LTE group

Learning | Training | Employment

Financial Statements

31st July 2018

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 2017/18:

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/Exec Lead MOL/Group Lead for Bids and Tenders, LTE Group
Rob Cressey, Group Finance Director
Linda Dean, Managing Director Total People Limited
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 20 of these financial statements.

During 2017/18, 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 21 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:

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

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

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

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

DAC Beachcroft
3 Hardman Street
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M3 3HF

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

CONTENTS

STRATEGIC REPORT

NATURE, OBJECTIVES AND STRATEGIES:

The members present their report and the audited financial statements for the year ended 31 July 2018.

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.

Mission

The Strategic Vision for the Group:

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

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

Public Benefit

LTE Group is an exempt charity under Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016, is regulated by the Secretary of State for Education. The members of the Board of Governors, who are trustees of the charity, are disclosed on page 20.

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)
- 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

Implementation of strategic plan

The Group has reviewed its Strategic plans and now offers a broad, diversified offer that meets the strategic needs of communities, the economy and key stakeholders. To create more focus on key strategic objectives, there is a move towards more autonomy for individual business units (including the introduction of divisional boards) whilst maintaining the overall strength of the organisation to drive quality and future growth of the skills offer.

The Group will continue to manage any funding changes in core delivery areas in the future, to grow its priority delivery areas and to maintain its key focus of supporting the needs and requirements of the Greater Manchester and Cheshire conurbations (and nationally for Offender Learning (Novus)) providing high quality and reliable provision in all the areas of its offer.

The Group's continuing strategic objectives are to:

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

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

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

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

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

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

To maintain our number one, award winning position for apprenticeships in Greater Manchester and Cheshire.

To ensure we meet the needs of a changing labour market, employer needs and future learner demands in all regions where we operate.

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

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

The Group is on target for achieving these objectives.

Novus continues to deliver strong inspection results with 75% of current grades at Good or better, compared to OFSTED annual report of December 2017 of 44% nationally. Novus Cambria completed a successful first year of trading, with strong educational outcomes and financial performance.

At The Manchester College, good progress, year-on-year, has been noted during OFSTED monitoring visits. Year-on-year performance, across a wide range of comparators now shows that the college compares favourably with peers graded at good or outstanding. The college self-assessment is now at "Good".

In January 2018, the Group launched the new HE offer, UCEN Manchester. Applications to UCEN are up 8%, despite a national reduction in applications to UCAS of 3%.

Total People maintained a "Good" overall quality grade, and for the third year in a row outperformed the national quality rates for independent training providers. The award of GM skills provider of the year further enhanced our market leading position for apprenticeship delivery in Greater Manchester and Cheshire.

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.

Financial objectives

The Group wishes to remain financially sound so as to:

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

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

To diversify income streams, through a broad offer that responds to multiple areas of demand, rather than solely traditional FE.

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

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

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

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

The Group set financial performance targets for 2017/18. These were:

- Maintenance of a strong financial performance with a surplus set at £904k (achieved £880k). This is equivalent to an EBITDA education specific of £11,315k (achieved £11,765k), representing 5.55% (achieved 6.42%) of turnover. This is to provide an opportunity to re-invest and/ or protect provision due to cuts in public sector expenditure.
- Manage cash flow carefully to deliver a year-end balance of over £17.2m (achieved £15.1m after a recently introduced and unbudgeted retention of £1.5m by MoJ relating to Olass 4, which will be repaid in full in 2018/19) hence the year end balance would have been £16.6m, while maintaining a current ratio of at least 1.32 (achieved 1.59) to minimise loan drawdown.
- Borrowing as a % of income 11.92% (achieved 12.03%).

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

Key Performance Indicators

The Group is committed to observing the importance of sector measures and indicators and uses the FE Choices data available on the GOV.UK website which looks at measures such as success rates. The Group is required to complete the annual Finance Record for the Education and Skills Funding Agency ("ESFA"). The Group is assessed by the ESFA as having a "Good" financial health grading. The current rating of Good is considered an acceptable outcome and maintains a sixth 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	2016/17	2017/18	2018/19 budget
Adjusted current ratio	1.30	1.59	1.37
EBITDA as % to income – education specific	5.6%	6.42%	7.12%
Borrowing as % to income	13.2%	12.03%	28.26%
Score	**Good**	**Good**	**Good**

Contract performance

Funding stream	2017/18	
	Current actual -final ILR (R14)	Allocation
ESFA programme funding (16- 18 and 19-24 students with an LDA or EHCP)	£23,933,114	£24,110,960*
Adult Education Budget (Incl. ALS, DLSF)	£18,434,124	£17,942,713
OLASS 4 Contract	£76,517,059	£76,517,059 **
Other Prison Contracts	£18,178,551	£18,178,551
Total People – SFA 3721 v9	£11,185,296	£11,156,954
Total People – ESFA 11872 v4	£815,143	£786,909
Total People – ESFA 11365 v2	£283,479	£640,958
Total People – ESFA 10720 v2	£2,339,488	£2,434,639

* The full contract for EFA recurrent grants is £26.4m the contract performance including 'formula protection funding, high needs and student financial support funding'.
The full contract for ESFA AEB recurrent grants is £18m; the contract performance includes 'Adult Discretionary Learner Support'. This is prior to the move from ESFA to GMCA for commissioning.
OLASS allocations – In 2017/18 the ESFA did not fund Adult OLASS provision, the contract was funded directly by the Ministry of Justice.
**OLASS 4 contract 100% achieved subject to final reconciliation sign off.

Narrative

16-18 Classroom Learning – There was a 100% achievement of the EFA learner number target and a 99% achievement of the programme-funding target.

Adult Education Budget – Currently a 103% achievement of the Adult Education Budget (including Discretionary Learner Support) allocation, with the year-end claim forecasting further achievement claims of up to £0.120m before the R14 ILR submission (18 October '18).

Success Rates Table

Division / Subsidiary	Age	Level	Education and Training - Overall Achievement (Success) Rate			
			2015/16*	2016/17*	2017/18	2017/18 Potential maximum
The Manchester College	16-18	All Levels	79.9%	81.3%	85.9% ^	86.8%
The Manchester College	19+	All Levels	87.0%	90.1%	90.6% ^	93.0%
The Manchester College	All Ages	All Levels	84.3%	86.6%	88.8% ^	90.6%
Novus	-	Prison Education	92.0%	95.0%	94.0%	94.0%
Total People	-	Apprenticeships	73.5%	72.9%	74.1%	74.1%

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

The above table includes all classroom-based provision.

FINANCIAL POSITION

Financial results

The Group generated a surplus in the year of £880k (2017: £820k) which is in line with the budgeted surplus for the year and a good improvement on prior year results.

The Group (excluding minority interest share in Novus Cambria) has accumulated reserves of £59.7m (2017: £49.0m) including the pension deficit liability of £21.0m (2017: £26.8m) and cash balances of £15.1m (2017: £22.2m). 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 2017/18 the FE funding bodies provided 36.6% of the Group's total income, with, soon to be devolved to the The Greater Manchester Combined Authority, AEB income accounting for 15%.

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 £44k. 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 2018 resulted in an actuarial gain of £9.8m (2017: gain £5.7m) see note 22.

Treasury policies and objectives

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

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

Borrowings in respect of the £22.0m Royal Bank of Scotland (RBS) revolving credit facility stands at £16.75m as at the 31st July 2018. However, the Group has fixed the rate of interest for all the original £22.0m. Borrowings from Allied Irish Bank stands at £5.3m as at 31st July 2018.

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

Cash flows and liquidity

The Group generated a positive operating cash inflow of £0.3m in 2017/18 (2016/17: inflows £10.9m).

There are two main reasons driving the lower operating cash inflow in 2017/18. Firstly, in 2017/18 there was an outflow of 4.0m in College AEB and the closed Manchester Apprenticeship funds due to a settlement relating to the previous year. Secondly, at year end, £2.3m of 17/18 income was outstanding across Olass 4, College AEB and ESF, to be settled on reconciliation in 2018/19.

The total of these movements is £6.3m which can be seen in the movements in debtors and creditors in the cash flow. Also, in 2017/18, Total People's Debtors increased by £2.0m, mainly due to increased amounts due from the ESFA and new business.

Reserves Policy

The Group recognises that its major sources of income are government funded and as such not explicitly guaranteed for a set period of years. To this end the Group has been diversifying its income streams so that there will be multiple funding sources – Education and Skills Funding Agency, Ministry of Justice, Apprenticeship Levy, Youth Justice Board, European Structural and Investment Funds, Welsh Assembly and commercial income. 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, over £10m of operating expenditure has been invested in the re shaping of the business, in response to previous government funding cuts. This has been achieved without reducing reserves or the need to secure additional finance arrangements with ESFA/Banks.

The Group (excluding minority interest share in Novus Cambria) has £59.7m (2017: £49.0m) of unrestricted reserves as at 31 July 2018, which the Group feels is adequate to implement any further reshaping required due to reductions in any of the funding sources above.

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

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

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

The LTE Group has set a reserves policy which requires:

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

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

It takes into account:

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

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Financial health

LTE Group financial health grading with the ESFA is Good, and has been for the past 6 years. Group banking facilities in support of this grading show a positive cash balance of £15.1m at year end and total debt owing of £22.0m. There are no significant events for example notices of concern or recovery plans in place.

Novus

In 2017/18 the Group, via its brand Novus, remains the largest provider of offender learning and skills in England and Wales. The funding responsibility for offender learning is now the responsibility of the Ministry of Justice (MoJ) and Novus continues to deliver across five OLASS regions, the Young People estate and the new build prison HMP Berwyn, currently working with 60,733 distinct learners.

Novus continues to build on its specialism in delivering programmes to offenders within secure environments and community settings. 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 continued development of the procurement process for PEF (successor of OLASS 4) has resulted in the extension of Novus' current contract with the MoJ until the 31st March 2019. Procurement is currently underway for the new Prison Education Framework (PEF) contracts which will replace the current OLASS contracts The PEF contracts are expected to be awarded by January 2019 with a commencement date of 1st April 2019, and full contract life of six years.

Student numbers

In 2017/18 the College has delivered activity that has generated £39.9m (ESFA Funding Contracts, excluding transitional funding) in funding body main allocation funding (2016/17: £39.3m). The College delivered approximately 35,500 (2016/17: 33,500) funded qualifications and approximately 8,500 (2016/17: 7,100) non-funded qualifications.

Student achievements

Students continue to prosper at the College. Success rates using ESFA methodology rose again in 2017/18 from 86.3 per cent in 2016/17 to 90.1 per cent.

Curriculum developments

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 2017/18 curriculum teams have introduced new courses to accommodate employer demand and funding changes. There are now dozens of employer developed and sponsored programmes and more than 4,000 work experience placements with employers.

Employer engagement and involvement in curriculum development continues to grow, a successful bid under 'The Challenge' project has enabled further development in work placement and provided opportunity for many learners to experience an increased number of hours in the work place. Sponsored programmes have increased, with fifteen employers now engaged. Through the Capacity Development Fund, additional investment has been made in the employability hub in the form of strengthened employer engagement, which ensures that students, including age 16-18 study programme learners, achieve opportunities to develop their employability and also to support the College's preparation for the introduction of Technical and Professional Qualifications. 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 and charity work.

In January 2018, the group launched a new and unique Higher Education offer-UCEN Manchester, applications to which are up 8% on the prior year despite a national downturn for UCAS applications of 3%. UCEN Manchester have added more new programmes and the first Masters programme started in September 2018.

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.

Apprenticeships

Our Grade 2 provider Total People has absorbed the Automotive, Construction and Pharmacy provision from elsewhere in the Group, following a strategic review of our apprenticeship provision and the changes flagged by the apprenticeship levy.

Relationships with key employers like First Bus or the GM Trusts have continued to grow alongside the existing provision. Levy Income is now an important Income stream with investment in Key Account Managers to support this. £1.7m (12%) of the In Year Apprenticeship Income was from Levy Payers, and this is expected to grow to over £5m (we've budgeted £6.6m).

Future prospects

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

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

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

Total People provides a platform from which to be best placed to meet the challenges of the new Apprenticeship Levy and thereby to continue to grow the apprenticeships in Greater Manchester and Cheshire. Performance to date outperforms the national average by 20%, showing strong foundations to evolve and grow.

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.

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 site selection and purchase negotiations.

Events after end of reporting period

MoJ procurement process for new PEF contracts to be completed January 2019.

Estates strategy progression, with an option agreement to purchase land in the City Centre of Manchester signed in November 2018.

A bid submitted by Total People to MoJ for a three year contract to deliver functional skills.

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 £59.7m (2017: £49.0m) of net assets. This includes £21.0m pension deficit liability (2017: £26.8m) and long-term debt of £20m(2017: £22m). The Group net assets have increased, mainly because of the drop in provision for defined pension benefit obligation of £5.8m from prior year.

People

At year end, the Group has 4,118 people in post, of whom 2,564 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.

Our policies are:

- That all senior roles are benchmarked externally against recognised comparators and through nationally recognised methods such as Hay and FE Gauge.
- 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 ratio's between front line staff and the most senior employees are within the guideline 1:12 ratio.
- That regular reviews of gender based pay are completed and that the Board's longstanding commitment to a living wage policy will be maintained.

Governor remuneration

In accordance with the permission granted by the Charity Commission, remuneration of trustees commenced in 2017/18. 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 locally and nationally. Newly developed and launched brands have established themselves quickly with strong identities in their relevant sectors.

Following reassessment against the new standard, the College has retained its status as a MATRIX accredited provider.

Strong learner satisfaction survey (QDP) results show that 93% (91% 2016/17 and 90% 2015/16) are satisfied with their study programme and 94% (93% 2016/17 and 91% 2015/16) are satisfied that they have made good progress. Furthermore, the majority of learners would recommend the College to a friend. 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. Further, Universities and Colleges in England that have a TEF award can increase their tuition fees in line with inflation, for full-time undergraduate UK and EU students. UCEN Manchester has submitted a registration application to the new Office for Students (the new higher education regulator) and the outcome is imminent.

In the Adult OLASS provision Novus demonstrates strong learner satisfaction, with 2017/18 survey (QDP) results showing that 90% (2017- 88%, 2016 – 89%) of learners are satisfied with their study programme and 91% (2017 & 2016 – 90%) are satisfied that they have made good progress.

MOL uses a five star customer feedback system, last year the average star rating was a positive 4 out of 5 stars. This year MOL is using the learner feedback platform Feefo and is currently averaging 4.7 out of 5 stars which is both a significant improvement and 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.

Total People is a Grade 2 "good" provider as identified by OFSTED at inspection in May 2017. The majority of provision is in apprenticeships and Total People have good overall apprenticeship success rates at 74% which is 8% above the current published rate for independent providers. Total People has strong employer satisfaction rates, 93.9% of employers in the last externally managed survey were positive about recommending us compared to a national median score of 86% (source FE Choices 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.

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
62	58.84

Percentage of time	Number of employees
0%	0
1-50%	60
51-99%	1
100%	1

Total cost of facility time	£226,643
Total pay bill	£89,218,146
Percentage of total bill spent on facility time	0.25%

Time spent on paid trade union activities as a percentage of total paid facility time	9.14%

Payment performance

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

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

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

Strategic risks

These are high level strategic risks:

- Achievement of the Group Structure plans: the creation of a group structure with subsidiaries will both support continued growth and diversification of income as well as enabling risk to be better managed.
- Estates Strategy plans provide the appropriate learning environments and improved overhead cost base to deliver the training and skills needs for our 2020/25 vision.
- Maintain/improve the group's profile within the offender learning sector: We are diversifying via tender bids as well as preparing for the PEF re-tender and the change in focus that government policy may bring.
- Further cuts in government funding: especially in ESFA funding at short notice makes it very difficult to manage the implementation of medium term strategies.
- The introduction of the Apprenticeship Levy Reform has seen a reduction in volumes across the sector; Total People has performed better than the sector which has experienced significant drops. There continue to be high levels of demand still for Non Levy and Partnership working that cannot be funded out of the current Contracts awarded; Total people continues to work closely with key agencies to ensure customer demand can be met.

Operational risks

1. Government funding

The Group has decreasing reliance on continued government funding through the further education sector funding bodies and through the Office for Students (OsF). In 2017/18, about 32% of the Group's revenue was ESFA and OfS grant funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

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

- Total People have been successful in tendering for a non-levy contract but will need to closely monitor our performance against the contract that runs to March 2019. We await further guidance from the ESFA regarding contracts post-April 2019 onwards. This is an issue common to the sector nationally.
- 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.
- In terms of OLASS/PEF contract funding, the current contract has been extended to March 2019 and the full procurement process is still not confirmed by the Ministry of Justice. However, preparations are underway to ensure that we are positioned to respond to any changes.
- The new public HE body, the Office for Students, which replaces the existing teaching standards, market entry and widening participation functions carried out by HEFCE and the Office For Fair Access, 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 £22.0m, after making repayments in the year of £2.0m. The 2018/19 budget shows a further reduction in debt in the following year of £2.0m. 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 significantly increase its debt finance if needed, whilst maintaining sufficient headroom in its financial covenants.

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 which 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, for example 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).

Other operational risks

2. Tuition fee policy

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

Higher Education tuition fees are competitive locally and reviewed annually. For 2018/19 entrants, for the second year fees range from £7,000 to £8,900, with the higher rate for the resource intensive subjects. The new Teaching Excellence Framework rating of silver supports the College position versus competition favourably. As more fees are payable by loan it is uncertain the impact this will have on learner numbers.

This risk is mitigated in a number of ways:

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

3. Maintain adequate funding of pension liabilities

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 2017/18, this deficit reduced by £5.8m to £21.0m (2017: £26.8m). Throughout 2017/18, the Group maintained the required employer contribution set out by GMPF of 18.1% (2016/17: 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, 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 2017/18 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 has increased by £1.0m from £2.9m in 2016/17 to £3.9m in 2017/18 (and more than doubled since 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).

4. 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 planning in to budgets real and active financial contingencies
- 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

5. Health and Safety

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

Additional Controls: OHSAS 18001 Accreditation
OHSAS 18001 Surveillance Audits.

Communication and Engagement
LTE Group encourages participation of colleagues, learners, partners and visitors. Positive behaviours are recognised and encouraged. The LTE Group encourage participation in SHE matters. 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. We have prepared a 24-month cash flow forecast which is regularly updated and reviewed by both the executive team and governors. Our planning process is detailed and thorough and is again reviewed by executive team and governors with assumptions and sensitivities being tested.

Key risks such as reductions in funding, the introduction of the apprenticeship levy, the upcoming PEF re-tender, the economic situation and our estates strategy have all been factored into our planning assumptions and mean that the going concern position has been well tested. These assumptions have been also strength tested 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 that come from international students, approximately 1% in 2017/18 and anticipated to be minimal in 2018/19.
- 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.

STAKEHOLDER RELATIONSHIPS
In line with other large Education and Skills groups, LTE Group has many stakeholders. These include:
- Students;
- Education sector funding bodies;
- Staff;
- Local employers (with specific links) and those we provide apprentice services to;
- Local authorities;
- Local Enterprise Partnerships (LEPs);
- The local community;
- Other FE institutions;
- Trade unions;
- Banks;
- Ministry of Justice (MoJ);
- National employers;
- Professional bodies;
- Greater Manchester Mayor and devolved government;
- MPs – local elected members;
- Sector professional and trade bodies AoC, Collab Group, AELP, IFS, GMLPN, GMCG and more.

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

Equality, Diversity and Inclusivity

The LTE Group work positively to celebrate diversity and advance the equality of opportunity, celebrating that we function in a multi-faceted and complex society. We respect and value positively differences in age, disability, gender reassignment, religion or belief, sex, sexual orientation, marriage and civil partnership, pregnancy and maternity in the delivery of our services and the employment of our staff. This policy is resourced, implemented and monitored on a planned basis. The Group's Single Equality Scheme is published on our website.

The purpose of this Single Equality Scheme (SES) is:

- To ensure potential and current staff, learners, and visitors do not experience discrimination
- To create a positive and inclusive work and study environment for all staff and learners where all members feel valued and respected
- To raise awareness with regards to discrimination and ensure that all learners, staff, stakeholders and service users are aware of their responsibilities under the current equality legislation
- To support the recruitment, retention, progression and personal and professional development of all our staff and learners
- To keep updated on equality legislation.

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

- An Education Service provider;
- An employer;
- A community partner and
- A business partner.

We will follow best practice in all equality areas and work to:

- Eliminate unlawful discrimination
- Promote equality of opportunity
- Eliminate bullying and harassment
- Promote good relations between different groups
- Celebrate what we have in common and capitalise on our diversity and
- Recognise and take account of people's differences.

The LTE Group publishes an Annual Equality & Diversity Report to ensure compliance with all relevant equality legislation including the Equality Act 2010. The report is available on the Group's website. In 2018, the Group published it Gender Pay Statement, in accordance with new legislation.

Disability statement

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

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

Disclosure of information to auditors

The members who held office at the date of approval of this report confirm that so far as they are each aware there is no relevant audit information of which the Group's auditors are unaware. Each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

This Strategic Report was approved by order of the Corporation on 18th December 2018 and signed on its behalf by:

Sue Murphy

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 2017 to 31 July 2018 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"); and
iii. having due regard to the UK Corporate Governance Code 2014 ("the Code") insofar as it is applicable to the further education sector.

LTE Group is committed to exhibiting best practice in all aspects of Corporate Governance and in particular LTE Group has resolved to adhere to and comply with the Code of Good Governance for English Colleges. 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 Board of Governors, LTE Group has complied with all the provisions of the Governance Code, throughout the year ended 31 July 2018. The Board of Governors recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of Corporate Governance at all times. In carrying out its responsibilities, it takes full account of the Code of Good Governance for English Colleges which was published by the Association of Colleges in March 2015 and which was formally recognised by the Board of Governors in May 2015.

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

Corporation performance

The Corporation carried out a self-assessment of its own performance for the year ended 31st July 2018 and concluded that the Corporation had undertaken its duties and responsibilities to a high standard during the year 2017/18.

LTE GROUP BOARD

The composition of the LTE Group Board is set out on page 20. 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 of Governors 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 2017/18 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 is augmented by Single Task Groups (STG), established under generic terms of reference as required. No STGs were convened during 2017/18.

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 2017-18 (19 Sep 2017, 12 Dec 2017, 20 Mar 2018 and 17 Jul 2018) and three special meetings (20 October 2017, 20 February 2018 and 24 May 2018).

APPOINTMENT TO THE LTE GROUP BOARD

Any new appointments to the Group Board of Governors 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 Adam White was appointed as a governor from 25 May 2018

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 Barry Lynch was re-appointed for a further term from 31 October 2017

Mrs Pauline Waterhouse OBE was re-appointed for a further term from 31 October 2017

Mr Philip Lanigan was re-appointed for a further term from 25 May 2018

Ms Kate Macdonald was re-appointed for a further term of one year from 24 May 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

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

MEMBERS

Those serving on the LTE Group Board (including of the Boards of subsidiary companies) during 2017/18 and up to the date of signature of this report are set out below:

Name	Date of appointment	Term of office	End of membership	Reason	Status of appointment	Committees served	Attendance in 2017/18
Ms K Bell	12.12.18	1 year (end of academic year)				UCEN MCR Board	9/9
Ms J Burden	08.12.18	4 years			External member	TMC Board, Governance	8/12
Ms C Carroll	18.07.17	1 year (to end of year)	31.07.18	End of term of office	Staff member		7/7
Mr K Clark	18.07.17	1 year (to end of year)	31.07.18	End of term of office	Staff member		6/7
Cllr J Hacking	13.09.16	3 years			External member	TMC Board, UCEN MCR Board, Appointments, Remuneration	14/15
Mr P Johnson	08.12.18	3 years			External member	Group Operations Board, Novus Board, Investment & Estates Strategy Group	15/16
Mr P Lanigan	25.05.18	3 years			External member	Audit & Risk, Total People Ltd, Remuneration	12/15
Mr B J Lynch	31.10.17	3 years			External member	Novus Board, Group Operations Board, Total People Ltd, Governance	18/19
Ms K Macdonald	24.05.18	1 year			External member	Novus Board	9/10
Mr A Mills	13.09.16	3 years			External member	Governance	7/9
Cllr S Murphy CBE	22.03.16	3 years			External member	Novus Board, Novus Cambria, Total People Ltd, Appointments, Remuneration, Governance	19/22
Ms K Moyana	08.12.15	2 years	18.07.17		Student member	HE Board	4/7
Mr A Simpkin	12.12.13	4 years	12.12.17	End of term of office	External member	Investment & Estates Strategy Group	3/6
Mr M Sugden	18.07.17	3 years			External member	Audit & Risk, TMC Board, Novus Cambria	16/17
Mr J Thornhill	01.10.12	Ex officio			C.E.O	Appointments, Total People Ltd, Novus Cambria, Investment & Estates Strategy Group	4/4
Mrs P Waterhouse OBE	31.10.17	3 years			External member	TMC Board	9/10
Mr A White	25.05.18	3 years			External member	Investments and Estates Strategy Group	3/3
Mr P Pritchard	01.09.18	3 years			Staff member		2/2
Ms Bhodania	01.09.18	3 years			Staff member		2/2

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.

Name	Date of Appointment	Term of Office	End of Appointment	Board or Committee
Mr Paul Chisnell	22.03.2016	3 years	Resigned 15.03.18	On sabbatical
Ms Paula Cole	22.03.2016	3 years		Audit & Risk UCEN MCR
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
Prof Eileen Fairhurst	8.07.2016	3 years	Resigned 12.10.17	UCEN MCR
Mr Hasan Mohammed (FE student co-optee)	12.12.2017	1 year (end of academic year 31 July 2018)	End of term of office	TMC
Ms Kile Moyana	18.07.2017	3 years	Resigned 17.09.18	UCEN MCR
Mrs Barbara Rollin	8.07.2016	3 years		Group Operations, IESG
Mr Andrew Simpkin	12.12.17	3 years	Resigned 05.07.18	IESG
Mrs Jackie Whalley	8.07.2016	3 years	Resigned 02.01.18	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 2017/18 by Mr B Lynch.

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 2018 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 2017/18 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 2018, LTE Group's Remuneration Committee comprised Cllr J Hacking, Cllr S Murphy CBE and Mr P Lanigan, and in attendance was the Company Secretary. The Committee's responsibilities are to make recommendations to the Board of Governors on the remuneration and benefits of the CEO and other senior post holders.

Details of remuneration for the year ended 31 July 2018 are set out in note 7 to the financial statements. The Committee met on 2 occasions during 2017/18.

AUDIT & RISK COMMITTEE

The Audit & Risk Committee comprises 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 operates 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 2017/18.

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 A Simpkin, Mr P Johnson, Mr J Thornhill, Mr A White, Mrs L O'Loughlin, Mr R Cressey, Mrs M Brij, Mr P Candelent, Mrs B Rollin and Mrs J Whalley.

The Committee met on six occasions during 2017/18.

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 2018 the membership of the FE Divisional Board was made up of Ms J Burden, Cllr J Hacking, Mr H Mohammed, Mrs L O'Loughlin, Mr M Sugden and Mrs P Waterhouse OBE.

The Board met on three occasions in 2017/18.

UCEN Manchester Divisional Board

Throughout the year ended 31 July 2018 the membership of the UCEN Manchester Divisional Board was made up of Cllr J Hacking, Mrs L O'Loughlin, Ms K Moyana, Ms P Cole, Mr P Winter, Ms K Bell and Prof. E Fairhurst.

The Committee met on three occasions in 2017/18.

Novus Divisional Board

Throughout the year ended 31 July 2018 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 three occasions in 2017/18.

Group Operations Board

Throughout the year ended 31 July 2018 the membership of the Group Operations Divisional Board was made up of Mr B Lynch, Mr P Johnson, Mr P Taylor, Mr R Cressey and Mrs B Rollin.

The Board met on two occasions in 2017/18.

WHOLLY OWNED OR CONTROLLED SUBSIDIARIES

Total People Limited

Throughout the year ended 31 July 2018 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, 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 2017/18.

Novus Cambria

Throughout the year ended 31 July 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 2017/18.

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 2018 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 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 2018 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. LTE Group has in place a three year financial plan and has prepared detailed cash flow forecasts which have been sensitised to take account of a number of reasonably possible scenarios and show LTE Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to be appropriate to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 18 December 2018 and signed on its behalf by:

Sue Murphy	
....	....
Cllr S Murphy CBE	**John Thornhill**
Chair of LTE Group Board	**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.

Sue M

Cllr Sue Murphy CBE
Chair of LTE Group Board
Date: 18 December 2018

John Thornhill
Chief Executive Officer
Date: 18 December 2018

STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

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

Within the terms and conditions of the 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 1982 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 18 December 2018 and signed on its behalf by:

S Murphy

Cllr S 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'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 2018 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 2018; the Consolidated and Corporation Statements of Comprehensive Income and Expenditure for the year ended; the Consolidated and Corporation Statements of Changes in Reserves for the year ended; the Consolidated Statement of Cash Flows for the year ended; and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Corporation is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.
In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the Corporation for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other Required Reporting

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

In our opinion, in all material respects:

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

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
28 December 2018

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

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

This report is made solely to the corporation of 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 2017 to 31 July 2018 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them..

Approach

We conducted our engagement in accordance with the 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 the authorisation of fixed asset disposals;
- Obtaining copies of the Group's policy on gifts and hospitality, whistleblowing, and sample testing of staff expense claims;
- Testing the proper application of specific purpose funds;
- Testing transactions with related parties;
- Confirming through enquiry and sample testing that the Group has complied with its procurement policies; and
- Considering any evidence of impropriety or irregularity identified through our work and determining whether it is significant enough to be referred to in our regularity report.

Conclusion

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

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
28 December 2018

Consolidated and Corporation Statements of Comprehensive Income and Expenditure
For the year ended 31 July 2018

	Notes	Year ended 31 July		Year ended 31 July Restated for change in accounting policy*	
		2018 Group £'000	2018 Corporation £'000	2017 Group £'000	2017 Corporation £'000
INCOME					
Funding body grants	3	145,567	130,776	149,119	133,713
Tuition fees and education contracts	4	19,088	17,815	21,971	20,686
Other income	5	19,179	13,618	12,941	10,278
Investment income	6	43	42	49	48
Total income		**183,877**	**162,251**	**184,080**	**164,725**
EXPENDITURE					
Staff costs (excluding FRS 102 (28) pension charge)	7	126,909	116,901	124,400	117,082
FRS 102 (28) pension charge & pension finance costs	7, 22	3,875	3,875	2,926	2,926
Restructuring costs	7	619	619	2,046	2,046
Other operating expenses	8	43,480	32,648	45,443	34,237
Depreciation & amortisation	11, 12	6,509	6,038	7,068	6,819
Interest and other finance costs (excluding pension finance costs)	9	1,097	1,097	1,225	1,225
Total expenditure		**182,489**	**161,178**	**183,108**	**164,335**
Surplus before other gains and losses		**1,388**	**1,073**	**972**	**390**
(Loss)/Profit on disposal of assets		(138)	(138)	91	91
Surplus before tax		**1,250**	**935**	**1,063**	**481**
Taxation	10	(12)	-	(11)	-
Surplus for the year		**1,238**	**935**	**1.052**	**481**
Other comprehensive income					
Actuarial gain in respect of pension scheme	22	9,752	9,752	5,681	5,681
Total comprehensive income for the year		**10,990**	**10,687**	**6,733**	**6,162**
Represented by:					
Unrestricted comprehensive income		**10,990**	**10,687**	**6,733**	**6,162**

Surplus for the year attributable to:

Minority interest share in Novus Cambria	358	-	232	-
Group	880	935	820	481
Total comprehensive income for the year				
Minority interest share in Novus Cambria	358	-	232	-
Group	10,632	10,687	6,501	6,162

The accompanying notes form part of these financial statements.

* See note 2 for details of the restatement in relation to a change in accounting policy.

Consolidated and Corporation Statements of Changes in Reserves
For the year ended 31 July 2018

	Income and Expenditure account	Revaluation reserve	Total (excluding minority interest)	Minority interest share in Novus Cambria	Total
	£'000	£'000	£'000	£'000	£'000
Consolidated – Restated for change in accounting policy*					
Balance at 1 August 2016	**37,091**	**5,442**	**42,533**	**-**	**42,533**
Surplus for the year	820	-	820	232	1,052
Other comprehensive income	5,681	-	5,681	-	5,681
Transfers between revaluation and income and expenditure reserves	239	(239)	-	-	-
Total comprehensive income/(expense) for the year	6,740	(239)	6,501	232	6,733
Balance at 31 July 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)
Total transactions with minority interest share in Novus Cambria recognised directly in equity	**-**	**-**	**-**	**(232)**	**(232)**
Balance at 31 July 2018	**54,702**	**4,964**	**59,666**	**358**	**60,024**
Corporation					
Balance at 1 August 2016	**37,279**	**5,442**	**42,721**	**-**	**42,721**
Surplus for the year	481	-	481	-	481
Other comprehensive income	5,681	-	5,681	-	5,681
Transfers between revaluation and income and expenditure reserves	239	(239)	-	-	-
Total comprehensive income/(expense) for the year	**6,401**	**(239)**	**6,162**	**-**	**6,162**
Balance at 31 July 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**

* See note 2 for details of the restatement in relation to a change in accounting policy.

Consolidated and Corporation Balance Sheets as at 31 July 2018

	Notes	Group 2018 £'000	Corporation 2018 £'000	Group 2017 £'000	Corporation 2017 £'000
Non-current assets				**Restated for change in accounting policy***	
Intangible assets	11	1,646	272	1,910	248
Tangible fixed assets	12	112,828	112,197	114,081	113,472
Investments	13	-	3,015	-	3,015
		114,474	**115,484**	**115,991**	**116,735**
Current assets					
Stocks		80	80	30	30
Trade and other receivables	14	16,961	15,630	12,608	10,186
Cash and cash equivalents	19	15,098	11,380	22,167	19,566
		32,139	**27,090**	**34,805**	**29,782**
Less: Creditors – amounts falling due within one year	15	(21,736)	(18,216)	(28,511)	(24,668)
Net current assets		**10,403**	**8,874**	**6,294**	**5,114**
Total assets less current liabilities		**124,877**	**124,358**	**122,285**	**121,849**
Less: Creditors – amounts falling due after more than one year	16	(42,034)	(42,034)	(44,252)	(44,252)
Provisions					
Defined pension benefit obligations	22	(20,954)	(20,954)	(26,831)	(26,831)
Other provisions	18	(1,865)	(1,800)	(1,936)	(1,883)
Total net assets		**60,024**	**59,570**	**49,266**	**48,883**
Unrestricted reserves					
Income and expenditure account		54,702	54,606	43,831	43,680
Revaluation reserve		4,964	4,964	5,203	5,203
Minority interest share in Novus Cambria		358	-	232	-
Total unrestricted reserves		**60,024**	**59,570**	**49,266**	**48,883**

* See note 2 for details of the restatement in relation to a change in accounting policy.

The financial statements on pages 33 to 62 were approved and authorised for issue by the Corporation on 18 December 2018 and were signed on its behalf on that date by:

Cllr Sue Murphy CBE
Chair of LTE Group Board

John Thornhill
Chief Executive Officer and Accounting Officer

Consolidated Statement of Cash Flows
For the year ended 31 July 2018

	Notes	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000 Restated for change in accounting policy*
Cash inflow from operating activities			
Surplus for the year		1,238	1,052
Adjustment for non-cash items			
Depreciation & amortisation		6,509	7,068
(Increase)/decrease in stocks		(50)	14
Increase in debtors		(3,773)	(4,124)
(Decrease)/increase in creditors due within one year		(7,969)	4,864
Decrease in creditors due after one year		(285)	(1,624)
Decrease in provisions		(83)	(114)
Pensions costs less contributions payable		3,875	2,926
Taxation		12	11
Minority interest share in Novus Cambria		(358)	(232)
Adjustment for investing or financing activities			
Investment income		(43)	(49)
Interest payable		1,097	1,225
Loss/(Profit) on sale of fixed assets		138	(91)
Net cash flow from operating activities		**308**	**10,926**
Cash flows from investing activities			
Proceeds from sale of fixed assets		-	2,104
Investment income		43	49
Payments made to acquire fixed assets		(4,158)	(5,633)
Purchase of subs undertaking		-	(300)
Net cash flow from investing activities		**(4,115)**	**(3,780)**
Cash flows from financing activities			
Interest paid		(1,097)	(1,225)
Repayments of amounts borrowed		(1,933)	(2,015)
Distributions to minority interest share in Novus Cambria		(232)	-
Net cash flow from financing activities		**(3,262)**	**(3,240)**
(Decrease)/increase in cash and cash equivalents in the year		**(7,069)**	**3,906**
Cash and cash equivalents at beginning of the year	19	22,167	18,261
Cash and cash equivalents at end of the year	**19**	**15,098**	**22,167**

* See note 2 for details of the restatement in relation to a change in accounting policy.

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 2016 to 2017* and in accordance with Financial Reporting Standard 102 – *"The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland"* (FRS 102). The Group is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Basis of accounting

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

Basis of consolidation

The consolidated financial statements include the Group and its subsidiary undertakings, controlled by the Group. Under the purchase method of accounting, the results of subsidiary and associated undertakings acquired or disposed of during the period are included in the consolidated income and expenditure account from or up to the date on which control of the undertaking passes. Intra group sales and profits are eliminated fully on consolidation. All financial statements are made up to 31 July 2018.

Going Concern

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

The Group has net debt of £6.9m at year end (£22.0m debt and £15.1m cash). The debt equates to 11.98% of income, so based on the ABR benchmarks of up to 30% on income for debt funding the Group could double its current debt position. However, although this would mean a worsening in the financial health grade to satisfactory from good. The indications from discussions with our banks is that further funding would be available if required.

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

NOTES TO THE FINANCIAL STATEMENTS – continued

2. ACCOUNTING POLICIES - continued

Change in accounting policy: charitable donations to members

Novus Cambria changed its policy in respect of the accounting treatment of payments made, or expected to be made, to its charitable member companies following the issuance of the ICAEW Technical Release 16/14BL Revised Guidance on donations by a company to its parent charity and Amendments to Financial Reporting Standard 102 Triennial review 2017. The ICAEW Technical Release clarified that such payments are distributions to an entity's owners for company law purposes. As a result Novus Cambria has adopted the policy of accounting for such payments as distributions that are recognised in the financial statements when they are paid or where a legal obligation exists at the balance sheet date. Previously these payments have been accounted for as items of expenditure in the income statement and a liability recognised at the accounting date where there was a constructive obligation to make the payments. At each year end there is not deemed to be a legal obligation to make the payment.

This change has been applied retrospectively. The adjustment to each Group financial statement line for the current year and prior year is as follows:

	Year ended 31 July 2018		Year ended 31 July 2017	
	Current accounting policy £'000	Previous accounting policy £'000	As restated £'000	Previously reported £'000
Consolidated Statement of Income and Expenditure				
Other operating expenses	(43,480)	(43,838)	(45,443)	(45,675)
Total expenditure	(182,489)	(182,847)	(183,108)	(183,340)
Surplus before other gains and losses	1,388	1,030	972	740
Surplus before tax	1,250	892	1,063	831
Surplus for the year	1,238	880	1.052	820
Total Comprehensive Income for the year	10,990	10,632	6,733	6,501
Minority interest share in Novus Cambria	358	-	232	-
Consolidated Statement of Changes in Reserves				
Minority interest share in Novus Cambria – Surplus for the year	358	-	232	-
Total – Surplus for the year	1,238	880	1,052	820
Minority interest share in Novus Cambria – Total comprehensive income/(expense) for the year	358	-	232	-
Total - Total comprehensive income/(expense) for the year	10,990	10,632	6,733	6,501
Consolidated Balance Sheet				
Creditors – amounts falling due within one year	(21,736)	(22,094)	(28,511)	(28,743)
Net current assets	10,403	10,045	6,294	6,062
Total assets less current liabilities	124,877	124,519	122,285	122,053
Total net assets	60,024	59,666	49,266	49,034
Minority interest share in Novus Cambria	358	-	232	-
Total unrestricted reserves	60,024	59,666	49,266	49,034
Consolidated Statement of Cash Flows				
Surplus for the year	1,238	880	1,052	820
Minority interest share in Novus Cambria	(358)	-	(232)	-
Distributions to minority interest share in Novus Cambria	(232)	-	-	-
Notes to the financial statements				
Note 8 Other operating expenses:				
Non-teaching costs	(14,461)	(14,819)	(15,047)	(15,279)
Note 15 Creditors - amounts falling due within one year:				
Other creditors	(562)	(920)	(553)	(785)

NOTES TO THE FINANCIAL STATEMENTS – continued

2. ACCOUNTING POLICIES - continued

Recognition of income

Revenue grant funding

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

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

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

Capital grant funding

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

Fee income

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

Investment income

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

Agency arrangements

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

Accounting for post-employment benefits

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

Teachers' Pension Scheme (TPS)

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

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

Greater Manchester Pension Scheme (GMPF)

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured

NOTES TO THE FINANCIAL STATEMENTS - continued

2. ACCOUNTING POLICIES - continued

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.

NOTES TO THE FINANCIAL STATEMENTS – continued

2. ACCOUNTING POLICIES - continued

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.

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

NOTES TO THE FINANCIAL STATEMENTS – continued

2. ACCOUNTING POLICIES - continued

to maintain those relationships.

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

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

- Other intangible assets – Distress cases

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

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

- Website costs

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

Borrowing costs

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

Investments

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

Leased assets

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

Stocks

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

Cash and cash equivalents

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

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

NOTES TO THE FINANCIAL STATEMENTS – continued

2. ACCOUNTING POLICIES - continued

Financial liabilities and equity

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

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

Taxation

The Group is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Group is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The Group is exempt from levying VAT on most of the services it provides to learners. For this reason, the Group is generally unable to recover input VAT it suffers on goods and services purchased. Non – pay expenditure is therefore shown inclusive of VAT with any partial recovery netted off against these figures.

The Group's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

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.

NOTES TO THE FINANCIAL STATEMENTS – continued

2. ACCOUNTING POLICIES - continued

- 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.

- *Intangible assets*

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

- *Local Government Pension Scheme*

  The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 22, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

GMP Equalisation

On 26th October 2018 there was a court ruling on GMP Equalisation which impacts the level of gross liabilities in all defined benefit pension schemes based in the United Kingdom. There is ambiguity in the method of calculation to be applied and the ruling is subject to appeal. The Group's actuaries have advised that they did not allow for the possibility of the Fund and its employers having to pick up the cost of indexing GMP in future and therefore this will be included as part of the assumptions as part of the valuation at 31 July 2019. As a result of the actuaries initial assessment and the uncertainty surrounding the estimate, the gross liability included in the balance sheet at 31 July 2018 has not been adjusted and is deemed to be a non-adjusting post balance sheet event. Management and the actuaries are continuing to work on the impact and any required increase in liability will be reflected in the 31 July 2019 balance sheet although this is not anticipated to be material.

NOTES TO THE FINANCIAL STATEMENTS – continued

3. FUNDING BODY GRANTS

	2018 Group £'000	2018 Corporation £'000	2017 Group £'000	2017 Corporation £'000
ESFA - adult - SFA recurrent grant	26,886	14,719	26,362	13,412
ESFA - 16-18 - EFA recurrent grant	28,036	25,412	29,278	26,843
HEFCE - recurrent grant	970	970	960	960
Other funding body - MoJ/YJB/ SFA non recurrent grant	86,505	86,505	87,361	87,361
Releases of government capital grants	703	703	1,677	1,677
ESF Co-financing	1,905	1,905	358	337
Other funds	560	560	(87)	(87)
Employer responsive	2	2	3,210	3,210
Total	**145,567**	**130,776**	**149,119**	**133,713**

4. TUITION FEES AND EDUCATION CONTRACTS

	2018 Group £'000	2018 Corporation £'000	2017 Group £'000	2017 Corporation £'000
Adult education fees	6,466	5,193	9,010	7,725
Fees for FE loan supported courses	1,256	1,256	1,097	1,097
Fees for HE loan supported courses	9,109	9,109	9,608	9,608
International students fees	121	121	249	249
Total tuition fees	16,952	15,679	19,964	18,679
Education contracts	2,136	2,136	2,007	2,007
Total	**19,088**	**17,815**	**21,971**	**20,686**

5. OTHER INCOME

	2018 Group £'000	2018 Corporation £'000	2017 Group £'000	2017 Corporation £'000
Residencies, catering and conferences	1,201	1,201	1,530	1,530
Other income generating activities	2,352	2,352	1,706	1,706
Other income*	15,626	10,065	9,705	7,042
Total	**19,179**	**13,618**	**12,941**	**10,278**

* This includes miscellaneous income £13,694k (2017: £9,180k), Rental income £395k (2017: £525k), Exam fee income £481k (2017: £458k), Nursery income £1,056k (2017: £997k).

NOTES TO THE FINANCIAL STATEMENTS – continued

6. INVESTMENT INCOME

	2018 Group £'000	2018 Corporation £'000	2017 Group £'000	2017 Corporation £'000
Other investment income	32	32	44	44
Interest receivable	11	10	5	4
	43	**42**	**49**	**48**

7. STAFF COSTS

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

	Group 2018 No.	Corporation 2018 No.	Group 2017 No.	Corporation 2017 No.
Teaching staff	1,906	1,774	1,838	1,695
Non-teaching staff	1,321	1,169	1,513	1,378
	3,227	**2,943**	**3,351**	**3,073**

Staff costs for the above persons

	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Wages and salaries	99,827	91,355	98,232	91,914
Social security costs	9,349	8,625	9,405	8,909
Other pension costs - excluding FRS 102 (28) pension charge	13,625	13,019	13,269	12,899
Payroll sub total	**122,801**	**112,999**	**120,906**	**113,722**
Contracted out staffing services	4,108	3,902	3,494	3,360
	126,909	**116,901**	**124,400**	**117,082**
FRS102 (28) pension charge	3,345	3,345	2,126	2,126
	130,254	**120,246**	**126,526**	**119,208**
Restructuring costs - contractual	330	330	1,754	1,754
non contractual	289	289	292	292
	130,873	**120,865**	**128,572**	**121,254**

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

	2018 No.	2017 No.
The number of Group's key management personnel including the Accounting Officer was:	8	8

NOTES TO THE FINANCIAL STATEMENTS – continued

7. STAFF COSTS - continued

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	
	2018	2017	2018	2017
	No.	No.	No.	No.
£50,001 to £60,000 p.a.	-	1	-	-
£60,001 to £70,000 p.a.	-	-	21	10
£70,001 to £80,000 p.a.	1	2	5	7
£80,001 to £90,000 p.a.	-	-	5	4
£90,001 to £100,000 p.a.	-	-	2	2
£100,001 to £110,000 p.a.	1	-	2	3
£110,001 to £120,000 p.a.	1	1	2	2
£120,001 to £130,000 p.a.	-	-	-	-
£130,001 to £140,000 p.a.	1	1	-	-
£140,001 to £150,000 p.a.	-	1	-	-
£150,001 to £160,000 p.a.	3	1	-	-
£160,001 to £170,000 p.a.	-	-	-	-
£170,001 to £180,000 p.a.	-	-	-	-
£180,001 to £190,000 p.a.	-	-	-	-
£190,001 to £200,000 p.a.	-	-	-	-
£200,001 to £210,000 p.a.	-	-	-	-
£210,001 to £220,000 p.a.	-	-	-	-
£220,001 to £230,000 p.a.	1	1	-	-
	8	**8**	**37**	**28**

Key management personnel compensation is made up as follows:

	2018 £'000	2017 £'000
Salaries - gross of salary sacrifice and waived emoluments	1,133	979
Social security costs	146	127
Benefits in kind	-	-
	1,279	**1,106**
Pension contributions	182	159
Total emoluments	**1,461**	**1,265**

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:

	2018 £'000	2017 £'000
Salaries	224	221
Benefits in kind	-	-
	224	221
Pension contributions	**36**	**36**

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

NOTES TO THE FINANCIAL STATEMENTS – continued

8. OTHER OPERATING EXPENSES

	2018 Group £'000	2018 Corporation £'000	2017 Group £'000 Restated for change in accounting policy*	2017 Corporation £'000
Teaching costs	23,775	16,130	24,027	15,872
Non-teaching costs	14,461	12,155	15,047	12,890
Premises costs	5,244	4,363	6,369	5,475
Total	**43,480**	**32,648**	**45,443**	**34,237**

* See note 2 for details of the restatement in relation to a change in accounting policy.

Other operating expenses include:	**2018 £'000**	**2017 £'000**
Auditors' remuneration:		
Financial statements audit	65	56
Internal audit	32	33
Other services provided by external auditors - PAYE	-	7
Other services provided by external auditors - GDPR	89	-
(Loss)/ Profit on disposal of non-current assets	(138)	91
Hire of Plant and Machinery - operating leases	396	1,020
Hire of other assets – operating leases	1,627	2,128

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

	2018 £'000	2017 £'000
On bank loans, overdrafts and other loans:	1,097	1,225

10. TAXATION - (Group)

	2018 £'000	2017 £'000
Deferred tax in the financial statements of the subsidiary company	12	11
Total	**12**	**11**

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.

NOTES TO THE FINANCIAL STATEMENTS – continued

11. GROUP INTANGIBLE ASSETS

	Goodwill £'000	Other £'000	Website £'000	Total £'000
Cost or valuation				
At 1 August 2017	1,078	1,050	292	2,420
Additions	-	-	61	61
At 31 July 2018	**1,078**	**1,050**	**353**	**2,481**
Accumulated amortisation				
At 1 August 2017	128	338	44	510
Charge for the year	119	169	37	325
At 31 July 2018	**247**	**507**	**81**	**835**
Net book value at 31 July 2018	**831**	**543**	**272**	**1,646**
Net book value at 31 July 2017	950	712	248	1,910

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

Intangibles - Other

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

Website costs are being amortised over 10 years.

NOTES TO THE FINANCIAL STATEMENTS – continued

11. CORPORATION INTANGIBLE ASSETS

	Website
	£'000
Cost or valuation	
At 1 August 2017	292
Additions	61
At 31 July 2018	**353**
Accumulated amortisation	
At 1 August 2017	44
Charge for the year	37
At 31 July 2018	**81**
Net book value at 31 July 2018	**272**
Net book value at 31 July 2017	248

NOTES TO THE FINANCIAL STATEMENTS – continued

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 2017	145,909	992	891	29,070	176,862
Additions	78	-	2,670	2,768	5,516
Transfers	-	-	(448)	-	(448)
Disposals	(151)	-	-	(7,237)	(7,388)
At 31 July 2018	**145,836**	**992**	**3,113**	**24,601**	**174,542**
Accumulated Depreciation					
At 1 August 2017	42,220	141	-	20,420	62,781
Charge for the year	3,337	20	-	2,827	6,184
Elimination in respect of disposals	(14)	-	-	(7,237)	(7,251)
At 31 July 2018	**45,543**	**161**	**-**	**16,010**	**61,714**
Net book value at 31 July 2018	**100,293**	**831**	**3,113**	**8,591**	**112,828**
Net book value at 31 July 2017	103,689	851	891	8,650	114,081

NOTES TO THE FINANCIAL STATEMENTS – continued

12. CORPORATION TANGIBLE FIXED ASSETS

	Freehold	Land and buildings Long leasehold	Assets under Construction	Equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2017	145,909	992	891	27,297	175,089
Transfers	-	-	(448)	-	(448)
Additions	78	-	2,670	2,563	5,311
Disposals	(151)	-	-	(7,143)	(7,294)
At 31 July 2018	**145,836**	**992**	**3,113**	**22,717**	**172,658**
Accumulated Depreciation					
At 1 August 2017	42,217	141	-	19,259	61,617
Charge for the year	3,337	20	-	2,644	6,001
Elimination in respect of disposals	(14)	-	-	(7,143)	(7,157)
At 31 July 2018	**45,540**	**161**	**-**	**14,760**	**60,461**
Net book value at 31 July 2018	**100,296**	**831**	**3,113**	**7,957**	**112,197**
Net book value at 31 July 2017	103,692	851	891	8,038	113,472

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
Net book value at 31 July 2018 and at 31 July 2017	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.

NOTES TO THE FINANCIAL STATEMENTS – continued

13. CORPORATION INVESTMENTS - continued

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 2018 are as follows:

	2018	2017
	£	£
Incoming resources	11,130	11,130
Operating costs	(21,972)	(21,972)
Net outgoing resources	**(10,842)**	**(10,842)**
Fixed assets	670,377	692,349
Current assets	268,500	257,370
Current liabilities	(12,930)	(12,930)
Net assets	**925,947**	**936,789**

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 (2017: £21,972).

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

One Central Park Limited
Manchester City Council bought One Central Park Limited on 18 June 2014. One Central Park Limited was placed into a member's voluntary liquidation. The dissolution is complete and the Group awaits the return of its initial share capital of £200.

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

ASSETS HELD FOR SALE
There were no assets held for resale in the year.

NOTES TO THE FINANCIAL STATEMENTS – continued

14. TRADE AND OTHER RECEIVABLES

	Group 2018 £'000	Corporation 2018 £'000	Group 2017 £'000	Corporation 2017 £'000
Amounts falling due within one year:				
Trade receivables	4,575	3,883	4,906	3,586
Amounts owed by group undertakings:				
Subsidiary undertakings	-	3,685	-	225
Joint venture undertakings	13	-	599	599
Prepayments and accrued income	10,367	7,261	6,672	5,350
Other debtors	795	801	431	426
Amounts owed by the ESFA	1,211	-	-	-
Total	**16,961**	**15,630**	**12,608**	**10,186**

Group trade receivables are stated net of a doubtful debt provision of £658k (2017: £512k). During the year, trade debtors totalling £73k were written-off (2017: £62k).
Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

15. CREDITORS - amounts falling due within one year

	Group 2018 £'000	Corporation 2018 £'000	Group 2017 £'000 Restated for change in accounting policy *	Corporation 2017 £'000
Bank loans	1,933	1,933	1,994	1,994
Payments in advance	855	855	791	791
Trade payables	4,078	3,569	2,650	2,334
Amounts owed to group undertakings:				
Subsidiary undertakings	-	2	-	271
Joint venture undertakings	267	-	1,133	256
Other taxation and social security	4,278	4,133	4,608	4,477
Accruals and deferred income	8,011	5,435	14,325	11,352
Deferred income - government capital grants	1,383	1,383	1,666	1,666
Amounts owed to the ESFA/SFA/LSF	369	369	791	791
Other creditors	562	537	553	736
Total	**21,736**	**18,216**	**28,511**	**24,668**

* See note 2 for details of the restatement in relation to a change in accounting policy.

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

	Group 2018 £'000	Corporation 2018 £'000	Group 2017 £'000	Corporation 2017 £'000
Bank loans	20,109	20,109	22,041	22,041
Deferred income - government capital grants	21,610	21,610	21,839	21,839
Other	315	315	372	372
Total	**42,034**	**42,034**	**44,252**	**44,252**

NOTES TO THE FINANCIAL STATEMENTS – continued

17. MATURITY OF DEBT

Bank loans

Bank loans are repayable as follows:

	Group 2018 £'000	Corporation 2018 £'000	Group 2017 £'000	Corporation 2017 £'000
In one year or less	1,933	1,933	1,994	1,994
Between one and two years	1,933	1,933	3,865	3,865
Between two and five years	5,651	5,651	5,651	5,651
In five years or more	12,525	12,525	12,525	12,525
Total	**22,042**	**22,042**	**24,035**	**24,035**

Loans are with Allied Irish Bank (AIB) £5.292m (2017: totalling £6.285m) and with Royal Bank of Scotland (RBS) £16.750m (2017: totalling £17.750m). Both loans are secured by a legal charge on a portion of the freehold land and buildings of the Group.

£10m (17/18 balance £2.795m) from AIB, 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 (17/18 balance £2.497m) from AIB, 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 (17/18 balance £16.750m) from RBS, 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.

18. OTHER PROVISIONS

Group

	Enhanced pensions £'000	Other £'000	2018 Total £'000	2017 Total £'000
At 1 August	1,883	53	1,936	2,039
Expenditure in the year	(137)	-	(137)	(137)
Additions in the year	54	12	66	34
At 31 July	**1,800**	**65**	**1,865**	**1,936**

Corporation

	2018 Enhanced pensions £'000	2017 Enhanced pensions £'000
At 1 August	1,883	1,997
Expenditure in the year	(137)	(137)
Additions in the year	54	23
At 31 July	**1,800**	**1,883**

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

NOTES TO THE FINANCIAL STATEMENTS – continued

18. OTHER PROVISIONS – continued (Group and Corporation)

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:

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

19. CASH AND CASH EQUIVALENTS

Group

	At 1 August 2017	Cash flows	At 31 July 2018
	£'000	£'000	£'000
Cash and cash equivalents	22,167	(7,069)	15,098
Total	**22,167**	**(7,069)**	**15,098**

Corporation

	At 1 August 2017	Cash flows	At 31 July 2018
	£'000	£'000	£'000
Cash and cash equivalents	19,566	(8,186)	11,380
Total	**19,566**	**(8,186)**	**11,380**

20. CAPITAL COMMITMENTS

	Group and Corporation	
	2018	2017
	£'000	£'000
Commitments contracted for at 31 July	**356**	**568**

21. LEASE OBLIGATIONS

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

	Group 2018 £'000	Corporation 2018 £'000	Group 2017 £'000	Corporation 2017 £'000
Future minimum lease payments due				
Land and buildings				
Not later than one year	855	509	1,458	1,149
Later than one year and not later than five years	971	799	1,406	1,208
later than five years	1,394	1,394	1,772	1,772
	3,220	**2,702**	**4,636**	**4,129**
Other				
Not later than one year	1,186	1,166	930	909
Later than one year and not later than five years	471	461	483	465
later than five years	-	-	-	-
	1,657	**1,627**	**1,413**	**1,374**

NOTES TO THE FINANCIAL STATEMENTS – continued

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 defined-benefit schemes.

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

Total pension cost for the year		**2018**		**2017**
		£'000		**£'000**
Teachers' Pension Scheme: contributions paid		8,180		8,164
Local Government Pension Scheme:				
Contributions paid	4,991		4,761	
FRS 102 (28) charge	3,345		2,126	
Charge to the Statement of Comprehensive Income		8,336		6,887
Other schemes		400		
Enhanced pension charge to Statement of Comprehensive Income		54		-
Total pension cost for the year within staff costs		**16,970**		**15,051**

Contributions amounting to £1,746,469 (2017 £1,719,325) were payable to the schemes at 31 July and are included within creditors (other taxation and social security).

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' 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 College is unable to identify its share of the underlying assets and liabilities of the plan.

Accordingly, the College has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The College has set out above the information available on the plan and the implications for the College in terms of the anticipated contribution rates.
The valuation of the TPS is carried out in line with regulations made under the Public Service Pension Act 2013. Valuations credit the teachers' pension 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 2012. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation are:

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

NOTES TO THE FINANCIAL STATEMENTS – continued

22. DEFINED PENSION BENEFIT OBLIGATIONS - continued

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

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

The pension costs paid to TPS in the year amounted to £8,180,000 (2017: £8,164,000)

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 2018 was £6,826,000 of which employers' contributions totalled £4,966,000 (2017: £4,979,000) and employee's contributions totalled £1,860,000 (2017: £1,836,000). The agreed contribution rates are 18.1% for employers. Employees range from 5.5% to 12.5% depending on salary.

Principal Actuarial Assumptions

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

The principal bespoke assumptions for this calculation are:

	2018	2017
	%	%
Pension increase rate	1.9	1.9
Salary increase rate	1.5	1.5
Discount rate	2.5	2.5

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

	At 31 July 2018	At 31 July 2017
	years	years
Retiring today		
Males	21.50	21.50
Females	24.10	24.10
Retiring in 20 years		
Males	23.70	23.70
Females	26.20	26.20

The assets in the scheme of which the Group's share is estimated to be £194,382,000 at 31 July 2018 and £175,862,000 at 31 July 2017.

NOTES TO THE FINANCIAL STATEMENTS – continued

22. DEFINED PENSION BENEFIT OBLIGATIONS – continued

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

	2018	2017
	%	%
Equities	68%	72%
Bonds	16%	16%
Property	7%	6%
Cash	9%	6%
	100%	**100%**

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

	2018	2017
	£'000	£'000
Fair value of plan assets	194,382	176,012
Present value of plan liabilities	(215,336)	(202,843)
Net pensions liability	**(20,954)**	**(26,831)**

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

	2018	2017
	£'000	£'000
Amounts included in staff costs		
Current service cost	7,960	7,067
Past service cost	351	41
Total	**8,311**	**7,108**
Amounts included in interest costs		
Net interest cost	530	800
	530	**800**

NOTES TO THE FINANCIAL STATEMENTS – continued

22. DEFINED PENSION BENEFIT OBLIGATIONS – continued

Amounts recognised in Other Comprehensive Income (OCI)	2018	2017
	£'000	£'000
Return on pension plan assets	9,752	18,359
Experience losses arising on defined benefit obligations	-	(4,816)
Changes in demographic and financial assumptions	-	(7,862)
Amount recognised in Other Comprehensive Income	9,752	5,681

Movement in net defined benefit liability during the year	2018	2017
	£'000	£'000
Deficit in scheme at 1 August	(26,831)	(29,583)
Movement in year:		
Current service cost	(7,960)	(7,067)
Employer contributions	4,966	4,979
Past service cost	(351)	(41)
Net interest	(530)	(800)
Actuarial gain	9,752	5,681
Net defined benefit liability at 31 July	**(20,954)**	**(26,831)**

Asset and Liability Reconciliation

Changes in the present value of defined benefit obligations	2018	2017
	£'000	£'000
Defined benefit obligations at start of the year	202,843	180,006
Current Service cost	7,960	7,067
Interest cost	5,935	4,749
Contributions by Scheme participants	1,860	1,836
Other experience	-	4,816
Changes in demographic and financial assumptions	-	7,862
Benefits paid	(3,613)	(3,534)
Past Service cost	351	41
Defined benefit obligations at end of the year	**215,336**	**202,843**

Changes in fair value of plan assets	2018	2017
	£'000	£'000
Fair value of plan assets at start of the year	176,012	150,423
Interest on plan assets	5,405	3,949
Return on plan assets	9,752	18,359
Employer contributions	4,966	4,979
Contributions by Scheme participants	1,860	1,836
Benefits paid	(3,613)	(3,534)
Fair value of plan assets at end of the year	**194,382**	**176,012**

NOTES TO THE FINANCIAL STATEMENTS – continued

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 £2,286; 8 Governors (2017: £3,087; 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 £184; 1 Co-optee (2017: £136; 3 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 2017/18. The total remuneration paid to Governors during the year April to July 2018 was £11,833; 7 Governors (2017: none). The total remuneration paid to Co-optees during the year April to July 2018 was £3,000; 3 Co-optees (2017: none).

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 (2017: £11,130), in respect of rent, depreciation of £10,500 (2017: £10,500) and a commercial mark-up £630 (2017: £630).

At the year end, The LTE group had £12,930 (2017: £12,930) outstanding from MET and MET was owed £267,433 (2017: £256,303) 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 £2,255,797 (period ended 31 July 2017: £1,523,399). LTE Group also charged the company training fees totalling £2,450 in the year (2017: £Nil).

During the year the company paid a distribution of earnings of £347,413 (period ended 31 July 2017: £Nil) to LTE Group.

At 31 July 2018 £2,259,257 (2017: £1,523,399 as restated for a change in accounting policy) was owed to LTE Group in respect of these transactions and is included in Amounts owed by group undertakings (note 14).

NOTES TO THE FINANCIAL STATEMENTS – continued

24. AMOUNTS DISBURSED AS AGENT

Learner support funds

	2018 £'000	2017 £'000
Funding body grants – bursary support	2,190	2,182
Funding body grants – discretionary learner support	3,746	3,568
Other Funding body grants - free school meals	245	691
	6,181	6,441
Disbursed to students	(5,563)	(5,808)
Administration costs	(249)	(270)
Balance unspent as at 31 July, included in creditors	**369**	**363**

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.

LTE group

Learning | Training | Employment

The Manchester College — be amazing

MOL — LEARN DEVELOP EXCEL

NOVUS — FOUNDATIONS FOR CHANGE

NOVUS CAMBRIA — GYDA'N GILYDD ER MWYN NEWID

TOTAL PEOPLE — LEADERS IN LEARNING

UCEN MANCHESTER — FIND YOUR FUTURE