



**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2020**

Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

Key management personnel are defined as members of the College Leadership Team and were represented by the following in 2019/20:

Satwant Deol, Principal and Accounting Officer
Eamonn Egan, Interim Vice Principal Curriculum & Quality
Ashok Patel, Interim Director of Finance and Operations
Eric Burrows, Head of HR
Julian Brinsford, Head of Faculty
Triston Arnison, Head of Faculty
Kathryn Caulfield, Head of Student Services

Jacky Gearey acted as Clerk to the Corporation.

Professional Advisers

Financial statements auditor and reporting accountants

Buzzacott LLP
130 Wood Street
London
EC2V 6DL

Bankers:

Lloyds TSB Bank PLC
25 Gresham Street
London
EC2V 7HN

Solicitors:

SGH Martineau LLP
No. 1 Colmore Square
Birmingham
B4 6AA

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Operating and Financial Review

NATURE, OBJECTIVES AND STRATEGIES

The members of the Corporation present their report and the audited financial statements for the year ended 31 July 2020.

LEGAL STATUS

The Corporation, also referred to as the Governing Body, was established under The Further and Higher Education Act 1992 for the purpose of conducting, The Henley College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

OUR VISION

Leaders in learning.

OUR MISSION

To be an outstanding College at the heart of our community.

PUBLIC BENEFIT

The Henley College is an exempt charity under the 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 Governing Body, who are Trustees of the charity, are disclosed on pages 17 to 19.

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

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

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

Further information on the delivery of public benefit, is provided throughout the Operating and Financial Review.

Operating and Financial Review (continued)

IMPLEMENTATION OF THE STRATEGIC PLAN

The College prepares mission and vision statements allied with a three year strategic plan which it updates on an annual basis. The priorities for this plan are set by Governors through an annual away day which focuses on strategic planning and the educational character of the College. This strategic plan forms the basis of plans made to the funding bodies to secure capital funding and also enables the College to negotiate targets with the funding bodies for student enrolments.

The Governors are committed to having a strong sixth form with academic excellence underpinned by innovation and creativity. They are also committed in ensuring that the College is fit for the future and its finances remain robust.

The Corporation monitors the performance of the College against the strategic plan. The College's key strategic objectives are:

- **Building a successful future on a proud past;**
 - Being a top choice college delivering excellence in academic, technical and professional learning underpinned by innovation and creativity.
 - Nurturing talent, promoting personal growth and providing individual learning pathways that lead to a positive destination.
 - Maintaining a safe and inspiring environment that promotes independence and resilience and delivers more than just a qualification.
 - Providing exemplary leadership and management at all levels.
 - Underpinning our offer with highly motivated staff, and innovative technology solutions that encourage learning.

- **Developing our place in the community; and**
 - Creating growth through learning to meet the needs of individuals, businesses and the wider community.
 - Immersing the College and our students in local community life.
 - Developing and nurturing communities of excellent practice and sharing our expertise with others.
 - Strengthening our relationship with schools, universities and employers to establish seamless progression for learners.

- **Ensuring financial sustainability and growth;**
 - Developing sources of income that reduce reliance on government funding and provide a balanced portfolio of educational resources.
 - Building collaborative relationships with industry, schools, higher education, Local Enterprise Partnerships and other stakeholders.
 - Using our resources wisely and well.
 - Investing in learning and development.

The College is making good progress towards achieving these objectives.

Operating and Financial Review (continued)

IMPLEMENTATION OF THE STRATEGIC PLAN (continued)

Progress made towards achieving the College's strategic objectives via the operational objectives for 2019/20 is as follows:

- The College recruited 1,621 16-18 students against a contract of 1,740
- Overall student pass rate was 97%
- Our students continue to make the expected progress, overall our A Level Value Added for the year is 4.
- During the financial year, the college achieved a "good" Ofsted outcome.

The College has recorded an operating deficit after Local Government Pension Scheme adjustments of £75k for 2019/20 (£491k deficit for 2018/19). The 'underlying' operating surplus for the year was £478k compared to an operating surplus position of £139k in 2018/19. This is consistent with the outturn for the previous year, mainly resulting from continuing the same financial strategy adopted in the previous year. The College did benefit financially from some net cost savings resulting from the Covid-19 situation through premises maintenance, facilities cleaning, utilities, transport for students, catering and general consumables although there was also some loss of income such as facilities lettings and fees for short courses. Some of these are expected to reverse in 2020/21 if this pandemic situation continues substantially into the next financial year. During 2019/20, the College embarked on a minor restructure aimed at reducing costs associated to the loss of apprenticeship starts.

FINANCIAL STRATEGY & OBJECTIVES

During the financial year, the College continued with the financial strategy adopted in the previous year, specifically continuing to target a break-even operating financial outturn and maintain the level of working capital associated to an "outstanding" financial health position. The College will continue to set realistic operating financial targets, but recognising that some infrastructure and growth planning may require the College to fall into small operating deficit in 2020/21.

In order to achieve this strategy, the College's financial objectives are:

- To set clear targets and key performance targets associated to operating and solvency positions;
- To demonstrate and implement good financial control and management;
- To improve the College's infrastructure including building stock and equipment; and
- To maintain the confidence of funding bodies, suppliers, bankers, professional advisers and other key stakeholders.

Operating and Financial Review (continued)

FINANCIAL OBJECTIVES (continued)

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

PERFORMANCE INDICATORS

Financial Objective	Budget	Forecast	Outturn	SFC*
Income used in ratio Analysis (£'000s)	£8,768	£8,840	£8,970	<i>n/a</i>
Liquidity: Adjusted Current Ratio	2.89	3.07	3.30	<i>n/a</i>
Liquidity: Non adjusted	3.59	4.35	5.62	2.7
Expenditure: Pay Costs as a % Income	63%	66%	65%	72%
Margin: Operating Result on operations (exclusive of pension adjustments)	£128k(2%)	(£40k)	£478k (6%)	<i>n/a</i>
Margin: EBITDA / EBITDA Ratio	£0.9m (11%)	£0.7m	£1.14m (13%)	4.5%
Gearing: Long Term Debt as a % of Income	0%	0%	0%	10%
Cash days (all funds)	147	172	171	50
Financial Health Grade	Outstanding	Outstanding	Outstanding	<i>n/a</i>

*National Sixth Form Colleges median as per Financial Dashboard released by the ESFA in April 2020.

The College is committed to observing the importance of sector measures and indicators and uses the Ofsted Data Dashboard website, which looks at measures such as success rates. The College is required to complete the annual Finance Record for the Education health has been automatically calculated as “outstanding”. The other financial indicators of liquidity and gearing remain strong and well above sector average.

FINANCIAL POSITION

Financial results

The College results are recognised after FRS102 adjustments have been applied. However, in order to fully appreciate the outturn position under normal operating conditions, the following table identifies the ‘underlying’ outturn:

	2020 £000	2019 £000
Operating Deficit after FRS 102	-£75	-£491
Underfunded pension liability	£431	£514
Interest on benefit obligations	£122	£116
Operating Position before FRS 102 Adjustments	£478	£139

Operating and Financial Review (continued)

FINANCIAL POSITION (continued)

Financial results (continued)

The College reported a deficit for the year of £75k (2019 – £491k) after adjustments associated to the local government pension scheme but if these items were excluded, the College delivered an operating surplus of £478k (2019 – surplus of £139k). There was a further adjustment to account for the actuarial loss on the pensions scheme of £1,019k (2019 – reduction of £1,033k) which reflects an increase in the valuation of liabilities of the pension scheme.

At 31 July 2020 the College had accumulated reserves of £6,144k (2019 – £7,238k) and cash balances of £4,206k (2019 – £3,554k).

Tangible fixed asset additions amounted to £803k (2019 – £336k).

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2019/20 the Education Skills and Funding Agency (ESFA) provided 89% (2019 – 90%) of the College's total income.

Treasury policies and objectives

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

The College has a separate treasury management policy in place. Short term borrowing for temporary revenue purposes would need to be authorised by the Accounting Officer. Such arrangements are restricted by limits in the College's Financial Memorandum previously agreed with the Education and Skills Funding Agency. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

Cash flows and Liquidity

At an inflow of £652k (2018/19 – inflow of £667k), operating cash flow was maintained during the year, even after allowing for an additional investment in fixed assets, but due to an improved financial performance resulting from reduced staffing and non-staff expenditure during the year.

Reserves Policy

The College has a formal Reserves Policy, which was approved by the Corporation during the financial year. The purpose of this policy is for the College to safeguard or improve its current reserve values and allow the College to draw on these reserves in emergencies and to take advantage of unexpected opportunities. Specifically, the income and expenditure account should not go into a 'debit' balance (subject to pension valuation issues), the Restricted Reserve should only be expended with expenditure associated to the conditions of spending against this reserve and the Revaluation Reserve, where annual amortisation may apply to offset against this reserve to reflect any devaluation of asset values. This, along with other key policies will be reviewed given the continuing Covid-19 scenario.

Operating and Financial Review (continued)

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student Numbers

In 2019/20 the College has delivered 1,621 funded students from an initial contract of 1,737 learners. This has not resulted in any funding clawback, but the College is mindful that funding was protected and that some of this has been used to rebase College costs for 2020/21, so that it better correlates to the funding contract for 2020/21. The College was able to retain students during the long period associated to Covid-19 lockdown and has recruited to target for 2020/21.

Initial A-Level Performance System (ALPS) value-added scores for the College indicate that student performance levels have been maintained throughout the introduction of linear A-levels, compared to the national picture, which has seen a significant dip in value-added outcomes due to the introduction of linear A-levels.

In 2019/20, 20 of 33 A-level subjects gained a pass rate of 100% and 21 subjects had an A*-C pass rate of 75% or higher. 220 students (71%) studying Level 3 year 2 vocational qualifications attained a result with at least one Distinction grade, and 28% of students taking Level 2 courses gained a high grade, with more students passing than the previous year. As a result, the value-added return for 2019/20 improved from ALPS Grade 6 to ALPS Grade 4.

The improved outcomes were the result of improvements in teaching, learning and assessment, particularly in the context of online and blended learning. The appointment of the Teaching, Learning and Assessment Manager, and the introduction of the Curriculum Area Review quality assurance process had a beneficial impact on standards in teaching, learning and assessment.

Curriculum Developments

In 2019/20, the College more effectively met the needs of all students through the introduction of new vocational qualifications into the 16-19 curriculum that offered a qualifications route other than A-levels into university. The introduction of 'applied' A-levels in Criminology, Psychology and Sociology enabled more students to progress to university and contributed to the recruitment of new students overall.

The College more effectively zoned Creative Industries at the Rotherfield Campus, enabling further development of the area in 2020/21, and created a new, open-plan learning space for IT and Business Development at the Deanfield Campus. This has enabled the achievement of extra-curricular activities to be completed in Business and IT. Through the extra-curricular activity, the College has met its Industry Placement Capacity Delivery Fund target of 99 Industry Placements for 2019/20.

Operating and Financial Review (continued)

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE (continued)

Curriculum Developments (continued)

The Henley College offers an Elite Sports Programme that targets students who have a high potential to excel in their sport, by either competing on the international stage or securing a professional contract. Specialising in Rugby Union, rowing and basketball, we have proud and strong partnerships in place with renowned professional clubs: Ealing Trailfinders, Leander Club, Henley Rowing Club and Reading Rockets.

Our students are encouraged to develop resilience, have ambition and to aim high. We create a learning environment that motivates everyone to participate and achieve his or her very best. On leaving The Henley College our students continue to succeed. Nearly 90% of our students who progress to Russell Group universities achieve a 2:1 or higher – this is 8% higher than the independent sector whilst just under 30% graduate with a First class degree.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2019 to 31 July 2020, the College did experience difficulties during the Covid-19 lockdown period, but virtually all of its invoices were settled within 30 days. The College incurred no interest charges in respect of late payment for this period.

Future Developments

In 2017 The Henley College celebrated 30 years of teaching and learning excellence, although our origins can be traced back to King James I Grammar School founded in 1604. These foundations closely reflect the academic and vocational traditions that still remain at the forefront of today's offering.

The Henley College motto 'Come questioning, go seeking, grow' is a theme that runs throughout all that we do. Against a backdrop of a constantly changing and uncertain economic and political landscape, we understand the need to 'future proof' our learners and prepare them for employment opportunities that may not yet exist.

At The Henley College, we aim to empower learners to be independent, confident, questioning and innovative. We celebrate and encourage the enquiring mind and the enthusiasm to embrace challenge and rigour.

Recognised as Leaders in Learning, we aim for academic excellence throughout all our teaching programmes. We have highly skilled staff who are knowledgeable in a wide range of areas coupled with a wealth of industry experience and academic achievement. The ability to inspire students will inevitably help them to grow into the leaders and global citizens of the future.

Operating and Financial Review (continued)

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE (continued)

Future Developments (continued)

The Principal and Chief Executive, supported by the Board of Governors led the creation of a new three year Strategic Plan, which was adopted from the start of 2018. The College also embarked on implementation of the ambitious three-stage Estates Strategy aimed at future proofing the College's infrastructure and creating a world class learning environment. Given the recent issues, specifically around its relatively poor financial performance in recent years, the College had to concentrate on delivering solutions to improving the operating and cash flow positions. Given this scenario, the College continued to invest in 'betterment' of its estates, especially in terms of creating excellent digital learning spaces and improving creative arts spaces. As the financial strength of the College improves, a new strategic plan and associated Estates strategy, which better reflects the current position of the College will take shape. This is planned for Spring 2021. We continue to work closely with all stakeholders, including the Unions, to ensure success. The College is mindful that the impact of the pandemic may still influence future plans, but managers are working to ensure those potential risks are mitigated and the relatively strong financial health position will assist in managing exceptional difficulties.

RESOURCES

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

Financial

The College has £6.1 million of net assets (after deducting a £7.1 million pension liability).

People

The College employs 125 people (expressed as full-time equivalents), of whom 53 are teaching staff.

Reputation

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

Based on the strategic plan, the Risk Management Group undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College.

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 College.

Operating and Financial Review (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

A risk register is maintained at the College which is reviewed termly by the Audit Committee. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system and a new risk management system and process was introduced during the year.

This is supported by a risk management training programme to raise awareness of risk throughout the College.

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

1. Government Funding

The College has considerable reliance (89% in 2019/20) on continued central government funding through the funding bodies. The squeeze on public expenditure means that there can be no assurance that government policy or practice will remain the same or that public funding will continue at the same level.

The College is aware of several issues which may impact on future funding, including apprenticeship reforms, further impact of Covid-19 and the devolution of the adult education budget. The College, in conjunction with its key stakeholders, is developing a strategy for growth in response to the devolution agenda and to the apprenticeships reform. It is recognised that the introduction of the apprenticeship levy will significantly affect that marketplace though the full implications are not yet known as government policy continues to develop.

The College is mitigating the effect of reductions in funding through:

- The implementation of efficiency gains;
- Maximising room utilisation;
- Maximise staff utilisation;
- Maximising other sources of funding;
- Reviewing the efficiency of the curriculum offer for both full-time and part-time students;
- Deliver optimum group sizes for each course
- Maintaining firm control over all expenditure;
- The review of alternative curriculum strategies in order to minimise any funding shortfall;
- Increasing apprenticeship recruitment and full-cost provision;
- Consideration of external consultancy on efficiency; and
- Investigation into shared services.

Operating and Financial Review (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

2. Student Enrolments

The College wishes to maintain and grow its current student numbers in order to avoid a further reduction in income levels. The College is aware of several issues that may impact on student numbers:

- More competition in the local area the introduction of University Technical Colleges;
- Local Sixth Form reorganisation and rebuilding;
- Longer term impact of Covid-19;
- Increases in the cost of home to college transport and public transport services; and
- Potential impact of Ofsted judgements.

The College is mitigating the effect of reductions in student numbers through:

- Ensuring the College is rigorous in delivering high quality education and training;
- Strengthening the curriculum offer to ensure it meets student demand;
- Working closely with partner schools;
- Extending College bus routes;
- Funding transport subsidies and offering grants for transport costs wherever possible;
- Effective marketing and related marketing activities; and
- Close monitoring of the demand for courses as prices change.

3. Maintain adequate funding of pension liabilities

The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS 102. This risk is mitigated by an agreed deficit recovery plan with the Oxfordshire County Council Pension Scheme.

4. Failure to maintain the financial viability of the College

The College's financial health grade is officially classified as "outstanding" based on the financial forecast submissions made in 2019 and 2020. This was achieved as a direct result of the actions taken by the leadership team and governors during the previous and current financial year and the projected health rating as at 31 July 2020 remains "outstanding". Notwithstanding that, the continuing challenge to the College's financial position remains the constraint on further education funding arising from the ongoing cuts in public sector spending whilst maintaining the student experience. This risk is mitigated in a number of ways:

- By rigorous budget setting procedures and sensitivity analysis;
- A robust and efficient curriculum plan and delivery model;
- Regular in year budget monitoring;
- Consideration of new income streams;
- Effective use of reserves to deal with short term issues;
- Robust financial controls; and
- Exploring ongoing procurement efficiencies

Operating and Financial Review (continued)

STAKEHOLDER RELATIONSHIPS

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

- Students;
- Staff;
- The community;
- Education sector funding bodies;
- Benchmarking groups;
- Local and regional employers (with specific links);
- Local authorities;
- Government offices/regional development agencies/LEPs;
- Other FE institutions;
- Trade unions; and
- Professional bodies.

The College recognises the importance of these relationships and engages in regular communication with them through the College internet site and by meetings.

EQUAL OPPORTUNITIES AND EMPLOYMENT OF DISABLED PERSONS

The Henley College is committed to achieving an educational environment and vocational training environment which actively promotes equality of opportunity and freedom from discrimination on grounds of age, class, course, subject or training area, cultural or ethnic origin, disability, gender, marital status, nationality, religion, belief and sexual orientation in every aspect of College life and associated training activities.

The College will seek to treat all those for whom it has responsibility, with respect and dignity and seek to provide a positive working and learning environment, free from discrimination, harassment or victimisation.

The College will respect and seek to fully utilise and develop the diverse skills, talents and experiences of all its staff and students.

The College's Single Equality Scheme including all equality and diversity policies is published on the College's Internet site. The Scheme is reviewed and updated each year. It is monitored by the Equality, Diversity and Inclusion Group, Managers, Senior Leadership Team and Governors.

Operating and Financial Review (continued)

DISABILITY STATEMENT

The College affirms that individuals with disabilities are entitled to the same equal rights, responsibilities and opportunities as individuals without disabilities and will fulfil its requirements under the Disability Discrimination Act.

The College is committed to making any reasonable adjustments that will promote equal access and opportunities for students, staff and members of the public with disabilities/or learning disabilities using College facilities.

There will be no discrimination against staff on grounds of disability in access to employment, training, working conditions, terms of employment, treatment at work, promotion or dismissal.

The College undertakes to fulfil its duty to make reasonable adjustments to enable staff to do their work, and not to treat staff with a disability less favourably than those without.

- Admission arrangements for students are outlined in the College's policy on student admission, guidance and induction. For full-time applicants, when the application form indicates a need for support this is established before interview and appropriate action is taken. On entry or on course any needs are identified to the Personal Tutor and support is implemented in line with the Policy for students with learning difficulties and/or disabilities.
- The College has in place a SenCo, who provides information and guidance. Should a need for support be established, appropriate action is taken and the Upgrade Study Support Manager is present at interview to provide specialist advice.
- The College has appointed specialist teachers and tutors to support students with learning difficulties and/or disabilities.
- Counselling and welfare services are provided at the College. Information concerning this function is published in the College Brochures, Handbooks and Student Newsletters.
- Information on College facilities is contained in the full and part-time brochures and full and part-time student handbooks. Particular needs are addressed and implemented.
- The College endeavours to provide the technology and equipment appropriate to student and staff needs. The College holds a register of equipment for additional needs.
- Physical access audits have informed the basis of funding which has been provided to improve access in and around the twelve College buildings.
- The College Health, Safety and Security Manager carries out access arrangement meetings with staff, students or other stakeholders to ensure that they are able to access the College buildings with regard to their requirement to do so.

Operating and Financial Review (continued)

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 period	FTE employee number
5	5

Percentage of time	Number of employees
0%	-
1-50%	5
51-99%	-
100%	-

Total cost of facility time	£2,173
Total pay bill	£6,154,000
Percentage of total bill spent on facility time	0%
Time spent on paid trade union activities as a percentage of total paid facility time	5%

GOING CONCERN

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Operating and Financial Review. The financial position of the College, its cashflow, liquidity and borrowings are described in the financial statements and accompanying notes. The College submitted a detailed financial forecast to the ESFA in July 2020, which provided clear analysis and commentary on the immediate financial years 20/21 and 21/22, also that the College has appeared to recruit well in terms of students for the academic year 20/21, accordingly the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its financial statements.

DISCLOSURE OF INFORMATION TO AUDITORS

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

Approved by order of the members of the Corporation on 7 December 2020 and signed on its behalf by:



Trevor Watkins
Chair

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure.

The College endeavours to conduct its business:

- In accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- In full accordance with the guidance to colleges from the Association of Colleges in Code of Good Governance for English Colleges (“the Foundation Code”); and
- Having due regard to the UK Corporate Governance Code 2018 (“the Code”) insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance in particular the Governing Body has adopted and complied with the Foundation Code. We have not adopted and therefore do not apply the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.

In the opinion of the Governors, the College complies with all the provisions of the Foundation Code, and it has complied throughout the year ended 31 July 2020. The Governing Body 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 issued by the Association of Colleges.

The College 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.

The Corporation

The members who served on the Corporation during the year and up to the date of signature of this report were as listed in the table below.

Name	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance at full Corporation meetings (%)
Dr Trevor Watkins	3 April 17	4 yrs	n/a	Independent Member	Quality and Standards, Governance & Search, Finance & Resources, Remuneration Chair of Corporation w.e.f.Oct 18	100

The HENLEY College Report & Financial Statements for the year ended 31 July 2020

Pro Gavin Brooks	3 Oct 17	4 yrs	12 Feb 20	Independent Member	Quality and Standards,	66% Resigned 12 Feb
Rebecca Chandler-Wilde	29 Jun 20	4 yrs		Independent Member	TBA	100%
Catharine Darnton	3 Apr 17	4 yrs		Independent Member	Quality & Standards	Resigned 19 Aug 19
Satwant Deol	28 Nov 16	n/a		Principal	Governance & Search, Quality & Standards	100%
Brian Fennelly	14 Mar 19	4 yrs		Independent Member	Audit, Governance & Search; Remuneration	80%
Lizzie Firth	29 Jun 20	4 yrs		Independent Member	TBA	100%
Ruth Hubbard	3 Nov 18	2 yrs		Parent	Finance & Resources	100%
Mohammed Khaliel	10 Oct 14	4 yrs		Independent Member	Audit, Remuneration, Quality & Standards	80%
Dr Tim Lincoln	26 Jun 19	4 yrs		Independent Member	Audit, Quality & Standards	100%
James Lingard	26 Jun 19	4 yrs		Independent Member	Finance & Resources, Quality & Standards	100%
Vince Maltese	26 Jun 19	4 yrs		Independent Member	Finance & Resources, Governance & Search, Remuneration	100%
Chris Murray	29 Jun 20	4 yrs		Independent Member	TBA	100%
Justin Sutherland	29 Jun 20	2 yrs		Parent	TBA	100%
Andrew Unsworth	11 Sep 19	4 yrs		Staff	Quality & Standards	100%
Roby Vitty	4 Dec 14	4 yrs		Staff		40%
David Welch	3 Apr 17	4 yrs		Independent Member	Audit, Governance & Search, Remuneration	100% Resigned 18 Nov 19
Charles Wiggin	26 Jun 19	4 yrs		Independent Member	Finance & Resources, Remuneration	100%
Alistair Wildman	29 Jun 20	4 yrs		Independent Member	TBA	100%
Andrea Wood	29 Jun 20	4 yrs		Independent Member	TBA	100%

Jeni Wood	10 Oct 14	4 yrs		Independent Member	Audit	0% Resigned 26.9.19
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Clerk to the Corporation: Jacky Gearey

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

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

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Audit, Finance & Resources, Quality and Standards, Remuneration and Governance & Search. Full minutes of the Corporation, except those deemed to be confidential by the Corporation, are available on the College's website www.henleycol.ac.uk.

Full minutes of all committee meetings are available from the Corporation Secretary at:

The Henley College
Deanfield Avenue
Henley-on-Thames
Oxon
RG9 1UH

The Corporation Secretary maintains a register of financial and personal interests of the Governors. The register is available for inspection at the above address.

All Governors are able to take independent professional advice in furtherance of their duties and if approved by the board, at the College's expense and have access to the Corporation Secretary, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with.

The appointment, evaluation and removal of the Secretary are matters for the Corporation as a whole.

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

The Corporation has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Corporation considers that each of its non-executive members is independent of management, and free from any business or other relationships 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 Corporation and the Accounting Officer are separate.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

Appointments to the Corporation

Any new appointments to the Corporation are a matter for consideration of the Corporation as a whole. The Corporation has a Governance and Search Committee which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a four year term of office, other than the student member.

Corporation performance

Over the academic year, the Governing Board has put in a phenomenal amount of time and effort on behalf of the College, all of which has been aimed at securing its future success.

Remuneration Committee

Throughout the year ended 31 July 2020, the College's Remuneration Committee comprised three members of the Corporation (excluding the Accounting Officer). The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other senior post-holders and the Corporation Clerk.

The college gives due regard to the AoC Senior Staff Remuneration Code but does not adhere to its requirements regarding a remuneration annual report as this was a voluntary option which the committee opted not to adopt in March 2019.

Details of remuneration for the year ended 31 July 2020 are set out in note 6 to the financial statements.

Audit Committee

The Audit Committee comprises four members of the Corporation (excluding the Accounting Officer and Chair of Corporation). The Committee operates in accordance with written terms of reference approved by the Corporation.

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

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

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

Audit Committee (continued)

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

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

Internal Control

Scope of Responsibility

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

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in The Henley College for the year ended 31 July 2020 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal on-going process for identifying, evaluating and managing the College's significant risks that has been in place for the year ended 31 July 2020 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

Internal Control (continued)

The risk and control framework

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

- Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Governing Body;
- Regular reviews by the Governing Body of periodic and annual financial reports which indicate financial performance against forecasts;
- Setting targets to measure financial and other performance;
- Clearly defined capital investment control guidelines; and
- The adoption of formal project management disciplines, where appropriate.

The Henley College has an internal audit service, which operates in accordance with the requirements of the ESFA's post 16 Audit Code of Practice. The internal audit plan is informed by an analysis of the risks to which the College is exposed. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee.

Review of effectiveness

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

- The work of internal auditors;
- The work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework; and
- Comments made by the College's financial statements and regularity auditors in their management letters and other reports.

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

The senior leadership team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms which are embedded within the departments and reinforced by risk awareness training. The senior leadership team and the Audit Committee also receive regular reports from the internal auditors and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports therein

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

Internal Control (continued)

Review of effectiveness (continued)

from the senior leadership team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance, not merely reporting by exception. This on-going control was continued, albeit with some challenges, during the long period of lockdown created by the Covid-19 situation. The College continued to ensure that work associated to financial and other control was maintained to the highest possible standard.

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

Going Concern

After making appropriate enquiries and as noted in the “Operating and Financial Review”, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 7 December 2020 and signed on their behalf by:



Trevor Watkins
Chair



Satwant Deol
Accounting Officer

STATEMENT OF REGULARITY, PROPRIETY AND COMPLIANCE

The Corporation has considered its responsibility to notify the ESFA, of material irregularity, impropriety and non-compliance with the terms and conditions of funding, under the corporation's grant funding agreement and contracts with the ESFA. As part of our consideration we have had due regard to the requirements of the grant funding agreement and contracts with the ESFA.

We confirm, on behalf of the corporation, that after due enquiry, and to the best of our knowledge, we are able to identify any material irregular or improper use of funds by the corporation, or material non-compliance with the terms and conditions of funding under the corporation's grant funding agreement and contracts with the ESFA, or any other public funder.

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



Trevor Watkins
Chair



Satwant Deol
Accounting Officer

Date: 7 December 2020

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 Corporation's grant funding agreements with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements and an operating and financial review for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education and with the ESFA's College Accounts Direction and the UK's Generally Accepted Accounting Principles, and which give a true and fair view of the state of affairs of the Corporation and the result for that year.

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess whether the corporation is a going concern, noting the key supporting assumptions, qualifications or mitigating actions, as appropriate (which must be consistent with other disclosures in the accounts and auditor's report); and
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the Corporation will continue in operation.

The Corporation is also required to prepare an Operating and Financial Review which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

The corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the corporation, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation including the Further and Higher Education Act 1992 and Charities Act 2011 and relevant accounting standards. It is responsible for taking steps that are reasonably open to it in order to safeguard its assets and to prevent and detect fraud and other irregularities.

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

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from the ESFA and any other public funds are used only in accordance with the ESFA's grant funding agreements and contracts and any other conditions that may be prescribed from time to time by ESFA or any other public funder. 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.

**STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION
(continued)**

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

Approved by order of the members of the Corporation on 7 December 2020 and signed on its behalf by:



Trevor Watkins
Chair

Date: 7 December 2020

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF THE HENLEY COLLEGE

Opinion

We have audited the financial statements of The Henley College (the 'College') for the year ended 31 July 2020 which comprise the statement of comprehensive income, the statement of changes in reserves, the balance sheet, the statement of cash flows, the principal accounting policies, and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2020 and of its deficit of income under expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

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

Conclusions relating to going concern

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

- the 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 College's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Corporation is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF THE HENLEY COLLEGE (continued)

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the Corporation

As explained more fully in the statement of responsibilities of members of the Corporation, the Corporation is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determines 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 college's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporation either intends to liquidate the college or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF THE HENLEY COLLEGE (continued)

Use of our report

This report is made solely to the Corporation, as a body, in accordance with the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the college and the Corporation as a body, for our audit work, for this report, or for the opinions we have formed.



16 December 2020

Buzzacott LLP
Statutory Auditor
130 Wood Street
London
EC2V 6DL

REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO THE CORPORATION OF THE HENLEY COLLEGE AND THE SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE DEPARTMENT FOR EDUCATION ("THE DEPARTMENT")

In accordance with the terms of our engagement letter and further to the requirements and conditions of funding in the ESFA's grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by The Henley College during the period 1 August 2019 to 31 July 2020 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the post-16 audit code of practice (the Code) issued by the ESFA and in any relevant conditions of funding concerning adult education notified by a relevant funder. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record data returns, for which the ESFA or devolved authority has other assurance arrangements in place.

This report is made solely to the corporation of The Henley College and the Department in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of The Henley College and the Department those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the corporation of The Henley College and the Department for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of The Henley College and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code.

We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2019 to 31 July 2020 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO THE CORPORATION OF THE HENLEY COLLEGE AND THE SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE DEPARTMENT FOR EDUCATION ("the Department") (continued)

Approach

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

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

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

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

The work undertaken to draw to our conclusion includes:

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

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2019 to 31 July 2020 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



16 December 2020

Buzzacott LLP
Chartered Accountants
130 Wood Street
London
EC2V 6DL

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2020 £000	2019 £000
Income			
Funding body grants	2	8,641	9,235
Tuition fees and education contracts	3	19	65
Other income	4	485	481
Investment income	5	19	19
Total income		9,164	9,800
Expenditure			
Staff costs	6	6,154	6,806
Fundamental restructuring costs	6	31	250
Other operating expenses	8	2,058	2,207
Depreciation	11	874	912
Interest payable	9	122	116
Total expenditure		9,239	10,291
Deficit before other gains and losses		(75)	(491)
Taxation	10	-	-
Deficit for the year		(75)	(491)
Actuarial (loss) in respect of pension schemes	17	(1,019)	(1,033)
Total Comprehensive Income for the year		(1,094)	(1,524)
Represented by:			
Restricted comprehensive income		-	-
Unrestricted comprehensive income		(1,094)	(1,524)
		(1,094)	(1,524)

STATEMENT OF CHANGES IN RESERVES

	Income and Expenditure account £'000	Revaluation reserve £'000	Restricted Reserve	Total £'000
Balance at 1 August 2018	1,268	6,388	1,106	8,762
Deficit from the income and expenditure account	(491)	—	—	(491)
Transfers between restricted reserves and income and expenditure reserves	—	—	—	—
Deficit for the year	(491)	—	—	(491)
Other comprehensive income	(1,033)	—	—	(1,033)
Transfers between revaluation and income and expenditure reserves	178	(178)	—	—
Balance at 31 July 2019	(78)	6,210	1,106	7,238
Deficit from the income and expenditure account	(75)	—	—	(75)
Transfers between restricted reserves and income and expenditure reserves	(35)	—	35	—
Deficit for the year	(110)	—	35	(75)
Other comprehensive income	(1,019)	—	—	(1,019)
Transfers between revaluation and income and expenditure reserves	178	(178)	—	—
Total unrestricted comprehensive income for the year	(951)	(178)	35	(1,094)
Balance at 31 July 2020	(1,029)	6,032	1,141	6,144

BALANCE SHEET AS AT 31 July	Notes	2020 £000	2019 £000
Fixed assets			
Tangible fixed assets	11	12,361	12,432
		<u>12,361</u>	<u>12,432</u>
Current assets			
Trade and other receivables	12	136	88
Cash and cash equivalents	16	4,206	3,554
		<u>4,342</u>	<u>3,642</u>
Less: Creditors: amounts falling due within one year	13	(953)	(1,165)
Net current assets		<u>3,389</u>	<u>2,477</u>
Total Assets less current liabilities		<u>15,750</u>	<u>14,909</u>
Less: creditors: amounts falling due after more than one year	14	(2,472)	(2,109)
Provisions			
Defined benefit obligations	17	(7,134)	(5,562)
TOTAL NET ASSETS		<u>6,144</u>	<u>7,238</u>
Reserves			
Income and expenditure account		(1,029)	(78)
Revaluation reserve	15	6,032	6,210
Restricted fund		1,141	1,106
Total reserves		<u>6,144</u>	<u>7,238</u>

The amounts in the restricted fund relate to a sale of land in 2015, and used to reinvest in College's infrastructure subject to prior approval by the Corporation.

The financial statements on pages 32 to 56 were, approved by the Corporation on 7 December 2020 and were, signed on its behalf on that date by:



Trevor Watkins
Chair of Corporation



Satwant Deol
Accounting Officer

STATEMENT OF CASH FLOWS

	2020 £000	2019 £000
Cash inflow from operating activities		
Deficit for the year	(75)	(491)
Adjustment for non-cash items		
Depreciation	874	912
(Increase)/decrease in debtors	(48)	103
(Decrease) increase in creditors due within one year	(212)	62
Increase (decrease) in creditors due after one year	363	(124)
(Decrease) in provisions	-	(89)
Pensions costs less contributions payable	553	630
Adjustments for investing or financing activities		
Investment income	(19)	(19)
	<u>1,436</u>	<u>984</u>
Net cash flow from operating activities		
Cash flows from investing activities		
Investment income	19	19
Payments made to acquire fixed assets	(803)	(336)
	<u>(784)</u>	<u>(317)</u>
Increase in cash and cash equivalents in the year	<u>652</u>	<u>667</u>
Cash and cash equivalents at 1 August	<u>3,554</u>	<u>2,887</u>
Cash and cash equivalents at 31 July	<u>4,206</u>	<u>3,554</u>

Notes to the Financial Statements

1. ACCOUNTING POLICIES

Statement of 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 2019 to 2020 and in accordance with Financial Reporting Standard 102 – “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

These financial statements are presented in sterling and are rounded to the nearest thousand pounds.

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.

Going concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Operating and Financial Review. The financial position of the College, its cashflow, liquidity and borrowings are described in the financial statements and accompanying notes. The College remains mindful that the impact of Covid-19 could still play a critical role future planning and specifically in achieving key financial and other targets. However, the College currently has a secure financial health position and the base forecast indicates that the targets are achievable and should support future outlook. Accordingly, the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its financial statements.

Recognition of income

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

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

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

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

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

Post retirement benefits

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

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method. The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

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

Short term employment benefits

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

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Land and buildings

Land and buildings inherited from the Local Education Authority (LEA) are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. Buildings improvements made since incorporation are included in the balance sheet at cost. Freehold land is not depreciated as it is considered to have an infinite useful life. Freehold buildings are depreciated over their expected useful economic life to the College of between 10 and 50 years.

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

Finance costs, which are directly attributable to the construction of land and buildings, are not capitalised as part of the cost of those assets.

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

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

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 £1,000 per individual item is written off to the income and expenditure account in the year of acquisition. All other equipment is capitalised at cost.

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

Building fixtures and fittings	10 years
Motor vehicles	7 years
Equipment including IT equipment	4 to 10 years

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.

Leased assets

Costs in respect of operating leases are charged on a straight line basis over the lease term to the Statement of Comprehensive Income and Expenditure.

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 three months or less from the date of acquisition.

Taxation

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

The College is not registered for Value Added Tax, so it cannot recover any VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

Provisions

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

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 College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the College's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.
- Preparing the cash flow forecasts for the years ended 31 July 2021 and 2022 which have been used to determine the College's going concern assessment as at 31 July 2020.

Other key sources of estimation uncertainty

- **Tangible fixed assets:** Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- **Local Government Pension Scheme:** The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 17, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation has been used by the actuary in valuing the pensions liability at 31 July 2020. 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.

- The College recognises the possible further impact of Covid-19 could have on the future, but having assessed the risks, including financial, the College is not currently in a position to detail the financial and operational risks. The College will continue to assess potential issues and adopt any mitigation options available, including effective use of reserves.

Agency arrangements

The College acts as an agent in the collection and payment of Discretionary Learner Support Funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in Note 23, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant. The College employs one member of staff on a part-time basis to administer Discretionary Learner Support Fund applications and payments.

2. FUNDING BODY GRANTS

	2020 £000	2019 £000
ESFA – Adults	58	142
ESFA – 16-18	7,633	8,363
ESFA – Apprenticeships	68	156
ESFA non recurrent grants	7	24
Other non recurrent grants	493	397
Teachers' Pension Scheme contribution grant	188	-
Release of deferred capital grants	194	153
	<hr/>	<hr/>
Total	8,641	9,235
	<hr/> <hr/>	<hr/> <hr/>

3. TUITION FEES AND EDUCATION CONTRACTS

	2020 £000	2019 £000
Tuition fees	19	65
	<hr/>	<hr/>
Total	19	65
	<hr/> <hr/>	<hr/> <hr/>

4. OTHER INCOME

	2020 £000	2019 £000
Income-generating activities	76	72
Home to College transport	97	144
Other income	312	265
	<hr/>	<hr/>
Total	485	481
	<hr/> <hr/>	<hr/> <hr/>

5. INVESTMENT INCOME

	2020 £000	2019 £000
Interest receivable	19	19
	<hr/>	<hr/>
	19	19
	<hr/> <hr/>	<hr/> <hr/>

6. STAFF COSTS

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

	2020		2019	
	Headcount	FTE	Headcount	FTE
Teaching staff	70	53	90	65
Non teaching staff	103	72	112	78
	<u>173</u>	<u>125</u>	<u>202</u>	<u>143</u>

Staff costs for the above persons	2020 £000	2019 £000
Wages and salaries	4,225	4,815
Social security costs	368	442
Other pension costs (including FRS 102 adjustment of £431,000; 2019 - £514,000)	<u>1,216</u>	<u>1,230</u>
Payroll sub-total	5,809	6,487
Contracted out staffing services	<u>345</u>	<u>319</u>
	6,154	6,806
Exceptional restructuring costs - contractual	31	250
	<u>6,185</u>	<u>7,056</u>

The number of employees who received annual emoluments, excluding pension contributions and employer's national insurance but including benefits in kind, above £60,000 was:

	2020 Number	2019 Number
£75,001 to £80,000	1	-
£105,001 to £110,000	2	1
	<u>3</u>	<u>1</u>

All of the above employees are key management personnel of the College. No other member of staff received annual emoluments above £60,000 during the year (2019 – none).

6. STAFF COSTS (continued)

In addition to the above, four other members of the College's key management team received emoluments, excluding pension contributions and employer's national insurance but including benefits in kind, in the following ranges:

	2020 Number	2019 Number
£15,001 to £20,000	-	1
£40,001 to £45,000	1	-
£45,001 to £50,000	1	1
£50,001 to £55,000	-	1
£55,001 to £60,000	2	1
	<u>4</u>	<u>4</u>

7. EMOLUMENTS OF KEY MANAGEMENT PERSONNEL, ACCOUNTING OFFICERS AND OTHER HIGHER PAID STAFF

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Leadership Team which comprises the Principal, Vice Principal, Director of Finance and Operations (interim), Head of HR, Head of Student Services and Faculty Heads. Staff costs include compensation paid to key management personnel for loss of office.

	2020 Number	2019 Number
The number of key management personnel including The Accounting Officer was;	7	6
	<u> </u>	<u> </u>

Key management personnel compensation is made up as follows:

	2020 £000	2019 £000
Salaries	477	339
Employers National Insurance	36	40
Benefits in kind	2	2
Pension contributions	62	55
Total emoluments	<u>577</u>	<u>436</u>

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

7. EMOLUMENTS OF KEY MANAGEMENT PERSONNEL, ACCOUNTING OFFICERS AND OTHER HIGHER PAID STAFF (continued)

The above emoluments include amounts payable to the Accounting Officer of:

	2020 £000	2019 £000
Salary	100	100
Performance related pay	8	4
Benefits in kind	2	2
	<u>110</u>	<u>106</u>
Pension contributions	<u>19</u>	<u>17</u>

The pension contributions in respect of the Accounting Officer and key management personnel are in respect of employer's contributions to the Local Government Pension Scheme and are paid at the same rate as for other employees.

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

The amounts disclosed for key management personnel, including the Accounting Officer, include any bonuses and other salary enhancements that were awarded during the year.

Relationship of Principal/Chief Executive pay and remuneration expressed as a multiple

	2020	2019
Principal and CEO's total remuneration as a multiple of the median of all staff	2.4	2.3
Principal and CEO's basic salary as a multiple of the median of all staff	2.2	2.2

The Remuneration Committee is responsible for recommending and setting the salary and any associated package for the Principal and CEO. Due consideration is given to the size of the College, market conditions and any specific attributes to the role itself. The Remuneration Committee is also responsible for setting clear objectives and performance measures, especially in determining the performance related pay (PRP), which cannot exceed more than 10% of salary.

8. OTHER OPERATING EXPENSES

	2020 £000	2019 £000
Teaching costs	765	1,028
Non-teaching costs	772	594
Premises costs	521	585
	<hr/>	<hr/>
Total	2,058	2,207
	<hr/> <hr/>	<hr/> <hr/>

	2020 £000	2019 £000
Other operating expenses include:		
Auditor's remuneration - Financial statements audit (including regularity audit)	16	14
- Internal audit	8	7
Other services provided by the financial statements auditor		
- Audit of Teachers' pension scheme	1	1
- Audit of subcontracting provision	-	1
Hire of plant and machinery - operating leases	19	26
	<hr/> <hr/>	<hr/> <hr/>

9. INTEREST PAYABLE

	2020 £000	2019 £000
Pension finance costs (note 17)	122	116
	<hr/> <hr/>	<hr/> <hr/>

10. TAXATION

The members do not believe the College is liable for any Corporation tax arising out of its activities during the year.

11. TANGIBLE FIXED ASSETS

	Freehold land & buildings £000	Equipment £000	Total £000
Cost or valuation			
At 1 August 2019	19,916	5,888	25,804
Additions	422	381	803
Disposals	-	(1)	(1)
	<u> </u>	<u> </u>	<u> </u>
At 31 July 2020	20,338	6,268	26,606
	<u> </u>	<u> </u>	<u> </u>
Depreciation			
At 1 August 2019	8,300	5,072	13,372
Charge for period	505	369	874
Eliminated in respect of disposals	-	(1)	(1)
	<u> </u>	<u> </u>	<u> </u>
At 31 July 2020	8,805	5,440	14,245
	<u> </u>	<u> </u>	<u> </u>
Net book value at 31 July 2020	11,533	828	12,361
	<u> </u>	<u> </u>	<u> </u>
Net book value at 31 July 2019	11,616	816	12,432
	<u> </u>	<u> </u>	<u> </u>

Land and buildings were valued in 1993 at depreciated replacement cost for the majority of buildings by a firm of independent surveyors. Other tangible fixed assets inherited from the local education authority at incorporation have been valued by the Corporation on a depreciated replacement cost basis.

12. TRADE AND OTHER RECEIVABLES

	2020 £000	2019 £000
Amounts falling due within one year		
Trade debtors	70	-
Prepayments and accrued income	66	88
	<hr/>	<hr/>
Total	136	88
	<hr/> <hr/>	<hr/> <hr/>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020 £000	2019 £000
Payments received in advance	316	425
Trade creditors	75	29
Taxation and social security	186	184
Accruals	196	374
Deferred income – government capital grants	180	153
	<hr/>	<hr/>
Total	953	1,165
	<hr/> <hr/>	<hr/> <hr/>

14. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2020 £000	2019 £000
Deferred income – government capital grants	2,472	2,109
	<hr/>	<hr/>
Total	2,472	2,109
	<hr/> <hr/>	<hr/> <hr/>

15. REVALUATION RESERVE

	2020 £000	2019 £000
At 1 August	6,210	6,388
Transfer from revaluation reserve to income and expenditure account	(178)	(178)
	<hr/>	<hr/>
At 31 July	6,032	6,210
	<hr/> <hr/>	<hr/> <hr/>

The transfer from the revaluation reserve to the income and expenditure account represents the difference between historical cost depreciation and the actual charge for the period calculated on the revalued amount.

16. CASH AND CASH EQUIVALENTS

	2020 £000	2019 £000
Changes during the year		
At 1 August 2019	3,554	2,887
Net cash inflow	652	667
	<hr/>	<hr/>
At 31 July 2020	4,206	3,554
	<hr/> <hr/>	<hr/> <hr/>

Analysis of the balances of cash and cash equivalents as shown in the balance sheet

	2020 £000	2019 £000	Change in year £000
Income and expenditure account	3,071	2,448	623
Restricted fund	1,135	1,106	29
	<hr/>	<hr/>	<hr/>
	4,206	3,554	652
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The College has created a restricted fund resulting from the sale of land in 2015 and this balance accrues interest annually. Any infrastructure investment which is approved by the board will be set against this fund. A backlog amount of interest has been added in the current year to reflect the notional interest from inception of this reserve as shown by the £35,000 transfer in the statement of changes in reserves on page 35.

17. PENSION AND SIMILAR OBLIGATIONS

The College's employees belong to two principal pension schemes: the Teachers' Pensions Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Oxfordshire County Council. Both are defined-benefit schemes.

Total pension cost for the year	2020	2019
	£000	£000
Teachers Pension Scheme: contributions payable	454	403
Local Government Pension Scheme:		
Contributions payable	331	313
FRS 102 (28) adjustment	<u>431</u>	<u>514</u>
Charge to the Income and Expenditure Account (staff costs)	<u>762</u>	<u>827</u>
Total Pension Cost for Year (note 6)	1,216	1,230
	<u> </u>	<u> </u>

There were no outstanding or prepaid contributions at either the beginning or the end of the financial year. Contributions amounting to £93,000 (2019 – £82,000) were payable to the scheme at 31 July and are included within creditors.

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools, colleges and other educational establishments. 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 Academy Trust 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.

17. PENSION AND SIMILAR OBLIGATIONS (continued)

Teachers' Pension Scheme (continued)

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

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

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

The pension costs paid to TPS, including employee's contributions, in the year amounted to £454,000 (2019 – £403,000).

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate funds administered by Oxfordshire County Council. The total contribution made for the year ended 31 July 2020 was £427,000 of which employer's contributions totalled £314,000 and employees' contributions totalled £113,000. The agreed contribution rates for future years are 21.4% for employers and range from 5.5% to 7.5% for employees, depending on salary.

Principal Actuarial Assumptions

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

	At 31 July 2020	At 31 July 2019
Inflation assumption (RPI)	2.1%	3.9%
Inflation assumption (CPI)	1.4%	2.1%
Rate of increase in salaries	2.1%	3.9%
Rate of increase for pensions	2.1%	2.4%
Discount rate for liabilities	1.4%	2.1%
Commutation of pensions to lump sums	50.0%	50.0%

17. PENSION AND SIMILAR OBLIGATIONS (continued)

Local Government Pension Scheme (continued)

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 2020	At 31 July 2019
Retiring today		
Males	22.2	22.7
Females	24.3	24.3
Retiring in 20 years		
Males	22.9	24.0
Females	25.6	25.7

Sensitivity analysis

The following changes in assumptions would impact the pension liability as described below:

	At 31 July 2020	At 31 July 2019
	£'000	£'000
Discount rate		
+0.1%	411	367
-0.1%	(411)	(367)
Salary rate		
1 year increase	21	n/a
1 year decrease	(21)	n/a
CPI rate		
+0.1%	383	315
-0.1%	(383)	(315)

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

	Fair Value at 31 July 2020 £'000	Fair Value at 31 July 2019 £'000
Equities	8,474	8,901
Bonds	2,579	2,543
Property	737	763
Cash	491	508
Total market value of assets	12,281	12,715
Weighted average expected long term rate of return	(3.3%)	6.3%
Actual return on plan assets	(765)	416

17. PENSION AND SIMILAR OBLIGATIONS (continued)

Local Government Pension Scheme (continued)

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

	2020 £000	2019 £000
Fair value of plan assets	12,281	12,715
Present value of plan liabilities	(19,415)	(18,277)
	<u> </u>	<u> </u>
Net pensions liability	(7,134)	(5,562)
	<u><u> </u></u>	<u><u> </u></u>

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

	2020 £000	2019 £000
Amounts included in staff costs		
Current service cost	761	906
	<u> </u>	<u> </u>
Total	761	906
	<u><u> </u></u>	<u><u> </u></u>

Amounts included in interest costs **122** **116**

Amounts recognised in Other Comprehensive Income

	2020 £000	2019 £000
Return on pension plan assets	(765)	416
Plan liabilities	(254)	(1,449)
	<u> </u>	<u> </u>
Amount recognised in Other Comprehensive Income	(1,019)	(1,003)
	<u><u> </u></u>	<u><u> </u></u>

17. PENSION AND SIMILAR OBLIGATIONS (continued)

Local Government Pension Scheme (continued)

Movement in net defined benefit liability during the year

	2020 £000	2019 £000
Deficit in scheme at 1 August	(5,562)	(3,899)
Movement in year:		
Current service cost	(755)	(680)
Past service cost	(6)	(226)
Employer contributions	330	392
Net interest on the defined liability	(122)	(116)
Actuarial (loss)	(1,019)	(1,033)
	<hr/>	<hr/>
Net defined benefit liability at 31 July	(7,134)	(5,562)
	<hr/> <hr/>	<hr/> <hr/>

Asset and Liability Reconciliation

	2020 £000	2019 £000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at 1 August	18,277	15,677
Current service cost	755	680
Interest cost	390	448
Contributions by scheme participants	113	116
Change in financial assumptions	254	1,449
Estimated benefits paid	(380)	(319)
Curtailments and settlements	6	226
	<hr/>	<hr/>
Defined benefit obligations at 31 July	19,415	18,277
	<hr/> <hr/>	<hr/> <hr/>

Reconciliation of Assets

	2020 £000	2019 £000
Fair value of plan assets at 1 August	12,715	11,778
Interest on plan assets	268	332
Other actuarial (losses) gains	(765)	416
Employer contributions	330	392
Contributions by scheme participants	113	116
Estimated benefits paid	(380)	(319)
	<hr/>	<hr/>
Assets at 31 July	12,281	12,715
	<hr/> <hr/>	<hr/> <hr/>

18. POST BALANCE SHEET EVENTS

There were no post balance sheet events.

19. CAPITAL COMMITMENTS

The College had authorised capital commitments totalling £256,000 at 31 July 2020 (2019 – £397,000). This is mainly an allocation for estates refurbishment.

20. FINANCIAL COMMITMENTS

At 31 July 2020, the College had minimum lease payments under non-cancellable operating leases for plant and machinery and other assets as follows:

	2020 £000	2019 £000
Not later than one year	22	22
	<hr/>	<hr/>
	22	22
	<hr/> <hr/>	<hr/> <hr/>

21. CONTINGENT LIABILITY

There are no contingent liabilities at 31 July 2020 (2019 – none).

22. RELATED PARTY TRANSACTIONS

Due to the nature of the College's operations and the composition of the Board of Governors 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 Board of Governors may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures. No transactions were identified which should be disclosed under FRS 102 (33) – Related Party Disclosures.

23. LEARNER SUPPORT FUNDS

	2020 £000	2019 £000
Funding body grants – hardship support	113	126
	<hr/>	<hr/>
	113	126
Disbursed to Students	(90)	(105)
Administration costs	(8)	(8)
	<hr/>	<hr/>
Balance unspent at 31 July	15	13
	<hr/> <hr/>	<hr/> <hr/>

The above Funding Body grants are available solely for students. In the majority of instances, the College only acts as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the income and expenditure account.