LTE group
Learning | Training | Employment

LTE GROUP

FINANCIAL STATEMENTS

31st July 2019

LTE group Learning | Training | Employment · MOL LEARN DEVELOP EXCEL · NOVUS FOUNDATIONS FOR CHANGE · NOVUS CAMBRIA · The Manchester College be amazing · TOTAL PEOPLE LEADERS IN LEARNING · UCEN MANCHESTER FIND YOUR FUTURE

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 2018/19:

John Thornhill, CEO/ Accounting Officer

Lisa O'Loughlin, Principal, The Manchester College and UCEN Manchester

Paul Taylor, Chief Operating Officer

Peter Cox, Managing Director Novus / Group Lead for Bids and Tenders, LTE Group

Rob Cressey, Group Finance Director

Linda Dean, Managing Director Total People Limited / Exec Lead MOL

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 page 40 and 41 of these financial statements.

During 2018/19, the Board of Governors was supported by a cohort of Co-optees, who were appointed to enhance the Board's knowledge, expertise and range of skills on key projects. A full list of Co-optees is given on page 42 of these financial statements.

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

Registered office:

Openshaw Campus & Administration Centre, Ashton Old Road, Manchester, M11 2WH

PROFESSIONAL ADVISERS

External auditors:

PricewaterhouseCoopers LLP
1 Hardman Square
Manchester
M3 3EB

Internal auditors:

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

Solicitors:

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

Addleshaw Goddard
1 St Peter's Square
Manchester
M2 3DE

DAC Beachcroft
3 Hardman Street
Manchester
M3 3HF

Bankers:

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

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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 2019.

Legal status

LTE Group is a statutory corporation established under the Further and Higher Education Act 1992 (statutory instrument 2008 No. 1418). LTE Group is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

The operating divisions of the Group are Novus (delivering learning and skills in custodial settings), The Manchester College (FE delivery), UCEN Manchester (HE delivery), Total People Limited (Work Based Learning), MOL (blended distance learning) and LTE Group Operations.

LTE Group includes Total People Holdings Limited ("Total People"), 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.

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, while the FE & HE businesses will be referred to as The Manchester College and UCEN Manchester where appropriate.

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 page 40 and 41.

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:

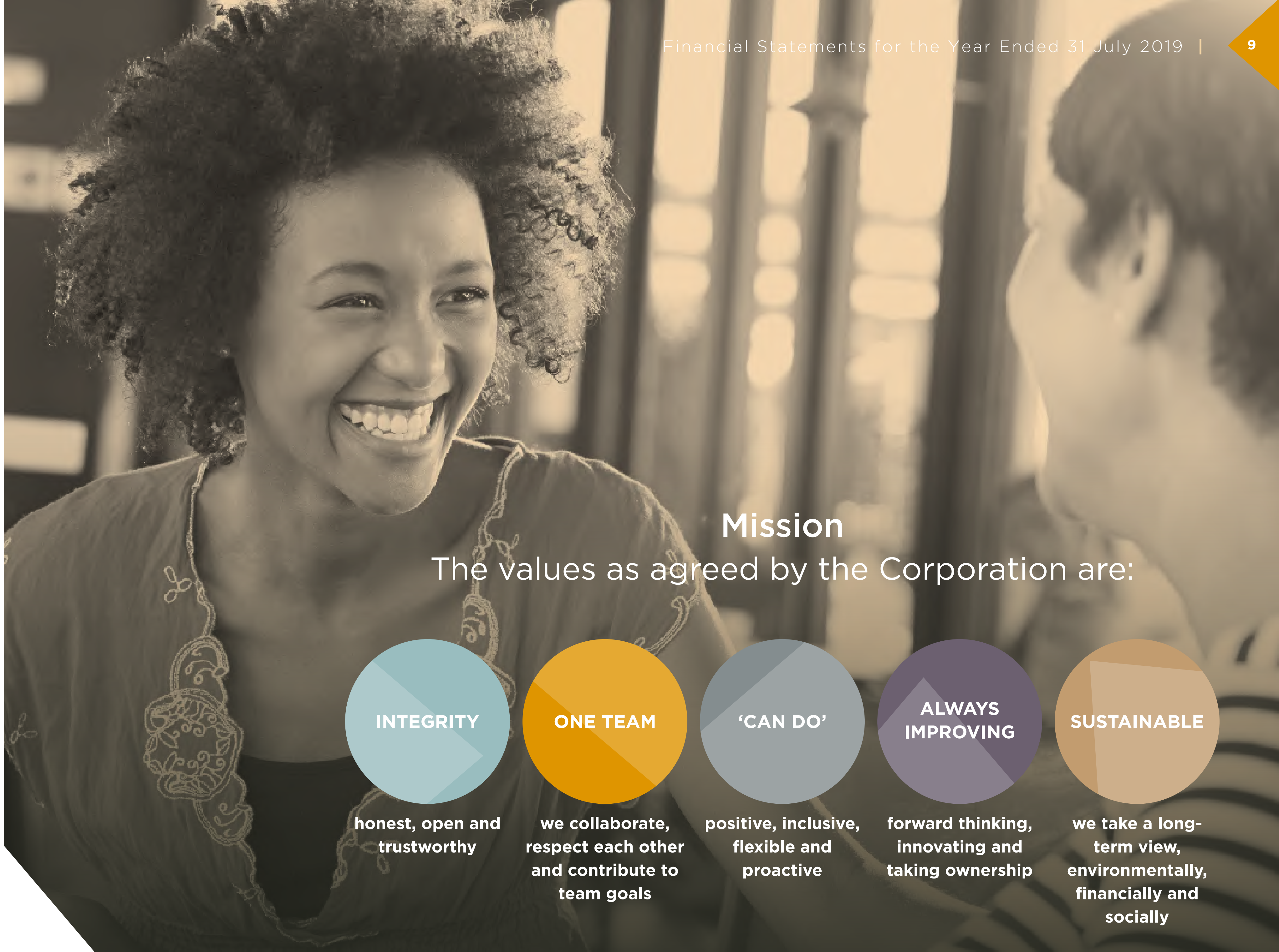
- High-quality teaching and provision of apprenticeships
- Widening participation and tackling social exclusion
- Excellent employment record for students
- Strong student support systems
- Links with employers, industry and commerce
- Implementation of the Manchester and Greater Manchester Skills Strategy
- Links with Local Enterprise Partnerships (LEPs), especially in Lancashire, Cheshire and Merseyside
- Reducing re-offending and increasing rehabilitation of offenders
- Strong ongoing GVA impact and support for inclusive growth
- Investment in educational facilities for mandatory public education in Manchester

STAKEHOLDER RELATIONSHIPS

In line with other large education and skills groups, LTE Group has many stakeholders. These include:

- Students, apprentices, and working professionals
- Customers – including government departments, national employers, SMEs, and fee paying individuals
- Education sector funding bodies and standards agencies e.g. Ofsted, Office for Students (OfS), Quality Assurance Agency (QAA)
- Staff and trade unions
- Local authorities, devolved government, metro mayors and elected members of parliament
- Local Enterprise Partnerships (LEPs) and Chambers of Commerce
- The local communities and community groups
- Collaborative partnerships; FE working groups; national bodies e.g. AoC, AELP, Collab Group
- External funding partners
- Strategic partnerships e.g. joint ventures

LTE Group recognises the importance of these relationships and engages in regular communication with them through the Group's digital channels, meetings and regular collaboration on projects and initiatives. The Group, as part of a commitment to wider good governance, regularly submits itself and its operations to external scrutiny and review by elected members.



Mission

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

The Strategic Vision for the Group:

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

Implementation of strategic plan

The Group has come to the end of its previous strategic plan and the summary below identifies what has been achieved against that plan's objectives.

NOVUS
FOUNDATIONS FOR CHANGE ®

- Novus is a leading provider for quality nationally. Novus continues to deliver strong inspection results with 68% of current grades at Good or better, compared to OFSTED annual report of December 2018 of 48% nationally.
- Novus delivery recognised by being awarded 52% of adult delivery in Jan 2019, with the new PEF contract (to 2025) being mobilised in 2019.
- Novus Cambria goes from strength-to-strength, with a strong year of financial performance and its first Estyn inspection, which found education to be overall "Good" with Teaching and Learning, graded 'Excellent'.

The Manchester College®
be amazing

- The Manchester College cemented its place as the No1 place for learners in Greater Manchester (GM) and in the top 10% nationally. In their strong 2019 Ofsted inspection, the College was officially rated "Good" in all areas.
- The Manchester College work experience placements are now over 3,500 pa, establishing a leading position for employability and readiness for work. The first stages of a new delivery and infrastructure model for The Manchester College, the City of Manchester and GM, have been implemented with an agreed strategy for curriculum and campus development. The award of a significant grant from the GM Mayor and the support from The Council of the City of Manchester (MCC) to acquire 3.2 acres of land and a strategic site for development at the heart of the conurbation will enable this.

UCEN®
MANCHESTER
FIND YOUR FUTURE

- UCEN has established itself as strong alternative offer in GM for higher education (HE).
- Having achieved TEF Silver relatively quickly and achieving NSS results comparable or better than many universities.
- A number of the academic schools within UCEN are already developing national reputations, notably The Manchester Film School and The Arden Theatre School.

TOTAL PEOPLE
LEADERS IN LEARNING ®

- There has been significant market change in Apprenticeships and work based learning.
- Funding arrangements have changed significantly, the programmes that many employers and apprentices previously completed have been evolving over the past two years from frameworks to standards.
- Total People has been able to maintain outcomes for employers, learners and fee paying customers through a period of significant change.
- It is likely that a further period of investment, implementation of new programmes, and professional change management will be needed to complete the transition to new and different delivery models.

MOL
LEARN ®
DEVELOP
EXCEL

- MOL has successfully re-engineered its delivery and business model, which now includes significantly more online-only delivery.
- MOL retains its pre-eminent position with national professional bodies such as CIPD. New offers and services have been added e.g. Estates Agency and MOL have been selected as the premier partner nationally for the Civil Service.
- New initiatives have outperformed initial expectations e.g. take up of new online only Level 7 programmes now extends to several hundred new learners around the world.

Group Operations

The set up and implementation of a central professional support organisation has been of benefit across the whole Group. The organisation has achieved many nationally recognised industry standards in IT and Health and Safety. Investments in new ways of working, professional business systems and processes across Finance, HR and Payroll, and digital based communication services, has enabled real competitive advantage and step changes in quality.

The Group has successfully evolved its governance structures with both group wide oversight at the Corporation level and subsidiary boards at the unit or strategic initiative level. An approach to recruit and modestly remunerate the best trustee and non-executives has also been of benefit. The Group is the first in our sector to formally agree this with the Charities commission.

New Strategic Plan – Vision 2025

Going forward the Group has established a new vision to 2025, which is strongly aligned to social, economic, and stakeholder need. This vision is set out in two phases, each of three years. Our first phase to 2022 has relevant underpinning to deliver key objectives. Our second phase to 2025 is established in a set of key strategic themes and the relevant underpinning will be added as part of our now iterative strategic cycle. This will be informed by further clarity and iterations of regional and national policy e.g. local industrial strategies and a post-Brexit view.

The Group has delivered a very broad set of strategic initiatives on plan. LTE has now created a unique organisation in the UK skills sector and established strong foundations and market leading units in each of the key segments of skills. Strong quality and seven years of on target financial performance now allow the Group to go forward with an offer that meets the strategic needs of communities, the economy and key stakeholders.

The Group's strategic objectives to 2025 are to:

- To successfully deliver our national prison education contracts to 2025, to remain the MoJ partner of choice for this activity in the UK.
- To successfully deliver a step change investment in digital learning technology to more than half of the prison estate.
- To grow and develop our partnership and joint venture arrangements in the Justice Sector to support rehabilitation and reduced reoffending.
- To further develop our internal and external digital offer from embedding more digital delivery in teaching, learning and assessment, to enabling more flexible working for colleagues through the use of technology.
- To extend the remit and impact of our central group operations function to enable continuous improvement, organisational learning and ongoing efficiency.
- To complete the largest investment in FE infrastructure for many years through the creation, build and extension of leading edge facilities and centres of excellence for The Manchester College.
- To enable sufficient capacity, delivery of quality at scale at The Manchester College to support a 26% growth in population over the period of the strategic plan.
- To embed further developments on Technical & Professional education across the group with T levels, growing work experience, degree level apprenticeships, and extending work experience to levels 4, 5 and 6.
- To maintain good to outstanding quality in all units across the Group with strong and sustainable financial performance.
- To grow our direct delivery in Total People and reduce subcontracting, to respond to the funding constraints for SMEs through promoting greater "levy gifting" and, where practical, to grow our work with levy-based employers.
- To further extend our offer in MOL to new industry sectors and to grow our proportion of digital only delivery.
- To build on our work since 2013, and further respond to changing stakeholder and customer demand, through innovative new offers in adjacent sectors.
- To adequately balance risk and opportunities though periods of political change and structural change driven by external factors e.g. evolving pension landscape.

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

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 and maintains a seventh year of a good rating with the key funding agency.

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

Financial health score:

RATIO	2017/18	2018/19	2019/20 BUDGET
Adjusted current ratio	1.59	1.57	1.58
EBITDA as % to income – education specific	6.42%	7.31%	7.53%
Borrowing as % to income	12.03%	21.67%	26.86%
Score	Good	Good	Good

Contract performance

The table below shows, for each of the Group's main funding body grants, the actual contract performance (per the final ILR – R14) compared to the contract allocation:

FUNDING STREAM	2018/19	
	Current actual - final ILR (R14)	**Contract Allocation**
ESFA programme funding (16- 18 and 19-24 students with an LDA or EHCP) – note 1	£23,347,099	£24,156,006
Adult Education Budget (Incl. ALS, DLSF) – note 2	£18,786,286	£17,912,713
OLASS 4 Contract (contract ending 31 March 2019) – note 3	£50,908,500	£51,011,371
PEF Contract (contract commenced 1 April 2019) – note 4	£21,156,141	£21,156,141
Other Prison Contracts	£17,698,743	£17,698,743
Total People – ESFA 11872 – note 5	£10,996,974	£8,781,957
Total People – ESFA 11365	£780,989	£907,813
Total People – ESFA 10720	£2,062,078	£2,385,567

1. The full contract for ESFA recurrent grants is £27.1m. This comprises the programme funding as above and includes formula protection funding, high needs, additional targeted grants (Strategic College Improvement Fund and Capacity Development Fund) and student financial support funding.
   16-18 Classroom Learning – There was a 98% achievement of the ESFA learner number target and a 99.7% achievement of the programme-funding target.
2. The full contract for ESFA AEB recurrent grants is £17.9m; the contract performance includes 'Adult Discretionary Learner Support Funding and Additional Learning Support'. This is prior to the move from ESFA to GMCA for commissioning.Adult Education Budget (R14) – There was a 105% achievement of the Adult Education Budget (including Discretionary Learner Support) allocation.
3. OLASS 4 contract 99.8% achieved, contract closed with HMPPS final reconciliation signed off July 2019.
4. PEF contracts commenced 1st April 2019.
5. ESFA 11872 contract allocations for 2018/19 do not reflect non-procured Levy paying activity, as this is not delivered on a government contract basis.

Success Rates Table

DIVISION / SUBSIDIARY	AGE	LEVEL	EDUCATION AND TRAINING - OVERALL ACHIEVEMENT (SUCCESS) RATE			
			2016/17	**2017/18**	**2018/19**	**2018/19 Potential maximum**
The Manchester College – note 1	16-18	All Levels	81.3%	86.4%	89.0%	-
The Manchester College – note 1	19+	All Levels	90.1%	92.4%	93.5%	-
The Manchester College – note 1	All Ages	All Levels	86.6%	90.1%	91.7%	-
UCEN – note 2	All	All	63.5%	72.2%	73.6%	-
Novus – note 3	-	Prison Education	95.0%	94.0%	95.0%	-
Total People – note 4	-	Apprenticeships	66.4%	68.9%	65.2%	66.7%

2016/17 and 2017/18 is National Achievement Rate Table Data.

The NARTs are summary indicators of performance in apprenticeships and education and training. Individual providers use the data to benchmark their own targets and actual performance.

1. 2018/19 rate unconfirmed – derived from ProAchieve
2. HE24 – HE Performance Indicators
3. 2018/19 data included the ending of OLASS contracts and procurement of PEF, consequently a direct year on year comparison does not exist. For meaningful year on year analysis, only sites retained are included within the data set.
4. 2018/19 rate unconfirmed. Total People has the potential to further improve the success rates by a further 1.5% as a result of the ESFA extending the deadline for completions beyond the 31st July. In 2018/19 providers were able to include any end point assessments that were taken between August and October in their achievement rates.
5. The above table includes all classroom-based provision.

FINANCIAL POSITION

Financial results and objectives

The Group generated a surplus in the year of £2,022k (2018: £880k) which is in line with the budgeted surplus of £2,005k for the year and a good improvement on prior year results. This is equivalent to an EBITDA (education specific, as per ESFA guidance) of £12,721k (7.31% of turnover) compared to a budget of £12,560k (7.12%).

The year end cash balance of £9.1m is after funding more than £5m extra investment in the Group's estates strategy in advance of external funding being received. This is in line with the budgeted year end cash balance of £14.3m. The current ratio of 1.57 exceeds budget of 1.37. Finally gearing (debt as a percentage of income) is at 21.67% (budget 28.26%).

These results provide evidence and confirmation that the Group is meeting its financial objectives. These are to diversify income streams, through a broad offer that responds to multiple areas of demand, rather than solely traditional FE. To protect it from unforeseen changes in policy and the impacts resulting from any future changes in funding or political upheaval. 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 generate sufficient income to enable maintenance and improvement of its estate to improve the learner, employer and customer experience.

This also enables the Group 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. Finally the Group wishes to maintain, or enhance the confidence of funders, suppliers, bankers and auditors.

The Group (excluding minority interest share in Novus Cambria) has accumulated reserves of £55.6m (2018: £59.7m) including the pension deficit liability of £30.9m (2018: £21.0m) and cash balances of £9.1m (2018: £15.1m). 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 diversified its income streams and reduced reliance on the traditional education sector funding bodies for its principal funding source, largely from recurrent grants. In 2018/19 the FE funding bodies provided 31.4% of the Group's total income, with AEB income accounting for 9.3%. AEB income to be devolved to The Great Manchester Combined Authority in 2019/20.

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 £35k. Further details of the subsidiary companies are stated in note 13.

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 the notes to the financial statements under related party transactions (note 23).

The Local Government Pension Scheme (LGPS) valuation for 2019 resulted in an actuarial valuation loss of £6.0m (2018: gain £9.8m) see note 22.

Cash flows and liquidity

The Group generated a positive operating cash inflow of £7.7m in 2018/19 (2017/18: inflow £0.3m).

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 ESFA. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

As at the 31st July 2019, borrowings in respect of the £22.0m Royal Bank of Scotland (RBS) facility stands at £15.75m. However, the Group has fixed the rate of interest for all the original £22.0m. Borrowings from Allied Irish Bank stands at £4.4m as at 31st July 2019. Borrowings from The Council of the City of Manchester (MCC) stands at £17.6m as at 31st July 2019.

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. Going forward, the Group will be optimising the balance between its borrowings and money on deposit, which may result in lower end of month balances.

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, devolved mayoral authorities and commercial income. Where possible, the Group will continue to develop medium to long term income streams as part of its strategic plans.

In the past few years, the Group has invested in the reshaping of the business, in response to government funding cuts and allocation changes. This has been achieved without reducing reserves or the need to secure additional finance arrangements with ESFA/Banks.

The Group (excluding minority interest share in Novus Cambria) has £55.6m (2018: £59.7m) of unrestricted reserves as at 31 July 2019, which the Group feels is adequate to implement any further reshaping required, should there be any further government funding cuts or allocation changes.

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 7 years. Group banking facilities in support of this grading show a positive cash balance of £9.1m (2018: £15.1m) at year end and total debt owing of £37.7m (2018: £22.0m). There have been no significant events that have adversely affected financial health, for example notices of concern or recovery plans in place. Events after the reporting period (page 23) provides details of the new external funding that has been put in place post the balance sheet date, to fund the estates strategy.

NOVUS
FOUNDATIONS FOR CHANGE ®

In 2018/19 the Group, via its brand Novus, remains the largest provider of offender learning and skills in England and Wales following its successful bid submissions in the Prison Education Framework (PEF) procurement. Novus was successful in 7 Lots maintaining and broadening its geographical presence with the new area of the West Midlands. The PEF contracts commenced on 1st April 2019 following the close out of the OLASS4 contract at the end of March 2019. In addition Novus continues to deliver across the Young People estate and the new build prison HMP Berwyn, currently working with 63,612 distinct learners.

Novus continues to build on its specialism in delivering programmes to offenders within secure environments and community settings and remains the sector leader for quality. 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.

The successful outcome of the PEF tender process means that Novus has contracts in place of circa £61m for the next 4 years (with potential to extend for a further 2 years) commencing 1st April 2019.

Novus, is actively involved in bidding for new work in new geographic areas as well as expanding the breadth of our delivery. Strategic pipeline of projects include Ministry of Justice programmes for Prison Estate Transformation Programme (PETP) and Probation Services.

The Manchester College

be amazing

In 2018/19, the Manchester College cemented its place as the No1 place for learners in Greater Manchester (GM) and in the top 10% nationally.

An Ofsted inspection was carried out at The Manchester College in January 2019 with a 'Good' rating in all seven of the graded categories, and a 'Good' rating overall. This mirrors the College's self-assessment rating of 'Good'.

The College continues to offer 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. Throughout 2018/19 curriculum teams have introduced new courses to accommodate employer demand and funding changes. There are now 21 employer developed and sponsored programmes and more than 4,000 work experience placements with employers for students on a study programme.

Employer engagement and involvement in curriculum development continues to grow. In terms of developing capacity to deliver student placements, the capacity to deliver fund is now in its second year. Its success has been shared at many good practice events across the country. Work placements and sponsored programmes continue with a differentiated four strand approach. Further investment has been made in the employability hub in the form of strengthened employer engagement team, which ensures that students on study programmes achieve opportunities to develop their employability skills within the workplace.

The college was successfully chosen as one of the Greater Manchester providers of T Levels for 2021. T Levels will be offered in Digital, Construction, Health and Care and Health Science, the planning of the transition year ready for 2020 is well underway. Other activities that broaden the life experiences of students occur routinely, including a student conference, hosting and achieving at World Skills competitions, excellent feedback from employers and outstanding enrichment opportunities, which includes volunteering, Duke of Edinburgh and charity work.

In 2018/19 the College has delivered activity that has generated £40.5m (ESFA Funding Contracts, excluding transitional funding) in funding body main allocation funding (2017/18: £39.9m). The College delivered approximately 40,023 (2017/18: 35,500) funded qualifications and approximately 6,970 (2017/18: 8,500) non-funded qualifications.

Students continue to prosper at the College. Education and Training Success rates using ESFA methodology rose again in 2018/19 from 90.1 per cent in 2017/18 to 91.7 per cent.

UCEN MANCHESTER

FIND YOUR FUTURE

In January 2018, the group launched a new and unique Higher Education offer - UCEN Manchester - which has continued to recruit strongly in an increasingly competitive market. UCEN Manchester have added more new programmes, including their first Masters programme in September 2018, and is about to complete a comprehensive portfolio review to inform future curriculum strategy. This will include involvement in the development of the new Higher Level Qualifications (HTLs) currently being proposed by government as a clear progression route from T Levels.

UCEN has relatively quickly achieved TEF Silver status, and in 2018/19 has a National Student Survey (NSS) score of 81%. This is a 13 percentage points increase on the prior year.

The curriculum offer is subject to ongoing review and changes will continue to be implemented to meet all student requirements and needs, preparing students for careers rather than just courses and ensuring future employability.

In 2018/19 UCEN delivered 1,345 qualifications (2017/18: 1,370 qualifications).

Success rates for UCEN using duration analysis methodology rose from 72.2 per cent in 2017/18, to 73.6 per cent in 2018/19.

HE fees & advanced learner loans are areas of anticipated growth.

TOTAL PEOPLE
LEADERS IN LEARNING ®

At a headline level, Total People held the broad overall position on most key measures in a complex and changing market for apprenticeships with the first significant cohorts of standards being delivered; and a continued slow response by employers to the environment as it now exists post the first two years of the apprenticeship reform agenda implementation.

Total People, following a strategic review of our apprenticeship provision and the changes introduced as part of the apprenticeship levy, delivers on the apprenticeship agenda on behalf of the LTE group.

Relationships with key national employers have been secured or grown in year alongside the existing provision. Levy income is now an important income stream with investment in key account managers to support this. In 2018/19, 55% of new activity was with levy paying customers (an increase from 40% in 2017/18 and 30% in 2016/17). This is expected to increase in 2019/20 reflecting the change in approach to funding as outlined in the strategic and operational risks.

Total People is performing steadily in a turbulent market. Performance in the period post the apprenticeship reforms has been better than the national sector position showing potential foundations to evolve and grow.

Total People engages constructively and contributes to the broader sector agenda through membership of the Association of

Employability and Learning Providers and the Greater Manchester Learning Provider Network; chairing the Cheshire and Warrington provider network; contributing to the Advisory Board of the Greater Manchester Provider network; as a Director of the Northern Skills Network and through attendance at the Association of Colleges national policy group on apprenticeships.

A strategy to diversify income away from reliance on government apprentice only funding has started well, with contract wins for Ministry of Justice, circa £1m. Direct delivery has risen from 51% to 61%, and sub-contractor reduced by 10%. The transition from frameworks to standards is progressing at pace.

Outlook is a year of change and alignment to the new structures, delivery models and new OFTSED inspection framework with investment and development from 2021.

MOL
LEARN ®
DEVELOP
EXCEL

MOL is an established learning and development provider with over 30 years' experience of designing and delivering professional qualifications.

MOL has seen significant price competition in its markets but has successfully improved its performance year-on-year, through new innovative online only programmes, developing new sectors and changing its delivery models.

A planned incorporation of MOL will better position the unit to offer Levy-based versions of new and existing products, which are now being demanded by employers.

Group Operations

Within the sector, Group Operations is considered to be a leading edge support function. It has, and will, continue to develop a number of key themes to ensure it continues to support the Group with thought leadership and efficient support services. Key initiatives being supported include the estates strategy, a review of terms and conditions called Project Connect, ongoing GDPR compliance, and the roll out of a substantial re-fresh of IT infrastructure and equipment for the PEF contract. Group Operations will continue to develop its systems, this will include an update to the Finance system, Business World, an extension of the HR system, iTrent, to Total People and an upgrade to the latest version known as "Electric", as well as further development of Power BI to support our marketing initiatives and learner enrolments and an upgrade to our on-line training system. There will also be significant digitisation of the enrolment process. As well as working to ensure we continue with our BSI accreditations held by the IT team (ISO 27001, 9001 and 22301) we will obtain Cyber Essentials+ and are looking to make good progress to ISO45001 for health and safety which we aim to obtain in 2020/21.

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. Progress includes submission of Skills Capital Grant application to GMCA in August 2018 and City Centre site purchase.

Events after end of reporting period

Estates strategy progression; Design is progressing for Openshaw and City Centre with planning applications submitted and approved post year end. The disposals of Moston and St Johns are at negotiation stage with buyers and completion of sale anticipated in 2019/20. St Johns (net book value of £2.9m at year end) will then be leased back whilst the City Centre site is constructed.

External funding; Post the balance sheet date, the Group has agreed new debt funding facilities with Santander. These funds will replace the existing debt with RBS and AIB, and in addition will go towards funding the estates strategy. They take the form of a term loan and a development loan for a period of six years. The loans will be secured by charge over the newly acquired city centre site, and the Openshaw and Northenden campuses. In addition LTE is entering into an agreement with the GMCA for a skills capital funding grant, and with MCC for a bridging loan until disposal proceeds from the project are realised. These facility agreements and an inter creditor agreement will have been signed by mid-January 2020.

RESOURCES:

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

Financial

The Group (excluding minority interest share in Novus Cambria) has £55.6m (2018: £59.7m) of net assets. This includes £30.9m pension deficit liability (2018: £21.0m) and long-term debt of £35.3m (2018: £20m). The decrease in Group net assets of £4.1m is primarily due to the actuarial loss in the year of £6.0m, offset by the surplus generated of £2.0m.

People

At year end, the Group has 3,692 people in post (excluding associates), of whom 2,400 are teaching staff.

In addition, Note 7 to the financial statements discloses the average monthly number of persons employed by the Group and Corporation during the year, expressed as full-time equivalents.

Senior Leaders' pay

While the Board acknowledges the scale, scope and complexity of the Group, our position as the largest integrated provider in the UK and the ongoing pressure to act commercially but for public benefit.

The Board is also clear that as a charitable organisation and social enterprise we do not aspire to remunerate at the maximum level in the sector.

Strategically the Board has sought to reduce the number of senior post holder roles across the group by more than 33% since 2011/12 (from 12 to 8), this has resulted in very significant savings in senior pay budgets during the period of our strategic plan.

The LTE Group Board has adopted AoC's Senior Staff Remuneration Code in April 2019 and will assess pay in line with its principles in future.

Our policies are:

- That all senior roles are benchmarked externally against recognised comparators and through nationally recognised methods such as Hay (which is used for all colleagues). Such comparators will include other large FE college groups, HE institutions, other third sector employers of similar size and scale and commercial organisations, including private training providers, who operate in the same or similar sectors.
- That senior leaders should, as a principle, have some of their reward at risk and linked to the impact and performance of the organisation.
- That senior pay levels are monitored to ensure that sensible ratios between front line staff and the most senior employees are within the guideline 1:12 ratio (from lowest to highest paid individuals in the organisation).
- That regular reviews of gender based pay are completed and that the Board's longstanding commitment to a living wage policy will be maintained.

The Board is also conscious of the need to attract and retain the right calibre of senior colleagues to ensure it can continue to deliver for all stakeholders.

As indicated above, the Committee assesses performance across a balanced scorecard of metrics. Each item has a level of threshold performance that needs to be met. The overall payment may be reduced if key financial performance targets are not achieved and thus impact affordability.

The range of factors used in the annual performance scorecard, which applies to all Senior Post Holders, includes measures on quality of delivery, financial performance, health and safety, people, learner and customer satisfaction and delivery of key strategic projects.

Having compared salaries externally, taken account of the performance of the organisation and that there were no changes in roles, the standard inflationary increase of 1% applied to all the organisation was applied to senior post holders' pay.

Relationship of CEO/Accounting Officer pay and remuneration expressed as a multiple:

	2019
CEO/Accounting Officer's basic salary as a multiple of the median of all staff	7.7
CEO/Accounting Officer's total remuneration as a multiple of the median of all staff	8.3

Governor remuneration

In accordance with the permission granted by the Charity Commission, modest remuneration of trustees was commenced in April 2018. The quantum of such remuneration is reviewed and set by an Independent Review Panel, with all members being external to LTE Group. For 2018/19 the membership of the panel comprised Mr C Memmott (Manchester Chamber of Commerce), Mr Richard Caulfield (AoC North west) and Mr Dave Powers (One Manchester).

Details are disclosed in the notes to the financial statements under related party transactions (note 23).

Reputation

The Group and its constituent units have a strong reputation, and leading positions, locally and nationally. Newly developed and launched brands have established themselves quickly with strong identities in their relevant sectors.

Novus maintains the leading quality position, and is a MATRIX accredited provider in every region of its operations.

In the Adult OLASS provision Novus demonstrated strong learner satisfaction, with 2018/19 survey (QDP) results showing that 89% (2018 – 90%, 2017- 88%, 2016 – 89%) of learners are satisfied with their study programme and 89% (2018 – 91%, 2017 & 2016 – 90%) are satisfied that they have made good progress.

The College remains a MATRIX accredited provider of its advice and support services which support individuals in their choice of careers, learning, work and life goals.

Strong learner satisfaction survey (QDP) results show that 94% of students (93% in 2017/18 and 91% 2016/17) are satisfied with their study programme and 95% (94% 2017/18 and 93% 2016/17) are satisfied that they have made good progress. Furthermore, the majority of learners would recommend the College to a friend (4 points above national average and 2 points ahead of 2017/18). The College remains in the top quartile of colleges who students say are supporting them in the next step in their career (10 points ahead of national average). This shows that Student Satisfaction continues to improve year on year.

In June 2017, the Teaching Excellence Framework (TEF) Panel judged that "UCEN 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 UCEN Manchester favourably in respect of current and potential students, and other key stakeholders as this is a national quality award. UCEN Manchester successfully applied to register with the Office for Students (the new higher education regulator) and was added to OfS Register in February 2019.

Student satisfaction at UCEN Manchester saw a significant improvement in 2018/19, as reflected in the results of the National Student Survey (NSS). This saw overall satisfaction improve by 13 percentage points to 81%, while satisfaction with both the Teaching and Learning and Learning Resources being rated at 84%. This places UCEN Manchester firmly amongst a number of prestigious Universities in terms of reputation and recognition.

Total People is a Grade 2 "good" provider as identified by OFSTED at inspection in May 2017. Total People is a MATRIX accredited provider, which provides assurance on the quality of the independent information, advice and guidance for both potential and existing customers.

MOL uses the learner feedback platform Feefo and is currently averaging 4.6 out of 5 stars (2017/18: 4.7 out of 5 stars), which a very positive rating. MOL provides professional courses for learners who are currently employed in their specialist field. The demands of work, life and study mean that learners are looking for a flexible programme that they can fit around their busy lives. MOL has introduced a number of live online programmes support by our Virtual Learning Environment that enhance that flexibility and have seen a steady increase of learners opting for this approach.

Trade union facility time

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

Numbers of employees who were relevant union officials during the relevant period	FTE employee number
70	64.9

Percentage of time	Number of employees
0%	10
1-50%	58
51-99%	2
100%	0

Total cost of facility time	Total pay bill	Percentage of total bill spent on facility time
£142,595	£98,556,280	0.14%

Time spent on paid trade union activities as a percentage of total paid facility time
7%

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During 2018/19, on average LTE Group made payments to 95% suppliers within 17 days, well within the Treasury target of 30 days. The Group incurred no interest charges in respect of late payment for this period.

In the future reporting period, the Group anticipates changes in Government contracts that will result in an extension in payment terms. This, in turn, may impact on the Group's payment terms with sub-contractors.

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 and Risk 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 the high level strategic risks:

Delivery of the Estates Strategy plans to provide the appropriate learning environments and improved overhead cost base to deliver the training and skills needs for our 2020/25 vision.

- Securing stakeholder support and funding
- Planning for and mitigations for any delays in the programme or overspends
- Delivering EBITDA to support debt service costs

Our position within the offender learning sector:

- We are diversifying via tender bids to protect against any 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. 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 has decreasing reliance on continued government funding through the further education sector funding bodies and through the Office for Students (OfS). In 2018/19, about 31.8% of the Group's revenue was ESFA and OfS grant funded and this level of requirement is expected to continue. 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.
- Focus wherever possible on securing longer term contracts, with multi-year income streams.
- 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, The Greater Manchester Combined Authority, and a host of regional and national trade bodies, such as AoC, AELP, IFS and more.
- Ensuring the Group is focused on those priority sectors that will continue to benefit from public funding and ensuring that the offer is in line with the Greater Manchester Skills needs.
- Regular dialogue with funding bodies and active participation in national consultations, such as the Augur review of post 18 education.
- Comprehensive review each year of the Higher Education pricing strategy and bursary offer.
- Diversification into new geographical regions, e.g. Wales, with our 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).

Changes to government policy e.g. further changes to the Apprenticeship Levy Reforms.

- The apprenticeship reform Agenda introduced in May 2017 has led to a decline in delivery volumes within the sector. The Department for Education has published apprenticeship and levy statistics for June 2019 which identified there have been 361,000 starts between August 2018 and June 2019 (11 months). In comparison there were 369,700 starts between August 2017 and July 2018 (12 months), compared to 491,300 in 2016/17 and 503,700 in 2015/16. The latest information suggests a slight improvement from 2017/18 to 2018/19 but not to the level it was in 2015/16 prior to the reforms. The new reforms have led to a continued slowing of the market as employers are still exploring and understanding the new funding and delivery models being introduced.
- It continues to be early in the reform process cycle (2017 – 2020/21) and therefore still a challenge to make a definitive judgement on the direction of travel of the market. There are a number of key changes due in 2019/20, such as the introduction of the digital apprenticeship service to all employers in April 2020 and the cessation of all frameworks in July 2020. There have been some signs of increased employer engagement. There has also been a number of suggestions from key employer groups on how government could change the reforms to enable increased engagement, to date these have not been accepted or progressed by government. There have been some changes by the government to release more funding to non-levy employers through the increased opportunity to "gift" and the reduced employer contribution. These changes are expected to be helpful, but the impact cannot yet be evidenced.

Maintain adequate funding of pension liabilities.

- Teachers Pension scheme increases have been funded for two years. However, the Group will continue to consider its strategic options given the potential increases in both TPS and LGPS schemes.
- In line with the requirements of FRS 102, the Group's share of the Local Government Pension Scheme (LGPS) deficit is reported on the Group's balance sheet. In 2018/19, this deficit increased by £9.9m to £30.9m (2018: £21.0m). Throughout 2018/19, the Group maintained the required employer contribution set out by GMPF of 18.1% (2017/18: 18.1%). The GMPF reports (published on the LGPS Advisory Board website) show this contribution level set to continue through to 2020.
- The most recent actuarial valuation (the "funding valuation") carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2016. This valuation revealed that GMPF's assets, which at 31 March 2016 were valued at £17,325 million, were sufficient to meet 93% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date.
- According to the Government Actuary Departments (GAD)'s first formal section 13 report on the 2016 triennial valuations, the LGPS is in a financially robust position and funds have vastly improved since 2013. The funding level of the LGPS under prudent local bases improved from 79% in 2013 to 85% in 2016 - which was in part due to large employer contributions as well as better returns on assets. On the GAD's best estimate basis, the scheme had a surplus of 106% in 2016 (93% in 2013) (source: https://www.professionalpensions.com/professional-pensions/news/3063601/government-actuary-lgps-in-better-position-after-funds-make-significant-progress).
- However, despite the above, in 2018/19 the amount recognised in the Group's consolidated statement of comprehensive income and expenditure (the "accounting valuation") in respect of the FRS 102 (28) pension charge and pension finance costs remained at £3.9m (2017/18: £3.9m), which is more than double the £1.75m charged in 2015/16.
- This difference between the ongoing funding valuation and the accounting valuation is due to the measurement criteria being based on different assumptions. Generally, the demographic assumptions used for both valuations are the same and determined every three years as part of the ongoing triennial valuation. The main area where funding valuations for our Funds and accounting valuations differ is in the derivation of the discount rate.
- Therefore, the Group Board and Executive Team are of the opinion that the FRS 102 accounting valuation of the current service cost, compared to the view of the GMPF scheme in general, is prudent approach to the health of the scheme (whilst acknowledging it is in line with the accounting requirements).

Operational risks

Income assurance

- The government managed a re-procurement exercise for non-levy apprenticeship delivery across the sector from April 2019 to March 2020. The current non-levy allocation for the sector for this period is much lower than is needed, and this includes the allocation to Total People. In response to this Total People have had to increase the expected in year income from levy customers, either through direct delivery or gifting, to deliver to the SME base, in particular in the priority areas of Cheshire, Manchester and Warrington. The introduction of the digital apprenticeship service for all employers from April 2020 may release some of the pressure on this allocation. If the gifting expectations are met, either directly or through engagement with hubs created by some of the combined authorities, this would also release the pressure on this allocation. The detail on the digital apprenticeship service has not yet been released. The gifting approach is new and not yet embedded.
- Devolution of the Adult Education Budget allocations to the Mayoral Combined Authorities creates opportunities, but also a challenge in transitioning to different commissioner arrangements. Active engagement in consultations, and with Greater Manchester Colleges Group, should mitigate any risk here.
- The new public HE body, the Office for Students (OfS), which replaces the existing teaching standards, market entry and widening participation functions carried out by HEFCE and the Office For Fair Access, may create some uncertainty in the way in which widening access and outreach activities are funded in the future.
- The Group currently has debt of £37.7m, after making repayments in the year of £1.9m and securing a new loan of £17.6m (see note 17). After making appropriate enquiries, the Group considers that its consistently strong operational performance and robust forecasting and review processes would both allow the Group to extent its debt financing facility if needed, whilst maintaining sufficient headroom in its financial covenants.

Tuition fee policy

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 or are employed and eligible for full funding due to low wage.

Higher Education tuition fees are competitive locally and reviewed annually. For 2019/20 entrants all years' tuition fees range from £7,000 to £8,900, with the higher rate for the resource intensive subjects. The 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.

Failure to maintain the financial viability of the FE Corporation

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, management of cash and delivery on strategic objectives across several years. Notwithstanding that, ongoing vigilance is needed to guard against government funding fluctuations, policy changes, or changes prompted by Brexit in any future Comprehensive Spending Review.

This risk is mitigated in a number of ways:

- By rigorous budget setting procedures and sensitivity analysis
- By including real and active financial contingencies in budgets
- Regular in year budget monitoring
- Robust financial controls
- Exploring ongoing procurement efficiencies
- Tendering for new contracts with a focus, where possible, on long term multi-year contracts
- Estates Strategy to rationalise the estate and generate operating efficiencies

Health and Safety

The number of RIDDOR incidents reduced by 11 (55%) in 2018/19, to 9 incidents (2017/18: 20 incidents).

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:

- ISO 45001 Accreditation
- ISO 45001 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. 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

Developing strong capability in Emergency Planning

Emergency Plan has been developed and is progressing through approval. Training will commence following approval. A series of desktop reviews and full emergency practice drills will take pace to test effectiveness of arrangements.

Additional Controls:

- LTE Group business continuity plan
- 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. The Group has in place a six year financial plan to 2025, a subset of which is a three year financial plan submitted to the ESFA. This comprises of the current year actual/forecast and two budgeted years. Included within this three year plan is a detailed, integrated 24-month cash flow forecast, which links to the two budgeted years. The cash flow forecasts have been sensitised to take account of a number of reasonably possible scenarios, and are 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 tested to ensure that there is headroom in our cash generation to cover any potential risks.

Key risks such as reductions in funding, the introduction of the apprenticeship levy, 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 planned. As part of the process of securing the new external funding (see events after end of reporting period on page 23), these assumptions have also been subject to a due diligence process by potential debt and grant funders.

Brexit

The implications of the impending Brexit deadline for organisations are, in most cases, still not yet clear but the Group is continuing to review what the key implications and impacts are likely to be. Factors likely to be specifically relevant to the Group include the following:

- The availability of European Social Funds in the future or the replacement "Shared Prosperity Fund" and post-Brexit.
- Tuition fees from international students are anticipated to be minimal in future years.
- A likely positive impact post-Brexit, from restrictions of movement of labour, is a knock on impact to upskill, retrain and develop more UK residents to fuel economic growth.

Equality, Diversity and Inclusivity

The LTE Group is committed to providing an environment where everyone is valued as an individual, and where learners and staff can work, learn, flourish and develop their skills and knowledge in an atmosphere of dignity and respect. One of the elements we encourage learners across the Group to focus on is progress. It is a key ingredient to their success, so it's important for our organisation to take positive steps forward too. It is heartening to see us build on the momentum of previous years by making progress with regards to equality, diversity and inclusivity in our Group.

Promoting equality is more than a statement of how we as a Group will meet statutory requirements, it is an essential part of how we operate and fundamental to the values and mission of our Group. They are a shared commitment across LTE Group, Novus, Novus Cambria, The Manchester College, UCEN Manchester, MOL and Total People.

We intend to promote equality and prevent discrimination through our role as:

- An Education Service provider
- An employer
- Community and/or business partner

The scope of the Strategy covers the nine 'protected characteristics' defined in law:

- Age
- Disability
- Gender Re-assignment
- Marriage and Civil Partnership
- Pregnancy and Maternity
- Race
- Religion and Belief
- Sex
- Sexual Orientation

The overall purpose of the Strategy is to ensure that for each of the 9 protected characteristics listed the Group will:

- Eliminate discrimination, harassment and victimisation
- Promote equality of opportunity
- Foster good relations between people from different groups
- Celebrate what we have in common and capitalise on our diversity and recognise and take account of people's differences

It is also our job to continue to be ambitious in our goals for equality, diversity and inclusivity both for every student we teach and for every member of staff we employ. Through this Strategy we hope to characterise our vision to embrace our wider differences, respond to the changing political and legal landscape and ensure that we are furthering inclusivity in our policies and practice. We publish our Equality and Diversity updates annually online to ensure compliance with all relevant equality legislation including the Equality Act 2010. The Group also publishes its annual Gender Pay Statement in January, in accordance with legislation.

Disability Confident

- The LTE Group is a Disability Confident employer and has undertaken to:
- ensure our recruitment process is inclusive and accessible
- communicate and promote vacancies
- offer an interview to disabled people
- anticipate and provide reasonable adjustments as required
- support any existing employee who acquires a disability or long term health condition, enabling them to stay in work
- make a difference for disabled people

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.

Mental Health and Wellbeing

We recognise that we have a responsibility to create an environment that promotes student and staff wellbeing and that proactively supports student and staff mental health. We:

- Ensure that wellbeing and mental health work is led by a senior manager and supported by a member of staff with particular responsibility for mental health
- Have a wellbeing and mental health policy accompanied by a clear implementation action plan which is monitored regularly and reviewed annually
- Create an open and inclusive college ethos which includes respect and support for those with mental ill health
- Promote equality of opportunity and challenge mental health stigma through curriculum teaching and also promote wellbeing through enrichment activities
- Provide appropriate mental health training for staff
- Engage the student body on mental health and wellbeing by working with the Students' Union and other student representative bodies
- Ensure a consistent and positive approach to staff wellbeing
- Provide targeted individual mental health support and where appropriate signpost to independent, external support services procured by the college
- Provide relevant information to parents and carers
- Further develop our effective links with local health and voluntary sector mental health groups
- Promote the benefit that physical activity and sport has on mental wellbeing

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 17 December 2019 and signed on its behalf, on 23 December 2019, by:

Councillor Sue Murphy CBE
Chair of LTE Group Board

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The following statement is provided to enable readers of the strategic report and financial statements of LTE Group to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2018 to 31 July 2019 and up to the date of approval of the strategic 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");

iii. including the Senior Post Holder Remuneration Code; and

iv. 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. It has not adopted and therefore does not apply the UK Corporate Governance Code. However, the corporate governance arrangements of the group draws upon best practice available, including those aspects of the UK Corporate Governance Code considered to be relevant to the further education sector.

In the opinion of the LTE Group Board, LTE Group has complied with all the provisions of the Governance Code, throughout the year ended 31 July 2019. The LTE Group Board recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of Corporate Governance at all times. 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 2019 and concluded that the Corporation had undertaken its duties and responsibilities to a high standard during the year 2018/19.

LTE GROUP BOARD

The composition of the LTE Group Board is set out on pages 40 and 41. It is the Board's responsibility to bring independent judgment to bear on issues of strategy, performance, resources and standards of conduct.

The Group Board 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 Group Board meets quarterly.

The Group Board 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 Group Board. For 2018/19 the Divisional Boards were: The Manchester College, UCEN Manchester, Novus and Group Operations. The cross group Committees were: Audit & Risk, Appointments, Governance, Remuneration and the Investment and Estates Strategy Group. From time to time the work of the Board may be augmented by Single Task Groups (STG), established under generic terms of reference as required. No STGs were convened during 2018/19.

In order to undertake effective and appropriate governance of the Group, the Group Board 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, 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 LTE Group Board as a whole.

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

The Group Board has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Group Board 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 LTE Group Board and the Chief Executive Officer of the LTE Group are separate.

There were four ordinary meetings of the LTE Group Board in 2018/19 (16 October 2018, 18 Dec 2018, 2 April 2019 and 16 Jul 2019) and three special meetings (6 and 8 February 2019 and 21 May 2019).

APPOINTMENT TO THE LTE GROUP BOARD

Any new appointments to the LTE Group Board are a matter for the consideration of the Group Board of as a whole. The Group Board has an Appointments Committee which is responsible for the selection and nomination of any new member for the Group Board's consideration (other than staff and student members). The Group Board is responsible for ensuring that appropriate training is provided as required.

Members of the LTE Group are appointed for three terms of office not exceeding three years.

Mr Paul Pritchard was elected as a staff governor with a term of office commencing on 1 September 2018

Ms Amina Bhodania was elected as a staff governor with a term of office commencing on 1 September 2018

Mr Philip Johnson was re-appointed for a further term from 8 December 2018

Ms Jenifer Burden was re-appointed for a further term from 8 December 2018

Cllr John Hacking was re-appointed for a further term from 13 September 2019

Cllr Sue Murphy CBE was appointed for a further term of office from 15 February 2019

Ms Kimoni Bell was re-appointed until the end of the academic year 2018/19

Ms Katrina Michel was appointed for a first term of office from 2 April 2019

Mr Tim Sargeant was appointed for a first term of office from 13 September 2019

Mrs Paula Cole was appointed for a first term of office from 16 July 2019

Ms Beth Rockey was appointed for the academic year 2019/20 on 15 October 2019

MEMBERS

Those serving on the LTE Group Board during 2018/19 and up to the date of signature of this report are set out in the table below. This also lists which of the Boards of the subsidiary companies they served on during 2018/19:

NAME	DATE OF APPOINTMENT	TERM OF OFFICE	END OF MEMBERSHIP	REASON	STATUS OF APPOINTMENT	COMMITTEES SERVED	ATTENDANCE IN 2018/19
Ms K Bell	12.12.18	1 academic year (end of academic year)	31.07.19	End of term of office	Student member	UCEN MCR Board	9/9
Ms A Bodhania	01.09.18	3 years			Staff member		6/6
Ms J Burden	08.12.18	3 years			External member	TMC Board, Governance	11/13
Mrs P Cole	16.07.19	3 years			External member	Audit & Risk	1/2
Cllr J Hacking	13.09.19	3 years			External member	TMC Board, UCEN MCR Board, Appointments, Remuneration	13/15
Mr P Johnson	08.12.18	3 years			External member	Group Operations Board, Novus Board, Investment & Estates Strategy Group	14/15
Mr P Lanigan	25.05.18	3 years			External member	Audit & Risk, Total People Ltd, Remuneration	13/15
Mr B J Lynch	12.12.17	3 years			External member	Novus Board, Group Operations Board, Total People Ltd, Governance	19/20
Ms K Macdonald	24.05.18	1 year	01.06.19	End of term of office	External member	Novus Board	7/9
Ms K Michel	02.04.19	3 years			External member	UCEN MCR Board	2/3
Mr A Mills	13.09.16	3 years	13.09.19	End of term of office	External member	Governance	5/9
Cllr S Murphy CBE	15.02.19	3 years			External member	Novus Board, Novus Cambria, Total People Ltd, Appointments, Remuneration, Governance	19/23
Mr P Pritchard	01.09.18	3 years			Staff member		6/6
Ms B Rockey	15.10.19	1 academic year			Student Member	UCEN MCR Board	
Mr T Sargeant	13.09.19	3 years			External member	Group Operations Board	
Mr M Sugden	18.07.17	3 years			External member	Audit & Risk, TMC Board, Novus Cambria, Remuneration	16/19
Mr J Thornhill	01.10.12	Ex officio			C.E.O	Appointments, Total People Ltd, Novus Cambria, Investment & Estates Strategy Group	16/16
Mrs P Waterhouse OBE	12.12.17	3 years			External member	TMC Board	10/10
Mr A White	25.05.18	3 years			External member	Investments and Estates Strategy Group	8/8

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.

*Includes both ordinary and special Group Board meetings and ordinary and special Committees or Divisional Boards as appropriate.

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

Co-optees

To enhance the effectiveness of its governance profile LTE Group Board appoints a number of Co-optees to Divisional Boards and Committee with specific professional skills and knowledge. These individuals add specific professional skills and knowledge to the membership of that Board/Committee and do not act in the capacity of trustee.

The following appointments were made by LTE Group Board during the year:

Mrs Paula Cole was re-appointed for a second term from 22 March 2019 (prior to accepting appointment as a governor of LTE Group)

Ms Monica Brij was re-appointed for a second term from 31 July 2019

Miss Louise DuRose was appointed for a second term from 31 July 2019

Mr Peter Winter was re-appointed for a second term from 31 July 2019

Ms Catherine Hill OBE was appointed for a first term from 31 July 2019

Mr Ged Barlow was appointed for a first term of office from 2 April 2019

Mr Matthew Maile was appointed as a student co-optee of The Manchester College Board for one academic year from 16 October 2018

NAME	DATE OF APPOINTMENT	TERM OF OFFICE	END OF APPOINTMENT	BOARD OR COMMITTEE
Mrs Paula Cole	22.03.2019	3 years	Resigned to take up appointment as a governor of the Group	Audit & Risk UCEN MCR
Mr Ged Barlow	02.04.2019	3 years		Total People Limited
Mrs Monica Brij	8.07.2016	3 years		IESG, Novus
Mr Paul Candelent	8.07.2016	3 years		IESG, Audit & Risk
Miss Louise Durose	8.07.2016	3 years		Total People Limited
Ms Frances Done CBE	28.03.2017	3 years		Novus
Ms Catherine Hill OBE	2.04.2019	3 years		The Manchester College
Mr Mathew Maile	16.10.2018	1 academic year		The Manchester College
Ms Kile Moyana	18.07.2017	3 years	Resigned 17.09.18	UCEN MCR
Mrs Barbara Rollin	8.07.2016	3 years	End of term of office	Group Operations, IESG
Mr Peter Winter	8.07.2016	3 years		UCEN MCR

GOVERNANCE STRUCTURE

As part of its strategic plan LTE Group approved the move to a 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 Investment and Estates Advisory Group was also established 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 LTE Group Board. The oversight of cross group functions such as audit and governance is undertaken through specific cross group committees of Audit & Risk, Governance, Appointments and Remuneration. The oversight of the division trading as MOL was undertaken on the Board's behalf for 2018/19 by Mr B Lynch (prior to the commencement of a full Divisional Board for MOL from 2019/20).

In furtherance of the social mission of the Group, two subsidiary companies either owned or controlled by the group exist to deliver education and training under specific contracts or remits. As companies and separate legal entities these operate under their own Articles of Association but the majority of Directors in each instance is appointed by the LTE Group Board.

APPOINTMENTS COMMITTEE

Throughout the year ended 31 July 2019 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 2018/19 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 2019, LTE Group's Remuneration Committee comprised Cllr J Hacking, Cllr S Murphy CBE and a member of the Audit & Risk Committee *ex officio* (in each instance being either Mr P Lanigan or Mr M Sugden), 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.

The LTE Group Board has adopted AoC's Senior Staff Remuneration Code in April 2019 and will assess pay in line with its principles in future.

Details of remuneration for the year ended 31 July 2019 are set out in note 7 to the financial statements. The Committee met on two occasions during 2018/19.

AUDIT & RISK COMMITTEE

The Audit & Risk Committee comprised Mr P Lanigan, 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 PricewaterhouseCoopers LLP; LTE Group's internal auditors RSM and Group Officers, including the Group Finance Director and Chief Operating Officer.

The Committee operated in accordance with written terms of reference approved by the LTE Group Board. Its purpose is to advise the Group Board 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 ESFA 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 LTE Group Board 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 Group Board.

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 compliance in respect of Freedom of information, Data Protection and public interest disclosure

The Committee met on three occasions in 2018/19.

INVESTMENT AND ESTATES ADVISORY GROUP

The Investment and Estates Strategy Group was established to have oversight of the investment and estates strategy of the Group. The Investment and Estates Strategy Group comprised Mr P Johnson, Mr J Thornhill, Mr A White, Mr R Cressey, Mrs M Brij, Mr P Candelent and Mrs B Rollin.

The Committee met on six occasions during 2018/19.

GOVERNANCE COMMITTEE

The Committee was established in 2017/18 to consider the development of governance in the Group; have oversight of the performance of the governance of the Group and make recommendations in respect of the skills needs of governors and co-optees required to deliver effective governance. The membership of the Committee comprised Ms J Burden, Mrs J Foote MBE, Mr B Lynch, Mr A Mills and Cllr S Murphy CBE.

The Committee met on two occasions during the year.

DIVISIONAL BOARDS

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.

The Manchester College Divisional Board

Throughout the year ended 31 July 2019 the membership of The Manchester College Divisional Board was made up of Ms J Burden, Cllr J Hacking, Ms C Hill OBE, Mr M Maile, Mrs L O'Loughlin, Mr M Sugden and Mrs P Waterhouse OBE.

The Board met on four occasions in 2018/19.

UCEN Manchester Divisional Board

Throughout the year ended 31 July 2019 the membership of the UCEN Manchester Divisional Board was made up of Ms K Bell, Cllr J Hacking, Mrs L O'Loughlin, Ms K Michel, Ms P Cole, Mr P Winter and Ms B Rockey.

The Committee met on three occasions in 2018/19.

Novus Divisional Board

Throughout the year ended 31 July 2019 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 CBE.

The Board met on four occasions in 2018/19.

Group Operations Board

Throughout the year ended 31 July 2019 the membership of the Group Operations Divisional Board was made up of Mr B Lynch, Mr P Johnson, Mr P Taylor, Mr R Cressey, Mrs B Rollin and Mr T Sargeant.

The Board met on three occasions in 2018/19.

WHOLLY OWNED OR CONTROLLED SUBSIDIARIES

Total People Limited

Throughout the year ended 31 July 2019 the membership of the Board of Total People Limited (a wholly owned company limited by shares) was made up of Mr B Lynch, Mr P Lanigan, Cllr S Murphy CBE, Ms L Durose, Mr G Barlow, Mrs L Dean, Mr R Cressey, Mr P Taylor and Mr J Thornhill. Mrs J Foote MBE was appointed Company Secretary.

The Board met on four occasions in 2018/19.

Novus Cambria

Throughout the year ended 31 July 2019 the membership of the Board of Novus Cambria (a joint venture company limited by guarantee and linked charity in partnership with Coleg Cambria) was made of Mr M Sugden, Cllr S Murphy CBE, Mr J Thornhill, Mr P Cox, Mr D Jones OBE, Mr S Jackson and Mr J Clutton. Mrs J Foote MBE was appointed Company Secretary.

The Board met on four occasions in 2018/19.

INTERNAL CONTROL

Scope of Responsibility

The LTE Group Board 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 Group Board 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 ESFA. He is also responsible for reporting to the Group Board 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 2019 and up to the date of approval of the strategic report and financial statements.

LTE Group retain the internal audit services of RSM Risk Assurance Services 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 auditors' recommendations and report separately on these to the Audit & Risk Committee.

Capacity to Handle Risk

The LTE Group Board 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 Group Board 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 2019 and up to the date of approval of the strategic report and financial statements. The process is regularly reviewed by the Audit & Risk Committee and the LTE Group Board.

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 LTE Group Board;
- regular reviews by the Group 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 LTE Group Board.

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 Group Board on the recommendation of the Audit & Risk Committee. At a minimum annually, the Head of Internal Audit (HIA) provides the Group Board 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 LTE Group Board of Governors includes as a standing part of any report presented to it a section for consideration of risk and control. This is in addition to reports on key strategic risks 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 LTE Group Board is of the opinion that LTE Group has an adequate and effective framework for governance, risk management and control. The LTE Group Board 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. The Group has in place a six year financial plan to 2025, a subset of which is a three year financial plan submitted to the ESFA. This comprises of the current year actual/forecast and two budgeted years. Included within this three year plan is a detailed, integrated 24-month cash flow forecast, which links to the two budgeted years. The cash flow forecasts 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 17 December 2019 and signed on its behalf, on 23 December 2019, by:

Cllr S Murphy CBE
Chair of LTE Group Board

John Thornhill
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 its consideration it has 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 LTE Group Board

Date: 23 December 2019

John Thornhill
Chief Executive Officer

Date: 23 December 2019

STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

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

Within the terms and conditions of the Financial Memorandum between the ESFA and the LTE Group, the Corporation - through its Chief Executive Officer - is required to prepare financial statements and an operating and financial review for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education and with the College Accounts, ESFA's college accounts direction and the UK's Generally Accepted Accounting Practice, and which gives a true and fair view of the state of affairs of LTE Group and its surplus of income over expenditure for that period.

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

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that 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 information about 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 including the Further and Higher Education Act 1992 and Charities Act 2011, and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it in order to safeguard the assets of 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 ESFA are used only in accordance with the Financial Memorandum with the ESFA and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly.

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

Approved by order of the members of the Corporation on 17 December 2019 and signed on its behalf, on 23 December 2019, by:

Cllr Sue Murphy CBE
Chair of LTE Group Board

INDEPENDENT AUDITORS' REPORT TO THE CORPORATION OF LTE GROUP (THE "INSTITUTION")

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion, LTE Group'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 2019 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 2019; 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

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.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's and parent institution's activities, students, suppliers and the wider economy.

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 Post-16 Audit Code of Practice issued by the Education and Skills Funding Agency

Under the Post-16 Audit Code of Practice issued by the Education and Skills Funding Agency we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
Manchester
31 December 2019

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY

TO THE CORPORATION OF 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 2019 and further to the requirements and conditions of funding in the Education and Skills Funding Agency's grant funding agreements, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest, in all material respects, the expenditure disbursed and income received by LTE Group during the period 1 August 2018 to 31 July 2019 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post-16 Audit Code of Practice 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) data returns, for which Education and Skills Funding Agency has other assurance arrangements in place.

This report is made solely to the corporation of 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 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 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 LTE Group and the reporting accountant

The corporation of 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 2018 to 31 July 2019 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Post-16 Audit Code of Practice issued 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 college'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 a sample of 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 a sample of 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 2018 to 31 July 2019 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
December 2019

FINANCIAL STATEMENTS

CONSOLIDATED AND CORPORATION STATEMENTS OF COMPREHENSIVE INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 JULY 2019

	NOTES	YEAR ENDED 31 JULY		YEAR ENDED 31 JULY	
		2019	2019	2018	2018
		Group	Corporation	Group	Corporation
		£'000	£'000	£'000	£'000
INCOME					
Funding body grants	3	146,813	128,401	145,567	130,776
Tuition fees and education contracts	4	17,740	16,791	19,088	17,815
Other income	5	10,278	10,943	19,179	13,618
Investment income	6	57	53	43	42
Total income		**174,888**	**156,188**	**183,877**	**162,251**
EXPENDITURE					
Staff costs (excluding FRS 102 (28) pension charge)	7	122,371	112,377	126,909	116,901
FRS 102 (28) pension charge & pension finance costs	7, 22	3,875	3,875	3,875	3,875
Restructuring costs	7	2,476	2,304	619	619
Other operating expenses	8	36,199	27,823	43,480	32,648
Depreciation & amortisation	11, 12	6,679	6,218	6,509	6,038
Interest and other finance costs (excluding pension finance costs)	9	1,086	1,086	1,097	1,097
Total expenditure		**172,686**	**153,683**	**182,489**	**161,178**
Surplus before other gains and losses		**2,202**	**2,505**	**1,388**	**1,073**
(Loss) on disposal of assets	8	(3)	(3)	(138)	(138)
Surplus before tax		**2,199**	**2,502**	**1,250**	**935**
Taxation	10	18	-	(12)	-
Surplus for the year		**2,217**	**2,502**	**1,238**	**935**
Other comprehensive income					
Actuarial (loss)/gain in respect of pension scheme	22	(6,049)	(6,049)	9,752	9,752
Total comprehensive (loss) / income for the year		**(3,832)**	**(3,547)**	**10,990**	**10,687**
Represented by:					
Unrestricted comprehensive (loss) / income		(3,832)	(3,547)	10,990	10,687
SURPLUS FOR THE YEAR ATTRIBUTABLE TO:					
Minority interest share in Novus Cambria		195	-	358	-
Group		2,022	2,502	880	935
Total comprehensive (loss) / income for the year					
Minority interest share in Novus Cambria		195	-	358	-
Group		(4,027)	(3,547)	10,632	10,687

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS

CONSOLIDATED AND CORPORATION STATEMENTS OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 JULY 2019

	INCOME AND EXPENDITURE ACCOUNT	REVALUATION RESERVE	TOTAL (EXCLUDING MINORITY INTEREST)	MINORITY INTEREST SHARE IN NOVUS CAMBRIA	TOTAL
	£'000	£'000	£'000	£'000	£'000
CONSOLIDATED					
Balance at 1 August 2017	**43,831**	**5,203**	**49,034**	**232**	**49,266**
Surplus for the year	880	-	880	358	1,238
Other comprehensive income	9,752	-	9,752	-	9,752
Transfers between revaluation and income and expenditure reserves	239	(239)	-	-	-
Total comprehensive income/(expense) for the year	**10,871**	**(239)**	**10,632**	**358**	**10,990**
Distributions paid to minority interest share in Novus Cambria	-	-	-	(232)	(232)
Balance at 31 July 2018	**54,702**	**4,964**	**59,666**	**358**	**60,024**
Surplus for the year	2,022	-	2,022	195	2,217
Other comprehensive loss	(6,049)	-	(6,049)	-	(6,049)
Transfers between revaluation and income and expenditure reserves	239	(239)	-	-	-
Total comprehensive (expense)/income for the year	**(3,788)**	**(239)**	**(4,027)**	**195**	**(3,832)**
Distributions paid to minority interest share in Novus Cambria	-	-	-	(358)	(358)
Total transactions with minority interest share in Novus Cambria recognised directly in equity	**-**	**-**	**-**	**(358)**	**(358)**
Balance at 31 July 2019	**50,914**	**4,725**	**55,639**	**195**	**55,834**
CORPORATION					
Balance at 1 August 2017	**43,680**	**5,203**	**48,883**	**-**	**48,883**
Surplus for the year	935	-	935	-	935
Other comprehensive income	9,752	-	9,752	-	9,752
Transfers between revaluation and income and expenditure reserves	239	(239)	-	-	-
Total comprehensive income/(expense) for the year	**10,926**	**(239)**	**10,687**	**-**	**10,687**
Balance at 31 July 2018	**54,606**	**4,964**	**59,570**	**-**	**59,570**
Surplus for the year	2,502	-	2,502	-	2,502
Other comprehensive loss	(6,049)	-	(6,049)	-	(6,049)
Transfers between revaluation and income and expenditure reserves	239	(239)	-	-	-
Total comprehensive (expense) for the year	**(3,308)**	**(239)**	**(3,547)**	**-**	**(3,547)**
Balance at 31 July 2019	**51,298**	**4,725**	**56,023**	**-**	**56,023**

FINANCIAL STATEMENTS

CONSOLIDATED AND CORPORATION BALANCE SHEETS AS AT 31 JULY 2019

	NOTES	GROUP	CORPORATION	GROUP	CORPORATION
		2019	**2019**	**2018**	**2018**
		£'000	**£'000**	**£'000**	**£'000**
NON-CURRENT ASSETS					
Intangible assets	11	1,352	249	1,646	272
Tangible fixed assets	12	133,868	133,384	112,828	112,197
Investments	13	-	3,015	-	3,015
		135,220	136,648	114,474	115,484
CURRENT ASSETS					
Stocks		122	122	80	80
Trade and other receivables	14	21,956	18,584	16,961	15,630
Cash and cash equivalents	19	9,071	7,611	15,098	11,380
		31,149	**26,317**	**32,139**	**27,090**
Less: Creditors – amounts falling due within one year	**15**	**(20,857)**	**(17,311)**	**(21,736)**	**(18,216)**
Net current assets		**10,292**	**9,006**	**10,403**	**8,874**
Total assets less current liabilities		**145,512**	**145,654**	**124,877**	**124,358**
Less: Creditors – amounts falling due after more than one year	16	(56,992)	(56,992)	(42,034)	(42,034)
PROVISIONS					
Defined pension benefit obligations	22	(30,878)	(30,878)	(20,954)	(20,954)
Other provisions	18	(1,808)	(1,761)	(1,865)	(1,800)
Total net assets		**55,834**	**56,023**	**60,024**	**59,570**
UNRESTRICTED RESERVES					
Income and expenditure account		50,914	51,298	54,702	54,606
Revaluation reserve		4,725	4,725	4,964	4,964
Minority interest share in Novus Cambria		195	-	358	-
Total unrestricted reserves		**55,834**	**56,023**	**60,024**	**59,570**

The financial statements on pages 60 to 92 were approved and authorised for issue by the Corporation on 17 December 2019 and were signed on its behalf, on 23 December 2019, by:

Cllr Sue Murphy CBE
Chair of LTE Group Board

John Thornhill
Chief Executive Officer and Accounting Officer

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 JULY 2019

	NOTES	YEAR ENDED 31 JULY	YEAR ENDED 31 JULY
		2019	**2018**
		£'000	**£'000**
CASH INFLOW FROM OPERATING ACTIVITIES			
Surplus for the year		2,217	1,238
ADJUSTMENT FOR NON-CASH ITEMS			
Depreciation & amortisation		6,679	6,509
Increase in stocks		(42)	(50)
Increase in debtors		(4,995)	(3,773)
Decrease in creditors due within one year		(639)	(7,969)
Decrease in creditors due after one year		(329)	(285)
Decrease in provisions		(39)	(83)
Pensions costs less contributions payable		3,875	3,875
Taxation		(18)	12
Minority interest share in Novus Cambria		-	(358)
ADJUSTMENT FOR INVESTING OR FINANCING ACTIVITIES			
Investment income		(57)	(43)
Interest payable		1,086	1,097
Loss on sale of fixed assets		3	138
Net cash flow from operating activities		**7,741**	**308**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of fixed assets		12	-
Investment income		57	43
Payments made to acquire fixed assets		(28,060)	(4,158)
Net cash flow from investing activities		**(27,991)**	**(4,115)**
Cash flows from financing activities			
Interest paid		(1,086)	(1,097)
Repayments of amounts borrowed		(1,933)	(1,933)
New Loans received		17,600	-
Distributions to minority interest share in Novus Cambria		(358)	(232)
Net cash flow from financing activities		**14,223**	**(3,262)**
(Decrease) in cash and cash equivalents in the year		**(6,027)**	**(7,069)**
Cash and cash equivalents at beginning of the year	19	15,098	22,167
Cash and cash equivalents at end of the year	**19**	**9,071**	**15,098**

NOTES TO THE FINANCIAL STATEMENTS

1. LEGAL STATUS AND REGISTERED OFFICE

LTE Group is a statutory corporation established under the Further and Higher Education Act 1992 (statutory instrument 2008 No. 1418). LTE Group is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

LTE Group includes Total People Holdings Limited ("Total People"), 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.

Registered office:

Openshaw Campus & Administration Centre, Ashton Old Road, Manchester 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 2018 to 2019* and in accordance with Financial Reporting Standard 102 – "*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*" (FRS 102). The 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 2019.

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 six year financial plan to 2025, a subset of which is a three year financial plan submitted to the ESFA. This comprises of the current year actual/forecast and two budgeted years. Included within this three year plan is a detailed, integrated 24-month cash flow forecast, which links to the two budgeted years. The cash flow forecasts 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 £28.6m at year end (£37.7m debt and £9.1m cash). The debt equates to 21.67% of income, which is well within the ESFA parameters of a "Good" financial health grading. There would therefore be scope to increase debt without affecting this "Good" score. 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.

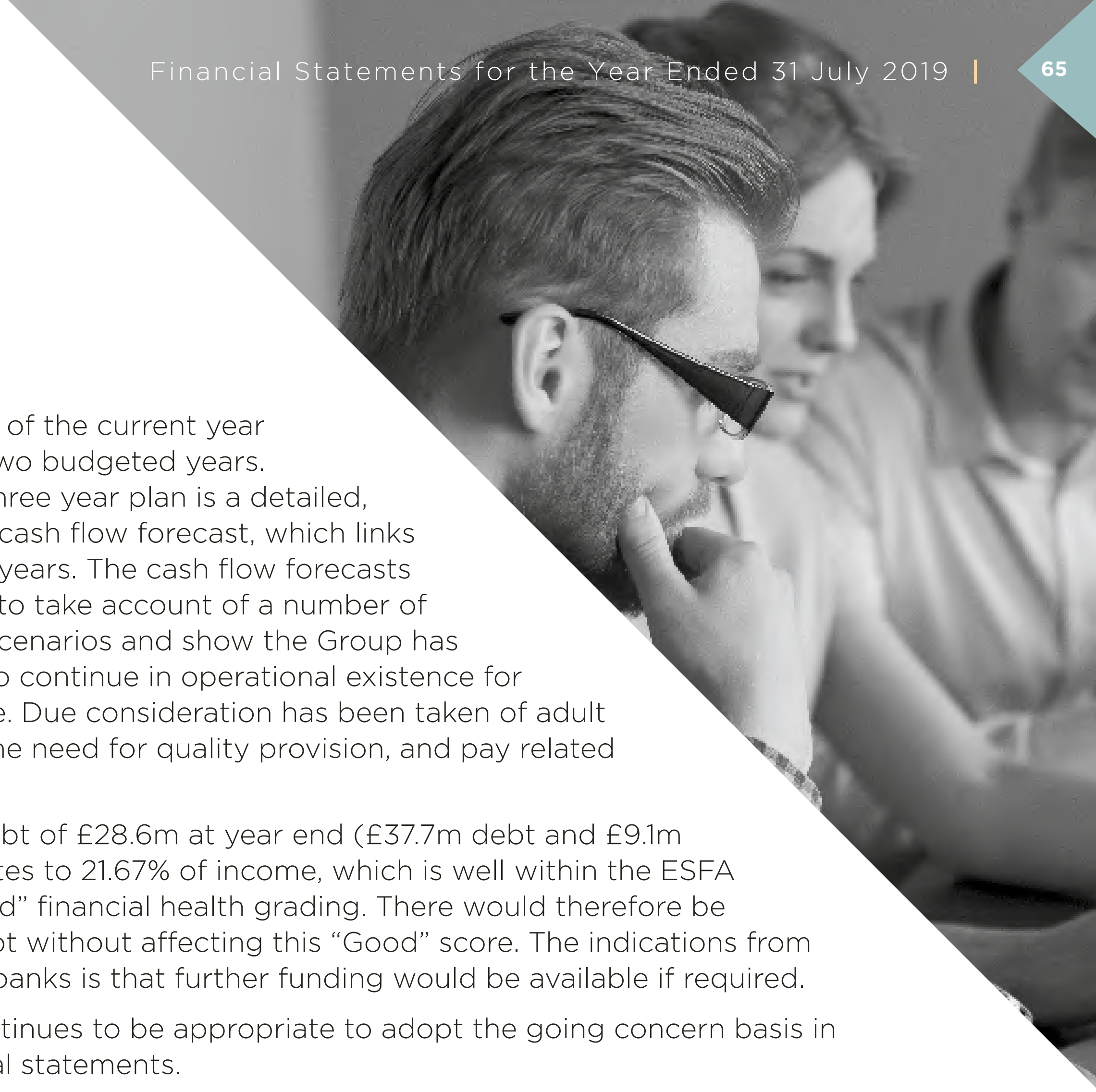
Recognition of income

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 Office for Students (OfS) represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

Grants from non-government sources are recognised in income when the 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 Pension

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.

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 (7 years for Data Centre)
Computer software	3 years – 5 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.

Other 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 – distress cases 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 purchase of land and construction of 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 Corporation 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 Corporation 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 Corporation is exempt from levying VAT on most of the services it provides to learners. For this reason, the Corporation 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.

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 and investments. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

Tangible fixed assets

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

Local Government Pension Scheme

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

3. FUNDING BODY GRANTS

	2019	2019	2018	2018
	Group	**Corporation**	**Group**	**Corporation**
	£'000	**£'000**	**£'000**	**£'000**
ESFA - adult - recurrent grant	21,548	15,305	26,886	14,719
ESFA - 16-18 - recurrent grant	33,336	25,152	28,036	25,412
Office for Students (OfS) - recurrent grant	743	743	970	970
Other funding body - MoJ/YJB/MCC/ ESFA non recurrent grant	89,745	85,760	86,505	86,505
Releases of government capital grants	869	869	703	703
ESF Co-financing	46	46	1,905	1,905
Other funds	526	526	560	560
Employer responsive	-	-	2	2
Total	**146,813**	**128,401**	**145,567**	**130,776**

4. TUITION FEES AND EDUCATION CONTRACTS

	2019	2019	2018	2018
	Group	**Corporation**	**Group**	**Corporation**
	£'000	**£'000**	**£'000**	**£'000**
Adult education fees	5,926	5,237	6,466	5,193
Apprenticeship contracts	260	-	-	-
Fees for FE loan supported courses	619	619	1,256	1,256
Fees for HE loan supported courses	8,792	8,792	9,109	9,109
International students fees	6	6	121	121
Total tuition fees	15,603	14,654	16,952	15,679
Education contracts	2,137	2,137	2,136	2,136
Total	**17,740**	**16,791**	**19,088**	**17,815**

5. OTHER INCOME

	2019	2019	2018	2018
	Group	**Corporation**	**Group**	**Corporation**
	£'000	**£'000**	**£'000**	**£'000**
Residencies, catering and conferences	1,342	1,342	1,201	1,201
Other income generating activities	2,560	2,560	2,352	2,352
Other grant income	648	648	-	-
Other income*	5,728	6,393	15,626	10,065
Total	**10,278**	**10,943**	**19,179**	**13,618**

* This includes miscellaneous income £4,033k (2018: £13,694k), Rental income £258k (2018: £395k), Exam fee income £383k (2018: £481k), Nursery income £1,054k (2018: £1,056k).

6. INVESTMENT INCOME

	2019	2019	2018	2018
	Group	**Corporation**	**Group**	**Corporation**
	£'000	**£'000**	**£'000**	**£'000**
Other investment income	30	30	32	32
Interest receivable	27	23	11	10
	57	**53**	**43**	**42**

7. STAFF COSTS

	GROUP	CORPORATION	GROUP	CORPORATION
	2019	2019	2018	2018
	No.	No.	No.	No.
Teaching staff	1,958	1,776	1,906	1,774
Non-teaching staff	1,130	1,055	1,321	1,169
	3,088	**2,831**	**3,227**	**2,943**

STAFF COSTS FOR THE ABOVE PERSONS

	2019	2019	2018	2018
	£'000	£'000	£'000	£'000
Wages and salaries	96,746	88,507	99,827	91,355
Social security costs	8,908	8,192	9,349	8,625
Other pension costs - excluding FRS 102 (28) pension charge	12,981	12,386	13,625	13,019
Payroll sub total	**118,635**	**109,085**	**122,801**	**112,999**
Contracted out staffing services	3,736	3,292	4,108	3,902
	122,371	**112,377**	**126,909**	**116,901**
FRS102 (28) pension charge	3,375	3,375	3,345	3,345
	125,746	**115,752**	**130,254**	**120,246**
Restructuring costs -				
contractual	2,101	1,929	330	330
non contractual	375	375	289	289
	128,222	**118,056**	**130,873**	**120,865**

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

	2019	2018
	No.	No.
The number of Group's key management personnel including the Accounting Officer was:	8	8

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	
	2019	2018	2019	2018
	No.	No.	No.	No.
£60,001 to £65,000 p.a.	-	-	14	11
£65,001 to £70,000 p.a.	-	-	4	8
£70,001 to £75,000 p.a.	-	-	4	2
£75,001 to £80,000 p.a.	-	1	1	1
£80,001 to £85,000 p.a.	1	-	3	2
£85,001 to £90,000 p.a.	-	-	1	5
£90,001 to £95,000 p.a.	-	-	2	2
£95,001 to £100,000 p.a.	1	-	1	1
£100,001 to £105,000 p.a.	-	1	3	2
£105,001 to £110,000 p.a.	-	-	2	1
£110,001 to £115,000 p.a.	-	-	1	2
£115,001 to £120,000 p.a.	1	-	1	-
£120,001 to £125,000 p.a.	-	1	-	-
£125,001 to £130,000 p.a.	-	-	1	-
£130,001 to £135,000 p.a.	-	-	-	-
£135,001 to £140,000 p.a.	1	-	-	-
£140,001 to £145,000 p.a.	-	-	-	-
£145,001 to £150,000 p.a.	-	1	-	-
£145,001 to £155,000 p.a.	-	1	-	-
£155,001 to £160,000 p.a.	3	2	-	-
£220,001 to £225,000 p.a.	-	1	-	-
£225,001 to £230,000 p.a.	-	-	-	-
£230,001 to £235,000 p.a.	-	-	-	-
£235,001 to £240,000 p.a.	-	-	-	-
£240,001 to £245,000 p.a.	1	-	-	-
	8	**8**	**38**	**37**

Key management personnel compensation is made up as follows:

	2019	2018
	£'000	**£'000**
Salaries - gross of salary sacrifice and waived emoluments	1,163	1,133
Social security costs	151	146
Benefits in kind	-	-
	1,314	**1,279**
Pension contributions	160	182
Total emoluments	**1,474**	**1,461**

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:

	2019	2018
	£'000	**£'000**
Salaries	245	224
Benefits in kind	-	-
	245	**224**
Pension contributions	12	36

As of 1 December 2018, the Accounting Officer left the LGPS pension scheme and received a pension cash option in lieu (2018/19: £21,000).

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

The LTE Group Board has adopted AoC's Senior Staff Remuneration Code in April 2019 and will assess pay in line with its principles in future.

The remuneration package of Key management staff, including the CEO/Accounting Officer, is subject to annual review by the Remuneration Committee of the governing body who use benchmarking information to provide objective guidance.

The CEO/Accounting Officer reports to the Chair of LTE Group Board, who undertakes an annual review of his performance against the college's overall objectives using both qualitative and quantitative measures of performance.

Relationship of CEO/Accounting Officer pay and remuneration expressed as a multiple:

	2019
CEO/Accounting Officer's basic salary as a multiple of the median of all staff	7.7
CEO/Accounting Officer's total remuneration as a multiple of the median of all staff	8.3

The Group has opted for early adoption of the 2019/20 OfS Accounts Direction and incorporated into the pay median staff included in real-time reporting to HMRC only.

8. OTHER OPERATING EXPENSES

	2019	2019	2018	2018
	Group	**Corporation**	**Group**	**Corporation**
	£'000	**£'000**	**£'000**	**£'000**
Teaching costs	16,516	11,062	23,775	16,130
Non-teaching costs	14,344	12,343	14,461	12,155
Premises costs	5,339	4,418	5,244	4,363
Total	36,199	27,823	43,480	32,648

Other operating expenses include:

	2019	2018
	£'000	**£'000**
Auditors' remuneration:		
Financial statements audit	102	65
Internal audit	37	32
Other services provided by external auditors - GDPR	-	89
Other services provided by external auditors - Funding Advisory	129	-
Other services provided by external auditors - Pensions	8	-
Other services provided by Internal auditors - Bid Assurance	18	-
(Loss) on disposal of non-current assets	(3)	(138)
Hire of Plant and Machinery - operating leases	625	396
Hire of other assets – operating leases	1,041	1,627

9. INTEREST AND OTHER FINANCE COSTS (GROUP AND CORPORATION)

	2019	2018
	£'000	£'000
On bank loans, overdrafts and other loans:	1,086	1,097

10. TAXATION - (GROUP)

	2019	2018
	£'000	£'000
Deferred tax (credit)/charge in the financial statements of the subsidiary company	(18)	12
Total	**(18)**	**12**

The members do not believe that the Corporation was liable for any corporation tax arising out of its activities during either year. The deferred tax is all in the Group's subsidiary, Total People Limited.

11. GROUP INTANGIBLE ASSETS

	GOODWILL	OTHER	WEBSITE	TOTAL
	£'000	£'000	£'000	£'000
COST OR VALUATION				
At 1 August 2018	1,078	1,050	353	2,481
Additions	-	-	20	20
At 31 July 2019	**1,078**	**1,050**	**373**	**2,501**
ACCUMULATED AMORTISATION				
At 1 August 2018	247	507	81	835
Charge for the year	119	152	43	314
At 31 July 2019	**366**	**659**	**124**	**1,149**
Net book value at 31 July 2019	**712**	**391**	**249**	**1,352**
Net book value at 31 July 2018	831	543	272	1,646

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	U.E.L
	£'000	(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.

11. CORPORATION INTANGIBLE ASSETS

	WEBSITE
	£'000
COST OR VALUATION	
At 1 August 2018	353
Additions	20
At 31 July 2019	**373**
ACCUMULATED AMORTISATION	
At 1 August 2018	81
Charge for the year	43
At 31 July 2019	**124**
Net book value at 31 July 2019	**249**
Net book value at 31 July 2018	272

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 2018	145,836	992	3,113	24,601	174,542
Additions	21,618	-	4,270	1,552	27,440
Transfers	1,278	-	(1,278)	(20)	(20)
Disposals	-	-	-	(28)	(28)
At 31 July 2019	**168,732**	**992**	**6,105**	**26,105**	**201,934**
ACCUMULATED DEPRECIATION					
At 1 August 2018	45,543	161	-	16,010	61,714
Charge for the year	3,396	-	-	2,970	6,366
Transfers	-	-	-	(1)	(1)
Elimination in respect of disposals	-	-	-	(13)	(13)
At 31 July 2019	**48,939**	**161**	**-**	**18,966**	**68,066**
Net book value at 31 July 2019	**119,793**	**831**	**6,105**	**7,139**	**133,868**
Net book value at 31 July 2018	100,293	831	3,113	8,591	112,828

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 2018	145,836	992	3,113	22,717	172,658
Additions	21,618	-	4,270	1,509	27,397
Transfers	1,278	-	(1,278)	(20)	(20)
Disposals	-	-	-	(28)	(28)
At 31 July 2019	**168,732**	**992**	**6,105**	**24,178**	**200,007**
ACCUMULATED DEPRECIATION					
At 1 August 2018	45,540	161	-	14,760	60,461
Charge for the year	3,396	-	-	2,780	6,176
Transfers	-	-	-	(1)	(1)
Elimination in respect of disposals	-	-	-	(13)	(13)
At 31 July 2019	**48,936**	**161**	**-**	**17,526**	**66,623**
Net book value at 31 July 2019	**119,796**	**831**	**6,105**	**6,652**	**133,384**
Net book value at 31 July 2018	100,296	831	3,113	7,957	112,197

The transitional rules set out in FRS 102 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
Cost at 31 July 2019 and at 31 July 2018	3,015

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.

The registered office of all of this group of companies is Openshaw Campus & Administrative Centre, Ashton Old Road, Manchester, United Kingdom M11 2WH.

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 2019 are as follows:

	2019	2018
	£	**£**
Incoming resources	11,130	11,130
Operating costs	(21,972)	(21,972)
Net outgoing resources	**(10,842)**	**(10,842)**
Fixed assets	648,405	670,377
Current assets	279,630	268,500
Current liabilities	(12,930)	(12,930)
Net assets	**915,105**	**925,947**

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 (2018: £21,972).

The registered office is Openshaw Campus & Administrative Centre, Ashton Old Road, Manchester, United Kingdom M11 2WH.

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. The registered office is C/O Coleg Cambria, Grove Park Road, Wrexham, United Kingdom, LL12 7AB.

Manchester Film School Limited

The LTE Group has a 100% shareholding in Manchester Film School Limited. This is a dormant, private limited company. The registered office is Whitworth House, Ashton Old Road, Manchester, United Kingdom M11 2WH.

The Manchester College

The LTE Group has a 100% shareholding in The Manchester College. This is a dormant, private limited company by guarantee, without share capital, and exempt from the requirement to include 'limited' in its name. The registered office is Openshaw Campus, Ashton Old Road, Manchester, United Kingdom M11 2WH.

LTE Professional Services Limited

The LTE Group has a 100% shareholding in LTE Professional Services Limited. This is a private limited company. The registered office is Whitworth House, Ashton Old Road, Manchester, United Kingdom M11 2WH.

Novus Works Holdings Limited

The LTE Group has a 100% shareholding in Novus Works Holdings Limited. This is a private limited company. The registered office is Whitworth House, Ashton Old Road, Manchester, United Kingdom M11 2WH.

ASSETS HELD FOR SALE

There were no assets held for resale in the year (2018: none).

14. TRADE AND OTHER RECEIVABLES

	GROUP	CORPORATION	GROUP	CORPORATION
	2019	2019	2018	2018
	£'000	£'000	£'000	£'000
AMOUNTS FALLING DUE WITHIN ONE YEAR:				
Trade receivables	5,331	4,719	4,575	3,883
Amounts owed by group undertakings:				
Subsidiary undertakings	-	1,630	-	3,685
Joint venture undertakings	13	-	13	-
Prepayments and accrued income	15,355	12,023	10,367	7,261
Other debtors	210	212	795	801
Amounts owed by the ESFA	1,047	-	1,211	-
Total	**21,956**	**18,584**	**16,961**	**15,630**

Group trade receivables are stated net of a doubtful debt provision of £760k (2018: £658k). During the year, trade debtors totalling £60k were written-off (2018: £73k).

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

15. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	GROUP	CORPORATION	GROUP	CORPORATION
	2019	2019	2018	2018
	£'000	£'000	£'000	£'000
Bank loans	2,409	2,409	1,933	1,933
Payments in advance	1,230	1,230	855	855
Trade payables	3,694	3,085	4,078	3,569
Amounts owed to group undertakings:				
Subsidiary undertakings	-	-	-	2
Joint venture undertakings	279	-	267	-
Other taxation and social security	2,273	2,122	4,278	4,133
Accruals and deferred income	7,858	5,679	8,011	5,435
Deferred income - government capital grants	897	897	1,383	1,383
Amounts owed to the ESFA/SFA/LSF	17	-	369	369
Other creditors	2,200	1,889	562	537
Total	**20,857**	**17,311**	**21,736**	**18,216**

16. CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	GROUP	CORPORATION	GROUP	CORPORATION
	2019	2019	2018	2018
	£'000	£'000	£'000	£'000
Bank loans	35,300	35,300	20,109	20,109
Deferred income - government capital grants	21,324	21,324	21,610	21,610
Other	368	368	315	315
Total	**56,992**	**56,992**	**42,034**	**42,034**

17. MATURITY OF DEBT

Bank loans

Bank loans are repayable as follows:

	GROUP	CORPORATION	GROUP	CORPORATION
	2019	2019	2018	2018
	£'000	£'000	£'000	£'000
In one year or less	2,409	2,409	1,933	1,933
Between one and two years	5,957	5,957	1,933	1,933
Between two and five years	7,919	7,919	5,651	5,651
In five years or more	21,424	21,424	12,525	12,525
Total	**37,709**	**37,709**	**22,042**	**22,042**

Loans are with Allied Irish Bank (AIB) £4.359m (2018: totalling £5.292m), with Royal Bank of Scotland (RBS) £15.750m (2018: totalling £16.750m) and with The Council of the City of Manchester (MCC) £17.600m (2018: £Nil). All loans are secured by a legal charge on a portion of the freehold land and buildings of the Group.

£10m (2019 balance £2.207m) from AIB (2018: £2.795m), for original term starting Jun 2006 to Mar 2023, at variable interest of Base rate + 0.475 margin. Loan to be fully repaid by 2023.

£5.855m (2019 balance £2.153m) from AIB (2018: £2.497m) for original term starting Jan 2009 to Oct 2025, at variable interest of Base rate + 0.475 margin. Loan to be fully repaid by 2025.

£22m (2019 balance £15.750m) from RBS (2018: £16.750m), for original term of 22 years from Apr 2013 to Mar 2035, at fixed interest rates for the 3 tranches 6.375%, 6.13% and 6.39% expiring in Mar 2035, Apr 2030 and Apr 2025 respectively. Loan to be fully repaid by 2035.

£17.6m (2019 balance (17.6m) from MCC (2018: £nil), for original term starting Feb 2019 to Mar 2035, an initial fixed interest rate of 6.60% reducing to 4.6%. Loan to be fully repaid by 2035.

18. OTHER PROVISIONS

GROUP			2019	2018
	Enhanced pensions	Other	Total	Total
	£'000	£'000	£'000	£'000
At 1 August	1,800	65	1,865	1,936
Expenditure in the year	(39)	(18)	(57)	(137)
Additions in the year	-	-	-	66
At 31 July	**1,761**	**47**	**1,808**	**1,865**

CORPORATION	2019	2018
	Enhanced pensions	Enhanced pensions
	£'000	£'000
At 1 August	1,800	1,883
Expenditure in the year	(39)	(137)
Additions in the year	-	54
At 31 July	**1,761**	**1,800**

Other provisions relate to the 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:

	2019	2018
	%	%
Price inflation	2.2	1.3
Discount rate	2.0	2.3

19. CASH AND CASH EQUIVALENTS

GROUP	AT 1 AUGUST 2018	CASH FLOWS	AT 31 JULY 2019
	£'000	£'000	£'000
Cash and cash equivalents	15,098	(6,027)	9,071
Total	**15,098**	**(6,027)**	**9,071**

CORPORATION	AT 1 AUGUST 2018	CASH FLOWS	AT 31 JULY 2019
	£'000	£'000	£'000
Cash and cash equivalents	11,380	(3,769)	7,611
Total	**11,380**	**(3,769)**	**7,611**

20. CAPITAL COMMITMENTS

	GROUP AND CORPORATION	
	2019	2018
	£'000	£'000
Commitments contracted for at 31 July	1,077	356

21. LEASE OBLIGATIONS

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

	GROUP	CORPORATION	GROUP	CORPORATION
	2019	2019	2018	2018
	£'000	£'000	£'000	£'000
FUTURE MINIMUM LEASE PAYMENTS DUE				
Land and buildings				
Not later than one year	940	592	855	509
Later than one year and not later than five years	1,052	930	971	799
Later than five years	1,356	1,356	1,394	1,394
	3,348	**2,878**	**3,220**	**2,702**
Other				
Not later than one year	1,440	1,432	1,186	1,166
Later than one year and not later than five years	790	785	471	461
	2,230	**2,217**	**1,657**	**1,627**

22. DEFINED PENSION 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 multi-employer defined-benefit plans.

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

TOTAL PENSION COST FOR THE YEAR		2019		2018
		£'000		£'000
Teachers' Pension Scheme: contributions paid		7,586		8,180
Local Government Pension Scheme:				
Contributions paid	4,873		4,991	
FRS 102 (28) charge	3,375		3,345	
Charge to the Statement of Comprehensive Income		8,248		8,336
Other schemes		422		400
Enhanced pension charge to Statement of Comprehensive Income		100		54
Total pension cost for the year within staff costs		16,356		16,970

Contributions amounting to £1,492,503 (2018: £1,749,649) were payable to the schemes at 31 July and are included within creditors (other creditors).

Teachers' Pension Scheme

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

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

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

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

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

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

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

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

The pension costs paid to TPS in the year amounted to £7,586,000 (2018: £8,180,000).

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 2019 was £6,767,000 of which employers' contributions totalled £4,965,000 (2018: £4,966,000) and employee's contributions totalled £1,802,000 (2018: £1,860,000). 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 2019 by a qualified independent actuary.

The principal bespoke assumptions for this calculation are:

	2019	2018
	%	%
Pension increase rate	2.1	1.9
Salary increase rate	1.5	1.5
Discount rate	2.3	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 2019	AT 31 JULY 2018
	years	**years**
RETIRING TODAY		
Males	20.60	21.50
Females	23.10	24.10
RETIRING IN 20 YEARS		
Males	22.00	23.70
Females	24.80	26.20

The assets in the scheme of which the Group's share is estimated to be £208,378,000 at 31 July 2019 and £194,382,000 at 31 July 2018.

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

	2019	2018
	%	%
Equities	69%	68%
Bonds	14%	16%
Property	8%	7%
Cash	9%	9%
	100%	**100%**

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

	2019	2018
	£'000	**£'000**
Fair value of plan assets	208,378	194,382
Present value of plan liabilities	(239,256)	(215,336)
Net pensions liability	**(30,878)**	**(20,954)**

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

	2019	2018
	£'000	**£'000**
AMOUNTS INCLUDED IN STAFF COSTS		
Current service cost	8,300	7,960
Past service cost	40	351
Total	**8,340**	**8,311**
AMOUNTS INCLUDED IN INTEREST COSTS		
Net interest cost	500	530
Total	**500**	**530**

AMOUNTS RECOGNISED IN OTHER COMPREHENSIVE INCOME (OCI)	2019	2018
	£'000	**£'000**
Return on pension plan assets	6,084	9,752
Changes in demographic and financial assumptions	(12,133)	-
Amount recognised in Other Comprehensive Income	**(6,049)**	**9,752**

MOVEMENT IN NET DEFINED BENEFIT LIABILITY DURING THE YEAR	2019	2018
	£'000	**£'000**
Deficit in scheme at 1 August	(20,954)	(26,831)
Movement in year:		
Current service cost	(8,300)	(7,960)
Employer contributions	4,965	4,966
Past service cost	(40)	(351)
Net interest	(500)	(530)
Actuarial (loss) / gain	(6,049)	9,752
Net defined benefit liability at 31 July	**(30,878)**	**(20,954)**

Asset and Liability Reconciliation

CHANGES IN THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS	2019	2018
	£'000	**£'000**
Defined benefit obligations at start of the year	215,336	202,843
Current Service cost	8,300	7,960
Interest cost	5,394	5,935
Contributions by Scheme participants	1,802	1,860
Changes in demographic and financial assumptions	12,133	-
Benefits paid	(3,749)	(3,613)
Past Service cost	40	351
Defined benefit obligations at end of the year	**239,256**	**215,336**

CHANGES IN FAIR VALUE OF PLAN ASSETS	2019	2018
	£'000	**£'000**
Fair value of plan assets at start of the year	194,382	176,012
Interest on plan assets	4,894	5,405
Return on plan assets	6,084	9,752
Employer contributions	4,965	4,966
Contributions by Scheme participants	1,802	1,860
Benefits paid	(3,749)	(3,613)
Fair value of plan assets at end of the year	**208,378**	**194,382**

GMP Equalisation and McCloud

The actuary has assessed the impact of the McCloud Sergeant ruling on the scheme. The actuary determined that the trigger event has not occurred for the scheme, and has therefore not accounted for any impact. The actuary has also assessed the impact of GMP equalisation on the scheme, and noted that there would be minimal impact on the scheme's participants, so there has been no impact on the liability.

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 £2,412; 5 Governors (2018: £2,286; 8 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.

The total expenses paid to or on behalf of the Co-optees during the year was £312; 3 Co-optees (2018: £184; 1 Co-optees). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Committee Meetings and charity events in their official capacity.

In accordance with the permission granted by the Charity Commission, remuneration of trustees was commenced in April 2018. The total remuneration paid to Governors during the year was £38,750; 7 Governors (2018:£11,883; 7 Governors). The total remuneration paid to Co-optees during the year was £7,500; 4 Co-optees (2018: £3,000; 3 Co-optees).

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 (2018: £11,130), in respect of rent, depreciation of £10,500 (2018: £10,500) and a commercial mark-up £630 (2018: £630).

At the year end, The LTE group had £12,930 (2018: £12,930) outstanding from MET and MET was owed £278,562 (2018: £267,433) by The LTE group.

The group has taken advantage of the exemptions included in FRS 102 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 year the parent company LTE Group incurred expenses and made payments on behalf of the company totalling £3,133,602 (2018: £2,255,797). LTE Group also charged the company training fees totalling £Nil in the year (2018: £2,450).

During the year the company paid a distribution of earnings of £536,266 (2018: £347,413) to LTE Group.

At 31 July 2019 £291,704 (2018: £2,259,257) was owed to LTE Group in respect of these transactions and is included in Amounts owed by group undertakings (note 14).

24. AMOUNTS DISBURSED AS AGENT

LEARNER SUPPORT FUNDS	2019	2018
	£'000	**£'000**
Funding body grants – bursary support	1,903	2,190
Funding body grants – discretionary learner support	3,129	3,746
Other Funding body grants - free school meals	565	245
	5,597	6,181
Disbursed to students	(5,366)	(5,563)
Administration costs	(231)	(249)
Balance unspent as at 31 July, included in creditors	**-**	**369**

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.

25. EVENTS AFTER END OF REPORTING PERIOD

Estates strategy progression; Design is progressing for Openshaw and City Centre with planning applications submitted and approved post year end. The disposals of Moston and St Johns are at negotiation stage with buyers and completion of sale anticipated in 2019/20. St Johns (net book value of £2.9m at year end) will then be leased back whilst the City Centre site is constructed.

External funding; Post the balance sheet date, the Group has agreed new debt funding facilities with Santander. These funds will replace the existing debt with RBS and AIB, and in addition will go towards funding the estates strategy. They take the form of a term loan and a development loan for a period of six years. The loans will be secured by charge over the newly acquired city centre site, and the Openshaw and Northenden campuses. In addition LTE is entering into an agreement with the GMCA for a skills capital funding grant, and with MCC for a bridging loan until disposal proceeds from the project are realised. These facility agreements and an inter creditor agreement will have been signed by mid-January 2020.

LTE Group is committed to equality of opportunity, non-discriminatory practices and supporting individual learners.

This information is also available in a range of formats, such as large print, on request.

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