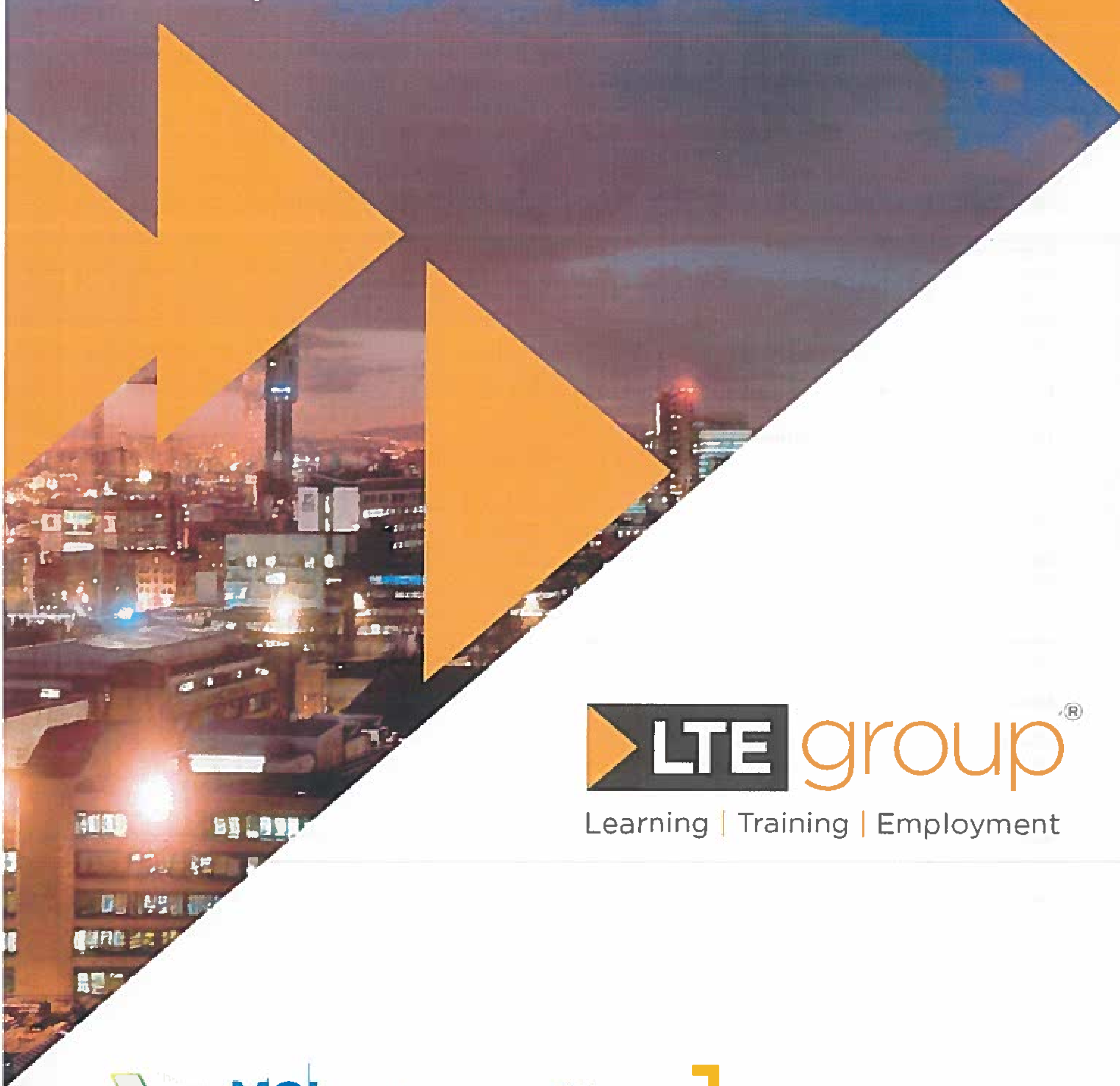
Financial Statements

31 July 2017



LTE group®

Learning | Training | Employment

MOL Total People NOVUS FOUNDATIONS FOR CHANGE

Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

Key management personnel are defined as members of the Executive Team and were represented by the following in 2016/17:

John Thornhill, CEO/Accounting Officer
Lisa O'Loughlin, Principal
Paul Taylor, Chief Operating Officer
Peter Cox, Managing Director Novus/Exec Lead MOL/Group Lead for Bids and Tenders, LTE group
Rob Cressey, Group Finance Director
Linda Dean, Managing Director Total People
Gary Hughes, Group Marketing and External Relations Director
Jennifer Foote MBE, Company Secretary & General Counsel

Board of Governors

A full list of Governors is given on pages 17 and 18 of these financial statements.

Mrs Jennifer Foote acted as Company Secretary to the Board of Governors throughout the period.

Registered office:
Openshaw Campus & Administration Centre
Ashton Old Road
Manchester
M11 2WH

Professional Advisers:

Financial statement and reporting accountants:
PricewaterhouseCoopers LLP
1 Hardman Square
Manchester
M3 3EB

Internal auditors:
RSM Risk Assurance Services LLP 9th
Floor
3 Hardman Street
Manchester
M3 3HF

Bankers:
National Westminster Bank
Manchester City Centre Branch 11
Spring Gardens
Manchester
M2 1FB

Solicitors:
Mills & Reeve LLP 1
New York Street
Manchester
M1 4AD

DWF LLP
1 Scott Place
2 Hardman Street
Manchester
M3 3HH

DAC Beachcroft
3 Hardman Street
Manchester
M3 3HF

FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2017

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STRATEGIC REPORT

NATURE, OBJECTIVES AND STRATEGIES:

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

Legal status

The Manchester College was established as a statutory corporation under the Further and Higher Education Act 1992 and statutory instrument 2008 No 1418 with effect from 1 August 2008. The Manchester College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

The Manchester College commenced trading as LTE Group on 1 February 2016. On 1 June 2017, the Manchester College changed its name to LTE Group ("the Group"). LTE Group includes Total People Holdings Ltd, an independent training provider, which was acquired on 31 July 2015 and Novus Cambria, a joint venture with Coleg Cambria which was established on 29 September 2016.

The operating divisions of the Group are Novus (delivering learning and skills in the Prison estate), The Manchester College (FE and HE delivery), Total People (Work Based Learning), MOL (blended distance learning) and LTE Group Services.

For the purposes of these financial statements, the results of the parent undertaking – i.e. excluding subsidiaries Total People and Novus Cambria – are referred to as the "Corporation". Reference to "the Group" in this document means LTE Group.

Mission

The Strategic Vision for the Group:

"To improve lives and economic success through learning and skills"

The values as agreed by the Corporation are:

- Integrity – honest, open and trustworthy
- One Team – we collaborate, respect each other and contribute to team goals
- 'Can do' – positive, inclusive, flexible and proactive
- Always Improving –forward thinking, innovating and taking ownership
- Sustainable – we take a long-term view, environmentally, financially and socially.

Public Benefit

LTE Group 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 Board of Governors, who are trustees of the charity, are disclosed on pages 18.

In setting and reviewing the Group's strategic objectives, the Board of Governors 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 Group provides the following identifiable public benefits through the advancement of education:

- High-quality teaching
- Widening participation and tackling social exclusion
- Excellent employment record for students
- Strong student support systems
- Links with employers, industry and commerce
- Implementation of the Manchester Skills Strategy
- Links with Local Enterprise Partnerships (LEPs)
- Reducing re-offending
- Strong ongoing GVA impact

Implementation of strategic plan

The Group has reviewed its Strategic plans and is focused on the objectives of the Group, as a combination of educational and skills providers, intent on making service changes to its many and varied stakeholders. There is a move towards more autonomy for individual business units (including the introduction of divisional boards) whilst maintaining the overall strength of the organisation to drive quality and future growth of the stakeholder offer.
The Group will continue to manage any funding decline in core delivery areas in the future, to grow its priority delivery areas and to maintain its key focus of supporting the needs and requirements of the Greater Manchester and Cheshire conurbations (and nationally for Offender Learning (Novus)) providing high quality and reliable provision in all the areas of its offer.

The Group's continuing strategic objectives are to:

To achieve good to outstanding quality in all units across the Group.

To grow and develop our apprentice provision through Total People in Greater Manchester, Cheshire and the North West. Offering provision nationally with key customers and through key partnerships.

To grow and develop our provision of on line or distance learning professional qualifications through MOL. Responding to the growing Technical and Professional Education (TPE) need and to employer need at levels 3 to 7.

To develop our Novus work in the U.K. by responding to the Ministry of Justice (MOJ) safety and reform agenda and the needs of devolved administrations. Delivering directly or through innovative partnerships/joint ventures.

To invest in Higher education, through part time and flexible study, responding to the TPE policy and addressing the significant challenges in Greater Manchester with widening participation.

To increase our capacity in FE to support a 20% population growth. To address the sustainability of FE longer term whilst also investing in new capacity, facilities and infrastructure to address the very significant skills gap that exists to deliver the 2025 economic plan.

To maintain our number one position in Greater Manchester, Cheshire and in custodial settings. To ensure we meet the changing labour market and learner needs in all regions where we operate.

To maintain our "good" financial health grading in future years per ESFA regime.

To reduce risk across the group through better overall financial performance, cash generation and legal separation of different trading units.

The Group is on target for achieving these objectives.

Meanwhile Novus continues to deliver best in class inspection results with over 85% of grades at Good or better. Total People was also inspected in the year maintaining their Good grade and increasing the gap between them and the sector average.

The recent Ofsted inspection of The Manchester College has resulted in a "requires improvement" grading from Ofsted. This runs contrary to our internal self-assessment reports, which indicate a continuing improvement in teaching in the curriculum, as well as to current outcomes and progression statistics both regionally and nationally. By comparison, the College was graded Silver in the Teaching Excellence Framework for Higher Education (better than many universities).

Total People has furthered enhanced our apprenticeship presence in Greater Manchester (and Cheshire) where we hold a market leading position. MOL has seen significant price competition in its markets but is exploring both new markets and more corporate sales. Novus has indeed grown by 25% by the addition of another Olass region and by diversifying into other areas of custody provision. Our Higher Education business has grown for the past two years and will have a distinct identity within the estate design for the future. Although 16-18 numbers have declined slightly in line with the regional demographic, income from this area has been maintained. A good financial health grade has been maintained for the past 5 years.

The Area Based Review process for Greater Manchester concluded during the year with recommendations being initially agreed but then not being implemented, for example the proposal for Trafford College to join the LTE group structure. The Cheshire Area Based Review process has resulted in a recommendation for Macclesfield College to join the group. No due diligence has yet started on this recommendation.

Financial objectives

The Group wishes to remain financially sound so as to:

Protect it from unforeseen changes in policy and the impacts resulting from any future changes in funding.

To generate sufficient income to enable maintenance and improvement of its estate to improve the learner, employer and customer experience.

To generate operating cash flows that can fund future rationalisation of our estate to improve the learner experience and deliver efficiencies in teaching and support costs.

To execute its strategic plan and expand its reach to learners and other stakeholders in support of national and regional devolved government policies.

To grow provision and add value to the lives of an increasing number of learners.

The Group wishes to maintain, or enhance the confidence of funders, suppliers, bankers and auditors.

The Group set financial performance targets for 2016/17. These were:

- Maintenance of a strong financial performance with a surplus set at £800k (achieved £820k). This is equivalent to an EBITDA of £10,209k (achieved £10,206k), representing 5.55% (achieved 5.60%) of turnover. This is to provide an opportunity to re-invest and/ or protect provision due to cuts in public sector expenditure.
- Manage cash flow carefully to deliver a year-end balance of over £18m (achieved £22.2m) while maintaining a current ratio of at least 1.23 (achieved 1.30) to minimise loan drawdown. Borrowing as a % of reserves and debt at 13.1% (achieved 13.2%).

A series of key performance indicators have been agreed to monitor the successful implementation of the policies.

Key Performance Indicators

The Group 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 Group is required to complete the annual Finance Record for the Education and Skills Funding Agency ("ESFA"). The Group is assessed by the ESFA as having a "Good" financial health grading. The current rating of Good is considered an acceptable outcome.

Indicators include: Financial health measures/benchmarks; Contract performance; Learner success rates.

Financial health score:

RATIO	2015/16	2016/17	2017/18 budget
Adjusted current ratio	1.38	1.30	1.32
EBITDA as % to income – education specific	4.3%	5.6%	6.12%
Borrowing as % to income	14.1%	13.2%	11.92%
Score	**Good**	**Good**	**Good**

Contract performance

Funding stream	2016/17	
	Current actual -final ILR (R14)	Allocation
ESFA programme funding (16- 18 and 19-24 students with an LDA or EHCP)	24,366,134	25,036,643*
16-18 Apprenticeships	1,314,379	2,166,783
Adult Education Budget (Incl. ALS, DLSF)	16,542,440	17,942,200
Adult Apprenticeship	1,885,421	4,174,458
OLASS	81,296,913	77,619,052

* the full contract for EFA recurrent grants is £28m the contract performance excludes 'transitional funding' which is an unmeasured entitlement.
The full contract for ESFA AEB recurrent grants is £18m; the contract performance includes 'Adult Discretionary Learner Support'.
OLASS allocations – the contract was transferred from the SFA to the MoJ on the 1st October 2016
The recent Provider Finance Assurance audit has reviewed a 99.94% accuracy level.

<u>Narrative</u>

16-18 Classroom Learning – There was a 99% achievement of the EFA learner number target and a 97% achievement of the programme-funding target.

Adult Education Budget – Currently a 92% achievement of the Adult Education Budget (including Discretionary Learner Support) allocation.

Apprenticeships - Both 16-18 and Adult Apprentices at 54% and 43% respectively, are lower than the allocation due to the decision to cease all new Apprenticeship starts from 01 December '16 and to close the Group's Apprenticeship Unit as of the 31 July 2017. Total People delivered all new Apprenticeship provision from the 01 December '16.

OLASS – The regions of Yorkshire & the Humber, North West, North East and London were all at or above allocation as at end of year funding return. The Kent and Sussex region is forecast to be below allocation at the final closure.

Success Rates Table

Age	Level	Education and Training - Overall Achievement (Success) Rate		
		2014/15*	2015/16*	2016/17 ^
16-18	All Levels	75.9%	79.9%	81.2%
19+	All Levels	83.1%	87.0%	90.1%
All Age	All Levels	80.6%	84.3%	86.3%

* National Achievement Rate Table Data
^ Unconfirmed – Derived from ProAchieve

The above table includes all classroom-based provision.

FINANCIAL POSITION

Financial results

The Group generated a surplus in the year of £820k (2015/16 £120k) which is in line with the budgeted surplus for the year and a good improvement on prior year results.

The Group has accumulated reserves of £49.0m (2015/16: £42.5m) including the pension deficit liability of £26.8m (2015/16: £29.6m) and cash balances of £22.2m (2015/16: £18.3m). The Group maintains reserves to ensure financial viability and to meet future liabilities such as the repayment of loans, and pension fund deficits.

The Group has a reducing reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2016/17 the FE funding bodies provided 32.4% (excluding funding for offender learning provision) of the Group's total income.

The LTE Group is involved in a joint venture with Manchester City Council. The joint venture company, Manchester Education and Training Limited, is a property company located in East Manchester. The company is also a registered Charity limited by guarantee. Details are disclosed in notes to the accounts under related party transactions (note 23).

The LTE Group is the parent company of Novus Cambria which is a private company limited by guarantee without share capital with two members: LTE Group and Coleg Cambria. LTE Group controls 60% of the voting rights of the members while Coleg Cambria control 40%.

The LTE Group has four subsidiary companies, a group headed by Total People Holdings Limited. The principal activity of the Total People group of companies is to provide training in work based learning. Any profit generated can be gift aided to The LTE Group provided the company has sufficient distributable reserves. In the current year, the profit after tax generated was £83k. Further details of the subsidiary companies are stated in note 13.

The Local Government Pension Scheme (LGPS) valuation for 2016/17 resulted in an actuarial gain of £13.7m (2015/16: loss £19.2m) see note 22.

Treasury policies and objectives

Treasury management is the management of the Group'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 Group has a treasury management policy in place.

Short term borrowing for temporary revenue purposes is authorised by the Chief Executive Officer. Such arrangements are restricted by limits in the Group's Financial Memorandum agreed with the Skills Funding Agency. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

Borrowings in respect of the £22.0m Royal Bank of Scotland (RBS) revolving credit facility stands at £17.75m as at the 31st July 2017. However, the Group has fixed the rate of interest for all the original £22.0m. Borrowings from Allied Irish Bank stands at £6.3m as at 31st July 2017.

Short-term cash requirements are monitored weekly such that the Group minimises its borrowings and thereby interest charges and limits free funds for placing on the money markets where investment returns are poor.

Cash flows and liquidity

The Group generated operating cash inflows of £10.9m in 2016/17 (2015/16: inflows £7.1m).

Reserves Policy

The Group recognises that its major sources of income are government funded and as such not explicitly guaranteed for a set period of years. To this end the Group has been diversifying its income streams so that there will be multiple funding sources – Education and Skills Funding Agency, Ministry of Justice, Apprenticeship Levy, Youth Justice Board, European Structural and Investment Funds, Welsh Assembly, and commercial income.

In the past two years over £10m of operating expenditure has been invested in the re shaping of the business in response to previous government funding cuts. This has been achieved without reducing reserves or the need to secure additional finance arrangements with ESFA/Banks.

The Group has £49.0m (2015/16: £42.5m) of unrestricted reserves as at 31/7/17, which the Group feels is adequate to implement any further reshaping required due to reductions in any of the funding sources above.

The current forward forecasts ensure clearance of bank covenants and have been tested with sensitivities that take account of reductions in funding as described above.

The level of reserves will be monitored and reported on within the monthly management accounts and reviewed by the Board of Governors.

The Board of Governors will review this policy annually or whenever there are significant changes in income or operating costs.

The LTE Group has set a reserves policy which requires:

- Reserves be maintained at a level which ensures that LTE Group's core activities could continue during a period of unforeseen difficulty.
- A proportion of unrestricted reserves be maintained in a readily realisable form.
- It has sufficient resources to meet its liabilities as they fall due.

The calculation of the required level of reserves is an integral part of the organisation's planning, budget and forecast cycle. Our strategic plans involve delivering a breakeven or better year-end position each year with an operating cash contribution each year. This allied to our capital expenditure plans is intended to deliver an increasing year on year reserves position.

It takes into account:

- Risks associated with each stream of income and expenditure being different from that budgeted.
- Planned level of activity.
- Organisation's future commitments.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Financial health

LTE Group financial health grading with the ESFA is Good, and has been for the past 5 years. Group banking facilities in support of this grading show a positive cash balance of £22.2m at year end and total debt owing of £24.0m. This net debt position has improved by £5.9m since last y/e. There are no significant events for example notices of concern or recovery plans in place.

Novus (offender learning)

The Group via its brand Novus remains the largest provider of offender learning and skills in England and Wales. In 2016/17, the OLASS contract was novated from the SFA to the Ministry of Justice (MOJ). Novus continues to deliver across five OLASS regions and the Young People estate, currently working with 62,197 distinct learners.

Over the last few years, Novus has established a specialism in delivering programmes to offenders within secure environments and community settings and has continued to do this working with a new commissioner, the MOJ. The delivery approach is through an integrated and partnership method, working with all appropriate organisations in order to provide best value with a focus on local needs and employment or further training on release. Therefore, Novus has developed significant capacity, unrivalled experience, expertise and technical knowledge supported by a dedicated local and national infrastructure that facilitates an ability to provide a responsive and innovative approach based on individuals needs aligned to the specification of the service.

Novus has continued its strategy to diversify provision outside of the OLASS provision, in 2016/17 successfully bidding for the provision of the Learning & Skills contract at the new build prison, HMP Berwyn in Wrexham and has successfully mobilised the contract in the latter part of this year.

The MOJ have been developing the procurement approach for the OLASS 4 contract during this year and as a result, the OLASS 4 contract has been extended to the end of July 2018, with a possibility of further extension until April 2019.

Student numbers

In 2016/17 the College has delivered activity that has generated £39.3m (ESFA Funding Contracts, excluding transitional funding and payment for 15/16 over delivery of adult) in funding body main allocation funding (2015/16 – £40.9m). The College delivered approximately 33,500 (2015/16 33,000) funded qualifications and approximately 7,100 (2015/16 7,500) non-funded qualifications.

Student achievements

Students continue to prosper at the College. Success rates using ESFA methodology rose again in 2016/17 from 84.3 per cent in 2015/16 to 86.3 per cent and, while it is too early to make predictions about success rates for 2017/18 there is no reason to expect the upwards trend of the last couple of years to be reversed.

Curriculum developments

The College offers a broad range of further and higher education curriculum, which both supports the local communities and compliments the Greater Manchester skills priorities; from Entry Level courses through to Higher Education degrees. The curriculum offer includes both funded and full cost recovery provision, to meet all student requirements and needs, preparing students for careers rather than just courses and ensuring future employability.

Through the annual business planning cycle, the curriculum offer is reviewed and refreshed, to ensure that it continues to be aligned with the needs of Greater Manchester Council and Greater Manchester businesses.

Employer engagement and involvement in curriculum development continues to grow. For example, in September 2016 our first sponsored programme of study with 'Amaze' was been launched. Following on from this success the College continues to introduce employer sponsored programmes, with a total of eight offered for September 2017. In addition, further investment has been made in the employability hub in the form of strengthened employer engagement, which ensures that students, including age 16-18 study programme learners, achieve opportunities to develop their employability. Other activities that broaden the life experiences of students occur routinely, including a student conference and outstanding enrichment opportunities, which includes volunteering and charity work.

Apprenticeships

In 2016/17 the Board made the decision to close the Manchester based Apprenticeships Business Unit on the basis of quality. The unit closed on 31st July 2017. This has led to a reduction in Income of £2.2m and LTE not utilising all of its ESFA Contract.

Our Ofsted Grade 2 private provider Total People is now well placed to support the Manchester, Cheshire and wider area following the Apprenticeship Levy reforms. High quality areas of Manchester based provision in the Automotive and Construction, Pharmacy and Power based Sectors have been retained and will complement the existing business.

Future prospects

Rebranding: The group continues the process of re branding its operating divisions that will enable a more focussed approach to our chosen sectors and also maximise opportunities across the group.

Novus bids: Our Justice division, Novus, is actively involved in bidding for new work in new geographic areas as well as expanding the breadth of our delivery.

College curriculum development: a continuing evolution to reflect the Greater Manchester skills priority areas.

HE fees & adult learner loans is an area of anticipated growth.

Total People provides a platform from which to be best placed to meet the challenges of the new Apprenticeship Levy and thereby to continue to grow the apprenticeships in Greater Manchester and Cheshire.

Estates strategy

We are progressing with the strategy to consolidate our provision on fewer campuses through the development of a centre of excellence model. This approach will deliver better learning and facilities for our students at a more economic cost for our stakeholders. The rationalisation of the Estate will improve the overall condition of the Estate and reduce property running costs in the coming years.

Local Area Review

We continue to contribute to the Greater Manchester area review process and have held discussions aimed at bringing a Greater Manchester college into our group structure. We have also been approached by several out of area colleges, only one of which offers genuine strategic synergies. This will be subject to formal due diligence in 2018.

Events after end of reporting period

MOJ tender process for Olass 5 is likely to commence in January 2018.

RESOURCES:

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

Financial

The Group has £49.0m (2016 £42.5m) of net assets (including £26.8m pension deficit liability (2016 £29.6m)) and long-term debt of £22m(2016 £24m). The Group net assets have increased mainly because of the drop in provision for defined pension benefit obligation of £2.8m from prior year.

People

The Group employs 3,351 people (expressed as full time equivalents), of whom 1,838 are teaching staff.

Reputation

The College has a strong reputation locally and nationally. Maintaining a quality brand is essential for the College's success at attracting learners and external relationships. Strong learner satisfaction survey (QDP) results show that 91% (90% 2015/16) are satisfied with their study programme and 93% (91% 2015/16) are satisfied that they have made good progress, further, the majority of learners would recommend the College to a friend.

In June 2017, the Teaching Excellence Framework (TEF) Panel judged that "The Manchester College delivers high-quality teaching, learning and outcomes for its students. It consistently exceeds rigorous national quality requirements for UK higher education" and a descriptor of Silver was awarded. This is a good outcome and positions the College favourably in respect of current and potential students, and other key stakeholders as this is a national quality award. Further, Universities and Colleges in England that have a TEF award can increase their tuition fees in line with inflation, for full-time undergraduate UK and EU students.

Total People is consistently a Grade 2 Ofsted provider and this was confirmed by the 16/17 inspection. It is also a Matrix approved provider and has success rates c10% higher than the national average. This year's Government survey of Apprenticeship Providers found 92% of Employers and 87% of Young People were positive about the experience of working with Total People.

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. The Group incurred no interest charges in respect of late payment for this period.

PRINCIPAL RISKS AND UNCERTAINTIES:

The Group 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 Group's assets and reputation.

Based on the strategic plan, the Risk Management Group undertakes a comprehensive review of the risks to which the Group is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the Group. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the Risk Management Group will also consider any risks which may arise as a result of a new area of work being undertaken by the Group.

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

Outlined below is a description of the principal risk factors that may affect the Group. Not all the factors are within the Group's control. Other factors besides those listed below may also adversely affect the Group.

Strategic risks

These are high level strategic risks:

- Achievement of the Group Structure plans: the creation of a group structure with subsidiaries will both support continued growth and diversification of income as well as enabling risk to be better managed.
- Any area review outcomes are wholly consistent with the Group's development plans: our curriculum plans and estates strategy have been delayed while we awaited the implementation of the area based review recommendations.
- Estates Strategy plans provide the appropriate learning environments and improved overhead cost base to deliver the training and skills needs for our 2020 vision.
- Maintain/improve the group's profile within the offender learning sector: We are diversifying via tender bids as well as preparing for the OLASS 5 (PEF) re-tender and the change in focus that government policy may bring.
- Further cuts in government funding: especially in ESFA funding at short notice makes it very difficult to manage the implementation of medium term strategies.
- Impacts of Apprenticeship Levy Reforms are still in the early stages of being played out and hence it is difficult to properly plan for the implementation of this significant change in the way apprenticeships are contracted and funded.

Operational risks

1. Government funding

The Group has decreasing reliance on continued government funding through the further education sector funding bodies and through HEFCE. In 2016/17, less than 40% of the Group's revenue was grant funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The Group is aware of several issues which may impact on future funding;

- Full certainty of Apprenticeship Levy Reform will not be confirmed until first quarter 2018. There is still some uncertainty about the levy because the Contract for the Jan 18- Mar 19 period has not yet been awarded by the ESFA.
- In terms of OLASS contract funding, the current contract has been extended to July 2018 and the full procurement process is still not confirmed by the Ministry of Justice. However, preparations are underway to ensure that we are positioned to respond to any changes.
- The new public HE body, the Office for Students, which replaces the existing teaching standards, market entry and widening participation functions carried out by HEFCE and the Office For Fair Access, creates some uncertainty in the way in which widening access and outreach activities are funded in the future.
- The Group currently has net debt of £24.0m after repayments in year of £2.0m. Our budget for 2017/18 sees a further reduction of £2.0m. Our loan covenants are being cleared with sufficient headroom for a doubling of current debt levels.

The introduction of the Government's Apprenticeship Levy reforms during 16/17 has led to a national reduction in activity in Q4 2016/17 versus 2014/15 and 2015/16. Total People is working with its current and new Employers to support them through this transition and to continue to deliver high quality learning.

The risk of reduced government funding is mitigated in a number of ways:

- Diversification in non-government funded income streams; direct and indirect contractual arrangements, growth in full cost recovery, Advanced Learner Loans, increased Higher Education learner numbers and specific bids and tenders.

- By ensuring the Group is rigorous in delivering high quality education and training.
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies.
- Ensuring the Group is focused on those priority sectors which will continue to benefit from public funding.
- Regular dialogue with funding bodies.
- Comprehensive review each year of the Higher Education pricing strategy and bursary offer.
- Diversification into new geographical regions, for example Wales with our new joint venture with Coleg Cambria, named Novus Cambria, to support justice sector delivery in Wales.
- Efficiency programmes linked to business systems (e.g. HR, Finance and Payroll)

Other operational risks

2. Tuition fee policy

Ministers have confirmed that the co-funded fee assumption for adult further education provision remains at 50%. In line with the majority of other colleges, The Manchester College will increase tuition fees in accordance with the fee assumptions. However, fewer learners are assessed as co-funded as more fall into the Advanced Learner Loan category.

Higher Education tuition fees are competitive locally and reviewed annually. For 2017/18 entrants, fees range from £7,000 to £8,900, with the higher rate for the resource intensive subjects. The new Teaching Excellence Framework rating of silver supports the College position versus competition favourably. As more fees are payable by loan it is uncertain the impact this will have on learner numbers.

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students
- Close monitoring of the demand for courses as prices change and careful management of any fee increases.
- Robust Student Loan and Credit control procedures

3. Maintain adequate funding of pension liabilities

The financial statements report the share of the Local Government Pension Scheme deficit on the Group's balance sheet in line with the requirements of FRS 102.

This risk is mitigated by an agreed deficit recovery plan with the Greater Manchester Pension Fund.

4. Failure to maintain the financial viability of the College

The Group's current financial health grade is classified as "good" as described above. This is largely the consequence of a consistently strong operating performance and management of cash. Notwithstanding that, the continuing challenge to the Group's financial position remains funding constraints arising from public sector spending cuts and slow implementation of Levy reforms whilst maintaining the learner experience across the group. This risk is mitigated in a number of ways:

- By rigorous budget setting procedures and sensitivity analysis
- Regular in year budget monitoring
- Robust financial controls
- Exploring ongoing procurement efficiencies
- Tendering for new contracts

5. Health and Safety

Policy and Arrangements
Stakeholders understand roles and responsibilities. Policies, procedures and guidance are appropriate to Group activities and available to stakeholders. Failure to deliver may result in non-compliance with regulatory requirements. An effective Safety, Health and Environment (SHE) policy provides direction and defines/communicates roles, responsibilities and authorities for identifying hazards, managing risks, preventing incidents and improving work processes. LTE Group will develop its organisational arrangements to ensure: a sensible and proportionate approach to SHE management is evident; foreseeable risks are controlled; colleagues, learners, partners and visitors understand roles and responsibilities.

Additional Controls: OHSAS 18001 Accreditation
OHSAS 18001 Surveillance Audits.

Communication and Engagement
LTE Group encourages participation of colleagues, learners, partners and visitors. Positive behaviours are recognised and encouraged. The LTE Group encourage participation in SHE matters. Positive behaviours are encouraged and recognised; Raise stakeholder awareness of SHE performance and requirements; Embed an understanding of hazard and risk; Encourage stakeholder participation in SHE initiatives; Communicate SHE performance and requirements to stakeholders.

Additional Controls: Introduction of Safety Committee meetings.
Inclusion of SHE on operational review agendas.
Monitor progress against KPI.
Improved staff recognition.
Greater emphasis on near miss and potential concern reporting.

Ineffective Emergency Planning
Framework for safety, health and environmental management has been provided. Limited emergency response plans are in place.

Additional Controls: LTE Group business continuity plan.
Liaison with Manchester Civil Contingency forum.
Planned preventative maintenance scheme and compliance calendar.

Going concern

The Group believes it will be able to continue in operation and meet its liabilities taking account of the current position and principal risks. We have prepared a 24-month cash flow forecast which is regularly updated and reviewed by both the executive team and governors. Our planning process is detailed and thorough and is again reviewed by executive team and governors with assumptions and sensitivities being tested.

Key risks such as reductions in funding, the introduction of the apprenticeship levy, the upcoming OLASS 5 re-tender, the economic situation and our estates strategy have all been factored into our planning assumptions and mean that the going concern position has been well tested.

Brexit

On 23 June 2016, the UK voted to leave the European Union. The implications for organisations are in most cases not yet clear but following the referendum result LTE Group will continue to review what the key implications and impacts are likely to be. Factors likely to be specifically relevant to LTE Group include the following:

- Ability to apply for European Social Funds in the future. Bids for European Social Funds submitted prior to Brexit have been processed and now approved and LTE Group has been awarded one such tender.
- Only 1.1% of tuition fees came from international students.

STAKEHOLDER RELATIONSHIPS

In line with other colleges and with universities, LTE Group has many stakeholders. These include:

- Students;
- Education sector funding bodies;
- Staff;
- Local employers (with specific links);
- Local authorities;
- Local Enterprise Partnerships (LEPs);

- The local community;
- Other FE institutions;
- Trade unions;
- Banks
- Ministry of Justice (MOJ)
- National employers
- Professional bodies
- Greater Manchester Mayor and devolved government
- MPs – local elected members

LTE Group recognises the importance of these relationships and engages in regular communication with them through the Group's internet site and by meetings.

Equal opportunities

LTE Group is committed to ensuring equality of opportunity for all who learn and work here. 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 Group's Equality Policy is published on its website.

LTE Group publishes an Annual Equality & Diversity Report to ensure compliance with all relevant equality legislation including the Equality Act 2010. The report is available on the Group's website. The Group undertakes equality impact assessments on all new policies and procedures and publishes the results. Equality impact assessments are also undertaken for existing policies and procedures on a prioritised basis.

LTE Group is a 'Positive about Disabled' employer and has committed to the principles and objectives of the Positive about Disabled standard. The Group 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 LTE Group continues. The Group'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.

LTE Group has committed to the 'Mindful Employer' initiative to assist the mental health wellbeing of staff. The Group has achieved accreditation to the Committed to Equality (C2E) standard at the gold (highest) level. The Group has also implemented an updated Equality & Diversity training programme which all staff have attended. Refresher training and training for new starters takes place on an ongoing basis.

Disability statement

The LTE Group seeks to achieve the objectives set out in the Equality Act 2010 (which brings together and restates the previous legislation in this area).

Each Operating Division complies with the Equality Act 2010 and the regulatory guidelines for its sector as appropriate, including funding regulations and MOJ guidelines for HM Prison Service.

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 Group's auditors are unaware. 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 Group's auditors are aware of that information.

This Strategic Report was approved by order of the Corporation on 12th December 2017 and signed on its behalf by:

....

Councillor Sue Murphy CBE

Chair of Governors

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The following statement is provided to enable readers of the annual report and accounts of LTE Group 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.

LTE Group endeavours to conduct its business:

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

LTE Group is committed to exhibiting best practice in all aspects of Corporate Governance and in particular LTE Group has resolved to adhere to and comply with the Code of Good Governance for English Colleges. We have not adopted and therefore do not apply the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.

In the opinion of the Board of Governors, LTE Group has complied with all the provisions of the Governance Code, and it has complied throughout the year ended 31 July 2017. The Board of Governors recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of Corporate Governance at all times. In carrying out its responsibilities, it takes full account of the Code of Good Governance for English Colleges which was published by the Association of Colleges in March 2015 and which was formally recognised by the Board of Governors in May 2015.

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

Corporation performance

The Corporation carried out a self-assessment of its own performance for the year ended 31st July 2017 and concluded that the Corporation had undertaken its duties and responsibilities to a high standard during the year 2016/17.

THE BOARD OF GOVERNORS

The composition of the Board of Governors is set out on page 17 and 18. It is the Board of Governors' responsibility to bring independent judgment to bear on issues of strategy, performance, resources and standards of conduct.

The Board of Governors is provided with regular and timely information on the overall financial performance of LTE Group together with other information to enable it to discharge its strategic and statutory responsibilities under s.18 of the Further and Higher Education Act 1992. This includes information on performance against funding targets, proposed capital expenditure, estates strategy, quality matters and related matters such as risk, health and safety and environmental issues. The Board of Governors meets quarterly.

The Board of Governors conducts its business through a structure of Divisional Boards and cross group Committees. Each Board and Committee has terms of reference, which have been approved by the Board of Governors. For 2016/17 the Divisional Boards were: FE, HE, Novus and Group Services. The cross group Committees were: Audit & Risk, Appointments, Remuneration and the Investment and Estates Strategy Group. From time to time the work of the Board is augmented by Single Task Groups (STG), established under generic terms of reference as required. During 2016/17 the following STGs convened: Governance and Work Based Learning.

In order to undertake effective and appropriate governance of the Group, the Board of Governors augmented the membership of Divisional Boards and cross group Committees with a number of co-optees with appropriate professional expertise.

Full minutes of all meetings, except those deemed to be confidential by the Board of Governors, are available on the LTE Group website www.ltegroup.co.uk or from the Legal & Governance Department at:

LTE Group, Whitworth House, Ashton Old Road, Openshaw Manchester M11 2WH

The Company Secretary & General Counsel maintains a register of the financial and personal interests of Governors and Co-optees. The register is available for inspection at the above address.

All Governors are able to take independent professional advice in furtherance of their duties at LTE Group's expense and have access to the Company Secretary & General Counsel, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Company Secretary & General Counsel are matters for the Board of Governors as a whole.

Formal agendas, papers and reports are supplied to Governors in a timely manner, prior to the Board of Governors meetings. Briefings are also provided on a regular but ad hoc basis.

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

There is a clear division of responsibility in that the roles of the Chair of the Board of Governors and the Chief Executive Officer of the LTE Group are separate.

There were 4 meetings of the Board of Governors in 2016-17 (13 Sep 2016, 6 Dec 2016, 28 Mar 2017 and 18 Jul 2017)

APPOINTMENT TO THE BOARD OF GOVERNORS

Any new appointments to the Board of Governors are a matter for the consideration of the Board of Governors as a whole. The Board of Governors has an Appointments Committee which is responsible for the selection and nomination of any new member for the Board of Governors consideration. The Board of Governors is responsible for ensuring that appropriate training is provided as required.

Members of the Board of Governors are appointed for three terms of office not exceeding three years.

Ms K Moyana completed her term of office as a student Governor in July 2017 and was appointed to the HE Board as a Co-optee from 1 August 2017 for a term of three years.

Mr M Sugden completed a year as a Co-optee and was appointed to the Group Board from 1 August 2017 for a term of three years.

Ms C Carroll's and Mr K Clark's terms of office as staff Governors were extended to May 2018 to support the interim Governance structure.

MEMBERS

Those serving on the LTE Group Board during 2016/17 and up to the date of signature of this report are set out below:

Name	Date of appointment	Term of office	End of membership	Reason	Status of appointment	Committees served	Attendance in 2016/17
Ms J Burden	09.12.14	4 years			External member	FE Board	4/10
Mr D Cain	09.12.14	4 years	26.10.16	Removal from office	External member	Remuneration, Audit & Risk, HE Board, Appointments, Investments & Estates Strategy Group	0/2
Ms C Carroll	18.01.13	4 years			Staff member		3/4
Mr K Clark	03.06.14	2 years			Staff member		3/4
Cllr J Hacking	13.09.16	3 years			External member	FE Board, HE Board, Investment & Estates Strategy Group	7/12
Mr P Johnson	08.12.15	3 years			External member	Group Services, Investment & Estates Strategy Group	10/16
Mr P Lanigan	03.06.14	4 years			External member	Audit & Risk, WBL STG	10/12
Mr B J Lynch	09.12.14	4 years			External member	Novus Board, Group Services Board, WBL STG	16/16
Ms K Macdonald	03.06.15	3 years			External member	Novus Board, Audit & Risk	6/10
Mr A Mills	13.09.16	3 years			External member	FE Board, Group Services Board	8/11
Cllr S Murphy CBE	22.03.16	3 years			External member	Novus Board, WBL STG, Appointments, Remuneration	11/14
Ms K Moyana	08.12.15	2years	18.07.17		Student member	HE Board	4/7
Mr A Simpkin	12.12.13	4 years			External member	Investment & Estates Strategy Group, Remuneration	8/10
Mr M Sugden	18.07.17	3 years			External member		1/1
Mr J Thornhill	01.10.12	Ex officio			C.E.O	Appointments	4/4
Mrs P Waterhouse OBE	12.12.13	4 years			External member	FE Board	7/7

Members' attendance is calculated on the basis of the actual number of meetings attended out of the potential total number of meetings for each member. The potential total number of meetings differs for each member, based on the number of boards/committees they sit on. The Group Board and Divisional Boards meet four times a year while Cross Group Committees meet three times a year.

Mrs J Foote MBE serves as Company Secretary & General Counsel which encompasses the role of Clerk to the Board of Governors

Co-optees

As part of its strategic plan the Board of Governors appointed a cohort of Co-optees in the Summer of2016.

Name	Date of Appointment	Term of Office
Mr Paul Chisnell*	22.03.2016	3 years
Ms Paula Cole	22.03.2016	3 years
Mrs Monica Brij	8.07.2016	3 years
Mr Paul Candelent	8.07.2016	3 years
Miss Louise Durose	8.07.2016	3 years
Ms Frances Done	28.03.2017	3 years
Prof Eileen Fairhurst	8.07.2016	3 years
Ms Lydia Lourenco	28.03.2017	31.07.2017 (end academic year)
Mrs Barbara Rollin	8.07.2016	3 years
Mrs Jackie Whalley	8.07.2016	3 years
Mr Peter Winter	8.07.2016	3 years
Mr Malcolm Sugden	8.07.2016	3 years

*Mr Paul Chisnell is taking a one year sabbatical from June 2017.

APPOINTMENTS COMMITTEE

Throughout the year ended 31 July 2017 the membership of the Committee was made up of Cllr S Murphy CBE, Cllr J Hacking and Mr J Thornhill and in attendance was the Company Secretary.

The Committee had no physical meetings in 2016/2017 conducting its business via electronic communication. Before the expiry of the term of office of existing Governors or upon a vacancy arising on the Board, the Committee considered the recommendation to the Board of a person or choice of persons to fill the vacancy. The Committee also undertook the same for the appointment of co-optees to the Divisional Boards and cross group committees.

REMUNERATION COMMITTEE

Throughout the year ended 31 July 2017, LTE Group's Remuneration Committee comprised Cllr J Hacking, Cllr S Murphy CBE, Mr P Lanigan and Mr A Simpkin, and in attendance was the Company Secretary. The Committee's responsibilities are to make recommendations to the Board of Governors on the remuneration and benefits of the CEO and other senior post holders.

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

Committee met on 2 occasions during 2016/17.

AUDIT & RISK COMMITTEE

The Audit & Risk Committee comprises Mr P Lanigan, Ms K Macdonald, Ms P Cole, Mr P Candelent and Mr M Sugden. In attendance were the Company Secretary; representatives of LTE Group's financial statements and reporting auditors Grant Thornton UK LLP and latterly PricewaterhouseCoopers LLP; LTE Group's internal auditors RSM and Group Officers, including the Group Finance Director and Chief Operating Officer.

The Committee operates in accordance with written terms of reference approved by the Board of Governors. Its purpose is to advise the Board of Governors on the adequacy and effectiveness of LTE Group's system of internal control and its arrangements for risk management, control and governance processes.

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

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 & Risk Committee advises the Board of Governors on the appointment of both the internal and the regularity and financial statements auditors and on their remuneration for audit and non-audit work. The Audit & Risk Committee reports annually to the Board of Governors.

Other duties included: -

i. the scrutiny of the Financial Statements/Report of Members

ii. to review LTE Group's Financial Statements

iii. to review arrangements for securing value for money, solvency and safeguarding assets

iv. to monitor on behalf of the Board of Governors the implementation of the Freedom of Information Act

The Committee met on 3 occasions in 2016/17.

INVESTMENT AND ESTATES ADVISORY GROUP

In May 2016 the Estates Advisory Group was replaced by the Investment and Estates Strategy Group with an expanded role to include an investment remit. The Investment and Estates Strategy Group comprised Mr A Simpkin, Mr P Johnson, Mr J Thornhill, Mrs L O'Loughlin, Mr R Cressey, Mrs M Brij, Mr P Candelent, Mrs B Rollin and Mrs J Whalley.

The Committee met on 4 occasions during 2016/17.

GOVERNANCE SINGLE TASK GROUP

Throughout the year ended 31 July 2017 the membership of the Governance Single Task Group was made up of Mr A Mills, Mr B Lynch and Ms J Burden and in attendance was the Company Secretary.

The Governance STG had one meeting during 2016/17. The Committee consider the development of governance in the Group; the transition from the interim structure to a full legal group structure and the skills needs of governors and co-optees required to effect the change and give proper oversight thereto.

WORK-BASED LEARNING SINGLE TASK GROUP

Throughout the year ended 31 July 2017 the membership of the Work Based Learning Single Task Group was made up of Mr B Lynch, Mr P Lanigan and Cllr S Murphy CBE and in attendance was the Company Secretary.

The Work Based Learning STG had 5 meetings during 2016/17. The Committee was established to consider and implement the strategic options for the College Apprenticeship Unit and to maintain rigorous oversight of that strategy through to its conclusion in July 2017.

Interim Governance Structure

As part of its strategic plan LTE Group approved the move to an interim governance structure which was implemented in 2015/16 and further developed in 2016/17. Five Divisional Boards were established to assure detailed governance and oversight of the Group's five business units. The Estates Advisory Group committee (later replaced by the Investment and Estates Advisory Group) was also established in 2015/16 to oversee significant investments and estates planning for the Group. None of the Divisional Boards have any powers of determination, other than those which may be granted explicitly by the Board for a specific purpose but are instead required to recommend a course/courses of action for determination by the Board of Governors.

All Divisional Boards are required to undertake the following duties as they relate to the relevant business area:

1. To monitor the performance of the relevant provision of the college against targets set by the Corporation

2. To develop relevant strategy

3. In respect of the relevant provision in the college, to have oversight of:

    i. the quality of teaching and learning
    ii. the learner voice
    iii. the financial performance against budget
    iv. health & safety, safeguarding and equality & diversity
    v. risk management
    vi. HR/IT

4. To escalate any issues arising from the above to the attention of the Board of Governors

5. To approve any policies specific to the delivery of relevant provision, as delegated by the Board

6. In respect of the relevant provision, to consider any business case or investment plan prior to its recommendation to the Board

7. In undertaking the above the Divisional Board shall undertake appropriate engagement with relevant staff and student bodies.

FE Divisional Board

Throughout the year ended 31 July 2017 the membership of the FE Divisional Board was made up of Ms J Burden, Cllr J Hacking, Mr A Mills, Mrs L O'Loughlin, Mrs P Waterhouse OBE, Ms L Lourenco and Mr M Sugden and in attendance was the Company Secretary.

The Board met on 3 occasions in 2016/17.

HE Divisional Board

Throughout the year ended 31 July 2017 the membership of the HE Divisional Board was made up of Cllr J Hacking, Ms J Burden, Mrs L O'Loughlin, Ms K Moyana, Ms P Cole, Mr P Winter, Prof E Fairhurst and Mr P Chisnell and in attendance was the Company Secretary.

The Committee met on 3 occasions in 2016/17.

Novus Divisional Board

Throughout the year ended 31 July 2017 the membership of the Novus Divisional Board was made up of Mr B Lynch, Ms K Macdonald, Cllr Sue Murphy CBE, Mr P Johnson, Mr P Cox, Mrs M Brij, Ms F Done and in attendance was the Company Secretary.

The Board met on 3 occasions in 2016/17.

Group Services Board

The Group Services Board was established in 2016/17 to undertake the oversight of the operation of Group Services on behalf of the Board of Governors.

Throughout the year ended 31 July 2017 the membership of the Group Services Divisional Board was made up of Mr B Lynch, Mr P Johnson, Mr A Mills, Mr P Taylor, Mr R Cressey, Mr P Chisnell and Mrs B Rollin.

The Board met on 4 occasions in 2016/17.

INTERNAL CONTROL

Scope of Responsibility

The Board of Governors is ultimately responsible for LTE Group'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 Board of Governors has delegated the day-to-day responsibility to the Chief Executive Officer, as Accounting Officer. The CEO is responsible for maintaining a sound system of internal control that supports the achievement of LTE Group's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum between LTE Group and the funding bodies. He is also responsible for reporting to the Board of Governors 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 Group 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 LTE Group for the year ended 31 July 2017 and up to the date of approval of the annual report and accounts.

LTE Group retain the internal audit services of RSM Risk Assurance LLP who conduct an annual programme of internal audit assurance and report to the Audit & Risk Committee. In addition, the Finance Department monitor the implementation of the internal auditor's recommendations and report separately on these to the Audit & Risk Committee.

Capacity to Handle Risk

The Board of Governors has reviewed the key risks to which LTE Group is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board of Governors is of the view that there is a formal ongoing process for identifying, evaluating and managing LTE Group's significant risks. This process has been in place for the year ended 31 July 2017 and up to the date of approval of the annual report and accounts. The process is regularly reviewed by the Audit & Risk Committee and the Board of Governors.

The Risk and Control Framework

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

• comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Board of Governors;

• regular reviews by the Board of Governors 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.

A senior manager, acting as the Risk Manager, compiles LTE Group's Risk Register, and oversees the development and delivery of an Action Plan to manage identified risks. The Risk Register and Action Plan are reviewed by the Risk Management Group which meets regularly and consists of the senior managers responsible for the identified areas of risk. The work of this group is reviewed by the Chief Operating Officer and reported regularly to LTE Group's Audit & Risk Committee and Board of Governors.

LTE Group 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 the analysis of the risks to which LTE Group 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 Board of Governors on the recommendation of the Audit & Risk Committee. At a minimum annually, the Head of Internal Audit (HIA) provides the Board of Governors with a report on internal audit activity in LTE Group.

The report includes the HIA's independent opinion on the adequacy and effectiveness of LTE Group's system of risk management, controls and governance processes.

Review of Effectiveness

As Accounting Officer, the CEO has responsibility for reviewing the effectiveness of the system of internal control. The CEO 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 LTE Group who have responsibility for the development and maintenance of the internal control framework; and
• comments made by LTE Group's financial statements auditors and reporting accountants for regularity assurance in their management letters and other reports.

The CEO has been advised on the implications of the result of his review of the effectiveness of the system of internal control by the Audit & Risk Committee which oversees the work of the internal auditor and other sources of assurance and risk committee, 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 department and reinforced by risk awareness training.

The Executive Team and the Audit & Risk Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit & Risk Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Board of Governors agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit & Risk Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

Based on the advice of the Audit & Risk Committee and the CEO the Board of Governors is of the opinion that LTE Group has an adequate and effective framework for governance, risk management and control. The Board of Governors of LTE Group is of the opinion that LTE Group 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

LTE Group's activities, its current financial position and factors likely to affect its future development are set out within the Strategic report. LTE Group has in place a three year financial plan and has prepared detailed cash flow forecasts which have been sensitised to take account of a number of reasonably possible scenarios and show LTE Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to be appropriate to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 12th December 2017 and signed on its behalf by:

....	....
Cllr S Murphy ~~CBE~~	**John Thornhill**
Chair of Governors	**Chief Executive Officer**

GOVERNING BODY'S STATEMENT ON LTE GROUP'S REGULARITY, PROPRIETY AND COMPLIANCE WITH FUNDING BODY TERMS AND CONDITIONS OF FUNDING

The Corporation has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the Group'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 irregularity or improper use of funds by LTE Group, or material non-compliance with the terms and conditions of funding under LTE Group's financial memorandum.

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

Cllr Sue Murphy CBE
Chair of Governors
Date: 12 December 2017

John Thornhill
Chief Executive Officer
Date: 12 December 2017

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. Under the terms and conditions of the Financial Memorandum between the ESFA and the LTE Group, the Corporation, through its Chief Executive Officer, is required to prepare financial statements for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education and with the College Accounts Direction 2016 to 2017 issued by the ESFA and which give a true and fair view of the state of affairs of LTE Group and the result for that year.

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

• select suitable accounting policies and apply them consistently

• make judgements and estimates that are reasonable and prudent

• state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements

• prepare financial statements on the going concern basis, unless it is inappropriate to assume that LTE Group will continue in operation.

The Corporation is also required to prepare a Strategic report which describes what it is trying to do and how it is going about it, including the legal and administrative status of LTE Group.

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of LTE Group, 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 LTE Group and to prevent and detect fraud and other irregularities.

The maintenance and integrity of the LTE Group website is the responsibility of the LTE Group; 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 Skills Funding Agency are used only in accordance with the Financial Memorandum with the Education and Skills Funding Agency and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly.

In addition, members of the Corporation are responsible for securing economical, efficient and effective management of LTE Group's resources and expenditure, so that the benefits that should be derived from the application of public funds from the Education and Skills Funding Agency are not put at risk.

Approved by order of the members of the Corporation on 12th December 2017 and signed on its behalf by:

....

Cllr S Murphy CBE
Chair of Governors

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF LTE GROUP (the "institution")

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the group's and of the parent institution's affairs as at 31 July 2017 and of the group's income and expenditure and cash flows for the year then ended;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and

- have been properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

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

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

Reporting on other information

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the Corporation for the financial statements

As explained more fully in the Statement of Responsibilities of the members of the corporation, the Corporation is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Corporation is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other Required Reporting

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

In our opinion, in all material respects:

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

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
21 **December 2017**

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO THE CORPORATION OF THE LTE GROUP AND THE SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE EDUCATION AND SKILLS FUNDING AGENCY

In accordance with the terms of our engagement letter dated 3 October 2017 and further to the requirements of the financial memorandum with the Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by the LTE Group 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 issued by the Education and Skills Funding Agency. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which Education and Skills Funding Agency has other assurance arrangements in place.

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

Respective responsibilities of the LTE Group and the reporting accountant

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

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

Approach

We conducted our engagement in accordance with the Post-16 Audit Code of Practice issued jointly by the Education and Skills Funding Agency. 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 corporation's income and expenditure.

The work undertaken to draw to our conclusion includes:

- Reviewing the Self-Assessment Questionnaire which supports the Governing Body's statement included in the statement on regularity, propriety and compliance with the funding body terms and conditions;
- Examining the Group's financial procedures to assess its procedures for safeguarding its assets;
- Understanding the Group's controls over the financial performance of non-core activities, subsidiaries and other group entities;
- Understanding the Group's Estates Strategy and testing the authorisation of fixed asset disposals;
- Obtaining copies of the Group's policy on gifts and hospitality, whistleblowing, and sample testing of staff expense claims;
- Testing the proper application of specific purpose funds;
- Testing transactions with related parties;

- Confirming through enquiry and sample testing that the Group has complied with its procurement policies; and
- Considering any evidence of impropriety or irregularity identified through our work and determining whether it is significant enough to be referred to in our regularity report.

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.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
21 December 2017

FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2017

Consolidated and Corporation Statements of Comprehensive Income and Expenditure

	Note(-s)	Year ended 31 July 2017 Group £'000	Year ended 31 July 2017 Corporation £'000	Year ended 31 July 2016 Group £'000	Year ended 31 July 2016 Corporation £'000
INCOME					
Funding body grants	3	149,119	133,713	145,790	131,614
Tuition fees and education contracts	4	21,971	20,686	20,352	19,606
Other income	5	12,941	10,278	21,092	20,909
Endowment and investment income	6	49	48	108	107
Total income		**184,080**	**164,725**	**187,342**	**172,236**
EXPENDITURE					
Staff costs	7	126,526	119,208	126,741	120,990
Fundamental restructuring costs	7	2,046	2,046	5,110	5,110
Other operating expenses	8	45,675	34,237	46,682	37,534
Depreciation & amortisation	11, 12	7,068	6,819	6,990	6,491
Interest and other finance costs	9	2,025	2,025	1,660	1,660
Total expenditure		**183,340**	**164,335**	**187,183**	**171,785**
Surplus before other gains and losses		**740**	**390**	**159**	**451**
Profit on disposal of assets		91	91	-	-
Surplus before tax		**831**	**481**	**159**	**451**
Taxation	10	(11)	-	(39)	-
Surplus for the year		**820**	**481**	**120**	**451**
Other Comprehensive income/(expense)					
Actuarial gain/(loss) in respect of pension scheme	22	5,681	5,681	(19,151)	(19,151)
Total Comprehensive Income/(expense) for the year		**6,501**	**6,162**	**(19,031)**	**(18,700)**
Represented by:					
Unrestricted comprehensive income/(expense)		**6,501**	**6,162**	**(19,031)**	**(18,700)**

The accompanying notes form part of these financial statements

FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2017

Consolidated and Corporation Statements of Changes in Reserves
For the year ended 31 July 2017

	Income and Expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Consolidated			
Balance at 1 August 2015	55,893	5,671	61,564
Surplus for the year	120	-	120
Other comprehensive expense	(19,151)	-	(19,151)
Transfers between revaluation and income and expenditure reserves	229	(229)	-
Total comprehensive expense for the year	(18,802)	(229)	(19,031)
Balance at 31 July 2016	**37,091**	**5,442**	**42,533**
Surplus for the year	820	-	820
Other comprehensive income	5,681	-	5,681
Transfers between revaluation and income and expenditure reserves	239	(239)	-
Total comprehensive income/(expense) for the year	**6,740**	**(239)**	**6,501**
Balance at 31 July 2017	**43,831**	**5,203**	**49,034**
Corporation			
Balance at 1 August 2015	**55,750**	**5,671**	**61,421**
Surplus for the year	451	-	451
Other comprehensive expense	(19,151)	-	(19,151)
Transfers between revaluation and income and expenditure reserves	229	(229)	-
Total comprehensive expense for the year	**(18,471)**	**(229)**	**(18,700)**
Balance at 31 July 2016	**37,279**	**5,442**	**42,721**
Surplus for the year	481	-	481
Other comprehensive income	5,681	-	5,681
Transfers between revaluation and income and expenditure reserves	239	(239)	-
Total comprehensive income/(expense) for the year	**6,401**	**(239)**	**6,162**
Balance at 31 July 2017	**43,680**	**5,203**	**48,883**

Balance Sheets as at 31 July 2017

	Note	Consolidated 2017 £'000	Corporation 2017 £'000	Consolidated 2016 £'000	Corporation 2016 £'000
Non-current assets					
Intangible assets	11	1,910	248	1,735	282
Tangible fixed assets	12	114,081	113,472	115,403	115,025
Investments	13	-	3,015	-	2,715
		115,991	**116,735**	**117,138**	**118,022**
Current assets					
Fixed assets held for sale		-	-	2,000	2,000
Stocks		30	30	44	44
Trade and other receivables	14	12,608	10,186	9,023	7,228
Cash and cash equivalents	19	22,167	19,566	18,261	17,636
		34,805	**29,782**	**29,328**	**26,908**
Less: Creditors – amounts falling due within one year	15	(28,743)	(24,668)	(24,441)	(22,759)
Net current assets		**6,062**	**5,114**	**4,887**	**4,149**
Total assets less current liabilities		**122,053**	**121,849**	**122,025**	**122,171**
Less: Creditors – amounts falling due after more than one year	16	(44,252)	(44,252)	(47,870)	(47,870)
Provisions					
Defined pension benefit obligations	22	(26,831)	(26,831)	(29,583)	(29,583)
Other provisions	18	(1,936)	(1,883)	(2,039)	(1,997)
Total net assets		**49,034**	**48,883**	**42,533**	**42,721**
Unrestricted reserves					
Income and expenditure account		43,831	43,680	37,091	37,279
Revaluation reserve		5,203	5,203	5,442	5,442
Total unrestricted reserves		**49,034**	**48,883**	**42,533**	**42,721**

The financial statements on pages 29 to 56 were approved and authorised for issue by the Corporation on 12 December 2017 and were signed on its behalf on that date by:

Cllr Sue Murphy CBE
Chair of Governors

John Thornhill
Chief Executive Officer and Accounting Officer

Consolidated Statement of Cash Flows

	Note	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Cash inflow from operating activities			
Surplus for the year		820	120
Adjustment for non-cash items			
Depreciation & amortisation		7,068	6,990
Decrease/(Increase) in stocks		14	(10)
(Increase)/decrease in debtors		(4,124)	2,208
Increase/(decrease) in creditors due within one year		4,864	(3,476)
decrease in creditors due after one year		(1,624)	(1,560)
Decrease in provisions		(114)	(134)
Pensions costs less contributions payable		2,926	1,735
Taxation		11	39
Adjustment for investing or financing activities			
Investment income		(49)	(108)
Interest payable		1,225	1,304
Taxation paid		-	-
Profit on sale of fixed assets		(91)	(3)
Net cash flow from operating activities		**10,926**	**7,105**
Cash flows from investing activities			
Proceeds from sale of fixed assets		2,104	71
Investment income		49	108
Payments made to acquire fixed assets		(5,633)	(7,084)
Capital grants received		-	152
Purchase of subs undertaking		(300)	(600)
Net cash flow from investing activities		**(3,780)**	**(7,353)**
Cash flows from financing activities			
Interest paid		(1,225)	(1,304)
Repayments of amounts borrowed		(2,015)	(2,015)
Net cash flow from financing activities		**(3,240)**	**(3,319)**
Increase / (decrease) in cash and cash equivalents in the year		**3,906**	**(3,567)**
Cash and cash equivalents at beginning of the year	19	18,261	21,828
Cash and cash equivalents at end of the year	**19**	**22,167**	**18,261**

NOTES TO THE FINANCIAL STATEMENTS

1. LEGAL STATUS AND REGISTERED OFFICE

The Manchester College was established as a statutory corporation under the Further and Higher Education Act 1992 and statutory instrument 2008 No 1418 with effect from 1 August 2008. The Manchester College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

The Manchester College commenced trading as LTE Group on 1 February 2016. On 1 June 2017 the Manchester College changed its name to LTE Group (the "Group). LTE Group includes Total People Holdings Ltd, a private Apprenticeship provider, which was acquired on 31 July 2015 and Novus Cambria, a joint venture with Coleg Cambria which was established on 29 September 2016.

Registered office:
Openshaw Campus & Administration Centre
Ashton Old Road
Manchest
er M11
2WH

2. ACCOUNTING POLICIES

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

Basis of preparation

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

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

Basis of accounting

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

Basis of consolidation

The consolidated financial statements include the Group and its subsidiary undertakings, controlled by the Group. Under the purchase method of accounting, the results of subsidiary and associated undertakings acquired or disposed of during the period are included in the consolidated income and expenditure account from or up to the date on which control of the undertaking passes. Intra group sales and profits are eliminated fully on consolidation. All financial statements are made up to 31 July 2017.

Going Concern

The Group's activities, its current financial position and factors likely to affect its future development are set out within the Strategic report. The Group has in place a two-year financial plan and has prepared detailed cash flow forecasts which have been sensitised to take account of a number of reasonably possible scenarios and show the Group has adequate resources to continue in operational existence for the foreseeable future. Due consideration has been taken of adult funding reductions, the need for quality provision, and pay related cost increases.

The Group has net debt of £1.8m at year end (£24.0m debt and £22.2m cash reserves). The debt equates to less than 15% of income, so based on the ABR benchmarks of up to 30% on income for debt funding the Group could double its current debt position. However, although this would mean a worsening in the financial health grade to satisfactory from good. The indications from discussions with our banks is that further funding would be available if required.

For this reason, it continues to be appropriate to adopt the going concern basis in preparing the financial statements.

Recognition of income

Revenue grant funding

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

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

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

Capital grant funding

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual model as permitted by FRS 102. Other capital grants are recognised in income when the Group is entitled to the funds subject to any performance related conditions being met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the Balance Sheet and released to income as conditions are met.

Fee income

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

Investment income

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

Agency arrangements

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

Accounting for post-employment benefits

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

Teachers' Pension Scheme (TPS)

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

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

Greater Manchester Pension Scheme (GMPF)

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

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

Actuarial gains and losses are recognised immediately in actuarial gains and losses.

Short term Employment benefits

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

Enhanced Pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by the Group 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 Group's income in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the funding bodies.

Non-current Assets - Tangible fixed assets

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

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

Land and buildings

Land and buildings inherited from the Local Education Authority along with land and buildings acquired before 1 September 1997 are held on the balance sheet at the last formal revaluation which took place on 1 September 1997. The valuation determined the useful economic life of these assets to be less than those for new build which is 50 years. This valuation was on the basis of depreciated replacement cost.

Land and buildings acquired since 1 September 1997 are included in the balance sheet at historical cost. These values are retained subject to the requirement to test assets for impairment if events or changes in circumstances indicate that the carrying value of the fixed asset may not be recoverable in accordance with FRS 102.

Freehold land is not depreciated as it is considered to have infinite useful life.
Freehold buildings are depreciated over their expected useful economic life to the Group of 50 years.

However, refurbishment/additions to existing buildings and leasehold improvements are depreciated over their remaining useful lives or lease lives whichever is the lesser.

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

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

On adoption of FRS 102, the Group followed the transitional provision to retain the book value of land and buildings, which were revalued in 1997, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

Assets under construction

Buildings under construction are accounted for at cost, based on the value of architects' certificates and other direct costs incurred to 31 July. They are not depreciated until they are brought into use.

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- Market value of the fixed asset has subsequently improved
- Asset capacity increases
- Substantial improvement in the quality of output or reduction in operating costs
- Significant extension of the asset's life beyond that conferred by repairs and maintenance

Equipment

Equipment costing less than £5,000 per individual item is written off to the income and expenditure account in the year of acquisition. All other equipment is capitalised at cost. Equipment is depreciated over its useful economic life on a straight line basis at the following rates:

Fixtures and fittings	3 years - 10 years
Electronic equipment	4 years
Computer software	3 years
Other plant & equipment	6 years - 10
years Motor vehicles	4 years

All above categories are classified as Equipment.

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

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

Goodwill

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities acquired. Goodwill is capitalised and amortised to the income and expenditure account over its estimated economic life of 10 years.

Intangible assets

For all other intangible assets amortisation is provided on a straight-line basis over their estimated useful life. The amortisation period and the amortisation method for intangible assets are reviewed at each financial year-end.

- Customer related and contract-based intangibles

Customer relations are carried at cost less accumulated amortisation and any impairment losses. Cost is defined as the fair value as at the date of the business combination. The carrying amounts of these intangible assets are reviewed annually for indicators that these assets may be impaired. Amortisation is provided to write down the customer relations, on a straight-line method over the estimated useful life of between 3 and 10 years. Useful economic life is dependent upon the life of the existing customer relationships at the point of acquisition, the reputational standing incorporating key management personnel with intellectual/ institutional/sector knowledge of the acquired and its demonstrable ability to maintain those relationships.

- Market-related intangibles (including branding, reputation and market share)

These intangible assets are shown at cost less accumulated amortisation and impairment losses. Cost represents fair value as at the date of the business combination. Amortisation is calculated using the straight-line method to allocate costs over the estimated useful life of the preferred supplier contracts. Useful economic life expected to be 10 years unless the acquisition is acquired specifically for resale in the short term.

- Other intangible assets – Distress cases

Other intangible assets are carried at cost less accumulated amortisation and any impairment losses. The Total People Group has a good reputation within the sector in dealing with distress cases (other failing apprenticeship providers) passed on to it by the funding body.

The account management structure is seen to have a reliable operational functionality of sufficient quality to be able to revitalise and transform liquidated or failing providers to fulfil the funding bodies' obligations. Amortisation is provided to write down other intangible assets on a straight-line method over the estimated useful life of 5 years.

- Website costs

For website costs included within intangible assets, are carried at cost less accumulated amortisation is provided on a straight-line basis over their estimated useful life. The amortisation period of 10 years and the amortisation method for intangible assets are reviewed at each financial year-end.

Borrowing costs

Finance costs which are directly attributable to the construction of land and buildings are capitalised as part of the costs, until such time when the asset comes into use. Finance costs beyond this date are charged directly to the income and expenditure account.

Investments

Fixed asset investments are carried at historical cost less any provision for impairment in their value. Results of joint ventures in which the Group has 50% or more are included in the Group's results and disclosed under related party transactions.

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives relating to leases signed after 1 August 2014 are spread over the minimum lease term. The Group has taken advantage of the transitional exemptions in FRS 102 and has retained the policy of spreading lease premiums and incentives to the date of the first market rent review for leases signed before 1 August 2014.

Stocks

Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Cash and cash equivalents

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

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

Financial liabilities and equity

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

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

Taxation

The Group 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 Group 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 to exclusively charitable purposes.

The Group is exempt from levying VAT on most of the services it provides to learners. For this reason, the Group 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.

The Group's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation with the exception of Novus Cambria, which is also considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore meets the definition of a charitable company for UK corporation tax purposes.

Provisions and contingent liabilities

Provisions are recognised when

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

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

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

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

Agency arrangements

The Group acts as an agent in the collection and payment of discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to learners are excluded from the income and expenditure account of the Group where the Group is exposed to minimal risk or enjoys minimal economic benefit related to the transaction and are shown separately in Note 24.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *Intangible assets*

  Intangible assets, are carried at cost less accumulated amortisation and any impairment losses. Cost is defined as the fair value as at the date of the business combination. The carrying amounts of these intangible assets are reviewed annually for indicators that these assets may be impaired. Amortisation is provided to write down the value using the straight-line method over the estimated useful life. Useful economic life is dependent upon the life of the specific intangible.

- *Local Government Pension Scheme*

  The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 22, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

3. FUNDING BODY GRANTS

	2017 Group £'000	2017 Corporation £'000	2016 Group £'000	2016 Corporation £'000
ESFA - adult - SFA recurrent grant	26,362	13,412	14,089	14,089
ESFA - 16-18 - EFA recurrent grant	29,278	26,843	33,559	31,004
HEFCE - recurrent grant	960	960	1,070	1,070
Other funding body - MoJ/YJB/ SFA non recurrent grant	87,361	87,361	77,889	77,889
ESFA non recurrent grant – EFA	-	-	19	19
Releases of government capital grants	1,677	1,677	2,111	2,111
ESF Co-financing	358	337	(214)	(191)
Other funds	(87)	(87)	427	413
Employer responsive	3,210	3,210	16,840	5,210
Total	**149,119**	**133,713**	**145,790**	**131,614**

4. TUITION FEES AND EDUCATION CONTRACTS

	2017 Group £'000	2017 Corporation £'000	2016 Group £'000	2016 Corporation £'000
Adult education fees	9,010	7,725	7,505	7,334
Fees for FE loan supported courses	1,097	1,097	2,020	1,445
Fees for HE loan supported courses	9,608	9,608	8,972	8,972
International students fees	249	249	243	243
Total tuition fees	19,964	18,679	18,740	17,994
Education contracts	2,007	2,007	1,612	1,612
Total	**21,971**	**20,686**	**20,352**	**19,606**

5. OTHER INCOME

	2017 Group £'000	2017 Corporation £'000	2016 Group £'000	2016 Corporation £'000
Residencies, catering and conferences	1,530	1,530	1,485	1,485
Other income generating activities	1,706	1,706	1,389	1,389
Other income - MoJ/YJB*	-	-	8,966	8,966
Other income*	9,705	7,042	9,252	9,069
Total	**12,941**	**10,278**	**21,092**	**20,909**

* This includes miscellaneous income £9,180k (2015/16 £5,556k), Rental income £525k (2015/16 £599k), Exam fee income £458k (2015/16 £460k), Nursery income £997k (2015/16 £1,047k). MoJ/YJB has been reclassified to Other funding body grants.

6. INVESTMENT INCOME

	2017 Group £'000	2017 Corporation £'000	2016 Group £'000	2016 Corporation £'000
Other investment income	44	44	83	83
Interest receivable	5	4	25	24
	49	48	108	107

7. STAFF COSTS

The average weekly number of persons (including senior post-holders) employed by the Group and Corporation during the year, expressed as full-time equivalents was:

	Group 2017 No.	Corporation 2017 No.	Group 2016 No.	Corporation 2016 No.
Teaching staff	1,838	1,695	2,011	1,820
Non teaching staff	1,513	1,378	1,439	1,393
	3,351	3,073	3,450	3,213

Staff costs for the above persons

		2017 £'000	2017 £'000	2016 £'000	2016 £'000
Wages and salaries		98,232	91,914	103,123	97,435
Social security costs		9,405	8,909	8,035	8,035
Other pension costs		15,395	15,025	14,181	14,181
Payroll sub total		**123,032**	**115,848**	**125,339**	**119,651**
Contracted out staffing services		3,494	3,360	1,402	1,339
		126,526	119,208	126,741	120,990
Fundamental restructuring costs -	contractual	1,754	1,754	3,889	3,889
	non contractual	292	292	1,221	1,221
		128,572	121,254	131,851	126,100

The severance payments included in restructuring costs were approved by the Group's Corporation.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group and are represented by the Group Executive Team. Staff costs include compensation paid to key management personnel for loss of office.

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

	2017 No.	2016 No.
The number of Group's key management personnel including the Accounting Officer was:	8	7

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

	Group Senior post-holders		Group Other staff	
	2017	2016	2017	2016
	No.	No.	No.	No.
£50,001 to £60,000 p.a.	1	-	-	-
£60,001 to £70,000 p.a.	1	-	10	6
£70,001 to £80,000 p.a.	1	1	7	3
£80,001 to £90,000 p.a.	-	1	4	4
£90,001 to £100,000 p.a.	-	-	2	4
£100,001 to £110,000 p.a.	-	-	3	2
£110,001 to £120,000 p.a.	1	1	2	-
£120,001 to £130,000 p.a.	-	1	-	-
£130,001 to £140,000 p.a.	1	1	-	-
£140,001 to £150,000 p.a.	1	1	-	-
£150,001 to £160,000 p.a.	1	-	-	-
£160,001 to £170,000 p.a.	-	-	-	-
£170,001 to £180,000 p.a.	-	-	-	-
£180,001 to £190,000 p.a.	-	-	-	-
£190,001 to £200,000 p.a.	-	-	-	-
£200,001 to £210,000 p.a.	1	1	-	-
	8	**7**	**28**	**19**

Key management personnel compensation is made up as follows:

	2017	2016
	£'000	£'000
Salaries - gross of salary sacrifice and waived emoluments	979	881
Social security costs	127	117
Benefits in kind	-	2
	1,106	**1,000**
Pension contributions	137	141
Total emoluments	**1,243**	**1,141**

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

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

	2017	2016
	£'000	£'000
Salaries	221	207
Benefits in kind	-	-
	221	207
Pension contributions	**36**	**35**

No compensation payments were made to former key management personnel for loss of office.

8. OTHER OPERATING EXPENSES

	2017 Group £'000	2017 Corporation £'000	2016 Group £'000	2016 Corporation £'000
Teaching costs	24,027	15,872	22,695	15,054
Non teaching costs	15,279	12,890	17,560	16,987
Premises costs	6,369	5,475	6,427	5,493
Total	**45,675**	**34,237**	**46,682**	**37,534**

Other operating expenses include:	**2017 £'000**	**2016 £'000**
Auditors' remuneration:		
Financial statements audit	56	65
Internal audit	33	37
Other services provided by external auditors - PAYE	7	8
Profit on disposal of non-current assets	91	3
Hire of Plant and Machinery - operating leases	1,020	688
Hire of other assets - operating leases	2,128	2,137

9. INTEREST AND OTHER FINANCE COSTS - (Group and Corporation)

	2017 £'000	2016 £'000
On bank loans, overdrafts and other loans:	1,225	1,304
	1,225	1,304
Pension finance costs (note 22)	800	356
Total	**2,025**	**1,660**

10. TAXATION - (Group)

	2017 £'000	2016 £'000
Deferred tax in the accounts of the subsidiary company	11	39
Total	**11**	**39**

The corporation tax and deferred tax are all in the Group's subsidiary, Total people limited.

11. GROUP INTANGIBLE ASSETS

	Goodwill £'000	Other £'000	Website £'000	Total £'000
Cost or valuation				
At 1 August 2016	778	1,050	292	2,120
Additions	300	-	-	300
At 31 July 2017	**1,078**	**1,050**	**292**	**2,420**
Accumulated amortisation				
At 1 August 2016	206	169	10	385
Charge for the year	(78)	169	34	125
At 31 July 2017	**128**	**338**	**44**	**510**
Net book value at 31 July 2017	**950**	**712**	**248**	**1,910**
Net book value at 31 July 2016	572	881	282	1,735

Goodwill arising on acquisition is amortised over 10 years. Other intangibles have different lives. These arose from the acquisition of Total People Holdings Limited on 31 July 2015. The composition is as follows:

Intangibles - Other

	Value £'000	U.E.L (years)
Contractual customer relationships		
Bentley	250	5
Barlows	25	5
South Cheshire College	200	10
Cheshire West Council Great Sanky High School Cheshire East Ricoh	50	3
Brand name, reputation, market share	275	10
Distress cases	250	5
	1,050	

Website costs are being amortised over 10 years.

CORPORATION

	Goodwill	Other	Website	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2016	-	-	292	292
Additions	-	-	-	-
At 31 July 2017	**-**	**-**	**292**	**292**
Accumulated amortisation				
At 1 August 2016	-	-	10	10
Charge for the year	-	-	34	34
At 31 July 2017	**-**	**-**	**44**	**44**
Net book value at 31 July 2017	**-**	**-**	**248**	**248**
Net book value at 31 July 2016	-	-	282	282

12. GROUP TANGIBLE FIXED ASSETS

	Land and buildings		Assets under Construction	Equipment	Total
	Freehold	Long leasehold			
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2016	144,818	992	412	25,129	171,351
Additions	1,091	-	2,377	4,064	7,532
Transfers	-	-	(1,898)	-	(1,898)
Disposals	-	-	-	(122)	(122)
At 31 July 2017	**145,909**	**992**	**891**	**29,071**	**176,863**
Accumulated Depreciation					
At 1 August 2016	38,894	141	-	16,913	55,948
Charge for the year	3,326	-	-	3,617	6,943
Elimination in respect of disposals	-	-	-	(109)	(109)
At 31 July 2017	**42,220**	**141**	**-**	**20,421**	**62,782**
Net book value at 31 July 2017	**103,689**	**851**	**891**	**8,650**	**114,081**
Net book value at 31 July 2016	105,924	851	412	8,216	115,403

12. CORPORATION TANGIBLE FIXED ASSETS

	Land and buildings		Assets under Construction	Equipment	Total
	Freehold	Long leasehold			
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2016	144,818	992	412	23,744	169,966
Transfers	-	-	(1,898)	-	(1,898)
Additions	1,091	-	2,377	3,675	7,143
Disposals	-	-	-	(122)	(122)
At 31 July 2017	**145,909**	**992**	**891**	**27,297**	**175,089**
Accumulated Depreciation					
At 1 August 2016	38,894	141	-	15,906	54,941
Charge for the year	3,323	-	-	3,462	6,785
Elimination in respect of disposals	-	-	-	(109)	(109)
At 31 July 2017	**42,217**	**141**	**-**	**19,259**	**61,617**
Net book value at 31 July 2017	**103,692**	**851**	**891**	**8,038**	**113,472**
Net book value at 31 July 2016	105,924	851	412	7,838	115,025

The transitional rules set out in FRS102 Tangible Fixed Assets have been applied on implementing FRS102. Accordingly, the book values at implementation have been retained. Land and buildings were valued in 1997 at depreciated replacement cost by a firm of independent chartered surveyors. Other tangible fixed assets inherited from the LEA at incorporation have been valued by the Group on a depreciated replacement cost basis with the assistance of independent professional advice.

13. CORPORATION INVESTMENTS

Total People Holdings Limited	
	£'000
Investment at 1 August 2016	2,715
Additions	300
Net book value at 31 July 2017	**3,015**
Net book value at 31 July 2016	**2,715**

On 31 July 2015 The Group acquired 100% of the ordinary share capital of Total People Holdings Limited, a group of companies that are registered in England and Wales as follows:

Company name	Shareholding	Nature of business
Total People Holdings Limited	100%	Holding company - Dormant
Total People Limited*	100%	Training and apprenticeship provider
The Total Apprenticeship Training Company Limited*	100%	Apprenticeship training
Total People Employee Benefit Trustee Limited*	100%	Dormant

*The shares in these companies are held by Total People Holdings Limited.

Manchester Education and Training Limited

The LTE group is in a joint venture arrangement with Manchester City Council, (Manchester Education and Training Limited), a company incorporated in England and Wales, the entity being a charitable company limited by guarantee.

The results of Manchester Education and Training Limited for the year ended 31 July 2017 are as follows:

	2017 £	2016 £
Incoming resources	11,130	11,130
Operating costs	(21,972)	(21,972)
Net outgoing resources	**(10,842)**	**(10,842)**
Fixed assets	692,349	714,321
Current assets	257,370	246,240
Current liabilities	(12,930)	(12,930)
Net assets	**936,789**	**947,631**

The incoming resources are made up of the annual service charge to LTE group. The net outgoing resources are stated after charging depreciation amounting to £21,972 (2016: £21,972).

One Central Park Limited

Manchester City Council bought One Central Park Limited on 18 June 2014. One Central Park Limited was placed into a member's voluntary liquidation. The dissolution is not yet complete and the Group awaits the return of its initial share capital of £200.

Novus Cambria

Novus Cambria is a private limited company by guarantee without share capital and exempt from the requirement to include 'limited' in its name. The company has two members: LTE Group and Coleg Cambria. Both members are corporations established under the Further and Higher Education Act 1992. Each member has guaranteed to contribute £1 to the assets of the company in the event of it being wound up. LTE Group is the parent company as it has 60% of the voting rights of the members.

ASSETS HELD FOR SALE

The £2m fixed assets held for sale in 2015/16 represented the carrying value of St Matthews campus, Malcolm and Fernside house which were sold and cash received in the year 2016/17.

14. DEBTORS

	Group 2017 £'000	Corporation 2017 £'000	Group 2016 £'000	Corporation 2016 £'000
Amounts falling due within one year:				
Trade receivables	4,906	3,586	3,167	2,124
Amounts owed by group undertakings:				
Subsidiary undertakings	-	225	-	15
Joint venture undertakings	599	599	12	12
Prepayments and accrued income	6,672	5,350	5,490	5,014
Corporation tax	-	-	143	-
other debtors	431	426	211	63
Total	**12,608**	**10,186**	**9,023**	**7,228**

15. CREDITORS - amounts falling due within one year

	Group 2017 £'000	Corporation 2017 £'000	Group 2016 £'000	Corporation 2016 £'000
Bank loans	1,994	1,994	2,015	2,015
Payments in advance	791	791	1,921	1,921
Trade payables	2,650	2,334	1,848	1,448
Amounts owed to group undertakings:				
Subsidiary undertakings	-	271	-	-
Joint venture undertakings	1,133	256	245	245
Other taxation and social security	4,608	4,477	4,132	4,012
Accruals and deferred income	14,325	11,352	11,263	10,135
Deferred income - government capital grants	1,666	1,666	1,666	1,666
Amounts owed to ESFA/SFA/LSF	791	791	363	363
Other creditors	785	736	988	954
Total	**28,743**	**24,668**	**24,441**	**22,759**

16. CREDITORS - amounts falling due after more than one year

	Group 2017 £'000	Corporation 2017 £'000	Group 2016 £'000	Corporation 2016 £'000
Bank loans	22,041	22,041	24,035	24,035
Deferred income - government capital grants	21,839	21,839	23,541	23,541
Other	372	372	294	294
Total	**44,252**	**44,252**	**47,870**	**47,870**

17. MARURITY OF DEBT

Bank loans

Bank loans are repayable as follows:

	Group 2017 £'000	Corporation 2017 £'000	Group 2016 £'000	Corporation 2016 £'000
In one year or less	1,994	1,994	2,015	2,015
Between one and two years	3,865	3,865	3,927	3,927
Between two and five years	5,651	5,651	5,798	5,798
In five years or more	12,525	12,525	14,310	14,310
Total	**24,035**	**24,035**	**26,050**	**26,050**

Loans are with Allied Irish Bank (AIB) £6.285m (2016: totaling £7.300m) and with Royal Bank of Scotland (RBS) £17.750m (2016: totaling £18.750m). Both loans are secured by a legal charge on a portion of the freehold land and buildings of the Group.

Total Facility

RBS	Term	Interest rate	Amount	AIB	Term	Interest rate	Amount
Tranch A	22 yrs	6.38%	£8m	Loan 1	17 yrs	0.725%	£10m
Tranch B	22 yrs	6.38%	£7m	Loan 2	17 yrs	0.725%	£5.855m
Tranch C	22 yrs	6.38%	£7m	Loan 3	15 yrs	0.725%	£1.232m
		Total	**£22m**	**Total**			**£17.09m**

18. OTHER PROVISIONS

Group

	Enhanced pensions £'000	Other £'000	2017 Total £'000	2016 Total £'000
At 1 August 2016	1,997	42	2,039	2,135
Expenditure in the period	(137)	-	(137)	(138)
Additions in the year	23	11	34	43
At 31 July 2017	**1,883**	**53**	**1,936**	**2,039**

Corporation

	2017 Enhanced pensions £'000	2016 Enhanced pensions £'000
At 1 August 2016	1,997	2,131
Expenditure in the period	(137)	(138)
Additions in the year	23	4
At 31 July 2017	**1,883**	**1,997**

Other provisions relate to deferred tax provision in Total People Limited financial statements.

The enhanced pension provision relates to the cost of staff who have already left the Group's employment. 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

19. CASH AND CASH EQUIVALENTS

(Group)

	At 1 August 2016	Cash flows	At 31 July 2017
	£'000	£'000	£'000
Cash and cash equivalents	18,261	3,906	22,167
Total	**18,261**	**3,906**	**22,167**

(Corporation)

	At 1 August 2016	Cash flows	At 31 July 2017
	£'000	£'000	£'000
Cash and cash equivalents	17,636	1,930	19,566
Total	**17,636**	**1,930**	**19,566**

20. CAPITAL COMMITMENTS

	Group and Corporation	
	2017	2016
	£'000	£'000
Commitments contracted for at 31 July	568	1,197

21. LEASE OBLIGATIONS

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

	Group 2017 £'000	Corporation 2017 £'000	Group 2016 £'000	Corporation 2016 £'000
Future minimum lease payments due				
Land and buildings				
Not later than one year	1,458	1,149	2,150	1,787
Later than one year and not later than five years	1,406	1,208	3,538	3,024
later than five years	1,772	1,772	3,054	3,054
	4,636	4,129	8,742	7,865
Other				
Not later than one year	930	909	673	656
Later than one year and not later than five years	483	465	725	699
later than five years	-	-	-	-
	1,413	1,374	1,398	1,355

22. DEFINED BENEFIT OBLIGATIONS

The Group and Corporation's employees belong to two principal pension schemes: The Teachers' Pension Scheme England and Wales (TPS) for academic and related staff and the Greater Manchester Pension Fund (GMPF) which is
part of the Local Government Pension Fund (LGPS). Both are defined-benefit schemes.

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

Total pension cost for the year		**2017**		**2016**
		£'000		**£'000**
Teachers Pension Scheme: contributions paid		8,164		8,025
Local Government Pension Scheme:				
Contributions paid	4,761		4,639	
FRS 102 (28) charge	2,126		1,379	
Charge to the Statement of Comprehensive Income		6,887		6,018
Enhanced pension charge to Statement of Comprehensive Income		-		138
Total pension cost for the year within staff costs		**15,051**		**14,181**

Contributions amounting to £1,719,325 (2016 £1,594,329) were payable to the schemes at 31 July and are included within creditors (other taxation and social security).

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary -aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension Budgeting and Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act. Retirement and other pension benefits are paid by public funds provided by Parliament.
The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

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 and the subsequent consultation are:

- New employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- total scheme liabilities for service to the effective date of £191,500 million, and notional assets of £176,600 million, giving a notional past service deficit of £14,900 million;
- an employer cost cap of 10.9% of pensionable pay.
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

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

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

Scheme Changes

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

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

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

Regulations giving effect to a reformed Teachers' Pension Scheme came into force on 1 April 2014 and the reformed scheme commenced on 1 April 2015.
The pension costs paid to TPS in the year amounted to £8,164,000 (2016: £8,025,000).

FRS 102 (28)

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

Accordingly, the Group 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 Group has set out above the information available on the plan and the implications for the Group in terms of the anticipated contribution rates.

Greater Manchester Pension Fund ('GMPF')

The GMPF is a funded defined benefit scheme, with the assets held in separate funds administered by Tameside Metropolitan Borough Council. The total contribution made for the year ended 31 July 2017 was £6,815,000 of which employers' contributions totalled £4,979,000 and employee's contributions totalled £1,836,000. The agreed contribution rates are 18.1% for employers. Employees range from 5.5% to 12.5% 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.

The principal bespoke assumptions for this calculation are:

	2017	2016
	%	%
Pension increase rate	1.9	1.7
Salary increase rate	1.5	1.5
Discount rate	2.5	2.5

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	21.50	21.40
Females	24.10	24.00
Retiring in 20 years		
Males	23.70	24.00
Females	26.20	26.60

The assets in the scheme of which the Group's share is estimated to be £176,012,000 at 31 July 2017 and £150,423,000 at 31 July 2016.

The major categories of plan assets as a percentage of the total plan assets are as follows:

	2017	2016
	%	%
Equities	73%	73%
Bonds	17%	17%
Property	5%	5%
Cash	5%	5%
	100%	**100%**

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

	2017	2016
	£'000	£'000
Fair value of plan assets	176,012	150,423
Present value of plan liabilities	(202,843)	(180,006)
Net pensions liability	**(26,831)**	**(29,583)**

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

	2017	2016
	£'000	£'000
Amounts included in staff costs		
Current service cost	7,067	5,869
Past service cost	41	149
Total	**7,108**	**6,018**
Amounts included in interest costs		
Net interest cost	800	356
	800	**356**

Amounts recognised in Other Comprehensive Income (OCI)	**2017**	**2016**
	£'000	**£'000**
Return on pension plan assets	18,359	10,517
Experience losses arising on defined benefit obligations	(4,816)	(31,656)
Changes in demographic and financial assumptions	(7,862)	1,988
Amount recognised in Other Comprehensive Income	**5,681**	**(19,151)**

Movement in net defined benefit liability during the year

	2017	**2016**
	£'000	**£'000**
Deficit in scheme at 1 August	(29,583)	(8,697)
Movement in year:		
Current service cost	(7,067)	(5,869)
Employer contributions	4,979	4,639
Past service cost	(41)	(149)
Net interest	(800)	(356)
Actuarial gain / (loss)	5,681	(19,151)
Net defined benefit liability at 31 July	**(26,831)**	**(29,583)**

Asset and Liability Reconciliation

Changes in the present value of defined benefit obligations	**2017**	**2016**
	£'000	**£'000**
Defined benefit obligations at start of the year	180,006	140,190
Current Service cost	7,067	5,869
Interest cost	4,749	5,416
Contributions by Scheme participants	1,836	1,789
Other experience	4,816	(1,989)
Changes in demographic and financial assumptions	7,862	31,656
Benefits paid	(3,534)	(3,074)
Past Service cost	41	149
Defined benefit obligations at end of the year	**202,843**	**180,006**

Changes in fair value of plan assets

	2017	**2016**
	£'000	**£'000**
Fair value of plan assets at start of the year	150,423	131,492
Interest on plan assets	3,949	5,060
Return on plan assets	18,359	10,517
Employer contributions	4,979	4,639
Contributions by Scheme participants	1,836	1,789
Benefits paid	(3,534)	(3,074)
Fair value of plan assets at end of the year	**176,012**	**150,423**

23. RELATED PARTY TRANSACTIONS

Due to the nature of The LTE group's operations and the composition of the Governing Body being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Governing Body may have an interest. All transactions involving organisations in which a member of the Governing Body may have an interest are conducted at arm's length and in accordance with the Group's Financial Regulations and normal procurement procedures.

The total expenses paid to or on behalf of the Governors during the year was £3,223; 11 governors(2016: £3,274; 9 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor Meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the Group or its subsidiaries during the year.

Manchester Education and Training Limited ("MET")

MET is an undertaking by which its participants (The LTE group and Manchester City Council 'MCC') expect to receive some common purpose or benefit. It is controlled jointly by both the above parties.

The LTE group was charged services of £11,130 (2016: £11,130), in respect of rent, depreciation of £10,500 (2016: £10,500) and a commercial mark-up £630 (2016: £630).

At the year end, The LTE group had £12,930 (2016: £12,930) outstanding from MET and MET was owed £256,303 (2016: £245,173) by The LTE group.

The group has taken advantage of the exemptions included in FRS102 section 33 in not disclosing the transactions with other group companies as they are wholly owned and included within these consolidated financial statements.

Novus Cambria

During the period, the parent company LTE Group incurred expenses and made payments on behalf of the company totalling £1,523,399.
During the period, Novus Cambria agreed to pay a charitable donation of £347,413 to LTE Group.
At 31 July 2017, £1,870,812 was owed to LTE Group in respect of these transactions and is included in Amounts owed to group undertakings in the books of Novus Cambria.

24. AMOUNTS DISBURSED AS AGENT

Learner support funds

	2017 £'000	2016 £'000
Funding body grants – bursary support	2,182	2,123
Funding body grants – discretionary learner support	3,568	3,853
Other Funding body grants - free school meals	691	547
Interest earned	-	14
	6,441	6,537
Disbursed to students	(5,808)	(5,505)
Administration costs	(270)	(243)
Balance unspent as at 31 July, included in creditors	363	789

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