

SOUTHPORT COLLEGE

**Report and Financial Statements
For the year ended 31 July 2020**



**KING
GEORGE V
COLLEGE**

CONTENTS	Page
Key Management Personnel, Board of Governors and Professional Advisers	1
Strategic Report	2
Statement of Corporate Governance and Internal Control	9
Statement of regularity, propriety and compliance	15
Statement of Responsibilities of the Members of the Corporation	16
Independent Auditor's Report to the Corporation of Southport College	17
Reporting Accountant's Assurance Report on Regularity	19
Statement of Comprehensive Income	21
Statement of Changes in Reserves	22
Balance Sheet	23
Statement of Cash Flows	24
Notes to the Financial Statements	25

KEY MANAGEMENT PERSONNEL, BOARD OF GOVERNORS AND PROFESSIONAL ADVISERS

Key Management personnel

Key management personnel are defined as members of the Senior Leadership Team and are:

Michelle Brabner – Principal and Chief Executive Officer
Anne-Marie Francis – Vice Principal Curriculum & Quality
Eddie Green – Vice Principal Services
Jesamine Kelly – Assistant Principal Curriculum & Quality

Board of Governors

A full list of Governors is given on page 10 of these financial statements

Professional Advisers

Financial statements auditors and reporting accountants

Wylie & Bisset (Audit) Ltd
168 Bath Street
Glasgow
G2 4TP

Internal Auditors

ICCA Education Training and Skills
McLaren House
46 Priory Queensway
Birmingham
B4 7LR

Bankers

Bank of Scotland plc
40 Spring Gardens
Manchester
M2 1EN

Solicitors

Weightmans
100 Old Hall Street
Liverpool
L3 9QJ

Whitfields
Marion House
23/25 Elbow Lane
Formby
L37 4AB

STRATEGIC REPORT

OBJECTIVES AND STRATEGY

The Corporation is pleased to present its report and audited financial statements for the year ended 31 July 2020.

Legal status

The Corporation was established under The Further and Higher Education Act 1992 for the purpose of conducting Southport College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

Public Benefit

Southport College is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on page 10.

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 the Liverpool City Region (LCR).

Mission

Governors reviewed the College's mission during 2019/20 and in July 2020 confirmed the mission statement as follows:

“to provide excellent, sustainable, education and training”.

Implementation of Strategic Plan

The Corporation monitors the performance of the College against its Strategic Plan which is reviewed and updated each year. In particular, the College continued to develop and enhance its ability to achieve its corporate aims during the year through a range of objectives that included:

- To develop and strengthen the College's distinct brands and its reputation as a provider of choice for school leavers, adults and employers;
- To offer a range of professional, technical, and academic programmes that meets the needs of individuals and contributes to the development of the local and national economy;
- To significantly grow the number of students achieving advanced and higher level qualifications;
- To achieve excellence in teaching, learning and support;
- To achieve the highest possible outcomes for students;
- To ensure sustainable financial health, value for money and continued investment in resources;
- To develop and maintain high quality, modern, safe learning environments;
- To promote a high performing staff culture that fosters accountability, engagement and development

Covid-19

In March 2020, like most businesses, the College went into lockdown as a result of the national Covid-19 pandemic. For the remainder of the academic year, teaching and learning continued through provision of remote learning. This enabled learners to complete their studies or, where they were in the first year of studies, continue their learning and progress. This proved more problematical for some apprentices whose employment was affected by the lockdown, with a number being furloughed or becoming unemployed, resulting in breaks in learning or being withdrawn from their programmes. The College's continuity plans enabled business to continue with the large majority of staff being able to continue to work from home.

STRATEGIC REPORT

Most business functions continued to take place remotely enabling the College to continue its operations and fulfil its planned activities. Governor meetings also took place in line with the normal cycle of business through electronic means. At the end of the 2019/20 financial year and in the early part of the 2020/21 financial year, plans were put in place to re-open the College for the 2020/21 Academic Year. A 'Covid Working Group' consisting of Senior Leaders and Key managers led the plans which included a fully documented risk assessment and development of different models of delivery in order to achieve the Government directive of delivering the majority of learning on site.

Resources

The College has various resources that it can deploy in pursuit of its strategic objectives as follows:-

Tangible

Tangible resources include the College's land and buildings and its general and IT equipment. The College has an accommodation strategy which seeks to ensure that the College facilities are fit for purpose and meet the needs of the curriculum and learners. Capital works continue to be ongoing to ensure the College has a high standard of facilities.

Financial

The College has £12.9 million of net assets including cash reserves of £5.6 million.

People

The College employed 280 people (expressed as full time equivalents), of whom 151 were teaching staff.

Reputation

The College brands have a reputation locally for good, sustainable education and training. The most recent Ofsted inspection took place in February 2020 and rated the College as "Good".

Stakeholders

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

- Staff, Students and Governors;
- Education sector funding bodies;
- FE Commissioner;
- Local Authorities, the Local Enterprise Partnership and the Liverpool City Region;
- Local employers with specific links;
- Government Offices;
- The local community;
- HE institutions;
- Other FE institutions;
- Trades unions;
- Professional bodies.

The College recognises the importance of these relationships and engages in regular communication.

DEVELOPMENT AND PERFORMANCE

Student numbers and funding

The College has significant reliance on the education sector funding bodies for its principal funding sources, largely from recurrent grants. In 2019/20 they provided 91% (2018/19 91%) of the College's total income.

Overall the College had 1,593 16-18 learners (2018/19: 1,716). Despite the reduction in numbers, the effect of lagged funding gave rise to an increase in income of £148,000. There were 1,288 Adult Education Budget learners (2018/19: 1,362). Income generated, however, was higher and over delivery of funding targets gave rise to increased income of £84,000, though (as noted above) the effect of Covid-19 left unfunded over delivery of £95,000. As noted above, apprenticeship starts were heavily impacted by Covid-19 and decreased to 201 (2018/19: 246). As a result income decreased by £86,000. There were 333 Advanced Learner Loan learners (2018/19: 340) with a greater proportion on more substantial programmes resulting in an increase in income of £10,000. The College Higher Education (HE) numbers reduced to 172 (2018/19: 194) resulting in a reduction in income of £45,000.

STRATEGIC REPORT**Financial results**

There was a deficit before other gains and losses of £2,000,000 in the year (2018/19 – £2,136,000 deficit).

Southport College merged with KGV College in January 2018 and the merger was supported by Restructure Funds receivable from the Department for Education in the form of £2.7m of Grants and a £3m Loan. The fundamental basis of the merger was the turnaround of KGV College to increase its student base and share support costs in order to make the merged college financially viable over time. The plan was based on incurring deficits in the early years of merger whilst the recovery took place and the original planned deficit for 2019/20 as at the point of merger was £2,012,000.

Despite an overall deficit of £2,000,000 in the year, the college returned a small cash based deficit (Education specific Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)) of £34,000 (2018/19 - £441,000) compared to an originally forecasted deficit of £517,000 within the merger plan.

As noted above, the College was affected by the response to the Covid-19 pandemic in March 2020 when it went into lockdown. The main financial impacts were as a result of:

- An anticipated growth request for Adult Education Budget funding not being able to be pursued;
- Curtailment of Apprenticeship starts and a number of apprentices being withdrawn or going on breaks in learning;
- Loss of lettings and commercial income;
- Reductions in operating expenditure.

Overall it is estimated that these had a negative impact of c£225,000 on the reported operating deficit.

Tangible fixed asset additions during the year amounted to £0.9m. This was split between land and buildings additions of £0.5m and equipment additions of £0.4m. The land and building additions related to a £0.4m gas and plumbing workshop refurbishment (funded by a capital grant from the Liverpool City Region, Skills Capital Investment Fund) and £0.1m in relation to work on the refurbishment of the Pennington building which is within Assets Under Construction at the year end. The total value of the project is £2.2m and is expected to be completed in December 2020. This project is also being funded by a grant from the Liverpool City Region, Skills Capital Investment Fund. The equipment purchases were in relation to the annual rolling programme of IT replacement and other capital equipment for use in delivery of the College's curriculum.

At 31 July 2020 the College had accumulated reserves of £12.9m after accounting for a pension deficit in the local government pension fund (The Merseyside Pension Fund (MPF)) of £10.8m. Following the actuarial review of the MPF in March 2019 the College had a surplus in the scheme, with a funding level of 103%.

Cash flows and liquidity

At 31 July 2020, cash balances and short term deposits were £5,560,000, an increase of £182,000 from the previous year's position. The increase was primarily the net result of:

- a cash outflow from operations of £24,000;
- a cash outflow from capital expenditure payments and interest paid £888,000
- a cash inflow from grants and interest received of £1,094,000.

FUTURE PROSPECTS**Future developments**

College finances will continue to be influenced by the recovery of student numbers at KGV which is a critical part of future developments. In addition the college seeks to grow 16-19 student numbers at Southport College. This was accounted for in the merger implementation plan agreed with the Transaction Unit and formed the basis of the funding package agreed for the merger to proceed. Regular monitoring returns will be produced and reviewed to ensure the plan keeps to target. The college remains committed to providing a locally delivered high quality comprehensive academic and vocational offer for school leavers. In addition, the college is maintaining a strong position to respond to the necessary skills development in the local area. As a result of the impact of Covid on the employment market, further developments need to be explored to maximise opportunity.

STRATEGIC REPORT

Financial Plan

The College governors regularly receive and approve financial plans in line with the College's annual cycle of reporting and that of the ESFA. In July 2020 the governors approved a financial plan which set objectives for the period to 2023/24. These were subsequently reviewed, updated, approved and submitted to the ESFA in September 2020. The college aims to improve its financial health from its current rating of 'Requires Improvement', to 'Outstanding' over the period of the forecasts. The improvement is to be achieved through a combination of growth in market share of key funding streams and achieving efficiency savings from its cost base. As part of the process of approval the College governors also review sensitivity analyses in order to determine the level of risk within the forecasts and to help plan the overall strategy and direction of the College. A key factor in the plans for 2020/21 is the recovery from Covid-19, particularly within the apprenticeship market. Although the financial plan is to sustain a loss in 2020/21, the College has sufficient reserves to enable it to recover from this financial set back and has planned its finances accordingly.

Treasury policies and objectives

Treasury management is the management of the College's cash flows, its banking and money 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 which, together with investment performance, is reviewed annually by the Governors. The College has £3.0m of long term borrowings provided by the Department for Education (DfE) in support of the merger in 2017/18.

Reserves

The College has no formal Reserves policy but recognises the importance of reserves in the financial stability of any organisation and ensures that there are adequate reserves to support the college's core activities. The College will also continue to use its reserves to support improvements and modifications to its accommodation in line with its Accommodation Strategy along with the general upgrading of the College facilities and to protect itself from the short term effect of risks materialising.

PRINCIPAL RISKS AND UNCERTAINTIES

The College has well developed strategies, which are reviewed and developed on an ongoing basis, for managing risk and strives to embed risk management in all that it does. Risk management processes are designed to protect its assets, reputation and financial stability. The governing body has overall responsibility for risk management and its approach to managing risks and internal controls is explained in the Statement on Corporate Governance. The College takes a measured approach to risk, and high levels of risk will be contemplated only in specific, well-argued and carefully managed circumstances.

Based on the Strategic Plan, the Risk Management Group (RMG) undertakes a comprehensive review of the risks to which the College is exposed. The RMG identifies 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 RMG will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

A risk register is maintained at the College level which is reviewed at least annually by the Audit Committee and the Corporation and more frequently where necessary. 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.

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.

Government funding

The College has considerable reliance on continued government funding through the ESFA and OfS. In 2019/20, 91% of the College's revenue was ultimately public funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The College is aware of three issues which may impact on future funding:

STRATEGIC REPORT

- The current economic climate and future public spending plans suggest that there is a significant risk that funding for the education sector as a whole will continue to be constrained. There is therefore no assurance that funding will continue at the same levels or on the same terms. In addition other government decisions (such as the funding of Teachers Pensions) could have a significant impact on the operating costs of the College;
- There is a declining cohort of 16-18 year old learners with ever increasing competition from other providers and school sixth forms. The College has challenging targets to achieve across each of its major funding streams. Failure to achieve these targets could result in a reduction of funding;
- The ESFA continues to implement changes to its funding methodologies. This could affect learner entitlements, change the focus of funding allocations and potentially negatively impact the overall funding that the College receives.

These risks are mitigated in a number of ways by:

- ensuring the College is rigorous in delivering high quality education & training and continued review and revision of the curriculum offer;
- placing considerable focus and investment on maintaining and managing key relationships with various stakeholders, partners and funding bodies;
- ensuring effective marketing and promotional activities are developed;
- setting realistic fee levels which do not impact negatively on recruitment targets;
- seeking to decrease reliance on recurrent funding body grants by developing other funding stream opportunities as appropriate;
- ensuring the right staffing structures are in place to deliver the targets which have been set;
- planning resources flexibly in order to adapt to any potential future funding changes.

KEY PERFORMANCE INDICATORS

The financial objectives for 2019/20 were to achieve or better the targets agreed with the Transaction Unit at the point of merger:

Objective	Target	Actual
Earnings before interest, tax, depreciation and amortisation (EBITDA) as a percentage of adjusted income	(4.01%)	(0.27%)
Adjusted Current Ratio	4.20	5.12
Borrowings as a percentage of adjusted income	24%	24%
Staff costs as a percentage of adjusted income	76%	76%
Cash days in hand	99	162
Financial health score	170	170
Financial health grade	Requires Improvement	Requires Improvement

As can be seen above the College achieved or exceeded all of the objectives set. The balance sheet remains strong with cash days exceeding the original targets. The overall financial health is in line with the original targets.

Student achievements

Students continue to succeed at the College. Achievement rates remained high in 2019/20, 90% of students moved into employment, further or higher education after they completed college.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, in the absence of agreement to the contrary, requires colleges to make payments to suppliers within 30 days of either the provision of goods and services or the date on which the invoice was received. During 2019/20 the College responded to the Government commitment to pay all suppliers as soon as possible and, rather than waiting for the full 30 day payment period, brought forward its payments as soon as invoices were approved. The College incurred no interest charges in respect of late payment for this period.

**STRATEGIC REPORT
EQUALITY AND DIVERSITY****Equal opportunities and employment of disabled persons**

The College is committed to creating a safe and secure environment for students and staff in which equality of opportunity and diversity of backgrounds and experiences is valued. To this effect the College:-

- aims to provide the conditions which encourage everyone to participate in learning, eliminate discrimination and actively combat harassment and bullying;
- values the diversity of all individuals who study or work at the College and the contribution they make to its success;
- has a belief and a commitment to the right of everyone to be given equal access to opportunities and to be treated with dignity and respect regardless of any protected characteristic.

The College has specific Equality and Diversity Objectives as follows:-

- To continue to improve the achievement rates of all students identifying and, where appropriate, addressing any achievement gaps;
- To assess the impact of socio-economic background on student performance and identify areas for further exploration and action;
- To further improve retention of vulnerable groups through rigorous initial advice and guidance and individualised study programmes.
- To further develop an inclusive blended learning environment by supporting students in digital poverty and ensuring that they develop appropriate digital literacy skills.
- Ensure that learners and apprentices develop a good understanding of radicalisation and extremism and how it applies to them (Ofsted 2020).
- To achieve kitemarks in recognition of support for young carers.

A pro-active Equality and Diversity Committee is in place, membership of which includes the Vice Principal and a College Governor who reports back to the Corporation on a regular basis to ensure that equality and diversity remain high profile aspects of Corporation business. The College is immensely proud to be the first College nationally to have achieved the Rainbow Flag Award during 2019/20 in recognition of its commitment to positive LGBT, inclusion and visibility.

As an employer, the College opposes all forms of unlawful and unfair discrimination. The College is committed to treating all employees fairly and with respect. Selection for employment, promotion, training or any other benefit is carried out on the basis of aspiration, aptitude and ability.

It is ensured that all people with disabilities have proper access to their right to equal opportunities and to enter employment with the Corporation and progress their career to achieve their individual potential. For those colleagues in-service who become disabled every effort is made, including re-training where appropriate, to facilitate their continued employment as members of College staff.

The College is registered as a member of the Department of Work and Pensions' Disability Confident Employer scheme. Disability Confident Employers are recognised as going the extra mile to make sure disabled people get a fair chance.

Disability statement

The College seeks to achieve the objectives set down in the Equality Act 2010 and supports this by:-

- eliminating discrimination and actively promoting equality of opportunity for all current and prospective students;
- everyone in College being treated with respect and dignity;
- having an environment in which a diversity of backgrounds and experiences is valued;
- fair and equal treatment for all College stakeholders, including potential students and staff;
- having a positive working and learning environment;
- learning opportunities taking place in a safe, healthy, caring and friendly environment in which expectations are high and committed students can achieve;
- zero tolerance in respect of discrimination, harassment or victimisation;
- tackling equality gaps and improving learner success;
- ensuring accessibility of assessment in line with awarding body regulations.

STRATEGIC REPORT

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 for the period 1 April 2019 to 31 March 2020. The information is as follows:

Numbers of employees who were relevant officials during the period	3
Total FTE employee number	2.15

Percentage of time	Number of employees
0%	-
1-50%	3
51-99%	-
100%	-

Total cost of facility time	£6,000
Total pay bill	£9,996,000
Percentage of total bill spent on facility time	0.06%

Time spent on paid trade union activities as a percentage of total paid facility time	100%
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The College has had vacant positions for trade union officials throughout the period and has been dealing with regional representatives of its recognised unions.

GOING CONCERN

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

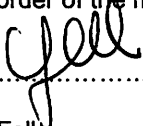
EVENTS AFTER THE REPORTING PERIOD

There were no events after the balance sheet date that could have had an impact on the financial statements.

DISCLOSURE OF INFORMATION TO AUDITORS

The members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College's auditors are unaware; and each member has taken all the steps that they 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 14 December 2020 and signed on its behalf by:-

Signed 

Chair - V Fell

Date 14/12/20

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. This statement covers the period from 1 August 2019 to 31 July 2020 and up to the date of approval of the annual report and financial statements.

The College conducts its business:

- i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii. in full accordance with the guidance to colleges from the Association of Colleges (AoC) in The Code of Good Governance for English Colleges ("the Code").

In the opinion of the Governors, the College complies with all the provisions of the 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 in March 2015, which it formally adopted on 1 July 2015.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

Members of the Corporation

The members who served the Corporation during the year and any changes since the year end were as follows:

Name	Date of Appointment	Term of Office	Date of Resignation/ End of term of Office	Status of Appointment	Committee Served	Corporation Meeting Attendance Percentage
Mrs C Bampton	23 May 2018	4 yrs	-	Independent	Governance (Chair from 13 January 2020) from 13 January 2020, Standards	100%
Mrs M Boneham	25 February 2020	4 yrs	-	Independent	Resources	50%
Mrs M Brabner	9 March 2020	-	-	Principal	Standards, Resources and Governance	100%
Ms D Bruce	4 December 2019	1yr	-	Student	Standards	33%
Mr J D Clarke	15 August 2011	-	9 March 2020	Principal	Standards, Resources and Governance	100%
Ms J Cosgrove	23 August 2019	4 yrs	31 March 2020	Independent	Resources and Remuneration	75%
Canon J A Fell	21 January: 1994, 1998 @, 2002 @, 2006 @, 2010 @, 2014 @ & 1 February 2018 @	4 yrs	-	Independent	Governance to 12 January 2020, Resources (Chair) from 1 August 2019	100%
Mrs V Fell	16 March 2010 & 2014 @, 1 February 2018 @	4 yrs	-	Independent	Chair of Corporation, Governance (Chair until 12 January 2020), Remuneration, Resources and Standards	100%
Mr R E Firth	14 November 2016 2020 @	4 yrs	-	Independent	Resources, Governance	100%
Mr T Fleetwood	1 February 2018	4 yrs	31 August 2019	Independent	Audit and Remuneration (Chair)	100%
Mr M Grutters	14 December 2018 23 August 2019 @	4 yrs	-	Independent (Parent to 22 August 2019)	Audit from 23 August 2019, Standards to 22 August 2019	57%
Mrs V Hayes	20 November 2017	4 yrs	-	Staff	Resources from 1 September 2019 to 12 January 2020, Governance from 13 January 2020	100%
Mr R Jacklin	4 December 2019	4 yrs	30 April 2020	Independent	Audit	0%
Mrs C Kennaugh	11 October 2019	4 yrs	-	Independent	Audit (Chair from 1 July 2020)	80%
Mrs S Knowles	27 February 2018	4 yrs	-	Staff	Standards	88%
Mr A Kenny	23 May 2018	4 yrs	-	Independent	Resources	85%
Mr M Kundi	1 September 2017	4 yrs	-	Independent	Audit (Chair until 1 July 2020), Governance (Chair) until 12 January 2020 and Standards	86%
Mr J Lea	13 January 2020	2 yrs	-	Parent	Resources	67%
Mr K Mohammadi	4 December 2019	1yr	31 July 2020	Student	Standards	67%
Ms L Owens	15 May 2019	1yr	31 July 2020	Student	Standards	57%
Mrs K Passant	1 February 2018	4 yrs	-	Independent	Vice Chair of Corporation, Standards (Chair) and Remuneration (Chair from 1 September 2019)	86%
Mrs C Reid	20 November 2017	4 yrs	-	Staff	Standards	71%
Mrs K Robinson	10 January 2020	4 yrs	-	Independent	Standards	33%
Mr V Trivedi	1 February 2018	4 yrs	-	Independent	Resources	71%

@ = Re-appointment date

Gareth Catterson acted as the Clerk to the Corporation until 15 September 2019.

Caroline Jenkinson served as Director of Governance of the Corporation from 16 September 2019.

The Governance Framework

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 at least termly. The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The Corporation met on seven occasions during the year. The committees, with the number of occasions on which they met in 2019/20, were as follows:

Committee	Number of Meetings
Resources	9
Standards	4
Audit	4
Governance	4
Remuneration	1

Minutes of all meetings are available on the College's website at Southport.ac.uk or from the Director of Governance of the Corporation, Southport College, Mornington Road, Southport PR9 0TT.

The Director of Governance maintains a register of financial and personal interests of Governors, Senior Postholders, managers and their partners. The register is available for inspection at the above address.

All Governors are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Director of Governance, who is responsible to the Corporation for ensuring compliance with all applicable procedures and regulations. The appointment, evaluation and removal of the Director of Governance are matters for the Corporation as a whole.

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

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

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

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Governance Committee, consisting of four independent governors, one staff governor and the Principal, which is responsible for advising the Corporation on the appointment of Governors. The Corporation is responsible for ensuring that appropriate training is provided as required.

The Corporation has approved procedures for the nomination and election of staff, parent and student governors which the Director of Governance administers in the event of a vacancy or a forthcoming vacancy. Subject to the Director of Governance receiving more than one nomination, elections are held for staff and parent governors. Student governors are recommended for appointment by the Student Council.

Members of the Corporation are appointed for a term of office not exceeding four years although they are eligible for re-appointment at the end of that term.

Corporation performance

The Corporation carries out a self-assessment of its own performance annually as part of the Leadership and Management aspect of the College Self-Assessment process. The next Self-Assessment Report will be finalised in December 2020 and it is currently envisaged that Leadership and Management, including Governance will be assessed as Good.

Remuneration Committee

During the year the Remuneration Committee comprised up to four members of the Corporation. The Committee's responsibilities are to make recommendations to the Corporation on the remuneration and benefits of the Accounting Officer, other senior postholders and the Director of Governance of the Corporation and the College has adopted the AoC's senior staff remuneration code in this respect.

Details of remuneration for the year ended 31 July 2020 are set out in note 7 to the financial statements.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

Audit Committee

During the year the Audit Committee comprised of up to four members of the Corporation (excluding the Accounting Officer, Chair of the Corporation and members of the Resources Committee), and up to two co-opted members. The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee meets at least termly and provides a forum for reporting by the College's internal, and financial statement auditors and regularity reporting accountant, 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 funding bodies as they affect the College's business.

The College's internal auditor reviews the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and reports its findings to management and the Audit Committee. Management is responsible for the implementation of agreed recommendations and the internal auditor undertakes periodic follow up reviews to ensure such recommendations have been implemented.

The Audit Committee also advises the Corporation on the appointment of internal and financial statement auditors and the regularity reporting accountant 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 Funding Agreement between the College and its funding bodies. They are also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Southport 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 ongoing process for identifying, evaluating and managing the College's significant risks that have been in place for the period ending 31 July 2020 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Corporation.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL**The risk and control framework**

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

- comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the governing body;
- regular reviews by the governing body of periodic and annual financial reports which indicate financial performance against forecasts;
- setting targets to measure financial and other performance;
- clearly defined capital investment control guidelines; and
- the adoption of formal project management disciplines, where appropriate.

The College has an internal audit service, which operates in accordance with the requirements of the ESFA's Post 16 Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. Each year the Internal Auditor provides the governing body with a report on internal audit activity in the College. The report includes the Internal Auditor's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

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 the internal auditors;
- the work of the executive managers in the College who have responsibility for the development and maintenance of the internal control framework; and
- comments made by the College's financial statements auditors, the regularity reporting accountant and the appointed funding auditors in their management letters and other reports.

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

The Senior 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 in the departments and reinforced by risk awareness training. The Senior Leadership Team and the Audit Committee also receive regular reports from internal audit 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 it receives reports thereon from the Senior Leadership Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2020 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2020 by considering documentation from the Senior Leadership Team and Audit Committee, and taking account of events since 31 July 2020.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

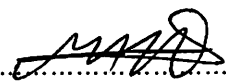
Based on the advice of the Audit Committee and the Accounting Officer, the Corporation is of the opinion that the College has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for *"the effective and efficient use of resources,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

Approved by order of the members of the Corporation on 14 December 2020 and signed on its behalf by:-

Signed 

Chair - V Fell

Date 14/12/20

Signed 

Accounting Officer - M Brabner

Date 14/12/20

STATEMENT OF REGULARITY, PROPRIETY AND COMPLIANCE

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

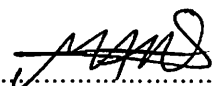
We confirm, on behalf of the Corporation, that after due enquiry, and to the best of our knowledge, the Corporation believes it is able to identify any material irregular or improper use of funds by the College, or material non-compliance with the terms and conditions of funding under the College's grant funding agreements and contracts with the ESFA.

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

Signed 

Chair - V Fell

Date 14/12/20

Signed 

Accounting Officer - M Brabner

Date 14/12/20

STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

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

Within the terms and conditions of the College's grant funding agreements and contracts 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, ESFA's college accounts direction and the UK's Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the College and of the result for that year.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess whether the corporation is a going concern, noting the key supporting assumptions, qualifications or mitigating actions as appropriate; and
- prepare financial statements on the going concern basis unless it is inappropriate to assume that the College will continue in operation.

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

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

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

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the ESFA are used only in accordance with the grant funding agreements and contracts with the ESFA and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College'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 14th December 2020 and signed on its behalf by:-

Signed 

Chair - V Fell

Date 14/12/20

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF SOUTHPORT COLLEGE

Opinion

We have audited the financial statements of Southport 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 and the notes to the financial statements, including a summary of significant accounting policies and other explanatory information. 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 income and expenditure and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the 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 other information comprises the information included in the report and financial statements, other than the financial statements and our auditor's report thereon. The Corporation is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF SOUTHPORT COLLEGE (contd)

We have nothing to report in respect of the following matters in relation to which the Regulatory Advice 9: Accounts Direction issued by the Office for Students requires us to report to you if, in our opinion;

- where applicable, funds from whatever source administered by the provider for specific purposes have not been properly applied to those purposes and managed in accordance with relevant legislation; or
- where applicable, funds provided by the OfS, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have not been applied in accordance with the relevant terms and conditions; or
- the requirements of the OfS's accounts direction have not been met; or
- the provider's grant and fee income, as disclosed in the note to the accounts, has been materially misstated.

Responsibilities of the Corporation for the financial statements

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

In preparing the financial statements, the Corporation is responsible for assessing the 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 intend to liquidate the College or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and with ISAs (UK). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

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.

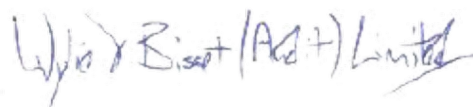
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Corporation, as a body, in accordance with the Funding Agreement published by Education and Skills Funding Agency and our engagement letter.

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

Wylie & Bisset (Audit) Limited
Chartered Accountants
Statutory Auditor
168 Bath Street
Glasgow
G2 4TP



Date: 5 February 2021

REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY

To the corporation of Southport College and Secretary of State for Education acting through the Education and Skills Funding Agency (ESFA)

In accordance with the terms of our engagement letter dated 18 November 2020 and further to the requirements and conditions of funding in ESFA's grant funding agreements and contracts 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 Southport 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 ESFA. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record returns, for which ESFA has other assurance arrangements in place.

This report is made solely to the corporation of Southport College and ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of Southport College and ESFA 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 Southport College and ESFA for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Southport College and the reporting accountant

The corporation of Southport 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.

Approach

We conducted our engagement in accordance with the Code issued by ESFA. 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.

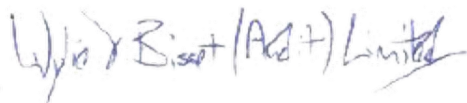
REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY (contd)

The work undertaken to draw our conclusion includes:

- Documenting the framework of authorities which govern the activities of the College;
- Undertaking a risk assessment based on our understanding of the general control environment and any weaknesses in internal controls identified by our audit of the financial statements;
- Reviewing the self-assessment questionnaire which supports the representations included in the Chair of Governors and Accounting Officer's statement on regularity, propriety and compliance with the framework of authorities;
- Testing transactions with related parties;
- Confirming through enquiry and sample testing that the College has complied with its procurement policies and that these policies comply with delegated authorities; and
- Reviewing any evidence of impropriety resulting from our work and determining whether it was significant enough to be referred to in our regularity report.

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 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.



Wylie & Bisset (Audit) Limited
Chartered Accountants
Glasgow

Date: 5 February 2021

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 July 2020

	Notes	2020 £'000	2019 £'000
INCOME			
Funding body grants	2	11,097	10,394
Tuition fees and education contracts	3	1,581	1,690
Other operating income	4	188	244
Investment income	5	51	45
Total income		<u>12,917</u>	<u>12,373</u>
EXPENDITURE			
Staff costs	6	10,223	9,742
Other operating expenses	8	2,896	3,055
Depreciation	11	1,601	1,590
Interest	9	197	122
Total expenditure		<u>14,917</u>	<u>14,509</u>
DEFICIT BEFORE TAX		(2,000)	(2,136)
Taxation	10	-	-
DEFICIT FOR THE YEAR		(2,000)	(2,136)
Actuarial (loss) in respect of pension scheme	19	<u>(1,634)</u>	<u>(4,074)</u>
TOTAL COMPREHENSIVE (LOSS) FOR THE YEAR		<u>(3,634)</u>	<u>(6,210)</u>

STATEMENT OF CHANGES IN RESERVES
For the year ended 31 July 2020

	Income and Expenditure Account £'000	Restricted Reserves £'000	Revaluation Reserve £'000	Total £'000
Balance at 1st August 2018	18,015	13	4,667	22,695
Deficit from the income and expenditure account	(2,136)	-	-	(2,136)
Other comprehensive income	(4,074)	-	-	(4,074)
Transfers between revaluation and income and expenditure reserves	158	-	(158)	-
Balance at 31st July 2019	11,963	13	4,509	16,485
Deficit from the income and expenditure account	(2,000)	-	-	(2,000)
Other comprehensive income	(1,634)	-	-	(1,634)
Transfers between revaluation and income and expenditure reserves	159	-	(159)	-
Total comprehensive income for the year	(3,475)	-	(159)	(3,634)
Balance at 31st July 2020	8,488	13	4,350	12,851

SOUTHPORT COLLEGE

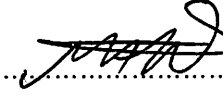
BALANCE SHEET As at 31 July 2020

	Note	2020 £'000	2019 £'000
NON CURRENT ASSETS			
Tangible Fixed assets	11	29,383	30,074
Fixed asset investments	12	1,000	1,000
		<u>30,383</u>	<u>31,074</u>
CURRENT ASSETS			
Stock		15	15
Trade and other receivables	13	322	134
Cash and cash equivalents		5,560	5,378
		<u>5,897</u>	<u>5,527</u>
CREDITORS: amounts falling due within one year	14	<u>1,840</u>	<u>1,584</u>
NET CURRENT ASSETS		<u>4,057</u>	<u>3,943</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>34,440</u>	<u>35,017</u>
CREDITORS: amounts falling due after more than one year	15	(10,792)	(9,963)
PROVISIONS			
Defined benefit obligations	19	(10,797)	(8,569)
TOTAL NET ASSETS		<u>12,851</u>	<u>16,485</u>
RESTRICTED RESERVES		13	13
UNRESTRICTED RESERVES			
Income and expenditure account		8,488	11,963
Revaluation reserve		4,350	4,509
TOTAL UNRESTRICTED RESERVES		<u>12,838</u>	<u>16,472</u>
TOTAL RESERVES		<u>12,851</u>	<u>16,485</u>

The financial statements on pages 21 to 39 were approved and authorised for issue by the Corporation on 14th December 2020 and were signed on its behalf on that date by:

Signed 

Chair - V Fell

Signed 

Accounting Officer - M Brabner

Date 14/12/20

Date 14/12/20

STATEMENT OF CASH FLOWS
For the year ended 31 July 2020

	2020 £'000	2019 £'000
Cash flow from operating activities		
Deficit for the year	(2,000)	(2,136)
Adjustments for non-cash items		
Depreciation	1,601	1,590
Increase in stocks	-	(1)
Decrease/(Increase) in debtors	27	(7)
Increase/(Decrease) in creditors due within one year	149	(385)
Release of deferred capital grants	(359)	(347)
Pensions costs less contributions payable	412	142
Adjustments for investing or financing activities		
Investment income	(51)	(45)
Interest payable	197	122
Net cash flow from operating activities	<u>(24)</u>	<u>(1,067)</u>
Cash flows from investing activities		
Investment income	29	38
Payments made to acquire fixed assets	(873)	(2,692)
Deferred capital grants received	1,065	605
	<u>221</u>	<u>(2,049)</u>
Cash flows from financing activities		
Loan interest paid	(15)	(8)
New Loans	-	3,000
	<u>(15)</u>	<u>2,992</u>
Increase / (Decrease) in cash and cash equivalents in the year	<u><u>182</u></u>	<u><u>(124)</u></u>
Reconciliation of net cash flow to movement in net funds		
Increase / (Decrease) in cash in the year	182	(124)
Net funds at 1 August	5,378	5,502
Net funds at 31 July	<u><u>5,560</u></u>	<u><u>5,378</u></u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2020

1. STATEMENT OF ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES

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 2019 (the 2019 FE HE SORP), the College Accounts Direction and in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS102.

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

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention as modified by the revaluation of certain fixed 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 Strategic Report. The financial position of the College, its cashflow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

The College currently has £5.6m of cash and short term deposits, a £3.0m loan from the Department for Education outstanding and £12.9m of reserves. The College's forecasts and financial projections indicate that it will be able to operate for the foreseeable future.

Accordingly the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

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 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 funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

The recurrent grant from the Office for Students (OFS) represents the funding allocations attributable to the current financial year for Higher Education provision and is credited direct to the Statement of Comprehensive Income.

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 model 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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2020

1. STATEMENT OF ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (continued)

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 and includes all fees payable by students or their sponsors.

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

Other discrete Funding Body funds received during the year are taken to income in line with the specific terms and conditions attached to each fund to the extent of the completion of the contract or service concerned.

Accounting for post-employment benefits

Post-employment benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Merseyside Pension Fund (MPF). These are defined benefit plans which are externally funded.

Teachers' Pension Scheme

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 are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Merseyside Pension Fund (MPF)

The MPF is a funded scheme. The assets of the MPF are measured using closing fair values. MPF 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 actuarial gains and losses.

Short term Employment benefits

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

Non-current Assets - Tangible fixed assets

Tangible fixed assets are stated at cost / deemed 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 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2020

1. STATEMENT OF ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (continued)

Freehold land and buildings

Land and buildings inherited from the Local Education Authority (LEA) are stated in the balance sheet at valuation at date of transfer on the basis of depreciated replacement cost. Land and buildings acquired since incorporation are included in the balance sheet at cost. Freehold land totalling £1,553,000 is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of 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. 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(s) 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

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1993 and 1996, 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 over its useful economic life to the College of 15 to 50 years:

- market value of the fixed asset has subsequently improved;
- assets' 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

Except for computer equipment, equipment costing less than £500 (exclusive of VAT) per individual item is written off to the income and expenditure account in the period of acquisition.

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

Motor vehicles	3 years
Computer equipment	5 years
General equipment	3-10 years
Furniture and fittings	15 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 economic life of the related equipment.

Assets under construction

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

Investment Properties

Investment properties are included in the balance sheet at valuation as determined by Senior Postholders with the assistance of independent professional advice.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2020

1. STATEMENT OF ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (continued)

Stocks

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

Cash and cash equivalents

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

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

Maintenance of premises

The cost of day to day and planned maintenance is charged to the income and expenditure account in the period it is incurred.

Discretionary support funds

The College acts as an agent in the collection and payment of certain Discretionary 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 21, 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 dedicated to the administration of Learner Support Fund applications and payments.

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 sections 478-488 of the Corporation Tax Act 2010 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax (VAT), so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2020

1. STATEMENT OF ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (continued)

Judgements in applying accounting policies and key sources of estimation uncertainty (cont)

Other key sources of estimation uncertainty:

• Tangible fixed assets

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

• Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 19, will impact the carrying amount of the pension liability. The actuary has used a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 to value 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.

2. FUNDING BODY GRANTS

	2020 £'000	2019 £'000
Education and Skills Funding Agency (Adult)	143	965
Education and Skills Funding Agency (16-18)	7,949	7,808
Education and Skills Funding Agency (Apprenticeships)	1,022	1,049
Liverpool City Region (Adult)	1,056	-
Office for Students (OFS)	77	96
Other funding body non-recurrent grants	498	136
Releases of government deferred capital grants	341	331
Releases of OFS deferred capital grants	11	9
	<u>11,097</u>	<u>10,394</u>

3. TUITION FEES AND EDUCATION CONTRACTS

	2020 £'000	2019 £'000
Adult education fees	153	193
Fees for FE loan supported courses	540	530
Fees for HE loan supported courses	888	967
	<u>1,581</u>	<u>1,690</u>

Details of sources of funding body grants and tuition fees

	2020 £'000	2019 £'000
Grant income from the OFS	88	105
Grant income from other bodies	11,009	10,289
Fee income for taught awards	888	967
Fee income from non-qualifying courses	693	723
	<u>12,678</u>	<u>12,084</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2020

4. OTHER INCOME

	2020	2019
	£'000	£'000
Non-government capital grants	7	7
Miscellaneous Income	181	237
	<u>188</u>	<u>244</u>

5. INVESTMENT INCOME

	2020	2019
	£'000	£'000
Other Interest receivable	51	45
	<u>51</u>	<u>45</u>

6. STAFF COSTS

The average number of persons (including key management personnel) employed by the College during the year was:

	2020	2019
	£'000	£'000
Teaching staff	239	248
Non teaching staff	194	191
	<u>433</u>	<u>439</u>

Staff costs for the above persons

	2020	2019
	£'000	£'000
Wages and salaries	7,484	7,498
Social security costs	650	660
Other pension costs	1,965	1,465
Payroll sub-total	10,099	9,623
Contracted out staffing services	86	97
Staff severance - contractual	38	22
Total staff costs	<u>10,223</u>	<u>9,742</u>

7. KEY MANAGEMENT PERSONNEL

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 Executive Team which comprised the Principal (who is also the Accounting Officer), Vice Principal Services, the Vice Principal Curriculum & Quality, and the Assistant Principal Curriculum & Quality.

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

	2020	2019
	Number	Number
The number of key management personnel including the Accounting Officer was:	<u>5</u>	<u>5</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2020

7. KEY MANAGEMENT PERSONNEL (continued)

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

	2020	2019
£0-£5,000	-	1
£45,001-£50,000	1	-
£50,001-£55,000	-	1
£55,001-£60,000	1	-
£75,001-£80,000	2	2
£85,001-£90,000	1	-
£110,001-£115,000	-	1
	<u>5</u>	<u>5</u>

Key management personnel remuneration is made up as follows:

	2020 £000	2019 £000
Salaries	341	321
Employers National Insurance	42	40
Benefits in kind	<u>3</u>	<u>3</u>
	386	364
Pension contributions	<u>77</u>	<u>53</u>
	<u>463</u>	<u>417</u>

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

The above remuneration includes amounts payable to the two Accounting Officers of Southport College (who are also the highest paid officers) of:

Mr J D Clarke to 12 April 2020:

	2020 £000	2019 £000
Salary	87	114
Benefits in kind	<u>1</u>	<u>1</u>
	<u>88</u>	<u>115</u>
Pension contributions	<u>18</u>	<u>19</u>

Mrs M Brabner from 9 March 2020:

	2020 £000	2019 £000
Salary	46	-
Benefits in kind	<u>-</u>	<u>-</u>
	<u>46</u>	<u>-</u>
Pension contributions	<u>11</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2020

7. KEY MANAGEMENT PERSONNEL (continued)

The governing body adopted the AoC's Senior Staff Remuneration Code in November 2019 and assesses pay in line with its principles.

The remuneration package of the senior postholders is subject to annual review by the Remuneration Committee of the governing body who use the AOC Senior Pay Survey for benchmarking information to provide objective guidance. For both 2018/19 and 2019/20 the pay award for senior postholders was the same as for all other staff.

The Principal and Chief Executive reports to the Chair of Governors, who undertakes an annual review of their performance against the college's overall objectives using both qualitative and quantitative measures of performance.

Relationship of Principal's pay and remuneration expressed as a multiple:

	2020	2019
Principal's basic salary as a multiple of the median of all staff	4.94	4.96
Principal's total remuneration as a multiple of the median of all staff	5.00	4.99

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

8. OTHER OPERATING EXPENSES

	2020 £'000	2019 £'000
Teaching costs	595	596
Non teaching costs	1,210	1,191
Premises costs	1,091	1,268
	<u>2,896</u>	<u>3,055</u>
Other operating expenses include:		
Auditors' remuneration		
Internal audit	13	16
Financial Statements external audit	18	17
Other services from external audit – TPA	1	1
Depreciation	1,601	1,590
Hire of equipment – operating leases	61	65
	<u>1,683</u>	<u>1,789</u>

9. INTEREST AND OTHER FINANCE COSTS

	2020 £'000	2019 £'000
ESFA Loans	15	8
Pension finance costs (note 19)	182	114
	<u>197</u>	<u>122</u>

10. TAXATION

The members do not believe the College was liable for any Corporation Tax arising out of its activities during either period.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2020

11. TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Assets under Construction £'000	Equipment £'000	Total £'000
Cost or valuation				
At 1 August 2019	42,655	29	8,243	50,927
Additions	412	99	399	910
Transfers	29	(29)	-	-
Disposals	-	-	(86)	(86)
At 31 July 2020	43,096	99	8,556	51,751
Depreciation				
At 1 August 2019	13,530	-	7,323	20,853
Charge for the year	810	-	791	1,601
Disposals	-	-	(86)	(86)
At 31 July 2020	14,340	-	8,028	22,368
Net book value				
At 31 July 2020	28,756	99	528	29,383
Inherited	4,350	-	-	4,350
Financed by capital grant	7,270	-	80	7,350
Other	17,136	99	448	17,683
At 31 July 2020	28,756	99	528	29,383
At 31 July 2019	29,125	29	920	30,074

Inherited land and buildings at Southport College were valued in March 1993 at depreciated replacement cost by Grimley J R Eve, a firm of independent property consultants. Inherited land and buildings belonging to KGV were valued in 1996 at depreciated replacement cost by independent chartered surveyors from the Property Consultancy Division of Lancashire County Council.

If inherited land and buildings had not been valued they would have been included at the following amounts:

	2020 £'000	2019 £'000
At 31 July 2020 and 31 July 2019		
Cost	-	-
Aggregate depreciation based on cost	-	-
Net book value	-	-

12. FIXED ASSET INVESTMENTS

	Investment Properties £'000
Cost or valuation	
At 1 August 2019 & 31 July 2020	1,000
Depreciation	
At 1 August 2019 & 31 July 2020	-
Net book value	
At 1 August 2019 & 31 July 2020	1,000

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2020

12. FIXED ASSET INVESTMENTS (continued)

Investment properties are included in the balance sheet at valuation as determined by Senior Postholders with the assistance of independent professional advice.

If investment properties had not been valued they would have been included at the following amounts:

	2020 £'000	2019 £'000
At 31 July 2020 and 31 July 2019		
Cost	611	611
Aggregate depreciation based on cost	279	267
Net book value	<u>332</u>	<u>344</u>

13. DEBTORS

	2020 £'000	2019 £'000
Trade receivables	21	22
Prepayments and accrued income	37	16
Amounts owed by the Education and Skills Funding Agency	71	96
Amounts owed by other funding bodies	193	-
	<u>322</u>	<u>134</u>

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020 £'000	2019 £'000
Trade payables	371	285
Other taxation and social security	372	376
Accruals and deferred income	501	564
Deferred Income - government capital grants	429	359
Deferred Income - government revenue grants	167	-
	<u>1,840</u>	<u>1,584</u>

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2020 £'000	2019 £'000
Deferred Income – government capital grants	7,792	6,963
Amounts owed to the Education and Skills Funding Agency	3,000	3,000
	<u>10,792</u>	<u>9,963</u>

16. CAPITAL AND OTHER COMMITMENTS

	2020 £'000	2019 £'000
Commitments contracted for at 31 July	84	-

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2020

17. LEASE OBLIGATIONS

At 31 July 2020 the College had minimum lease payments under non-cancellable operating leases as follows:

	2020 £'000	2019 £'000
Future minimum lease payments due - other		
Not later than one year	61	62
Later than one year and not later than five years	7	68
	<u>68</u>	<u>130</u>
Expiring between two and five years inclusive	<u>68</u>	<u>130</u>

18. EVENTS AFTER THE REPORTING PERIOD

There were no post balance sheet events.

19. DEFINED BENEFIT OBLIGATIONS

The College's employees belong to two principal post-employment benefit plans: 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 Merseyside Pension Fund (MPF). Both are defined benefit schemes.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2016 and the LGPS 31 March 2019.

Total Pension cost for the year

	2019 £'000	2018 £'000
Teachers pension Scheme: contributions paid	961	690
Local Government Pension Scheme:		
Contributions paid	426	400
FRS 102 (28) charge	578	362
	<u>1,004</u>	<u>762</u>
Change in contributions payable	-	13
Total Pension Cost for Year within staff costs	<u>1,965</u>	<u>1,465</u>

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 College in terms of the anticipated contribution rates.

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2020

19. DEFINED BENEFIT OBLIGATIONS (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 (the Department) in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.

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

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

The pension costs paid to TPS in the year amounted to £961,000 (2019: £690,000)

Merseyside Pension Fund

The Merseyside Pension Fund is a funded multi-employer defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution made for the year ended 31 July 2020 was £705,000 of which employers' contributions totalled £555,000 (which included £166,000 of deficit repayment contributions) and employees' contributions totalled £150,000. The agreed contribution rates for future years are 19.1% for employers and between 2.9% and 8.5% for employees, depending on salary according to a national scale.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 updated to 31 July 2020 by a qualified independent actuary.

	At 31 July 2020 %	At 31 July 2019 %
Rate of increase in salaries	2.3	2.2
Future pensions increases	2.4	2.3
Discount rate for scheme liabilities	1.6	2.2
Inflation assumption (CPI)	2.3	2.2

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	20.9	22.2
Females	24.0	25.0
Retiring in 20 years		
Males	22.5	25.2
Females	25.9	27.9

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2020

19. DEFINED BENEFIT OBLIGATIONS (continued)

Merseyside Pension Fund (continued)

The College's share of the assets and liabilities in the scheme were:

	Value at 31 July 2020 £'000	Value at 31 July 2019 £'000
Equities	9,851	9,628
Government bonds	891	1,666
Other bonds	5,593	5,585
Property	1,831	1,861
Cash	2,178	1,323
Other	4,405	4,434
Total fair value of plan Assets	24,749	24,497
Actual return on plan assets	165	1,396

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	24,749	24,497
Present value of plan liabilities	35,546	33,066
Net pensions liability	(10,797)	(8,569)

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

Amounts included in staff costs

	2020 £'000	2019 £'000
Current service cost	913	762
Total	913	762

Amount recognised in Other Comprehensive Income

	2020 £'000	2019 £'000
Return on pension plan assets	(375)	725
Experience losses arising on defined benefit obligations	(1,259)	(4,799)
Amount recognised in Other Comprehensive Income	(1,634)	(4,074)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2020

19. DEFINED BENEFIT OBLIGATIONS (continued)

Merseyside Pension Fund (continued)

Movement in net defined benefit liability during year

	2020	2019
	£'000	£'000
Net defined benefit liability in scheme at 1 August	(8,569)	(4,239)
Movement in year:		
Current service cost (net of employee contributions)	(913)	(762)
Employer Contributions	555	633
Past service cost	(41)	-
Net interest on assets	(182)	(114)
Administration expenses	(13)	(13)
Actuarial loss	(1,634)	(4,074)

Net defined benefit liability in scheme at 31 July

(10,797) **(8,569)**

2020 **2019**
£'000 **£'000**

Changes in the present value of defined benefit obligations

Defined benefit obligations at start of period	33,066	27,406
Current Service cost	913	762
Interest cost	722	785
Contributions by scheme participants	150	153
Actuarial loss/(gain)	1,259	4,799
Past service cost	(564)	(839)

Defined benefit obligations at end of period

35,546 **33,066**

2020 **2019**
£'000 **£'000**

Changes in fair value of plan assets

Fair value of plan assets at start of period	24,497	23,167
Expected return on assets	540	671
Actuarial (loss)/gain	(375)	725
Administration expenses	(13)	(13)
Employer contributions	555	633
Contributions by scheme participants	150	153
Benefits paid	(605)	(839)

Fair value of plan assets at end of period

24,749 **24,497**

20. RELATED PARTY TRANSACTIONS

Owing 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 organisations in which a member of the board of governors may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

The total expenses paid to or on behalf of Governors during the year was £549 to 3 governors (2019: £599 to 1 governor). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and College events in their official capacity.

No Governor has received any remuneration or waived payments from the College during the year (2019: None).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2020

21. DISCRETIONARY SUPPORT FUNDS

	2020	2019
	£'000	£'000
Funding body grants – hardship support	196	187
ESFA Bursary and Free Meal support funds unspent	15	48
ESFA unspent balance brought forward	60	53
	<u>271</u>	<u>288</u>
Disbursed to and on behalf of students	(142)	(219)
Administration Costs and Interest	<u>(10)</u>	<u>(9)</u>
Balance unspent at 31 July included in creditors	<u>119</u>	<u>60</u>

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