LOUGHBOROUGH COLLEGE

Report of the Members of the Corporation and Financial Statements

for the year ended 31 July 2020

Loughborough College

Key Management Personnel, Board of Governors and Professional advisers

Key Management Personnel

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

Mr J Doherty – Chief Executive Officer; Accounting officer (until 7th February 2020)
Ms J Maher – Chief Executive Officer; Accounting officer (from 20th April 2020)
Mr H Khurmi – Vice Principal Finance and Infrastructure
Mr C Butler – Vice Principal People, Planning and Marketing. Acting Principal; Accounting officer (from 8th February 2020 until 19th April 2020)
Ms S Townes – Vice Principal Curriculum, Quality and Learner Experience
Mrs H Clarke – Assistant Principal Learner Experience and Quality (from 11th November 2019)
Mrs H Van Aardt – Interim Principal Curriculum Delivery (from 5th May 2020)

Board of Governors

A full list of Governors is given on page 17 of the report of the Members.

Mr I Jones acted as Clerk to the Corporation.

Registered Office
Radmoor Road
Loughborough
Leicestershire
LE11 3BT

Professional advisers

Financial Statements Auditors and Reporting Accountants
RSM UK Audit LLP
St Philips Point
Birmingham
B2 5AF

Independent Assurance Advisors
PricewaterhouseCoopers LLP
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

Bankers
Lloyds Bank Plc
1st Floor, Butt Dyke House
33 Park Row
Nottingham
NG1 6GY

Royal Bank of Scotland
1st Floor
5 Market Street
Leicester
LE1 6DN

Loughborough College

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Loughborough College

Members' Report

Nature, Objectives and Strategies

The members present their annual report and the 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 Loughborough College ("the College"). The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

Vision

The College's vision is "To be in the top 10% of education, training and apprenticeship providers in the UK"

Meaning that we are…

- Recognised as a provider and partner of choice, locally, nationally and internationally, for delivering relevant and innovative education and training; and
- Inspiring our learners to achieve and progress in employment or on to further study.

Public Benefit

Loughborough College is an exempt charity under Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on page 19.

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

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

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

Members' Report (continued)

Implementation of Strategic Plan

In July 2016 the College adopted a strategic plan for the period 1 August 2016 to 31 July 2020. This strategic plan includes property and financial plans. The Corporation monitors the performance of the College against these plans. The plans are reviewed and updated each year. The College's continuing strategic objectives was to achieve the following by July 2020:

- All our learners make better-than-expected progress;
- We have achievement rates for all areas in the top 5% of providers;
- At least 95% of learners progress to further study, an apprenticeship or work;
- Our learners are satisfied with their experience – giving us 95% positive feedback;
- External regulatory bodies, such as Ofsted, recognise us as an excellent provider;
- We are regarded as the region's higher education college of choice;
- We have created Loughborough College business school;
- We have launched an employer-sponsored apprenticeship academy, delivering growth in line with the Leicester and Leicestershire Enterprise Partnership's (LLEP) priorities;
- We have established an international presence through partnerships with businesses and schools/colleges in at least two continents;
- We have established a community affiliation scheme (gym/spa/restaurant/nursery) for all Leicestershire residents;
- We are recognised as a great place to work;
- We have an outstanding financial rating, with income having grown to over £35 million organically and producing an operating surplus greater than 3% of income;
- Our reliance on government direct revenue grants has reduced to 40%;
- Our estate is modern, engaging and fit for purpose;
- Our health and safety processes have a Five Star British Safety Council rating; and
- Reflecting our environmental commitment, we have achieved ISO 14001 Accreditation.

The College is now in the process of updating its strategic plan for the period 2020 to 2025. It is anticipated that this will be finalised by December 2020.

Members' Report (continued)

COVID 19 impact

The College and the further education sector in 2019/20 were significantly impacted by COVID 19. In line with government directives for a national lockdown to minimise the spread of COVID 19 the College closed its buildings and campus and accommodation residences in March 2020. The College continued to deliver to its learners on a remote basis and whilst closed followed government guidance in preparing its site to become fully COVID 19 secure in anticipation of a future reopening. In June 2020 the College started to reopen its buildings and campus in a limited but safe manner to deliver to priority groups of learners as per government guidance.

The impact of closure and reduced numbers of people on site did reduce income associated with commercial on site income generating activities including accommodation residences. The resulting difficult financial climate has also affected offsite commercial and Levy/Non Levy work with employers where income levels did fall.

The College has successfully managed the challenges presented by COVID19 through close management and monitoring of employers and their apprentices, its preparations for the estate, the delivery model to support continuation of learning and careful control of internal budgets. This in conjunction with national government support mechanisms and targeted education specific support measures has allowed the College to retain a Good financial health rating for 2019/20. The College claimed £154k of furlough support from the government to support commercial income generating areas which had been impacted, and also incurred £115k of additional COVID 19 related expenditure in 2019/20 to adapt its campus to become COVID 19 secure. Government guidance continues to be released on a regular basis to mitigate the impact and spread of COVID 19 and the College continues to ensure all of its sites and processes and procedures support being COVID 19 secure.

Financial Objectives

The College's financial objectives for 2020/21 are:

- To maintain a financial rating of no lower than Good;
- To achieve turnover of £32.808m;
- To achieve a deficit of £380k for underlying operational performance in a challenging financial climate impacted by COVID 19;
- To achieve an EBITDA of £1.314m or 4.05% of income by the 31st July 2021;
- To achieve an adjusted current ratio of 1.29 by the 31st July 2021;
- To continue to strengthen cash balances to £4.22m by the 31st July 2021;
- To achieve cash days of 50 by the 31st July 2021;
- To maintain borrowing at 18.68% of adjusted income by the 31st July 2021, this excludes the needs of any future estate's strategy or other major developments where this may be agreed to rise;
- Compliance with banking covenants;
- Staff costs as a % of income below 63%; and
- Generating sufficient funds to allow for £0.75m of capital expenditure investment for equipment and estates infrastructure needs, this excludes the needs of any future estate's strategy or any specific capital grants where this may be agreed to change.

Members' Report (continued)

Performance Indicators

The College specific objectives for 2019/20 and the achievement of those objectives are addressed below:

Budget Objectives 2019/20	**Achievement Status 2019/20**
Total Income £31.550m	Total Income £32.607m
Operating underlying breakeven position excluding FRS102 pension adjustments	Operating underlying deficit of £346k excluding FRS102 pension adjustments (£9,792k) but inclusive of bank break and move costs (£390k)
EBITDA of £1.675m or 5.38% of income	EBITDA of £1.660m or 5.17% of income
Financial Health Category: Good	Financial Health Category: Good
Adjusted Current Ratio: 1.09	Adjusted Current Ratio: 1.25
Cash inflow from operations £1.754 m	Cash inflow from operations £1.491m
Cash days of 37 days	Cash days of 46 days
Borrowing as a % of Income 17.50%	Borrowing as a % of Income 18.74%
Staff costs as a % of Income 61.8% (excluding FRS102 adjustments)	Staff costs as a % of Income 64.3% (excluding FRS102 pensions adjustments)
Capital expenditure £0.573m	Capital expenditure £0.59m

The College is committed to observing the importance of sector measures and indicators and uses the FE Choices data available on the GOV.UK website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the Education and Skills Funding Agency (ESFA).

The College was assessed by the ESFA as having a "Good" financial health grading for 2018/19. The current self-assessed rating of Good for 2019/20 is considered a positive outcome.

Financial Position

Financial Results

The Group generated total comprehensive expense of £10,138k (2018/19 comprehensive expense of £5,449k). The total comprehensive expense in 2019/20 is stated after accounting for the actuarial deficit on pension schemes. The results prior to pension costs and adjustments was total comprehensive expense of £346k (2018/19 total comprehensive income of £17k). The FRS102 'Pension Adjustment' set out in the table below are non cash adjustments posted to the financial statements. The entries are based on an independent actuarial review of the adequacy of the payments the College makes to its Local Government Pension Scheme.

The table below highlights the consolidated underlying performance before accounting for the pension adjustment.

Consolidated Underlying Performance

	Year ended 31 July 2020		
	Group Result (including Pension Adjustment) £'000	Pension Adjustment £'000	Group Result (excluding Pension Adjustment) £'000
Total Income	32,607		**32,607**
Total Expenditure	34,706	(1,768)	**32,938**
(Deficit)/ Surplus before other Gains and Losses	**(2,099)**	**1,768**	**(331)**
Loss on Disposal of Assets	(5)	0	**(5)**
Comprehensive (expense)/ income	**(2,104)**	**1,768**	**(336)**
Loss on Investments	(10)	0	**(10)**
Total Tax	0	0	**0**
(Deficit)/ Surplus for the year	**(2,114)**	**1,768**	**(346)**
Actuarial Deficit in respect of Pensions Schemes	(8,024)	8,024	**0**
Total Comprehensive (Expense)/Income for the year	**(10,138)**	**9,792**	**(346)**

The financial results for 2019/20 show that the College has achieved an underlying operational deficit of £336k (prior to FRS102 pension adjustments) and a financial health rating of Good, this is despite having been affected by the COVID 19 pandemic in the latter part of 2019/20. Commercial and apprenticeship income performance was impacted by the resulting downturn in the wider financial climate. In addition, significant expenditure of £116k had been incurred in year to ensure the campus and all its operations were COVID secure. Nevertheless, despite the impact and with close monitoring and management of costs together with government support measures a Good health rating was retained.

In 2019/20 the College also moved its existing loans from Lloyds and Barclays to Santander which resulted in one off bank break and other associated costs for the move amounting to £390k, which are included within the existing loan balance. The College's true underlying operational financial performance would have been a surplus of £54k (prior to FRS102) if one off costs for the bank move were set aside.

The group results post FRS102 pension adjustments of the College have also been significantly impacted by the actuarial valuation as at 31st July 2020. As a result, the College experienced a large actuarial deficit of £8.024m and other pension adjustments of £1.768m. Overall pension liabilities in the balance sheet increased by £9.792m from £13.758m to £23.55m. This was due to the impact of the pandemic and resulting investment returns which were volatile and negative for the period, and when combined with a lower net discount rate increased the overall value of the net pension liability.

In 2019/20 the College delivered to 3,520 16-18 year old learners against an allocation amounting to 3,403 learners.

Financial Results (continued)

The Group has accumulated reserves of £3,768,000 (College £4,504,000) and cash and short term investment balances of £3,765,000. The Group wishes to continue to accumulate reserves and cash balances in order to create a contingency fund.

Tangible fixed asset additions during the year amounted to £590,000. This was split between land and buildings acquired of £297,000 and equipment purchased of £293,000.

The Group has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2019/20 the FE funding bodies provided 71.5% of the Group's total income (2018/19 68.7%).

The College has only one subsidiary company, The Leicestershire College Ltd

The Leicestershire College Ltd operates on private sector principles, which includes having its own defined pension scheme and its own terms and conditions of supply. The Leicestershire College Ltd was set up in 2016/17, was dormant in 2017/18 and started to trade from the beginning of 2018/19. The Leicestershire College Ltd provides support to Loughborough College with its development and ability to increase competitiveness in the economy whilst providing opportunity for improved quality and efficiency.

Treasury Policies and Objectives

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

The College has a separate treasury management policy in place.

Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum. The College had £5,925,000 of unsecured bank loans at 31st July 2020. The current bank loan was used to refinance the indebtness of the previous borrowers. The previous loans were used to fund capital building replacement and refurbishment projects.

Group Cash Flows, Liquidity and Going Concern

The College's cash balances and cash flows have been monitored and managed carefully and as a result have not been significantly impacted by the pandemic. A range of internal controls to mitigate spend was in place and this combined with government support measures have helped support the College's cash balances and overall health at Good. The College also received £154k of government furlough support and other support measures such as waiver of underperformance from ESFA for particular funding streams and flexibilities for supporting study for apprentices during the pandemic. This has all helped assist cash flow.

The size of the College's total borrowing and its approach to interest rates has been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cash flow. During the year this margin was comfortably exceeded. The Group and the College are in a net current assets position of £492k and £354k respectively at 31 July 2020. The Members of the Corporation have concluded the College can continue as a going concern due to the current self-assessed health at Good status and projected health of the College also being at Good status and the strength of underlying cash generation from operations.

Reserves Policy

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 Group has reserves of £3,768,000 comprising of (£1,628,000) in general reserves (which is inclusive of £8,024,000 in respect of pensions schemes), £5,118,000 in revaluation reserves and £278,000 in a restricted permanent endowment reserve. It is the Corporation's intention to increase reserves over the life of the strategic plan through the generation of annual operating surpluses.

Loughborough College

Members' Report (continued)

Financial Results (continued)

The College's income and expenditure reserves have been significantly impacted by the actuarial pension fund results as at the 31st July 2020. Due to the pandemic investment returns have been volatile and reducing and this combined with the reduction in the discount factor has significantly increased the overall pension liability by £9.792m from £13.758m to £23.55m. This has resulted in negative income and expenditure reserves of £1.628m.

Current and Future Development and Performance

Financial Health

The College's health has been assessed by the ESFA as Good for 2018/19. Based on these financial statements the College's health will be Good for 2019/20. A two year financial plan was submitted to the ESFA in February 2020 and it is the College's intention to maintain Good financial health despite the wider economic climate challenges created by the pandemic.

Student Numbers

In 2019/20 the College has delivered activity that has produced £23,302,000 in funding body main allocation funding (2018/19 – £21,804,000). The College had approximately 7,395 funded and 1,854 non-funded students. The College also achieved 3,520 16-18 year old learners against an allocation of 3,404 learners.

Learner Achievements

The College was rated as Good by Ofsted at its most recent inspection in May 2017.

The Government has announced that it will not publish any school or college level educational performance data based on tests, assessments or exams for 2020. The College's data is affected by many adapted and delay assessments so is not comparable to previous years.

There was positive feedback from the 2019-20, learner surveys monitored against College Key Performance Indicators. The focus in 2019/20 was to engage with the external FE Choices survey and issue an Employer Survey, as well as NSS. However, due to Covid19 restrictions the FE Choices was pulled by the DfE and the Employer Survey did not launch. The NSS did take place although there were significant lower completions due to the Covid-19 restrictions with a response rate of 65% and a satisfaction rate of 83% which is the same as the sector benchmark.

Loughborough College

Members' Report (continued)

Curriculum Developments

The College is operating a blended delivery model in 2020/21 to ensure the safety of staff and students. The model enables students who are self-isolating to continue with their learning.

The College offers provision in all sector subject areas except construction and land-based. Provision is organised from pre-entry to degree level and covers a range of local, regional and LLEP priority sectors. The College has an international reputation for sport and has strong partnerships with Loughborough University, sharing a range of facilities. Across the provision the College has a range of significant employers and relevant partners.

The College has been approved as a provider of technical qualifications (T Levels) from September 2021 as part of the Government's phase 2 rollout of the new provision. The comprehensive and wide-ranging T Level Implementation plan is tracked and monitored by the DfE and is in operation to support the transition for the College over the next two-year period. Quarterly updates are made to the DfE and ESFA are in close contact with the College providing guidance and support. The College is currently in receipt of ESFA Capacity and Delivery Funds to support the change required to deliver T Levels. Engagement with employers to support the IP target is progressing well although the current Covid-19 pandemic is requiring adaptations.

The desired direction of curriculum development is to meet and address the skills needs of our local, regional and national economy, where appropriate, and the communities we serve. Central to this is ensuring that our learners destination opportunities are clear and of value to them. The College has introduced a new performance monitoring framework to drive improvement across the College and ensure that the requirements of the Ofsted Education Inspection Framework (EIF) are met.

The College has a partnership with the National Space Academy in Leicester, delivering programmes and apprenticeships in Space Engineering. The College has apprenticeship provision across all ages in Business, Engineering, Customer Service, Logistics, Sport, IT, Logistics and Service Industries. It is developing a number of new standards and is exploring the introduction of degree apprenticeships with relevant partners. The College achieved the full Matrix reaccreditation in 2019.

The College has a significant HE offers, with provision offered at HNC/D, Foundation Degree and Honours Degrees. They are validated by a range of partner universities, including Loughborough, Nottingham Trent, Lincoln and Derby. The offer includes Business and Management, Early Years, Engineering, Music, Public Services, Sports Science, Sports Coaching, Sports Therapy and Teacher Training.

Resources

The College has various resources that it can deploy in pursuit of its strategic objectives. Tangible resources include the main college site, which contain the recently built HUB building and fully refurbished Sixth Form building.

Financial

The Group has £3,768,000 of net assets (including £23,550,000 pension liability) and long term debt of £5,925,000.

People

The Group employs 575 people (expressed as full time equivalents), of whom 303 are teaching staff.

Reputation

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

Stakeholder Relationships

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

- Students;
- Education sector funding bodies;
- Sixth Form /FE Commissioner;
- Staff;
- Local employers;
- Local authorities;
- Local Enterprise Partnerships (LEPs);
- The local community;
- Other FE institutions;
- Trade unions; and
- Professional bodies.

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

Key Performance Indicators

The College measures itself and is measured externally by certain key performance indicators.

First and foremost, student recruitment, retention and achievement are measured internally and is also scrutinised externally via Ofsted inspections.

The financial health of the College is assessed via a suite of prescribed ESFA formulae. The College is required to submit funding returns each year which sets out its anticipated performance over the life of the financial plan. This model includes all the key ratios widely used in the sector to assess performance.

In terms of staffing the College carries out a staff survey each year.

Principal Risks and Uncertainties:

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

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

A College risk register and Corporate risk register is maintained, which is reviewed at least annually by the Audit Committee and more frequently where necessary. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

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

The Corporate risk register which is regularly maintained and monitored highlights the top key principal risks that the College currently manages as part of risk management planning. For 2019/20 the College corporate risk register highlighted twelve key risks for monitoring and management and not all of these are within the College's control. In 2019/20 business continuity planning was raised to become a significant corporate risk due to the impact of COVID 19. Four key corporate risks are highlighted in more detail below including the measures to mitigate them.

1 Failure to maintain the short term and long term viability of the College

The College's financial health is self-assessed as Good for 2019/20, as described further above (Good for 2018/19). This is largely a consequence of rigorous and accurate planning, management and monitoring of College finances. Notwithstanding that, the continuing challenges to the College's financial position remains the constraint on further and higher education funding arising from cuts in public sector funding increased competition in the market place whilst maintaining the student experience and the impact of COVID 19 on income streams and expenditure needs for safety and delivering blended learning models.

The risk is mitigated in a number of ways:

- Rigorous budget setting procedures and sensitivity analysis
- Regular in year business planning forecasts and monitoring of budgets
- Robust financial controls
- Up to date long term financial strategies supporting key income streams
- Regular long term financial plan modelling
- Detailed planning and costing of the curriculum to support budgets
- Accurate and timely management accounts
- Regular liaison with ESFA especially regarding COVID 19 support measures
- Procurement efficiencies constantly being explored

2 Lack of Business Continuity Planning

The risk is that the College's business operations and plans fails to adapt to COVID 19 resulting in learning not taking place effectively, college departments not operating effectively and the risk of an environment which is not safe.

This risk is mitigated in a number of ways:

- A College business continuity plan with supporting department continuity plans
- An up to date and robust College critical incident management plan
- A COVID 19 secure risk assessment with controls and actions implemented and updated on a regular basis
- Robust COVID 19 processes and procedures in place and updated regularly
- An appropriate health and safety team in place
- Regular health and safety committee meetings monitoring compliance
- Regular review of AOC/ESFA and government guidance for COVID 19
- Regular communication and meetings with staff, unions and parents to keep them aware of safety measures and changes to managing COVID 19

3 Reducing Apprenticeships Income

The risk is that the College's work with large and small employers on Levy and Non Levy programmes is impacted by further government reforms and a downturn in relation to the economic climate caused by COVID 19 leading to the College not meetings its income targets.

This risk is mitigated in a number of ways:

- An Apprenticeship strategic plan in place
- An effective sales team in place to support new starts
- Effective policies and procedures in place
- A robust apprenticeship business planning and budget setting process
- Quality assurance and standards framework in place
- Rigorous Self-assessment process in place

4 Reducing Higher Education Income

The risk is that Higher education activity is negatively affected by government policy changes in the future, a reducing demographic trend, learners deferring education for a year due to the pandemic and increasing competition.

This risk is mitigated in a number of ways:

- TEF status at Gold achieved in July 2019
- Robust HE leadership structure in place to oversee HE activities
- Robust HE business planning and budget setting process
- Fee agreement set which is competitively market tested and benchmarked
- A HE Strategic plan in place
- Effective policies and procedures in place
- Quality assurance and standards framework in place
- Rigorous Self-Assessment process in place

5 Fit for Purpose Curriculum Delivery

The risk is that the curriculum cannot be delivered effectively and efficiently and /or does not meet government and awarding body guidance rules especially due to COVID 19.

This risk is mitigated in a number of ways:

- An effective enrolment plan with social distancing and online/telephone based
- A blended learning plan for all areas
- Close monitoring of remote delivery for all curriculum areas
- Adequate support for staff and learners for laptops and other information technology needs
- Targeted delivery plans in place to support government priority areas for catch up learning and resits for examinations
- T level development and implementation plan in place and monitored on a regular basis

Equality and Diversity

Equality

At Loughborough College we are committed to equality, diversity and inclusion. The College is committed to go beyond compliance with legislation and towards mainstreaming equality, diversity and inclusion throughout our college community to ensure equality of opportunity for all learners, staff and service users. We work hard to break down barriers to ensure that discrimination in any form is eliminated, unfairness is challenged, diversity is celebrated and achievement gaps between different groups of learners are reduced.

All people are treated with dignity and respect and offered equality of access to aspire to and achieve the best that they can in a safe, welcoming and supportive environment. Equality, diversity and inclusion underpin all key college strategies to ensure equality of opportunity for all Loughborough College learners, employees and stakeholders in all locations and all modes of delivery.

Regular staff training takes place to ensure that all staff are conversant with, and recognise the importance of their responsibilities within the Equality Act in relation to each individual's unique and protected characteristics. The College uses an Equality Duty Framework (EDF) to ensure compliance with all relevant equality legislation, including the Equality Act 2010. The College undertakes equality impact assessments on all new policies and procedures and for existing policies and procedures on a regular, planned basis.

The College is actively working with the National Centre for Diversity towards the Investors in Diversity Award and has an active Equality, Diversity and Inclusion (EDI) Steering Group with a representative membership to shape college policy and provision. There is a link governor on the college board for Equality and Diversity to ensure representation at senior leadership level. A 'Diversity Hub' has been developed as a repository for EDI information, updates and links to provide current and inspiring content for staff and students.

Disability Statement

Loughborough College is an accredited 'disability confident' employer, and we actively encourage applications from underrepresented groups such as potential employees with disabilities. We are committed to making reasonable adjustments and offering additional support to ensure that learners, who may otherwise be disadvantaged due to learning difficulties, physical or sensory disabilities or medical conditions, have an equal chance of being recruited to and successfully completing their programme of learning.

Loughborough College has an inclusive culture whereby the learning needs of learners are promoted and supported throughout their learning. Inclusion is central to our ethos and we welcome a diverse student population from all over the world, every year, to our friendly campus. We want each student to have an individualised learning experience that promotes positive behaviours, attitudes and values. Reasonable adjustments are made and additional support is offered based on assessment and review of each individual's needs.

We have invested significantly to establish a team of specialist lecturers to effectively support students with learning difficulties and/or disabilities. We have a team of Learning Support Co-ordinators who lead a number of learning support assistants who provide a variety of support for student's learning and additional needs. There is a continuing programme of staff development to ensure the provision of high levels of appropriate support for students who have learning difficulties and/or disabilities. In addition, our Welfare and Development Team provides support for learners experiencing challenges related to inclusion, general wellbeing and mental health.

The College has strong links with local authorities and complies with current SEND legislation to ensure best endeavours are applied throughout each learner's journey. The College pays close regard to the SEND Code of Practice and fulfils its statutory duty towards children and young people with SEND.

The College is committed to eliminating discrimination, promoting equality of opportunity and fostering good relations between disabled and non-disabled children and young people.

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.

The College had 6 employees (FTE) who were trade union representatives from 1 April 2019 to 31 March 2020, with the time being spent and approximate costs shown below.

Percentage of working hours spent on facility time	Number of Employees
0%	0
1-50%	6
51-99%	0
100%	0

Total cost of facility time	£18,630
Total pay bill	£21,418,072
Percentage of total bill spent on facility time	0.09%

Time spent on paid trade union activities as a percentage of total paid facility time	0%

Payment Performance

The Late Payment of Commercial Debts (Interest) Act 1998, in the absence of agreement to the contrary, requires organisations to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. During the accounting period 1 August 2019 to 31 July 2020, the College paid 72.69% of its invoices within 30 days of receipt (2018/19 74.6%). The College incurred £460 in respect of late payment for this period (2018/19 £80).

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 he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditors are aware of that information.

The key risks that the Group has identified are as follows:

1. Financial Risk

The Group's financial assets and liabilities are generally generated by day-to-day operational activities rather than being held to change the risks facing the Group in undertaking its activities.

The Group's treasury management operations are carried out by the finance department, within parameters defined formally within the Group's standing financial instructions and policies agreed by the Corporation. Group treasury activity is subject to review by the Finance Committee.

2. Currency Risk

The Group is principally a domestic organisation with majority of transactions, assets and liabilities being in the UK and Sterling based. The Group therefore has low exposure to currency rate fluctuations.

3. Market (Interest Rate) Risk

All of the Group's financial assets and all of its financial liabilities carry nil or fixed rates of interest. The Group is not therefore, exposed to significant interest rate risk.

4. Credit Risk

The majority of the Group's income comes from contracts/funding grants with other public sector bodies, resulting in low exposure to credit risk. The Group mitigates its exposure to credit risk through regular review of debtor balances and by calculating a bad debt provision at the end of the year.

5. Liquidity Risk

The Group continues to monitor its monthly and future cash position through its ESFA finance submissions and has governance arrangements in place to manage cash requirements throughout the year. The Group is not, therefore, exposed to significant liquidity risks.

Energy and Carbon Report - Group only

	2020
Total consumption of electricity (kWh)	2,516,560
Total consumption of gas (kWh)	2,108,447
Total consumption of fuel for the purposes of transport - Diesel (litres)	2,992
Total consumption of fuel for the purposes of transport - Petrol (litres)	1,459

	Tonnes of Carbon Dioxide (kgCO$_2$e)
Total consumption of electricity	1,036,949
Total consumption of gas	387,948
Total consumption of fuel for the purposes of transport - Diesel	7,814
Total consumption of fuel for the purposes of transport - Petrol	3,204
	1,435,915

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

Wendy Coy (Dec 14, 2020, 10:20pm)

Wendy Coy
Chair of Governors

Loughborough College

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and financial statements of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1st August 2019 to 31st July 2020 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

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

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

In the opinion of the Governors, the College complies with/exceeds 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 which it formally adopted on 20th July 2015, with effect from 1st August 2015 and having due regard for the Remuneration Code as amended May 2019.

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

Loughborough College

The Corporation

The members who served on the Corporation during the year 1 August 2019-31 July 2020 and up to the date of signature of this report were as listed in the table below.

	Date of Appointment	Term of office	Date of Resignation/ expiry of term	Status of appointment	Committees served in addition to Corporation Board in year 2019/20 and up to date of signature	% overall attendance inc. Board & Committees in year 2019-20	Corporation Board Attendance in year 2019-20 (as percentage of possible attendance)
Lewis Bates	Aug 2019	1 year	31.07.20	Student Governor (FE)	QTLA	94%	90%
Mr C Butler Acting CEO Feb-Apr20	08 Feb 2020	08Feb-19Apr20	19.04.20	Acting CEO	FPEC Chairs Standing, QTLA	100%	100%
*Ms S Cazley	October 2020	4 years		Independent Governor	QTLA	n/a	n/a
Ms E Compson	May 2019 reappointed for 2nd term of office	4 years		Independent Governor	Chairs Standing, QTLA, HE Panel	88%	80%
Mrs W Coy	July 2018	4 years		Chair	FPEC, QTLA Remuneration Chairs Standing	100%	100%
*Mrs J Dickenson-Darcy	October 2020	4 years		Independent Governor	QTLA	n/a	n/a
Mr J Doherty	November 2017	n/a	07.02.20	Chief Executive	FPEC Chairs Standing, QTLA	76%	60%
Mr G Grieve	October 2019	4 years	03 .09. 20	Independent Governor	QTLA	64%	38%
Ms K Herbert	November 2019 reappointed for 2nd term of office	4 years		Staff Governor	QTLA	94%	90%
*Mr I Jones	October 2020 Previously co-opted	4 years		Independent Governor	Audit & Risk Committee	n/a	n/a
Mr S Lindeman	July 2020 reappointed for 2nd term	4 years		Vice-Chair	Audit & Risk Chairs Standing	96%	100%
Prof. C Linton	July 2020 reappointed for 2nd term of office	4 years		Independent Governor	Remuneration	50%	60%
Ms J Maher	April 2020	n/a		CEO & Principal	FPEC, QTLA, Chairs Standing, HE Panel	100%	100%
Mr C Manton	Nov 2018	4 years		Staff Governor	FPEC	100%	100%
Mr I Marron	Sept 2017	4 years		Independent Governor	FPEC (wef Nov 2019) Audit & Risk (Oct 2018 – Nov 2019)	76%	80%
Mr J Morgan	June 2017	4 years		Vice-Chair	Remuneration Chairs Standing QTLA	61%	70%
Mr H O'Brien	December 2019	1 year	12.06.20	HE Student governor	QTLA	33%	40%
Mr M Pearson	September 2019 reappointed for 2nd term	4 years		Independent Governor	FPEC Chairs Standing	100%	100%
Mr I Sharpe	September 2018 reappointed for 2nd term	4 years		Independent Governor	FPEC	94%	100%
Mr M Vyner	October 2019	4 years		Independent Governor	Audit & Risk	91%	86%
Miss H Young	December 2020	1 year		Student Governor	QTLA, HE Panel		n/a

The Corporation *(continued)*

Note

*denotes Members appointed after 31 July 19 up to the date of signature of this report
Chairs Standing Committee includes Search Committee function
QTLA – Quality, Teaching, Learning & Assessment Committee
FPEC – Financial Performance & Efficiency Committee

John Doherty was the college Chief Executive for the academic year period up to 7th February 2020. Colin Butler was acting Chief Executive from 8th February 2020 until 19th April 2020. Jo Maher joined the college as Chief Executive and Principal 20th April 2020.

Ian Jones was the Director of Governance and Legal Services for the period. This role includes Data Protection Officer and lead on the College legal provision.

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 between 2-3 times per term and holds additional Away Days for strategic development as well as governor training and development events throughout the year.

The Corporation conducts its business through board meetings, 5 committees and task and finishing groups, as required. Each committee has terms of reference, approved by the Corporation at its Board Meeting in July 2019, and presented to each of the individual committees at their first meetings of the academic year for information and review as appropriate. These committees are Audit & Risk Committee, Chairs' Standing Committee (including Search Committee function), Quality of Teaching, Learning & Assessment Committee, Financial Performance & Efficiency Committee and Remuneration Committee. During the year the Corporation also created an HE Panel to provide improved assurance of its Higher Education functions. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website [at www.loucoll.ac.uk] or from the Director of Governance & Legal Services at:
Loughborough College, Radmoor Road, Loughborough, LE11 3BT.

The Director of Governance & Legal Services maintains a register of financial and personal interests of the governors. The register is available for inspection at the above address.

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

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

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

The Corporation *(continued)*

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. Appointments are made on the recommendation of the Chair's Standing Committee consisting of 6 members of the Corporation. The Corporation is responsible for ensuring that appropriate training is provided as required. Appointments are made on the basis of skills and experience and in consideration of the areas of need. The desire to improve diversity is included in recruitment campaigns. Members of the Corporation are appointed for a term of office not exceeding four years but may be reappointed for a second term of office.

Corporation performance

During the year to July 2020, the Corporation Board's work was focused on the quality of the College's provision, on its financial performance, on its long-term college strategy and on ensuring the College has the right people and structures to deliver these aims. The latter part of the academic year has included extensive work on contingency planning and business continuity in response to the Covid-19 pandemic.

John Doherty was Chief Executive for the period until 09 February 2020 and Jo Maher was appointed Chief Executive and Principal with effect from 20 April 2020. Colin Butler was appointed acting Chief Executive, including the role of Accounting Officer, for the interim period 8th February 2020 until 20 April 2020. Another member of the College's Executive Team, the Vice Principal (Curriculum Quality & Learner Experience) left the College at the end of the year.

A range of corporate policies was also approved during the year, including the Fees Policy and Sub-Contractor Fees and Charges Policy, as well as the Risk Management Policy, HE Admissions Policy, and amendments to the Financial Regulations and to the Whistleblowing Policy. In support of the focus on improving the quality of provision for all learners and strengthening the College's financial performance, the Board agreed and monitored a range of Key Performance Indicators and reviewed the College's long-term strategic direction, alongside a close review of the College's current financial position and planning. During the year, the Board approved refinancing of the college's loans through new banking arrangements and approved submission of a number of capital bid opportunities in consideration of the college's strategic direction on estates and curriculum.

The Corporation approved the QTLA proposal for the replacement of the HE Academic Board with a HE Panel, reporting through QTLA, to allow greater scrutiny and monitoring of HE quality and compliance. It also approved the creation of a new entity, the Loughborough College Students Union, a separate but affiliated union to the LSU for College students

The Corporation reviewed the steps taken in response to the Covid-19 pandemic to ensure the college is operating a covid-19 secure campus. Stuart Lindeman attends a weekly Health, Safety and Wellbeing Committee as link governor for this area. The meetings review the arrangements, changes and future developments in line with government guidance. Governor oversight has continued through virtual meetings, both in relation to the College's response to the crisis, contingency planning and for "business as usual" key decision-making.

Two new independent governors and a HE Student Governor were appointed to the Corporation Board during the period. A staff governor was appointed for a second term. Three further independent governors and a new HE student governor have also been appointed since 31 July 19 up to the date of signature of this report.

Remuneration Committee

As at the year ended 31 July 2020 the College's Remuneration Committee comprised four members of the Corporation. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other key management personnel.
Details of remuneration for the year ended 31 July 2020 are set out in the financial statements.

The Corporation (continued)

Audit & Risk Committee

The Audit & Risk Committee comprises four members (excluding the Accounting Officer and Chair), two of whom were co-opted members for the period, one of whom has since been appointed independent governor (October 2020) ad continues to serve on the Committee. The Committee operates in accordance with written terms of reference approved by the Corporation, reviewed annually by the Committee.

During the year the committee retendered the internal and external audit provision and new auditors appointed with effect from 1st August.

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

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

Management is responsible for the implementation of agreed audit recommendations and the independent assurance advisers undertake periodic follow-up reviews to ensure such recommendations have been implemented.

The Audit & Risk Committee also advises the Corporation on the appointment of independent assurance advisors, reporting accountants and financial statements auditors and their remuneration for 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 Chief Executive 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 he is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum/Financial Agreement between Loughborough College and the funding bodies. The CEO is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an 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 Loughborough 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 has been in place for the year ended 31 July 2020 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The Corporation (continued)

Internal control (continued)

The risk and control framework

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

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

Loughborough College has an independent assurance service, whose work is informed by an analysis of the risks to which the College is exposed, and annual plans are also based on this analysis. The analysis of risks and the assurance plans are endorsed by the Corporation on the recommendation of the audit committee. At minimum, annually, the governing body is provided with a report on assurance activity in the College. The report includes an 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 Chief Executive and Principal has responsibility for reviewing the effectiveness of the system of internal control. The CEO's review of the effectiveness of the system of internal control is informed by:

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

The Chief Executive has been advised on the implications of the result of his review of the effectiveness of the system of internal control by the Audit & Risk Committee, which oversees the work of the independent assurance advisers and other sources of assurance, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Executive team receives reports from senior management setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit & Risk Committee also receive regular reports from the independent assurance advisers and other sources of assurance, which include recommendations for improvement. The Audit & Risk Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit & Risk Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At the December 2020 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2020 by considering documentation from the senior management team and independent assurance advisers, and taking account of events since 31 July 2020.

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

The Corporation (continued)

Going concern

The College's financial health has been retained at a Good rating for 2019/20 with underlying performance at £336k deficit which is better than in year forecasts despite the impact of COVID 19. Careful management and monitoring of budgets and a remote delivery model to continue learning alongside government and ESFA related support mechanisms have contributed to the successful financial outcome. The College did receive furlough income of £156k from the Government and ESFA support for non-reconciliation of income streams, which included adult education delivery which was at 83% of ESFA allocation. The College also incurred £116k of COVID 19 related expenditure to ensure the campus was COVID 19 secure prior to reopening. The College's budget for 2020/21 has been approved at a deficit of £380k in July 2020 which will allow for the retention of a Good health rating. The supporting income and expenditure streams have been heavily risked to take in to account the ongoing impact of COVID 19 and also the challenging financial climate. Expenditure budgets also include for relevant amounts to ensure the Campus continues to be COVID 19 secure and is adequately cleaned, equipped and socially distanced to provide a safe environment to all. Associated cash flow forecasts supporting the budgets indicate the College will not breach any banking covenants and has sufficient working capital to traverse all low points in 2020/21 with sufficient headroom without recourse to additional facilities.

After making appropriate enquiries including consideration of the financial forecast plan, the budget for 2020/21, short and long term cash flow forecasts and current banking facilities, 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.

The College's financial health was rated as Good by ESFA for 2018/19 based on the submission of the signed financial statements. The College exited early intervention in the first quarter of 2020 and the financial health remains Good based on the College's self- assessment of the financial statements for 2019/20. Financial plans and budgets for 2020/21 have been set to retain the Good health rating.

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

Wendy Coy (Dec 14, 2020, 10:20pm)

Wendy Coy
Chair of Governors

Jo Maher (Dec 14, 2020, 8:09pm)

Jo Maher
Chief Executive

Loughborough College

Governing Body's statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding

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 our consideration we have had due regard to the requirements of 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, we are 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.

Wendy Coy (Dec 14, 2020, 10:20pm)

Wendy Coy
Chair of Governors
14th December 2020

Jo Maher (Dec 14, 2020, 8:09pm)

Jo Maher
Chief Executive
14th December 2020

Loughborough College

Statement of Responsibilities of the Members of the Corporation in respect of the Financial Statements

The members of the Corporation (who act as trustees for the charitable activities of the College are required to present audited financial statements for each financial year.

law applicable to charities in England and the terms and conditions of the Funding Agreement between the Education and Skills Funding Agency and the Corporation of the College, requires the corporation of the college to prepare financial statements and the Member's Report for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions the annual Accounts Direction issued by the Education and Skills Funding Agency, Accounts Direction issued by the Office for Students and in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and which give a true and fair view of the state of affairs of the College and of the College's surplus/deficit of income over expenditure for that period.

- In preparing the financial statements, the corporation is required to:
- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation.

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the College, and enable it to ensure that the financial statements are prepared in accordance with the Charities Act 2011 and other relevant accounting standards. It is responsible for taking steps 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 the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Members of the Corporation are responsible for ensuring that funds from the Education and Skills Funding Agency are used only in accordance with the authorities that govern them as defined by and in accordance with Further & Higher Education Act 1992, subsequent legislation and related regulations and the Funding Agreement with the Education and Skills Funding Agency and any other conditions that may be prescribed from time to time. They are also responsible for ensuring funds from Office for Students or other sources are properly applied for the purposes for which they have been given and in accordance with relevant legislation or terms and conditions attached to them.

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

Wendy Coy (Dec 14, 2020, 10:20pm)

Wendy Coy

Chair of Governors

Independent auditors' report to the Corporation of Loughborough College

Opinion

We have audited the financial statements of Loughborough College (the 'College') and its subsidiary (the 'Group') for the year ended 31 July 2020 which comprise the consolidated and college statements of comprehensive income, the consolidated and college balance sheets, the consolidated and college statements of changes in reserves, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards, including FRS 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 Group's and of the College's affairs as at 31 July 2020 and of the Group's and the College's deficit of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and 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 governors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the governors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or 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 governors are responsible for the other information. Our opinion on the financial statements does not cover the other information and 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.

Opinion on other matters prescribed by the Office for Students' Accounts Direction

In our opinion, in all material respects:

- funds from whatever source administered by the college for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students, UK Research and Innovation (including Reasearch England), the Education and Skills Funding Agency and Department for Education have been applied in accordance with the relevant terms and conditions; and
- the requirements of the Office for Students' accounts direction for the relevant year's financial statements have been met.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice 2019 to 2020 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;
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations required for our audit.

We have nothing to report in respect of the following matters where the Office for Students' accounts direction requires us to report to you if:

- the College's grant and fee income, as disclosed in the note to the accounts, has been materially misstated.
- the College's expenditure on access and participation activities for the financial year has been materially misstated.

Responsibilities of the Corporation of Loughborough College

As explained more fully in the Statement of the Corporation's Responsibilities set out on page 26, 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 Group's and 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 Group or the College or to cease operations, or have no realistic alternative but to do so.

Independent auditors’ report (Continued)

Auditors’ responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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: http://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 the Education and Skills Funding Agency and our engagement letter dated 8 July 2020. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are engaged 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.

Paul Oxtoby (Jan 13, 2021, 10:36am)

RSM UK AUDIT LLP
Chartered Accountants
St Philips Point
Temple Row
Birmingham
B2 5AF

Loughborough College

Independent Reporting Accountant's Report on Regularity to The Corporation of Loughborough College and The Secretary of State for Education Acting Through Education and Skills Funding Agency

Conclusion
We have carried out an engagement, in accordance with the terms of our engagement letter dated 8 July 2020 and further to the requirements of the grant funding agreements and contracts with the Education and Skills Funding Agency (the "ESFA"), to obtain limited assurance about whether the expenditure disbursed and income received by Loughborough College during the period 1 August 2019 to 31 July 2020 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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.

Basis for conclusion
The framework that has been applied is set out in the Post-16 Audit Code of Practice (the "ACoP") issued by the 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 (ILR) returns, for which the ESFA has other assurance arrangements in place.

We are independent of the Loughborough College in accordance with the ethical requirements that are applicable to this engagement and we have fulfilled our ethical requirements in accordance with these requirements. We believe the assurance evidence we have obtained is sufficient to provide a basis for our conclusion

Responsibilities of Corporation of Loughborough College for regularity
The Corporation of Loughborough College is responsible, under the grant funding agreements and contracts with the ESFA and 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. The corporation of Loughborough College is also responsible for preparing the Governing Body's Statement of Regularity, Propriety and Compliance.

Reporting accountant's responsibilities for reporting on regularity
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 ACoP.

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 the procedures performed vary in nature and timing from, and are less in extent than for a reasonable assurance engagement; consequently a limited assurance engagement 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.

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.

Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities including the specific requirements of the grant funding agreements and contracts with the ESFA and high level financial control areas where we identified a material irregularity is likely to arise. We undertook detailed testing, on a sample basis, on the identified areas where a material irregularity is likely to arise where such areas are in respect of controls, policies and procedures that apply to classes of transactions.

This work was integrated with our audit of the financial statements and evidence was also derived from the conduct of that audit to the extent it supports the regularity conclusion.

Independent Reporting Accountant's Report (continued)

Use of our report

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

Paul Oxtoby (Jan 13, 2021, 10:36am)

RSM UK AUDIT LLP
Chartered Accountants
St Philips Point
Temple Row
Birmingham
B2 5AF

Consolidated and College Statements of Comprehensive Income and Expenditure
Year Ended 31 July 2020

	Note	Year ended 31 July 2020 Group £'000	Year ended 31 July 2020 College £'000	Year ended 31 July 2019 Group £'000	Year ended 31 July 2019 College £'000
Income					
Funding body grants	2	23,302	23,302	21,804	21,804
Tuition fees and education contracts	3	5,712	5,712	5,575	5,575
Other grants and contracts	4	154	118	0	0
Other income	5	3,436	3,504	4,338	4,360
Investment Income	6	2	2	2	2
Donations and Endowments	7	0	0	0	0
Total Income		**32,607**	**32,638**	**31,719**	**31,741**
Expenditure					
Staff costs	8	22,433	21,188	21,002	20,748
Other operating expenses	9	9,477	10,847	9,999	10,279
Depreciation	12	1,938	1,938	1,996	1,996
Interest and other finance costs	10	858	858	386	386
Total Expenditure		**34,706**	**34,830**	**33,383**	**33,409**
Deficit before other gains and losses		**(2,099)**	**(2,193)**	**(1,664)**	**(1,668)**
(Loss) on disposal of assets	12	(5)	(5)	(1)	(1)
Loss on investments		(10)	(10)	(11)	(11)
Deficit for the year before tax		**(2,114)**	**(2,208)**	**(1,676)**	**(1,680)**
Taxation	11	0	0	0	0
Deficit for the year		**(2,114)**	**(2,208)**	**(1,676)**	**(1,680)**
Unrealised surplus on revaluation of assets		0	0	0	0
Actuarial (deficit)/ surplus in respect of pensions schemes		(8,024)	(8,024)	(3,773)	(3,773)
Total Comprehensive (Expense)/Income for the year		**(10,138)**	**(10,232)**	**(5,449)**	**(5,453)**
Represented by:					
Unrestricted comprehensive (Expense)/Income		(10,128)	(10,222)	(5,438)	(5,442)
Restricted comprehensive income		(10)	(10)	(11)	(11)
		(10,138)	**(10,232)**	**(5,449)**	**(5,453)**

All Income and Expenditure relates to continuing activities.

Consolidated and College Statements of Changes in Reserves
Year Ended 31 July 2020

	Income and Expenditure account	Revaluation reserve	Restricted permanent endowment reserve	Total reserves
	£'000	£'000	£'000	£'000
<u>Group</u>				
Balance at 31st July 2018	**13,837**	**5,219**	**299**	**19,355**
Deficit for the year from the income and expenditure account	(1,676)	0	0	(1,676)
Other comprehensive expense	(3,773)	0	0	(3,773)
Endowment investments	11	0	(11)	0
Transfers between revaluation and income and expenditure reserves	51	(51)	0	0
Total Comprehensive Income/(Expense) for the year	**(5,387)**	**(51)**	**(11)**	**(5,449)**
Balance at 31st July 2019	**8,450**	**5,168**	**288**	**13,906**
Deficit for the year from the income and expenditure account	(2,114)	0	0	(2,114)
Other comprehensive expense	(8,024)	0	0	(8,024)
Endowment investments	10	0	(10)	0
Transfers between revaluation and income and expenditure reserves	51	(51)	0	0
Total Comprehensive Income/(Expense) for the year	**(10,077)**	**(51)**	**(10)**	**(10,138)**
Balance at 31st July 2020	**(1,628)**	**5,117**	**277**	**3,767**
<u>College</u>				
Balance at 31st July 2018	**14,670**	**5,219**	**299**	**20,188**
Deficit for the year from the income and expenditure account	(1,680)	0	0	(1,680)
Other comprehensive expense	(3,773)	0	0	(3,773)
Endowment investments	11	0	(11)	0
Transfers between revaluation and income and expenditure reserves	51	(51)	0	0
Total Comprehensive Expense for the year	**(5,391)**	**(51)**	**(11)**	**(5,453)**
Balance at 31st July 2019	**9,279**	**5,168**	**288**	**14,735**
Deficit for the year from the income and expenditure account	(2,208)	0	0	(2,208)
Other comprehensive expense	(8,024)	0	0	(8,024)
Endowment investments	10	0	(10)	0
Transfers between revaluation and income and expenditure reserves	51	(51)	0	0
Total Comprehensive Expense for the year	**(10,171)**	**(51)**	**(10)**	**(10,232)**
Balance at 31st July 2020	**(891)**	**5,117**	**278**	**4,504**

Restricted permanent endowment reserve are held with Loughborough College Educational Trust. Their object is to promote the education of persons who are under the age of 25 and are in need if financial assistance and are or have at any time been a student at Loughborough College or who are resident in the area of benefit.

Loughborough College

Consolidated and College Balance Sheets as at 31 July 2020

	Note	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Non Current Assets					
Tangible Fixed Assets	12	45,565	46,440	46,918	47,793
Investments	13	278	278	288	288
		45,843	**46,718**	**47,206**	**48,081**
Current Assets					
Stocks		9	9	8	8
Trade and Other Receivables	14	935	1,165	901	901
Cash and Cash Equivalents	20	3,765	3,372	3,196	3,183
		4,710	**4,546**	**4,105**	**4,092**
Less: Creditors – Amounts Falling Due Within One Year	16	(4,218)	(4,192)	(4,460)	(4,493)
Net Current Assets/ (Liabilities)		**492**	**354**	**(355)**	**(401)**
Total Assets less Current Liabilities		46,336	47,072	46,850	47,680
Less: Creditors – Amounts Falling Due After More Than One Year	17	(18,500)	(18,500)	(18,676)	(18,676)
Provisions					
Defined Benefit Obligations	19, 25	(23,550)	(23,550)	(13,758)	(13,758)
Other Provisions	19	(519)	(519)	(511)	(511)
Total Net Assets		**3,768**	**4,504**	**13,906**	**14,735**
Restricted Reserves					
Income & Expenditure Account - Endowment Reserve		278	278	288	288
Total Restricted Reserves		**278**	**278**	**288**	**288**
Unrestricted Reserves					
Income and Expenditure Account		(1,628)	(891)	8,450	9,279
Revaluation Reserve		5,118	5,118	5,168	5,168
Total Unrestricted Reserves		**3,490**	**4,225**	**13,618**	**14,447**
Total Reserves		**3,768**	**4,504**	**13,906**	**14,735**

The financial statements on pages 32 to 65 were approved and authorised for issue by the Corporation on 14th December 2020 and were signed on its behalf on that date by:

Wendy Coy (Dec 14, 2020, 10:20pm)

Wendy Coy
Chair of Governors

Jo Maher (Dec 14, 2020, 8:09pm)

Jo Maher
Chief Executive Officer

Consolidated Statement of Cash Flows
Year ended 31 July 2020

	Note	2020 £'000	2019 £'000
Cash inflow from operating activities			
Deficit for the Year		(2,114)	(1,676)
Adjustment for non-cash items			
Depreciation		1,938	1,996
Increase in Stocks		(2)	(2)
(Increase)/Decrease in Debtors		(34)	10
(Decrease)/Increase in Creditors Due Within One Year		(207)	350
Decrease in Creditors Due After One Year		(431)	(404)
Increase in Provisions		8	25
Decrease in Endowments		9	11
Pensions Costs less Contributions Payable		1,768	1,682
Taxation		0	0
Adjustment for Investing or Financing Activities			
Investment Income		(2)	(2)
Interest Payable		553	134
Taxation Paid		0	0
Loss on Sale of Fixed Assets		5	1
Net Cash Flow from Operating Activities		1,491	2,125
Cash Flows from Investing Activities			
Proceeds from Sale of Fixed Assets		0	0
Disposal of Non-Current Asset Investments		0	0
Investment Income		2	2
Withdrawal of Deposits		0	0
New Deposits		0	0
Payments Made to Acquire Fixed Assets		(590)	(651)
Total Investing Activities		(588)	(649)
Cash Flows from Financing Activities			
Interest Paid		(551)	(132)
Interest Element of Finance Lease Rental Payments		(2)	(2)
New Secured Loans		6,000	0
Repayments of Amounts Borrowed		(5,749)	(333)
Capital Element of Finance Lease Rental Payments		(31)	(31)
Total Financing Activities		(335)	(498)
Increase in Cash and Cash Equivalents in the Year		**569**	**978**
Cash and Cash Equivalents at Beginning of the Year	20	3,196	2,218
Cash and Cash Equivalents at End of the Year	20	3,765	3,196

Loughborough College

Notes to the Statements

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.

General information

Loughborough College is a corporation established under the Further & Higher Education Act 1992 as an English general college of further education.

The address of the College's principal place of business is given on page 2. The nature of the College's operations is set out in the Member's Report.

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2019 (FE & HE SORP 2019)*, the *College Accounts Direction for 2019 to 2020, and Regulatory Advice 9: Accounts Directions issued by the Office for Students* and in accordance with Financial Reporting Standard 102 – *"The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland"* (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Basis of accounting

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

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

The consolidated financial statements are presented in sterling which is also the functional currency of the College.

Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

Basis of consolidation

The consolidated financial statements include the College and its subsidiary, The Leicestershire College Limited, controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2020.

Going concern

At the time of approving the financial statements, the governors have a reasonable expectation that the college has adequate resources to continue in operational existence for the foreseeable future. Thus, the governors continue to adopt the going concern basis of accounting in preparing the financial statements. Following the uncertainty presented by Covid 19, management has reassessed the going concern assumption and confirm that it remains appropriate based on the strong cash and net asset position, excluding long term pension liabilities, which enables it to meet its liabilities as they fall due.

The College currently has £5.925m of unsecured loans outstanding with bankers on terms negotiated in 2020. The terms of the existing agreements are for 20 years. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

The governors make this assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements and have concluded that the College has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the college's ability to continue as a going concern. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

1 Statement of accounting policies and estimation techniques (continued)

Recognition of income

Revenue grant funding

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

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

Where part of a government grant is deferred, the deferred element is recognised as deferred income within creditors and allocated between creditors due within one year and creditors due after more than one year as appropriate.

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. Income received in advance of performance related conditions being met is recognised as deferred income within the creditors on the balance sheet and released to income as conditions are met.

Capital grant funding

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

Fee income

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

Investment Income

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

Agency Arrangements

The 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 of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Notes to the Statements (continued)

1 Statement of accounting policies and estimation techniques (continued)

Accounting for post-employment benefits

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

Teachers' Pension Scheme (TPS)

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

Leicestershire County Council Local Government Pension Scheme (LGPS)

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in interest and other finance costs.

Actuarial gains and losses are recognised immediately in 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.

Enhanced Pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by the College annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the College's income in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the funding bodies.

Subsidiary Pension Scheme

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pensions cost charge represents contributions payable by the company to the existing scheme.

1 Statement of accounting policies and estimation techniques (continued)

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 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

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

Land and buildings

Freehold buildings are depreciated on a straight line basis over their expected useful lives as follows:

- New buildings – 45 to 50 years
- Major refurbishments – 10 to 30 years

Freehold land is not depreciated as it is considered to have an infinite useful life.

Freehold buildings are depreciated over their expected useful economic life to the College of between 45 to 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 10 and 30 years.

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

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1996, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

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.

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets after initial purchase it is charged to income in the period it is incurred, unless it increases the future benefits to the College, in which case it is capitalised and depreciated on the relevant basis.

Equipment

Equipment costing less than £1,000 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost.

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

- technical equipment 2 to 10 years
- motor vehicles 5 years
- computer equipment 3 years
- furniture, fixtures and fittings 2 to 10 years

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

Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred.

Notes to the Statements (continued)

1 Statement of accounting policies and estimation techniques (continued)

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. Any lease premiums or incentives relating to leases signed after 1st August 2014 are spread over the minimum lease term. The College has taken advantage of the transitional exemptions in FRS 102 and has retained the policy of spreading lease premiums and incentives to the date of the first market rent review for leases signed before 1st August 2014.

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as finance leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as an obligation under finance leases. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Investments

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

Other investments

Listed investments held as non-current assets and current asset investments, which may include listed investments, are stated at fair value, with movements recognised in Comprehensive Income. Investments comprising unquoted equity instruments are measured at fair value, estimated using a valuation technique.

Inventories

Inventories are stated at the lower of their cost and net realisable value, being selling price less costs to complete and sell. Where necessary, provision is made for obsolete, slow-moving and defective items.

Cash and cash equivalents

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

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

Financial liabilities and equity

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

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

1 Statement of accounting policies and estimation techniques (continued)

Foreign currency translation

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial period with all resulting exchange differences being taken to income in the period in which they arise.

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, so that it can only recover 3.89% of the 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.
The College's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

Provisions and contingent liabilities

Provisions are recognised when:

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

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

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

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

Agency arrangements

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

1 Statement of accounting policies and estimation techniques (continued)

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

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *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 25, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 July 2020. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Impairment of Fixed Assets

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

1 Statement of accounting policies and estimation techniques (continued)

Financial instruments

The Group has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

- *Financial assets*

Basic financial assets, including trade and other receivables, cash and bank, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the Statements of Comprehensive Income and Expenditure.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the Statements of Comprehensive Income and Expenditure.

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in the Statements of Comprehensive Income and Expenditure, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

- *Financial liabilities*

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow Group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Notes to the Statements (continued)

2 Funding Body Grants

	Year Ended 31 July		Year Ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent Grants				
Education and Skills Funding Agency - Adult	1,282	1,282	1,214	1,214
Education and Skills Funding Agency - 16-18	18,150	18,150	17,430	17,430
Education and Skills Funding Agency - Apprenticeships	2,212	2,212	1,897	1,897
Office for Students	390	390	491	491
Specific Grants				
Education and Skills Funding Agency - Loans to Learners	297	297	346	346
Releases of Government Capital Grants	481	481	426	426
Provider Relief Scheme*	37	37	0	0
Teacher Pension Scheme grant	453	453	0	0
Total	**23,302**	**23,302**	**21,804**	**21,804**

* Under the provider relief scheme, the corporation received funding of £36,506 from the ESFA. This amount was fully spent in the year.

3 Tuition Fees and Education Contracts

	Year Ended 31 July		Year Ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult Education Fees	0	0	0	0
Apprenticeship Fees and Contracts	37	37	43	43
Fees for FE Loan Supported Courses	79	79	76	76
Fees for HE Loan Supported Courses	5,031	5,031	4,823	4,823
International Students Fees	565	565	633	633
Total Tuition Fees	5,712	5,712	5,575	5,575
Education Contracts	0	0	0	0
Total	5,712	5,712	5,575	5,575

4a) Other Grants and Contracts

	Year Ended 31 July		Year Ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Erasmus	0	0	0	0
UK-Based Charities	0	0	0	0
European Commission	0	0	0	0
Other Grants and Contracts	0	0	0	0
Coronavirus Job Retention Scheme grant**	154	118	0	0
Total	**154**	**118**	**0**	**0**

** The corporation furloughed some staff under the government's Coronavirus Job Retention Scheme, from Catering; International administration; Commercial Nursery; Commercial Gym and Spa. The funding received of £153,714 relates to staff costs which are included within the staff costs note as appropriate.

Notes to the Statements (continued)

4b) Total Grant and Fee Income

	Year Ended 31 July 2020 Group £'000	Year Ended 31 July 2020 College £'000	Year Ended 31 July 2019 Group £'000	Year Ended 31 July 2019 College £'000
Grant Income from OfS	390	390	491	491
Grant Income from Other Bodies	22,912	22,912	21,313	21,313
Total Grants	**23,302**	**23,302**	**21,804**	**21,804**
Fee Income from Non-Qualifying Courses (exclusive of VAT)	5,712	5,712	5,575	5,575
Total Tuition Fees and Education Contracts	**5,712**	**5,712**	**5,575**	**5,575**
Total Grant and Fee Income	**29,014**	**29,014**	**27,379**	**27,379**

5 Other Income

	Year Ended 31 July 2020 Group £'000	Year Ended 31 July 2020 College £'000	Year Ended 31 July 2019 Group £'000	Year Ended 31 July 2019 College £'000
Catering and Residences	978	978	1,484	1,484
Other Income Generating Activities*	1,629	1,700	2,242	2,265
Other Grant Income	0	0	100	100
Non Government Capital Grants	16	16	13	13
Miscellaneous Income	813	809	499	498
Total	**3,436**	**3,504**	**4,338**	**4,360**
* College figure includes Subsidiary Undertakings of:		71		23

6 Investment Income

	Year Ended 31 July 2020 Group £'000	Year Ended 31 July 2020 College £'000	Year Ended 31 July 2019 Group £'000	Year Ended 31 July 2019 College £'000
Other Investment Income	2	2	2	2
Other Interest Receivable	0	0	0	0
	2	**2**	**2**	**2**
Net Return on Pension Scheme (note 25)	0	0	0	0
Total	**2**	**2**	**2**	**2**

7 Donations and Endowments

	Year Ended 31 July 2020 Group £'000	Year Ended 31 July 2020 College £'000	Year Ended 31 July 2019 Group £'000	Year Ended 31 July 2019 College £'000
Unrestricted Donations	0	0	0	0
Total	**0**	**0**	**0**	**0**

Notes to the Statements (continued)

8 Staff Costs

The average number of persons (including key management personnel) employed by the College during the year, expressed as average headcount and calculated on a monthly basis, was:

	Year Ended 31 July		Year Ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	No.	No.	No.	No.
Teaching Staff	427	426	448	447
Non Teaching Staff	328	249	305	292
	755	**675**	**754**	**738**

Staff Costs for the Above Persons

	Year Ended 31 July		Year Ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Wages and Salaries	15,873	14,728	15,482	15,247
Social Security Costs	1,414	1,343	1,297	1,283
Other Pension Costs	4,527	4,497	3,834	3,829
Payroll Sub Total	**21,814**	**20,568**	**20,613**	**20,359**
Contracted out Staffing Services	620	620	389	389
	22,433	**21,188**	**21,002**	**20,748**

There were no fundamental restructuring costs, contractual or non contractual, during the year. (2019 zero)

Salary Sacrifice

The Corporation has the following salary sacrifice arrangements in place:
Child Care Vouchers, Cycle Scheme, Holiday Plus, Scottish Widows Pension Scheme

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 comprises the Principal and Chief Executive, Vice Principals and Assistant Principals. Staff costs include compensation paid to key management personnel for loss of office.

Emoluments of Key Management Personnel, Accounting Officer and other Higher Paid Staff

	31 July	31 July
	2020	2019
	No.	No.
The Number of Key Management Personnel Including the Accounting Officer was:	6	4

Notes to the Statements (continued)

8 Staff Costs (continued)

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

	Key management personnel		Other staff	
	Year Ended		Year Ended	
	31 July 2020	31 July 2019	31 July 2020	31 July 2019
	No.	No.	No.	No.
£60,000 to £65,000 p.a.	0	0	1	0
£65,001 to £70,000 p.a.	2	0	0	0
£70,001 to £75,000 p.a.	0	0	0	0
£75,001 to £80,000 p.a.	1	0	0	0
£80,001 to £85,000 p.a.	1	3	0	0
£85,001 to £90,000 p.a.	1	0	0	0
£90,001 to £145,000 p.a.	0	0	0	0
£145,001 to £150,000 p.a.	1	1	0	0
	6	**4**	**1**	**0**

Where bandings have zero staff, they have been consolidated.

Key Management Personnel Emoluments are made up as follows:	Year Ended	
	31 July 2020	31 July 2019
	£'000	£'000
Salaries- Gross of Salary Sacrifice and Waived	455	396
Social Security Costs	57	50
Benefits in Kind	0	0
	512	**446**
Pension Contributions	98	79
Total Emoluments	**610**	**525**

There were no amounts due to key management personnel that were waived in the year.

Notes to the Statements (continued)

8 Staff Costs (continued)

The emoluments on page 46 include amounts payable to the Accounting Officer (who is also the highest paid officer) of:

	Principal and Chief Executive	Acting Principal	Principal and Chief Executive	Year Ended 31 July 2020 Total	Year Ended 31 July 2019 Principal and Chief Executive
	(1 Aug 2019 to 7 Feb 2020)	(8 Feb 2020 to 19 Apr 2020)	(From 20 April 2020)		
	£'000	£'000	£'000	£'000	£'000
Salaries	80	25	42	147	150
Benefits in Kind	0	0	0	0	0
	80	**25**	**42**	**147**	**150**
Social Security Costs	10	3	5	19	20
Pension Contributions	17	4	10	31	31

In February 2020 The College appointed an Acting Principal who replaced the Principal and Chief Executive. In April 2020 The College appointed a new Principal and Chief Executive who replaced the Acting Principal.

The governing body adopted the HE Remuneration Code in June 2018, and assesses senior pay in line with the principles of the Code. The subsequent AoC Senior Staff Remuneration Code is based on the HE Remuneration Code, and the two Codes are broadly equivalent.

The remuneration package of key management staff, including the Chief Executive, is subject to annual review by the Remuneration Committee of the governing body who use benchmarking information to provide objective guidance.

The Chief Executive reports to the Chair of Governing Body who undertakes an annual review of their performance against the College's overall objectives using both qualitative and quantitative measures of performance.

Notes to the Statements (continued)

8 Staff Costs (continued)

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

	Year Ended 31 July 2020	31 July 2019
Principal and Chief Executive (1 Aug 2019 to 7 Feb 2020)		
Principal's basic salary (annualised) as a multiple of the median of all staff	6.3	
Principal and CEO's total remuneration (annualised) as a multiple of the median of all staff	6.3	
Acting Principal (8 Feb 2020 to 19 Apr 2020)		
Principal's basic salary (annualised) as a multiple of the median of all staff	5.2	
Principal and CEO's total remuneration (annualised) as a multiple of the median of all staff	5.2	
Principal and Chief Executive (From 20 April 2020)		
Principal's basic salary (annualised) as a multiple of the median of all staff	6.1	
Principal and CEO's total remuneration (annualised) as a multiple of the median of all staff	6.1	
Total		
Principal's basic salary as a multiple of the median of all staff	**6.0**	**6.5**
Principal and CEO's total remuneration as a multiple of the median of all staff	**6.0**	**6.5**

Compensation for Loss of Office Paid to Former Key Management Personnel

The severance payments are approved by the College's remuneration committee. There was one payment for £10,000 in the current financial year (2018 Nil).

Notes to the Statements (continued)

9 Other Operating Expenses

	Year Ended		Year Ended	
	31 July 2020 Group £'000	31 July 2020 College £'000	31 July 2019 Group £'000	31 July 2019 College £'000
Teaching Costs	3,234	3,234	3,523	3,523
Non Teaching Costs *	4,364	5,740	4,630	4,912
Premises Costs	1,879	1,874	1,846	1,844
Total	**9,477**	**10,847**	**9,999**	**10,279**
* College figure includes Subsidiary Undertakings of:		1,402		298

Other Operating Expenses Include:	Year Ended		Year Ended	
	31 July 2020 Group £'000	31 July 2020 College £'000	31 July 2019 Group £'000	31 July 2019 College £'000
Auditors' Remuneration:				
Financial Statements Audit**	39	31	76	68
Independent Assurance	46	46	17	17
Other Services Provided by the Financial Statements Auditors	0	0	3	2
Other Services Provided by the Internal Auditors	0	0	0	0
Losses on Disposal of Tangible Fixed Assets (where not material)	0	0	0	0
Depreciation	1,938	1,938	1,996	1,996
Hire of Assets Under Operating Leases	0	0	0	0
Payments to Subcontractors and Partners	3,234	3,234	3,523	3,523

** College 2019 figure includes £30,000 in respect to 2018 and £38,000 in respect to 2019

9a Office for Students, Access and Participation - College only

	Year Ended	
	31 July 2020 Group £'000	31 July 2020 College £'000
Access investment	34	34
Financial support to students	80	80
Disability Support	0	0
Research and evaluation	0	0
	114	**114**

Notes to the Statements (continued)

10 Interest and Other Finance Costs - Group Only

	Year Ended 31 July 2020	Year Ended 31 July 2019
	£'000	£'000
On Bank Loans, Overdrafts and Other Loans*	551	132
	551	**132**
On Finance Leases	2	2
Net Interest on Defined Pension Liability (note 25)	305	252
Total	**858**	**386**

*2020 figure includes £389,552 in relation to the legal, professional and break costs moving loan facilities from Lloyds and Barclays to Santander

11 Taxation - Group Only

	Year Ended 31 July 2020	Year Ended 31 July 2019
	£'000	**£'000**
United Kingdom Corporation Tax	0	0
Provision for Deferred Corporation Tax in the Accounts of the Subsidiary Company	0	0
Total	**0**	**0**

The members do not believe that the College was liable for any corporation tax arising out of its activities during either year.

12 Tangible Fixed Assets - (Group)

	Land and Buildings		Equipment	Assets Under Construction	Total
	Freehold	Long Leasehold			
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Cost or Valuation					
At 1 August 2019	64,071	0	3,078	0	67,149
Additions	297	0	293	0	590
Transfers	0	0	0	0	0
Disposals	(144)	0	(611)	0	(755)
At 31 July 2020	**64,224**	**0**	**2,761**	**0**	**66,984**
Accumulated Depreciation					
At 1 August 2019	18,165	0	2,066	0	20,231
Charge for the Year	1,478	0	460	0	1,938
Transfers	0	0	0	0	0
Elimination in Respect of Disposals	(141)	0	(609)	0	(750)
At 31 July 2020	**19,502**	**0**	**1,917**	**0**	**21,419**
Net Book Value at 31 July 2020	**44,722**	**0**	**844**	**0**	**45,565**
Net Book Value at 31 July 2019	**45,906**	**0**	**1,012**	**0**	**46,918**

Notes to the Statements (continued)

12 Tangible Fixed Assets (continued) - (College only)

	Land and Buildings		Equipment	Assets under Construction	Total
	Freehold	Long Leasehold			
	£'000	£'000	£'000	£'000	£'000
Cost or Valuation					
At 1 August 2019	64,610	0	3,061	0	67,671
Additions	297	0	293	0	590
Transfers	0	0	0	0	0
Disposals	(144)	0	(611)	0	(755)
At 31 July 2020	**64,763**	**0**	**2,743**	**0**	**67,506**
Accumulated Depreciation					
At 1 August 2019	17,827	0	2,051	0	19,878
Charge for the Year	1,478	0	460	0	1,938
Transfers	0	0	0	0	0
Elimination in Respect of Disposals	(141)	0	(609)	0	(750)
At 31 July 2020	**19,164**	**0**	**1,902**	**0**	**21,066**
Net Book Value at 31 July 2020	**45,599**	**0**	**841**	**0**	**46,440**
Net Book Value at 31 July 2019	**46,783**	**0**	**1,010**	**0**	**47,793**

The cost and net book value of the College's land and buildings is higher than that of the Group because in 2016, certain property owned by a previous subsidiary undertaking (that was subsequently liquidated), was transferred to the College at a cost that reflected fair value at that date. The amounts in the Group continue to reflect the original cost to the Group.

The net book value of equipment includes an amount of £114,300 (2018/19 – £151,448) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £37,147 (2018/19 – £34,290).

Notes to the Statements (continued)

13 Non Current Investments - Group & College

	2020 £'000	2019 £'000
Investments in Subsidiary Companies	0	0
Other Non Current Investments	278	288
Total	**278**	**288**

The Leicestershire College Limited was set up in 2016/17 and is incorporated in England and Wales. Loughborough College holds 100% of the ordinary share capital. The registered office address is Loughborough College, Radmoor Road, Loughborough, LE11 3BT.

14 Trade and Other Receivables

	2020 Group £'000	2020 College £'000	2019 Group £'000	2019 College £'000
Amounts Falling Due Within One Year:				
Trade Receivables	163	163	222	222
Amounts Owed by Group Undertakings:				
Subsidiary Undertakings	0	232	0	0
Prepayments and Accrued Income	772	770	679	679
Amounts Owed by the ESFA	0	0	0	0
Total	**935**	**1,165**	**901**	**901**

Amounts owed by group undertakings are trading balances repayable on demand and are non-interest bearing.

Notes to the Statements (continued)

15 Current Investments

	31 July 2020 Group £'000	31 July 2020 College £'000	31 July 2019 Group £'000	31 July 2019 College £'000
Short Term Deposits	0	0	0	0
Total	**0**	**0**	**0**	**0**

Deposits are held with banks operating in the London market and licensed by the Financial Conduct Authority with more than three months maturity at the balance sheet date. The interest rates for these deposits are fixed for the duration of the deposit at time of placement.

16 Creditors - Amounts Falling Due Within One Year

	31 July 2020 Group £'000	31 July 2020 College £'000	31 July 2019 Group £'000	31 July 2019 College £'000
Bank Loans and Overdrafts	300	300	335	335
Obligations Under Finance Leases	31	31	31	31
Trade Payables	481	474	682	681
Amounts Owed to Group Undertakings:				
Subsidiary Undertakings	0	0	0	35
Corporation Tax	0	0	0	0
Other Taxation and Social Security	677	647	609	598
Accruals and Deferred Income	2,284	2,299	2,349	2,362
Holiday Accrual	21	16	33	30
Deferred Income - Capital Grants	424	424	422	422
Amounts Owed to the ESFA	0	0	0	0
Total	**4,218**	**4,192**	**4,460**	**4,493**

Amounts owed by group undertakings are trading balances repayable on demand and are non-interest bearing.

17 Creditors - Amounts Falling Due After More Than One Year

	31 July 2020 Group £'000	31 July 2020 College £'000	31 July 2019 Group £'000	31 July 2019 College £'000
Bank Loans	5,625	5,625	5,339	5,339
Obligations Under Finance Leases	62	62	93	93
Deferred Income - Capital Grants	12,813	12,813	13,244	13,244
Total	**18,500**	**18,500**	**18,676**	**18,676**

Notes to the Statements (continued)

18 Maturity of Debt

(a) Bank Loans and Overdrafts

Bank Loans and Overdrafts are Repayable as Follows:

	31 July 2020 Group £'000	31 July 2020 College £'000	31 July 2019 Group £'000	31 July 2019 College £'000
In One Year or Less	300	300	335	335
Between One and Two Years	300	300	335	335
Between Two and Five Years	900	900	1,005	1,005
In Five Years or More	4,425	4,425	3,999	3,999
Total	**5,925**	**5,925**	**5,674**	**5,674**

The current bank loan was used to refinance the indebtness of the previous borrowers. Previously there were 2 loans: Loan 1 was for £1m and repayable over 25 years at 5.62% interest; Loan 2 was for £6m and repayable over 20 years at base +1.65% interest. The previous loans were used to fund capital building replacement and refurbishment projects. The loan is for £6m and repayable over 20 years at 3 month LIBOR + 2.95% interest.

(b) Finance leases

The net finance lease obligations to which the institution is committed are:

	31 July 2020 Group £'000	31 July 2020 College £'000	31 July 2019 Group £'000	31 July 2019 College £'000
In One Year or Less	31	31	31	31
Between Two and Five Years	62	62	93	93
In Five Years or More	0	0	0	0
Total	**93**	**93**	**124**	**124**

Finance lease obligations are secured on the assets to which they relate. The carrying value is £151,000
There are no contingent rents or subleasing arrangements.

Notes to the Statements (continued)

19 Provisions

	Group and College				
	Defined Benefit Obligations	Restructuring	Enhanced Pensions	Other	Total
	£'000	£'000	£'000	£'000	£'000
At 1 August 2019	13,758	0	511	0	14,269
Expenditure in the Period	0	0	8	0	8
Transferred from Income and Expenditure Account	9,792	0	0	0	9,792
At 31 July 2020	**23,550**	**0**	**519**	**0**	**24,069**

20 Notes to Cash Flow Statement

Analysis of Change in Net funds

Group	At 1 August 2019	Cash Flows	Other Changes	At 31 July 2020
	£'000	£'000	£'000	£'000
Cash and Cash Equivalents	3,196	569	0	3,765
Overdrafts	0	0	0	0
	3,196	**569**	**0**	**3,765**
Bank Loans	(5,674)	(251)	0	(5,925)
Finance Leases	(124)	31	0	(93)
Net Debt	**(2,602)**	**349**	**0**	**(2,253)**

College	At 1 August 2019	Cash Flows	Other Changes	At 31 July 2020
	£'000	£'000	£'000	£'000
Cash and Cash Equivalents	3,183	187	0	3,372
Overdrafts	0	0	0	0
	3,183	**187**	**0**	**3,372**
Bank Loans	(5,674)	(251)	0	(5,925)
Finance Leases	(124)	31	0	(93)
Net Debt	**(2,615)**	**(33)**	**0**	**(2,646)**

21 Capital Commitments

	Group and College	
	2019	2019
	£'000	£'000
Commitments Contracted for at 31 July	81	2

Notes to the Statements (continued)

22 Lease Obligations - Group and College

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

	31 July 2020 £'000	31 July 2019 £'000
Future Minimum Lease Payments Due		
Land and Buildings		
Not Later Than One Year	0	0
Later Than One Year and Not Later Than Five Years	0	0
Later than Five Years	0	0
	0	**0**
Other		
Not Later Than One Year	57	66
Later Than One Year and Not Later Than Five Years	7	63
Later than Five Years	0	0
	63	129
Total Lease Payments Due	**63**	**129**

The impact of these lease payments on the Income and Expenditure account was £66,000

23 Contingent Liabilities - Group and College

There are no events during the reporting period (2019 Nil).

24 Events after the balance sheet date - Group and College

There are no adjusting/ non-adjusting events after the reporting period.

Notes to the Statements (continued)

25 Defined benefit obligations - Group and College

Total Pension Cost for the Year		**Year Ended 31 July 2020 £'000**		**Year Ended 31 July 2019 £'000**
Teachers' Pension Scheme: Contributions Paid		1,698		1,085
Scottish Widows Pension Scheme: Contributions Paid		70		12
Local Government Pension Scheme:				
Contributions Paid	1,329		1,341	
FRS 102 (28) Charge	1,463		1,430	
Charge to the Statement of Comprehensive Income		2,792		2,771
Enhanced Pension Charge to Statement of Comprehensive Income		(8)		(25)
Total Pension Cost for the Year		**4,552**		**3,843**

All items relate to the college other than the Scottish Widows Pension Scheme.

Notes to the Statements (continued)

25 Defined Benefit Obligations - Group and College (continued)

FRS 102 (28)

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

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.

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Leicestershire County Council. The total contribution made for the year ended 31 July 2020 was £1,722,000, of which employer's contributions totalled £1,329,000 and employees' contributions totalled £393,000.

The agreed contribution rates for future years are 22.0% Y/E 31 March 2020, 22.3% Y/E 31 March 2021 for employers and range from 5.5% to 12.5% for employees, depending on salary.

Principal Actuarial Assumptions

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

	Year ended	
	31 July 2020	**31 July 2019**
Rate of Increase in Salaries	2.60%	3.40%
Future Pensions Increases	2.10%	2.40%
Discount Rate for Scheme Liabilities	1.40%	2.10%
Inflation Assumption (CPI)	2.10%	2.40%
Commutation of Pensions to Lump Sums	75%	75%

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

	Year ended	
	31 July 2020 years	**31 July 2019 years**
Retiring Today		
Males	21.50	21.20
Females	23.80	23.40
Retiring in 20 Years		
Males	22.20	22.20
Females	25.70	24.70

Notes to the Statements (continued)

25 Defined Benefit Obligations - Group and College (continued)

Local Government Pension Scheme (Continued)

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

	31 July 2020 £'000	31 July 2019 £'000
Fair Value of Plan Assets	33,448	35,532
Present Value of Plan Liabilities	(56,998)	(49,290)
Net Pensions Liability (Note 19)	**(23,550)**	**(13,758)**

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

	31 July 2020 £'000	31 July 2019 £'000
Amounts Included in Staff Costs		
Current Service Cost	2,791	2,357
Past Service Cost	1	414
Total	**2,792**	**2,771**
Amounts Included in Investment Income		
Net Interest Cost	305	252
	305	**252**
Amounts Recognised in Other Comprehensive Income		
Return on Pension Plan Assets	(3,763)	1,710
Experience Gains Arising on Defined Benefit Obligations	1,481	0
Changes in Assumptions Underlying the Present Value of Plan Liabilities	(5,742)	(5,483)
Amount Recognised in Other Comprehensive Income	**(8,024)**	**(3,773)**

Notes to the Statements (continued)

25 Defined Benefit Obligations - Group and College (continued)
Local Government Pension Scheme (Continued)

Movement in Net Defined Benefit Liability During the Year

	Year Ended 31 July 2020 £'000	Year Ended 31 July 2019 £'000
Deficit in Scheme at 1 August	(13,758)	(8,303)
Movement in Year:		
Current Service Cost	(2,791)	(2,357)
Past Service Cost	(1)	(414)
Net Interest on the Defined Liability	(305)	(252)
Employer Contributions	1,329	1,341
Actuarial (Loss)/ Gain	(8,024)	(3,773)
Net Defined Benefit Liability at 31 July	**(23,550)**	**(13,758)**

Asset and Liability Reconciliation

	Year Ended 31 July 2020 £'000	Year Ended 31 July 2019 £'000
Changes in the Present Value of Defined Benefit Obligations		
Defined Benefit Obligations at Start of Period	49,290	40,157
Current Service Cost	2,791	2,357
Past Service Cost	1	414
Interest Cost	1,062	1,158
Contributions by Scheme Participants	393	403
Estimated Benefits Paid	(800)	(682)
Changes in Financial Assumptions	5,742	5,483
Experience Gains on Defined Benefit Obligations	(1,481)	0
Curtailments and Settlements	0	0
Defined Benefit Obligations at End of Period	**56,998**	**49,290**
Reconciliation of Assets		
Fair Value of Plan Assets at Start of Period	35,532	31,854
Interest on Plan Assets	757	906
Contributions by Scheme Participants	393	403
Employer Contributions	1,329	1,341
Estimated Benefits Paid	(800)	(682)
Return on Plan Assets	(3,763)	1,710
Fair Value of Plan Assets at End of Period	**33,448**	**35,532**

Notes to the Statements (continued)

25 Defined Benefit Obligations - Group and College (continued)
Local Government Pension Scheme (Continued)

These financial statements show a past service cost of £1,000 (2019: £414,000) in respect of the McCloud / Sergeant judgement which ruled that the transitional protection for some members of public service schemes implemented when they were reformed constituted age discrimination.

This provision is just under 1% of the total scheme liability as at 31 July 2020. The calculation of adjustment to past service costs, £7 billion, arising from the outcome of the Court of Appeal judgement is based on a number of key assumptions including:

• the form of remedy adopted
• how the remedy will be implemented
• which members will be affected by the remedy
• the earning assumptions
• the withdrawal assumption

The other financial and demographic assumptions adopted to calculate the past service cost are the same as those used to calculate the overall scheme liability. Adopting different assumptions, or making other adjustments to reflect behavioural changes stemming from the judgement, would be expected to change the disclosed past service cost. Similarly, allowing for variations in individual members' future service or salary progression is expected to produce higher costs. The past service cost is particularly sensitive to the difference between assumed long term general pay growth and the CPI. If the long term salary growth assumptions were 0.5% pa lower, then the past service cost disclosed here would be expected to reduce by 50% and conversely a 0.5% pay increase would increase the estimated cost by 65%.

Notes to the Statements (continued)

25 Defined Benefit Obligations - Group only (continued)

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.

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 £196 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 2018/9. DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019-20 academic year.

The next valuation result is due to be implemented from 1 April 2023.

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 £1,698,000 (2019: £1,085,000).

Subsidiary Pension Scheme

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pensions cost charge represents contributions payable by the company to the existing scheme.

Notes to the Statements (continued)

26 Related Party Transactions - Group only

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 such organisations 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 the Governors during the year was £1,135; 2 governors (2019: £2,913; 3 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No governors received any remuneration or waived payments from the College during 2019/20 (£0 for 2018/19). The Chair of the corporation was entitled to £10,000 renumeration for undertaking the role but decided to waive her entitlement to the monies. This money is now earmarked to support governor development activities.

Loughborough College wholly owns The Leicestershire College Limited and the principal activity of the company is the provision of support services to Loughborough College.

Company

Other than the transactions disclosed in the Group note above, the Company's other related party transactions were with its wholly owned subsidiary.

27 Amounts Disbursed as Agent - Group and College

Learner Support Funds

	Year ended 31 July 2020 £'000	31 July 2019 £'000
Funding Body Grants – Bursary Support	689	686
Funding Body Grants – Discretionary Learner Support	0	0
Funding Body Grants – Residential Bursaries	0	0
Other Funding Body Grants	0	0
Interest Earned	0	0
	689	**686**
Disbursed to Students	(707)	(660)
Administration Costs	(31)	(31)
Balance (Overspent)/ Underspent as at 31 July, Included in Creditors	**(48)**	**(5)**

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.

Signable

Issuer	Loughborough College
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Parties involved with this document

Document processed	Party + Fingerprint
Mon, 14 Dec 2020 20:09:51 +0000	Jo Maher - Signer (385ebdf8db61e969633580a1a400f6ef)
Mon, 14 Dec 2020 22:20:27 +0000	Wendy Coy - Signer (e26efcdb55370efa83bb8f5128aa3a75)
Wed, 13 Jan 2021 10:36:55 +0000	Paul Oxtoby - Signer (343b0300d96b4b77899875ce02297d88)

Audit history log

Date	Action
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Wed, 13 Jan 2021 09:42:02 +0000	The active signer will be automatically reminded. (3.8.173.210)
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