

Approved by order of the Members of the Corporation on 24 March 2018 and signed on its behalf by:

Signed: Sam Luke

Professor Sam Luke
Chair of NESCOT Corporation

Opinion

We have audited the financial statements of NESCOT for the year ended 31 July 2017 which comprise the Statement of Comprehensive Income, the Statement of Changes in Reserves, the Balance Sheet, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

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

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 July 2017 and of the surplus for the year then ended; and
- have been properly prepared in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education.

Basis for opinion

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

Conclusions relating to going concern

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

- the Governors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Governors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group'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 Governors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the members' report or operating and financial review or the statement of corporate governance and internal control.

We have nothing to report in respect of the following matters in relation to which the Post 16 Audit Code of Practice issued by the Department for Education requires us to report to you if our opinion:

- adequate accounting records have not been kept; or
- the annual accounts are not in agreement with the accounting records; or
- we have not received all the information and explanations required for our audit.

Responsibilities of Governors

As explained more fully in the Governors' responsibilities statement, the Governors 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 Governors 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 Governors are responsible for assessing the Group'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 Governors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Governors.

- Conclude on the appropriateness of the Governors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the College's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

MHA MacIntyre Hudson

MHA MacIntyre Hudson
Chartered Accountants and Statutory Auditors
New Bridge Street House
30-34 New Bridge Street
London
EC4V 6BJ

4/4/18

Reporting Accountant's Assurance Report on Regularity to the Corporation of North East Surrey College of Technology (NESCOT) and the Secretary of State for Education acting through the Department for Education ('the Department')

In accordance with the terms of our engagement letter and further to the requirements of the financial memorandum with 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 North East Surrey College of Technology during the period 1 August 2016 to 31 July 2017 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post 16 Audit Code of 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 North East Surrey College of Technology 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 North East Surrey College of Technology 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 North East Surrey College of Technology and the Department for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of North East Surrey College of Technology and the reporting accountant

The Corporation of North East Surrey College of Technology 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 2016 to 31 July 2017 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

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

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

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

The work undertaken to draw to our conclusion includes:

- Reviewing the Minutes of the meetings of the Governing Body and other evidence made available to us.

- Review of the objectives and activities of the College, with reference to the income streams and other information available to us as auditors of the College.
- Testing of a sample of payroll payments to staff.
- Testing of a sample of payments to suppliers and other third parties.
- Testing of a sample of grants received and other income streams.

Conclusion

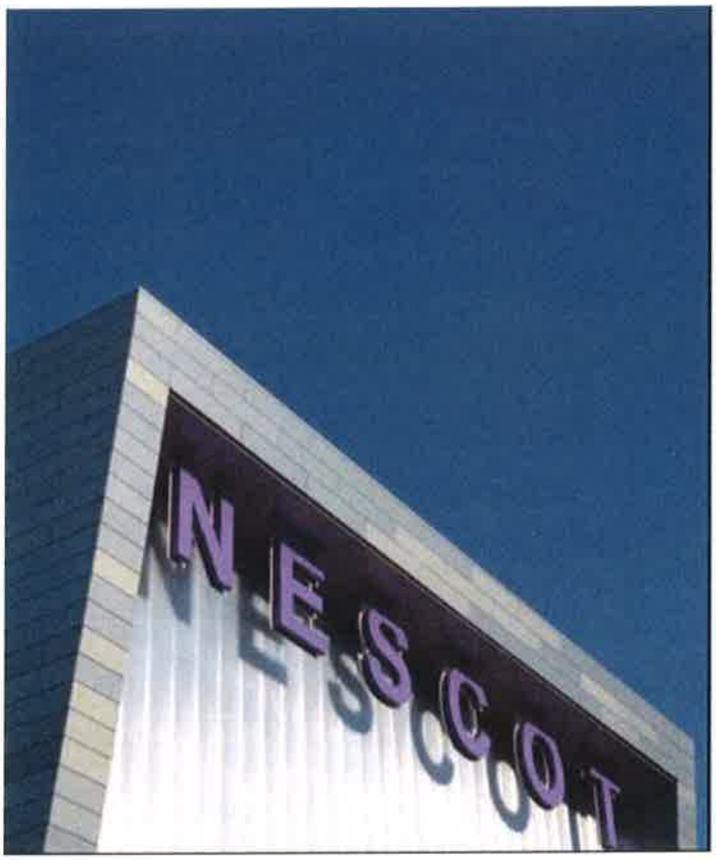
In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2016 to 31 July 2017 has not been applied to purposes intended by Parliament and the financial transactions do not conform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

Signed:

MHA MacIntyre Hudson

MHA MacIntyre Hudson
Chartered Accountants and Statutory Auditors
New Bridge Street House
30-34 New Bridge Street
London
EC4V 6BJ

Date: 4/4/18



Nescot College
Statement of Comprehensive Income and Expenditure

	Notes	2017 £'000 Group	2017 £'000 College	2016 £'000 Group	2016 £'000 College
INCOME					
Funding body grants	2	16,960	16,960	15,417	15,417
Tuition fees and education contracts	3	11,270	5,248	10,184	3,968
Other grants and contracts	4	477	477	579	579
Other income	5	1,409	1,297	1,367	1,204
Endowment and investment income	6	646	52	47	47
Donations and Endowments	7	150	150	0	0
Total income		**30,912**	**24,184**	**27,593**	**21,214**
EXPENDITURE					
Staff costs	8	15,840	12,940	14,810	12,191
Other operating expenses	9	10,927	8,407	8,708	6,850
Depreciation	12	2,792	2,502	2,099	1,857
Interest and other finance costs	10	637	228	613	238
Total expenditure		**30,195**	**24,077**	**26,230**	**21,137**
Surplus before other gains and losses		**717**	**106**	**1,362**	**78**
Gain on disposal of assets	16	573	573	1,084	1,084
Share of operating deficit in joint venture	17	(13)	(13)	0	0
Surplus before tax		**1,277**	**666**	**2,446**	**1,162**
Taxation	12	(46)	0	(251)	0
Surplus for the year		**1,231**	**666**	**2,196**	**1,162**
Transfer from revaluation reserve	11	257	257	8,839	8,839
Actuarial gain in respect of pensions schemes	22	1,334	1,334	(2,378)	(2,378)
Foreign exchange gains/(losses)	13	3	0	175	0
Total Comprehensive Income for the year		**2,826**	**2,257**	**8,831**	**7,622**
Represented by:					
Unrestricted comprehensive income		**0**	**0**	**0**	**0**
Restricted comprehensive income		**2,826**	**2,257**	**8,831**	**7,622**
		2,826	**2,257**	**8,831**	**7,622**
Surplus for the year attributable to:					
Non controlling interest	13	**46**	**0**	**414**	**0**
Group		**1,185**	**666**	**1,782**	**1,162**
		1,231	**666**	**2,196**	**1,162**
Total Comprehensive Income for the year attributable to:					
Non controlling interest	13	**47**	**0**	**484**	**0**
Group		**2,778**	**2,257**	**8,347**	**7,622**
		2,826	**2,257**	**8,831**	**7,622**

During 2017, invoices were received dating back to 2016, in relation to a contract for which no provision had been made, necessitating the restatement of the 2016 financial statements. Other operating expenses increased by £166k, as did receivables, resulting in a reduction in the surplus and reserves of the same amount.

Nescot College
Statement of Changes in Reserves

	Income and Expenditure account	Revaluation reserve	Total excluding non-controlling interest	Non-controlling interest	Total
	£'000	£'000	£'000	£'000	£'000
Group					
Balance at 1st August 2015	26,202	22,900	49,102	154	49,256
Surplus from the income and expenditure account	1,782	0	1,782	414	2,196
Other comprehensive income	(2,273)	0	(2,273)	70	(2,203)
Transfers between revaluation and income and expenditure reserves	8,839	(8,839)	0	0	0
Total comprehensive income for the year	8,347	(8,839)	(491)	484	(8)
Balance at 31st July 2016	34,550	14,061	48,610.62	638	49,248
Surplus from the income and expenditure account	1,185	0	1,185	46	1,231
Other comprehensive income	1,336	0	1,336	1	1,337
Transfers between revaluation and income and expenditure reserves	257	(257)	0	0	0
Total comprehensive income for the year	2,778	(257)	2,521	47	2,569
Equity dividends paid	(598)	0	(598)	(401)	(999)
Balance at 31st July 2017	36,730	13,804	50,534	284	50,818
College					
Balance at 1st August 2015	25,965	22,900	48,865	0	48,865
Surplus from the income and expenditure account	1,162	0	1,162	0	1,162
Other comprehensive income	(2,378)	0	(2,378)	0	(2,378)
Transfers between revaluation and income and expenditure reserves	8,839	(8,839)	0	0	0
Total comprehensive income for the year	7,622	(8,839)	(1,217)	0	(1,217)
Balance at 31st July 2016	33,587	14,061	47,648	0	47,648
Surplus from the income and expenditure account	666	0	666	0	666
Other comprehensive income	1,334	0	1,334	0	1,334
Transfers between revaluation and income and expenditure reserves	257	(257)	0	0	0
Total comprehensive income for the year	2,257	(257)	2,000	0	2,000
Balance at 31st July 2017	35,845	13,804	49,648	0	49,648

Nescot College
Statement of Financial Position as at 31 July

	Notes	2017 £'000 Group	2017 £'000 College	2016 £'000 Group	2016 £'000 College
Non-current assets					
Non-current assets	16	63,161	62,791	62,753	62,171
		63,161	62,791	62,753	62,171
Current assets					
Stocks		13	13	26	26
Deferred tax asset	12	137	0	67	0
Trade and other receivables	18	4,935	1,677	2,172	1,649
Cash and cash equivalents	24	10,923	9,903	14,207	9,967
		16,008	11,593	16,471	11,641
Less: Creditors – amounts falling due within one year	19	(6,858)	(4,024)	(6,575)	(4,293)
Net current assets		9,150	7,569	9,897	7,348
Total assets less current liabilities		72,311	70,360	72,650	69,519
Less: Creditors – amounts falling due after more than one year	20	(13,376)	(12,594)	(14,349)	(12,818)
Provisions					
Defined benefit obligations	26	(7,768)	(7,768)	(8,863)	(8,863)
Other provisions	23	(350)	(350)	(190)	(190)
Total net assets		50,818	49,648	49,248	47,648
Restricted reserves					
Income and expenditure account - statutory reserve		50	0	50	0
Unrestricted reserves					
Income and expenditure account		36,679	35,845	34,550	33,587
Revaluation reserve	11	13,804	13,804	14,061	14,061
		50,483	49,648	48,611	47,648
Non-controlling interest	13	284	0	638	0
Total reserves		50,818	49,648	49,248	47,648

During 2017, invoices were received dating back to 2016, in relation to a contract for which no provision had been made, necessitating the restatement of the 2016 financial statements. Other operating expenses increased by £166k, as did receivables, resulting in a reduction in the surplus and reserves of the same amount.

The financial statements on pages 41 to 44 were approved and authorised for issue by the Corporation on 24th March 2018 and were signed on its behalf on that date by:

Sam Luke
Chair

Frances Rutter
Accounting Officer

Nescot College
Statement of Cash Flows

	Notes	2017 £'000 Group	2016 £'000 Group
Cash inflow from operating activities			
Surplus for the year		1,231	2,196
Adjustment for non cash items			
Depreciation		2,792	2,099
Decrease in stocks		13	32
Increase in debtors		(2,847)	(594)
Decrease in creditors due within one year		(98)	759
Increase/(decrease) in creditors due after one year		(1,000)	(272)
Increase in provisions		399	14
Other		11	22
Adjustment for investing or financing activities			
Investment income		(646)	(47)
Interest payable		411	375
Capital element of finance lease rental payments		22	20
Profit on sale of fixed assets		(573)	(1,084)
Net cash flow from operating activities		**(286)**	**3,520**
Cash flows from investing activities			
Proceeds from sale of fixed assets		573	9,260
Disposal of non-current asset investments		0	445
Investment income		646	47
Payments made to acquire fixed assets		(3,186)	(13,408)
		(1,967)	(3,656)
Cash flows from financing activities			
Interest element of loan repayment		(409)	(375)
Interest element of finance lease rental payments		(2)	(3)
Capital element of finance lease rental payments		(22)	(20)
Dividend paid		(598)	0
		(1,031)	(398)
Increase / (decrease) in cash and cash equivalents in the year		**(3,284)**	**(534)**
Cash and cash equivalents at beginning of the year	20	14,207	14,741
Cash and cash equivalents at end of the year	20	10,923	14,207

NESCOT Corporation
Notes to the Financial Statements for the Period from 1 August 2016 to 31 July 2017

1 Statement of Principal Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to these 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 SORP); the College Accounts Direction for 2016 to 2017; and the Financial Reporting Standard 102 (FRS102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS102.

The preparation of financial statements in compliance with FRS102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the College's accounting policies.

Basis of accounting

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

Basis of consolidation

The consolidated financial statements do not currently include the College and all its subsidiaries for the financial year to 31 July 2017. The results of subsidiaries acquired or disposed of during the period are not included in the Statement of Comprehensive Income from the date of acquisition or up to the date of disposal. Intra-group transactions are eliminated fully on consolidation.

Associated companies and joint ventures are accounted for using the equity method. All financial statements are made up to 31 July 2017.

Going concern

The financial statements are prepared on a going concern basis. The College is reliant on the continuing support of the external funding bodies and its banks in order to continue to operate on this basis.

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

The College currently has around £10m of cash balances and around £50m of reserves. 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.

Income recognition

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS102. 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.

Income from the sale of goods or services is recognised within the Statement of Comprehensive Income when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Income recognition (continued)

Fee income is stated gross of any expenditure which is not a discount and recognised within the Statement of Comprehensive Income over the period in which students are studying. Where the amount of the tuition fee is reduced, by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

The recurrent grant from HEFCE represents the funding allocation attributable to the current financial year and is recognised within the Statement of Comprehensive Income.

Recurrent grants from the ESFA are recognised in line with the latest estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Education Budget (AEB) is adjusted for and reflected in the level of recurrent grant recognised in the Statement of Comprehensive Income. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body at the beginning of December following the year end, and the results of the funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

Non-recurrent grants from the ESFA or other bodies received in respect of the acquisition of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

All income from short-term deposits is recognised in the Statement of Comprehensive Income in the period in which it is earned.

Investment income is recognised within the Statement of Comprehensive Income on a receivable basis.

Donations and endowments

Donations with restrictions are recorded within the Statement of Comprehensive Income under donations and endowments on entitlement to the income. The restricted income received is held in the temporarily restricted reserve until such time that expenditure is incurred in accordance with the restrictions.

Donations with no restrictions are recorded within the Statement of Comprehensive Income under donations on entitlement to the income.

Where a donor establishes an endowment, there will be no performance-related conditions. Any conditions required by the donor are restrictions on the use of these funds. Therefore, new endowments will be recorded within the Statement of Comprehensive Income, under donations and endowments, on entitlement to the income. The restricted income received is held in the temporarily (expendable) or permanently restricted reserve until such time that expenditure is incurred in accordance with the restrictions.

The gain or loss on the value of any investments held by the endowment fund is recorded within the Statement of Comprehensive Income under the gain or loss on investments. The gain or loss should normally be retained in the capital element of the fund to which it relates.

Investment income received from the endowment fund's investments is recorded within investment income and held within the temporarily or permanently restricted reserve to the extent that it has not been spent in line with the restrictions of the donation.

Where endowment funds are invested for the longer term in order to generate an income and maintain or grow the capital value of the fund, investment gains and losses will be credited / charged to the endowment based on periodic valuations. These will generally be attributable to the capital segment of the fund, as the accumulated income segment is, by definition, held for spending in the short term.

Agency arrangements

The College acts as an agent in the collection and payment of certain Discretionary Support Funds. Related payments received from the ESFA and subsequent disbursements to students are excluded from the Statement of Comprehensive Income and are shown separately in Note 23, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant.

Capital grant funding

The SORP identifies three types of Government grant as being capital grants for land, other capital grants and revenue grants. It also allows a choice of accounting policy for these grants, namely the accrual model or the performance model, although it specifies that grants for land must be accounted for under the performance model.

Under the accrual method, income and other capital grants are recognised in income on a systematic basis over the period in which the related costs are recognised (income) or over the expected useful life of the asset (capital).

Under the performance method, income and capital grants are recognised in income when performance-related conditions are met.

The College has adopted the accrual method of accounting for capital grants.

Pension schemes

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes, which are externally funded and contracted out of the State Earnings-Related Pension Scheme (SERPS).

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 quinquennial valuations using a prospective benefit method. As stated in Note 21, the TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The assets of the LGPS are measured using closing market values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating deficit. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

The College's net obligation in respect of the LGPS defined benefit pension plan (and other post-employment benefits) is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) and any unrecognised past service costs are dedicated.

The liability discount rate is the yield at the balance sheet date on credit rated bonds denominated in the currency of, and having that have maturity dates approximating to the terms of the College's obligations. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the College, the recognised asset is limited to the total of any unrecognised past service costs and the present value of benefits available in the form of any future refunds from the plan, reductions in future contributions to the plan or on settlement of the plan and takes into account the adverse effect of any minimum funding requirements.

Enhanced pensions

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

Short term employment benefits

Short term employment benefits such as salaries and compensated absences 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.

Finance leases

Leases in which the College assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses.

Lease payments are accounted for as described below.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

Foreign currency translation

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while still retaining control, the relevant proportion of the accumulated amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while still retaining significant Influence or joint control, the relevant proportion of the cumulative amount is recycled to the Statement of Comprehensive Income.

Foreign currency translation (continued)

Exchange differences arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity.

Non current assets - tangible fixed assets

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

Land and buildings

Land and buildings inherited from the Local Education Authority (LEA) and buildings acquired since incorporation are stated in the balance sheet at valuation on the basis of depreciated replacement cost, as the open market value for existing use is not readily obtainable. Land and building acquired, and building improvements made, since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of between 5 and 60 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life.

The College land was revalued as at 1st August 2014 in preparation for FRS102, which has been taken as 'deemed cost' and frozen. This now removes the need for any future revaluations.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account, and are released to the Statement of Comprehensive Income over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

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

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 2017. They are not depreciated until they are brought into use.

Equipment

Non-computer equipment costing less than £1,000 per individual item is written off to the Statement of Comprehensive Income in the period of acquisition. Computer equipment costing less than £500 per individual item is written off to the Statement of Comprehensive Income in the period of acquisition. All other equipment is capitalised at cost. Equipment inherited from the Local Education Authority (LEA) is included in the balance sheet at valuation. The period of depreciation for computer equipment has been increased from 3 years to 5 years to reflect the longer economic benefit that the College is experiencing from these assets. Inherited equipment has been depreciated on a straight-line basis over its remaining useful economic life to the College of between one and three years from incorporation and is now fully depreciated. All other equipment is depreciated over its useful economic life as follows:

- Computer equipment 5 years.
- Other equipment 5 years.
- Furniture and fittings 10 to 15 years.

Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each Balance Sheet. Where equipment is acquired with the aid of grants designated for capital purposes, it is capitalised and depreciated in accordance with the above policy, with the related grant being treated as a liability in the Balance Sheet and released to the Statement of Comprehensive Income over the expected useful economic life of the related equipment.

Maintenance of premises

The costs of routine corrective maintenance are recognised in the Statement of Comprehensive Income in the period that it is incurred.

Investment properties

Investment property is land and buildings held for rental income or capital appreciation rather than for use in delivering services.

Investment properties are measured initially at cost and subsequently at fair value where these can be publicly traded or their value can otherwise be reliably measured, with movements recognised in the Statement of Comprehensive Income. If this is not possible, investment properties will be measured at cost less impairment.

Properties are not depreciated but are revalued or reviewed annually according to market conditions as at 31 July each year.

Investments

Non-current investments are held on the Balance Sheet at amortised cost less impairment.

Investments in jointly controlled entities, associates and subsidiaries are carried at cost less impairment in the College's accounts.

Current asset investments are held at fair value with movements recognised in the Statement of Comprehensive Income.

Stock

Stock is held at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stock.

Cash and cash equivalents

Cash flows comprise increases or decreases in cash. 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.

Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

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

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.

Provisions, contingent liabilities and contingent assets (continued)

A contingent asset arises where an event has taken place that gives the College a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College.

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the notes.

Taxation

The College is an exempt charity within the meaning of Part 3 of the Charities Act 2011, as such, is a charity within the meaning of Section 506 (1) of the Income and Corporation Taxes Act 1988. It is therefore a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The College receives no similar exemption in respect of Value Added Tax. For this reason, the College is generally unable to recover input VAT it suffers on goods and services purchased. Non-pay expenditure is therefore shown inclusive of VAT with any partial recovery netted off against these figures. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to fixed assets is included in their cost.

The College's subsidiaries are liable to Corporation Tax in the same way as any other commercial organisation.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are more likely than not to be recovered. Deferred tax assets and liabilities are not discounted.

2 Funding council grants

	2017 £'000 Group	2017 £'000 College	2016 £'000 Group	2016 £'000 College
Recurrent grants				
Education and Skills Funding Agency - adult	3,709	3,709	3,020	3,020
Education and Skills Funding Agency – 16 -18	8,639	8,639	8,686	8,686
Education and Skills Funding Agency - apprenticeships	3,463	3,463	2,549	2,549
Higher Education Funding Council	365	365	414	414
Specific Grants	0	0	0	0
Releases of government capital grants	410	410	339	339
Release of other government grants	374	374	409	409
Total	16,960	16,960	15,417	15,417

3 Tuition fees and education contracts

	2017 £'000 Group	2017 £'000 College	2016 £'000 Group	2016 £'000 College
Adult education fees	525	525	266	266
Apprenticeship fees and contracts	50	50	38	38
Fees for FE loan supported courses	1,225	1,225	680	680
Fees for HE loan supported courses	1,911	1,911	1,689	1,689
Full cost recovery fees	1,419	1,419	1,143	1,143
Total tuition fees	5,130	5,130	3,816	3,816
Education contracts	6,140	118	6,368	152
Total	11,270	5,248	10,184	3,968

4 Other grants and contracts

	2017 £'000 Group	2017 £'000 College	2016 £'000 Group	2016 £'000 College
Local authority high needs	441	441	280	280
European Social Fund	0	0	79	79
Other grants and contracts	36	36	220	220
Total	477	477	579	579

Nescot College
Notes to the Accounts (continued)

5 Other income

	2017 £'000 Group	2017 £'000 College	2016 £'000 Group
Catering and residences	383	383	402
Other income generating activities	719	719	692
Miscellaneous income	307	195	272
Total	**1,409**	**1,297**	**1,367**

6 Investment income

	2017 £'000 Group	2017 £'000 College	2016 £'000 Group
Other investment income	646	52	47
	646	**52**	**47**

The figure for the Group includes a dividend from Nescot Consortium Ltd of £594k in lieu of the sale by the subsidiary Nescot Business Services Ltd of it's 60% shareholding. The sale was completed in August 2017.

7 Donations - College only

	2017 £'000 Group	2017 £'000 College	2016 £'000 Group
Unrestricted donations	150	150	0
Total	**150**	**150**	**0**

8 Staff costs

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

	2017 No.	2016 No.
Teaching staff	203	159
Non teaching staff	247	240
	450	**399**

Staff costs for the above persons

		2017 £'000 Group	2017 £'000 Group
Wages and salaries		10,938	10,269
Social security costs		767	721
Other pension costs		1,944	1,632
Payroll sub total		**13,649**	**12,621**
Contracted out staffing services		2,142	2134
		15,791	**14,755**
Fundamental restructuring costs -	contractual	49	55
	non contractual	0	0
		15,840	14,810

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College. NESCOT deems this to be the Chief Executive and Principal, and two Deputy Principals. The Acting Principal was succeeded by a permanent appointment in April 2017, so the number of key management personnel for the year was 4. In the previous year, the resignation of the Principal resulted in the appointment of an Acting Principal, and so the number of key management personnel for the year was also 4.

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

	2017 No.	2016 No.
The number of key management personnel including the Accounting Officer was:	4	4

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

	Senior post-holders		Other staff	
	2017 No.	2016 No.	2017 No.	2016 No.
£50,001 to £60,000	1	0	5	4
£60,001 to £70,000	0	0	2	3
£70,001 to £80,000	0	0	0	0
£80,001 to £90,000	1	1	0	0
£90,901 to £100,000	1	0	0	0
£100,001 to £110,000	1	3	0	0
	4	**4**	7	7

Nescot College
Notes to the Accounts (continued)

8 Staff costs

Key management personnel compensation is made up as follows:

	2017 £'000	2016 £'000
Salaries - gross of salary sacrifice and waived emoluments	340	543
Allowances	0	50
Benefits in kind	0	2
	340	**594**
Pension contributions	45	52
Total emoluments	**385**	**646**

The above emoluments include amounts payable to the Accounting Officer (who is also the highest paid officer). The role was undertaken by an Acting Principal until the position was filled permanently on 1st April 2017. The figures below therefore represent the combined payments made to each postholder.

	2017 £'000	2016 £'000
Salaries	148	276
Allowances	0	50
Benefits in kind	0	2
	148	328
Pension contributions	10	16

Nescot College
Notes to the Accounts (continued)

9 Other operating expenses

	Year 2017 £'000 Group	2017 £'000 College	Year 2016 £'000 Group	2017 £'000 College
Teaching costs	3,982	3,982	2,441	2,441
Non teaching costs	4,508	3,298	4,124	3,401
Premises costs	2,437	1,127	2,143	1,008
Total	10,927	8,407	8,708	6,850

Other operating expenses include:	2017 £'000 Group	2017 £'000 College	2016 £'000 Group	2017 £'000 College
Auditors' remuneration:				
Financial statements audit	38	38	50	50
Internal audit	22	22	36	36
Hire of assets under operating leases	57	57	136	136

During 2017, invoices were received dating back to 2016, in relation to a contract for which no provision had been made, necessitating the restatement of the 2016 financial statements. Other operating expenses increased by £166k, as did receivables, resulting in a reduction in the surplus and reserves of the same amount.

10 Interest payable

	2017 £'000 Group	2017 £'000 College	2016 £'000 Group	2017 £'000 College
On finance leases	2	2	3	3
On provision of bonds	409	0	375	0
Net interest on enhanced pension liability	4	4	0	0
Net interest on defined pension liability (note 25)	222	222	235	235
Total	637	228	613	238

11 Revaluation reserve

	2017 £'000	2017 £'000	2016 £'000	2016 £'000
Balance as at 1st August previous year		14,061		22,900
plus revaluation of land				
less charges to comprehensive income				
Sale of land			(8,300)	
Sale of bungalow			(267)	
Release in respect of depreciation in year	(257)		(272)	
		(257)		(8,839)
Balance as at 31st July		13,804		14,061

12 Taxation - Group only

	2017	2016 £'000
Tax liability included in creditors - amounts falling due within		
Provided in previous year	309	50
Provided during the reporting period	119	296
Payments during the year	(324)	(61)
Foreign exchange differences, average v closing rates	10	24
Liability as at 31st July	114	309
Charge for the year		
Provided during the reporting period	119	296
Deferred tax charge/(credit)	(73)	(46)
Charge for the year in statement of consolidated income	46	251
Deferred tax asset		
Bought forward from previous year	67	16
Credit/(charge) for the reporting period	73	46
Foreign exchange differences, average v closing rates	(3)	5
Deferred tax asset as at 31st July	137	67

All taxation relates to the subsidiary Nescot Consortium Ltd, registered in Saudi Arabia

Nescot Corporation
Notes to the Accounts (continued)

13 Foreign exchange gains for the year - NCL subsidiary

	SAR		Rate	£'000	Parent £'000	NCI £'000
Opening net assets of subsidiary	7,932,501	@ closing rate	4.9515	1,602	961	641
		@ opening rate	4.9755	1,594	957	638
			Gain	8	5	3
Profit for the year	548,912	@ closing rate	4.9515	111	67	44
		@ average rate	4.7529	115	69	46
			Loss	(5)	(3)	(2)
Other comprehensive income				3	2	1
Total comprehensive income				**119**	**71**	**47**
Equity dividends paid	4,947,916	@ closing rate	4.9515	999	598	401
Closing net assets of subsidiary	**3,533,497**	**@ closing rate**	**4.9515**	**714**	**428**	**285**

14 Non-controlling interest - NCL subsidiary

Net assets of subsidiary	Acquisition date SAR	Reporting date SAR	NCI 40% SAR	£'000
Share Capital	500,000	500,000	200,000	
Reserves	0	3,033,497	1,213,399	
	500,000	3,533,497	1,413,399	285

15 Revaluation reserve

	2017 Group and College £'000	2017 Group and College £'000	2016 Group and College £'000	2016 Group and College £'000
Balance as at 1st August previous year		22,900		10,628
plus revaluation of land				31,852
less charges to comprehensive income				
Sale of land	(8,300)		(19,300)	
Sale of bungalow	(267)			
Release in respect of depreciation in year	(272)		(280)	
		(8,839)		(19,580)
Balance as at 31st July		14,061		22,900

Nescot College
Notes to the Accounts (continued)

16 Non-current assets (Group)

	Land and buildings Freehold	Equipment	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2016	68,585	8,354	1,908	78,847
Additions	3,374	1,422	297	5,093
Disposals	0	(58)	(1,908)	(1,966)
Foreign exchange gains/(losses)	0	6	0	6
At 31 July 2017	**71,959**	**9,724**	**297**	**81,980**
Depreciation				
At 1 August 2016	10,626	5,469	0	16,094
Charge for the year	1,614	1,178	0	2,792
Elimination in respect of disposals	0	(58)	0	(58)
Foreign exchange gains/(losses)	0	(8)	0	(8)
At 31 July 2017	**12,239**	**6,580**	**0**	**18,819**
Net book value at 31 July 2017	**59,720**	**3,145**	**297**	**63,161**
Net book value at 31 July 2016	57,959	2,886	1,908	62,753

Nescot College
Notes to the Accounts (continued)

16 Non-current assets (College only)

	Land and buildings Freehold	Equipment	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2016	68,585	7,115	1,908	77,608
Additions	3,374	1,360	297	5,031
Disposals	0	(58)	(1,908)	(1,966)
At 31 July 2017	**71,959**	**8,417**	**297**	**80,673**
Depreciation				
At 1 August 2016	10,626	4,812	0	15,437
Charge for the year	1,614	889	0	2,502
Elimination in respect of disposals	0	(58)	0	(58)
At 31 July 2017	**12,239**	**5,642**	**0**	**17,881**
Net book value at 31 July 2017	**59,720**	**2,775**	**297**	**62,791**
Net book value at 31 July 2016	57,959	2,304	1,908	62,171

The net book value of equipment includes an amount of £31,435 (2015/16 – £52,391) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £20,956 (2014/15 – £20,956).

During the year, profit on disposals totalled £572,610 including £552,136 from previously held in escrow relating to the sale of land in 2015/16.

Nescot College
Notes to the Accounts (continued)

17 Joint operation

The College is in the first year of a joint operation with the Le Raj Academy, operating a restaurant within the College premises. Profits or losses are shared on a 50:50 basis, with the College share of losses in the current year amounting to £13k.

18 Trade and other receivables

	2017 £'000 Group	2017 £'000 College	2016 £'000 Group	2016 £'000 College
Amounts falling due within one year:				
Trade receivables	860	860	759	759
Other receivables	9	9	4	4
Amounts owed by group undertakings:	0	0	0	0
Subsidiary undertakings	0	0	0	136
Prepayments and accrued income	3,609	351	1,078	419
Amounts owed by the ESFA	457	457	330	330
Total	**4,935**	**1,677**	**2,172**	**1,649**

19 Creditors: amounts falling due within one year

	2017 £'000 Group	2017 £'000 College	2016 £'000 Group	2016 £'000 College
Bank loans and overdrafts	775	0	771	0
Obligations under finance leases	23	23	22	22
Trade payables	152	152	415	415
Amounts owed to group undertakings:	0	0	0	0
Non-controlling interests	601	0	97	0
Subsidiary undertakings	0	397	0	0
Other taxation and social security	524	410	766	456
Accruals and deferred income	4,359	2,618	4003	2,900
Deferred income - government capital grants	410	410	486	486
Deferred income - government revenue grants	14	14	14	14
Amounts owed to the ESFA	0	0	0	0
Total	**6,858**	**4,024**	**6,575**	**4,293**

During 2017, invoices were received dating back to 2016, in relation to a contract for which no provision had been made, necessitating the restatement of the 2016 financial statements. Other operating expenses increased by £166k, as did receivables, resulting in a reduction in the surplus and reserves of the same amount.

20 Creditors: amounts falling due after one year

	2017 £'000 Group	2017 £'000 College	2016 £'000 Group	2016 £'000 College
Loans from subsidiares or associates	0	58	0	58
Other loans	774	0	1543	0
Obligations under finance leases	10	10	33	33
Employee terminal benefits	65	0	47	0
Deferred income - government capital grants	12,526	12,526	12727	12,727
Total	**13,376**	**12,594**	**14,349**	**12,818**

21 Maturity of debt

Finance leases

The net finance lease obligations to which the institution is

	2017 £'000	2016 £'000
In one year or less	23	24
Between two and five years	10	34
In five years or more	0	0
Total	**33**	**58**

Finance lease obligations are secured on the assets to which they relate.

22 Lease Obligations

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

	2017 £'000	2016 £'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	0	0
Later than one year and not later than five years	0	0
later than five years	0	0
	0	0
Other		
Not later than one year	58	29
Later than one year and not later than five years	169	97
later than five years	0	2
	226	127
Total lease payments due	226	127

23 Provisions

	Defined benefit Obligations £'000	Restructuring £'000	Enhanced pensions £'000	Other £'000	Total £'000
At 1 August 2016	8,863	44	146	0	9,053
Expenditure in the period	0	(44)	0	0	(44)
Transferred to other comprehensive income	(1,324)	0	(10)	0	(1,334)
Transferred from income and expenditure account	229	15	13	186	443
At 31 July 2017	7,768	15	149	186	8,118

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

The enhanced pension provision relates to the cost of staff who have already left the College's employ. This provision has been recalculated in accordance with guidance issued by the funding bodies.
The principal assumptions for this calculation are:

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

24 Cash and cash equivalents

	At 1 August 2016 £'000	Cash flows £'000	Other changes £'000	At 31 July 2017 £'000
Cash and cash equivalents	14,207	(3,284)	0	10,923
Overdrafts	0	0	0	0
Total	**14,207**	**(3,284)**	0	**10,923**

25 Capital commitments

	2017 £'000	2016 £'000
Commitments contracted for at 31 July	540	849

26 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 Surrey County Council. Both are multi-employer defined-benefit plans. The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal triennial actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2016.

Total pension cost for the year		**2017 £'000**		**2016 £'000**
Teachers Pension Scheme: contributions paid		1,116		1,182
Local Government Pension Scheme:				
Contributions paid	1,108		1,152	
FRS 102 charge	229		(28)	
Charge to the Statement of Comprehensive Income		1,337		1,124
Enhanced pension charge to Statement of Comprehensive Income		13		13
Total Pension Cost for Year		2,466		2,320

Employer and employee contributions amounting to £100,000 (2016:£ 98,000) payable to the TPS and £86,000 (2016:£ 131,000) payable to the LGPS 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 2010, and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension Budgeting and Valuation Account

Although teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay-as-you-go' basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act. Retirement and other pension benefits are paid by public funds provided by Parliament.

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

26 Defined benefit obligations (continued)

Valuation of the Teachers' Pension Scheme

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

- employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- total scheme liabilities for service to the effective date oof £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 will be implemented in September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:
https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx

Scheme changes

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

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

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

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

Nescot College
Notes to the Accounts (continued)

26 Defined benefit obligations (continued)

FRS 102 (28)

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

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

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds adminstered by Surrey County Council. The total contribution made for the year ended 31 July 2017 was £1,383,000, of which employer's contributions totalled £1,151,000 and employees' contributions totalled £232,000. The agreed contribution rates for future years are 19.1 % for employers and range from 5.5% to 12.5% cent for employees, depending on salary.

Principal Actuarial Assumptions

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

	At 31 July 2017	At 31 July 2016
Rate of increase in salaries	2.00%	2.00%
Future pensions increases	2.30%	1.70%
Discount rate for scheme liabilities	2.80%	2.50%
Inflation assumption (CPI)	2.50%	1.90%
Commutation of pensions to lump sums (pre-April 2008 service)	25%	25%
Commutation of pensions to lump sums (post-April 2008 service)	63%	63%

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

	At 31 July 2017	At 31 July 2016
	years	years
Retiring today		
Males	22.50	22.50
Females	24.60	24.60
Retiring in 20 years		
Males	24.10	24.50
Females	26.40	26.90

26 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

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

	2017 £'000	2016 £'000
Fair value of plan assets	28,713	26,695
Present value of plan liabilities	(36,363)	(35,435)
[Present value of unfunded liabilities]	(118)	(123)
Net pensions (liability)/asset (Note 19)	**(7,768)**	**(8,863)**

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

	2017 £'000	2016 £'000
Amounts included in staff costs		
Current service cost	1,106	887
Past service cost	9	0
Total	**1115**	**887**
Amounts included in interest and other finance costs		
Net interest cost	222	235
	222	**235**
Amounts recognised in Other Comprehensive Income		
Return on pension plan assets	1,036	1,257
Experience losses arising on defined benefit obligations	1,407	429
Changes in assumptions underlying the present value of plan liabilities	(1,119)	(4,078)
Amount recognised in Other Comprehensive Income	**1,324**	**(2,392)**

Nescot College
Notes to the Accounts (continued)

26 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

Movement in net defined benefit (liability)/asset during the year

	2017 £'000	2016 £'000
Surplus/(deficit) in scheme at 1 August	(8,863)	(6,499)
Movement in year:		
Current service cost	(1,106)	(887)
Employer contributions	1,108	1,150
Past service cost	(9)	0
Net interest on the defined (liability)/asset	(222)	(235)
Actuarial gain or loss	1,324	(2,392)
Net defined benefit (liability)/asset at 31 July	**(7,768)**	**(8,863)**

Asset and Liability Reconciliation

	2017 £'000	2016 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	35,579	30,545
Current Service cost	1,106	887
Interest cost	893	1,134
Contributions by Scheme participants	230	212
Experience gains and losses on defined benefit obligations	(1,428)	(429)
Changes in demographic assumptions	(486)	0
Changes in financial assumptions	1,605	4,078
Estimated benefits paid	(1,027)	(869)
Past Service cost	9	0
Curtailments and settlements	0	0
Defined benefit obligations at end of period	**36,481**	**35,558**

Reconciliation of Assets

	2017 £'000	2016 £'000
Fair value of plan assets at start of period	26,695	24,046
Interest on plan assets	671	899
Return on plan assets	1,036	1,257
Employer contributions	1,108	1,150
Contributions by Scheme participants	230	212
Estimated benefits paid	(1,027)	(869)
Fair value of plan assets at end of period	**28,713**	**26,695**

27 Related party transactions

Related party transactions are undertaken at mutually agreed terms and approved by management of both companies.

Position or entity	Nature of relationship
Nescot Trust	Subsidiary
Nescot Business Services Ltd	Subsidiary
Nescot Consortium Ltd (NCL)	Subsidiary
Point Nemo Ltd	Company under control of the husband of the former Principal and Chief Executive, Nescot Group
Chair of Governors, Nescot Group	Significant control, Nescot College and all subsidiaries
Principal and Chief Executive, Nescot Group	Significant control, Nescot College and all subsidiaries
Deputy Chief Accounting Officer, Finance & Resources	Significant influence, NCL (until March 2015), Nescot

Balance sheet	Nature of transaction	2017 £'000	2016 £'000
Nescot Trust	Creditor - Loaned to Nescot College	(58)	(58)
Nescot Business Services Ltd	Debtor - Loaned by Nescot College for purchase of shares in NCL	0	52
Nescot Business Services Ltd	Creditor - Owed dividend received by College from NCL	(397)	0
Nescot Consortium Ltd (NCL)	Debtor - General costs incurred during the reporting period	0	16
Nescot Consortium Ltd (NCL)	Debtor - Costs of providing bonds on behalf of NCL	0	68
Point Nemo Ltd	Creditor - Accrual for uninvoiced earnings	0	124
		(455)	202

Income statement	Nature of transaction	2017 £'000	2016 £'000
Nescot Consortium Ltd (NCL)	Recharge of costs of providing bonds and general expenses	134	341
Point Nemo Ltd	Payments and accruals for provision of management information services	0	70
Chair of Governors, Nescot Group	Reimbursement of travel and telephone expenses	0	1
Principal and Chief Executive, Nescot Group	Salary at NCL	0	125
Principal and Chief Executive, Nescot Group	Travel Provision per contract	0	8
Deputy Chief Accounting Officer, Finance & Resources	Consultancy recharged by College to NCL	0	0
Deputy Chief Accounting Officer, Finance & Resources	Flights, accommodation and subsistence recharged by Nescot to NCL	0	0
		134	545

28 Amounts disbursed as agent

Learner support funds

	2017 £'000	2016 £'000
Funding body grants – hardship support	481	571
Funding body grants – childcare	0	0
Other Funding body grants	0	0
Interest earned	0	0
	481	571
Disbursed to students	(263)	(346)
Local area costs	(36)	(24)
Administration costs	(11)	(17)
Returned to funding agencies	(54)	(14)
Balance unspent as at 31 July, included in creditors	116	170

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.

AGE grants

	2017 £'000	2016 £'000
Funding body grants	617	281
Disbursed to employers	(489)	(223)
Balance unspent as at 31 July, included in creditors	128	58

29 Events after the reporting period

The College sold its interest in NCL in August 2017, with a dividend payment received in June 2017, and included in Note 6 Investment income