SCC
GROUP

Salford City College

Annual Report and Financial Statements

Year ended 31st July 2020

Contents

Reference and Administrative Details

Board of Governors

Jackie Flynn (Chair)	Prof. Carole Roberts
Pat Walkington (Vice Chair)	Michael Sharples
Michael Sheehan (Group Principal & Chief Executive)	Amy Vaughan (Staff Governor)
Charles Davies	Bailey Peters (Student Governor) (period of office ended 31 July 2020)
Lindsay Harford (resigned 15 November 2019)	Paula Summersfield (commenced 16th December 2019)
Anthony Redmond	Shane Thompson (commenced 16th December 2019)
Paul Johnson	Sally Kells (commenced 20th April 2020)

Clerk / Company Secretary

Mr Ashley Newell until 31 August 2019, and Mrs Denise Hark from 1 September 2019.

Senior Leadership Team

Mr Michael Sheehan	Group Principal & Chief Executive, Accounting Officer and Head of Pendleton Sixth Form College
Ms Karen Hollins	Director of Finance (from 23rd March 2020)
Mr Martin Harrison	Interim Director of Finance (from 12th August 2019 until 22nd March 2020) Financial Consultant (from 23rd March 2020)
Mrs Rebecca Parks	Vice Principal Curriculum & Quality (from 1st January 2020) and Head of Eccles Sixth Form College
Mrs Kimberley Cash	Head of Worsley College
Ms Kate Rogerson	Head of City Skills and Head of Future Skills
Mrs Ruth Osborne-Thompson	Head of HE & Professional Studies
Mrs Debbie Ward	Head of Employer Engagement & Resources
Ms Kelly Mason	Head of Human Resources & Organisational Development

Principal and Registered Office – SCC Group, Pendleton College, Dronfield Road, Salford, M6 7FR

Professional advisers

Financial statements auditors and reporting accountants:
KPMG LLP
1 St Peter's Square
Manchester
M2 3AE

Internal auditors:
ICCA Education, Training and Skills Limited
3rd Floor, Charles House
Great Charles Street Queensway
Birmingham
B3 3HT

Bankers:

Lloyds Bank plc
8th Floor
40 Spring Gardens
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M2 1EN

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3 Hardman Street
Spinningfields
Manchester
M3 3HF

Solicitors:

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1 Scott Place
2 Hardman Street
Manchester
M3 3AA

Eversheds LLP
Eversheds House
70 Great Bridgewater Street
Manchester
M1 5ES

Strategic Report of the Corporation

OBJECTIVES AND STRATEGY

The Corporation members present their annual report together with the financial statements and auditor's report for the year ended 31 July 2020.

Legal status

Salford City College was formed on 2 January 2009 from the three existing colleges in Salford. On 1 January 2009 Pendleton College acquired the assets and liabilities of Eccles College and Salford College. This was achieved by the dissolution of the corporations of Eccles College and Salford College and a transfer of their employees, assets and liabilities into Pendleton College under section 27 of the Further and Higher Education Act 1992.

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Pendleton College but it changed its name to Salford City College on 2 January 2009. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

Mission, Vision, Strategy and Objectives

Following the appointment of the new Group Principal & Chief Executive in 2017, the Corporation reviewed the College's mission and in July 2017 adopted a new vision, aims and strategic plan:

Our Vision
To be a beacon of educational excellence transforming the lives of the individuals and communities we serve.

Our Aims
We aim to:
- *Deliver outstanding quality in terms of teaching and learning and the student experience.*
- *Provide outstanding levels of student care with an emphasis on educating the whole person, employability skills and positive progression outcomes.*
- *Create a college community with core values at its heart.*
- *Nurture our staff and students so that we have high levels of morale, together with creativity, innovation and excellence.*
- *Put high standards at the heart of all that we do. In our pursuit of excellence, we recognise that individually and collectively we can always improve.*

To support the achievement of our aims we will:
- *Seek to prosper as an independent organisation working in partnership with others to contribute to local, regional and national priorities.*
- *Maintain a comprehensive offer for all abilities and ages, valuing all our students equally and promoting equality and diversity.*
- *Invest in and modernise our campuses.*
- *Maintain financial stability through effective cost control and growth in 16-18 students, Higher Education, Apprenticeships, adult and full cost recovery provision.*
- *Strive to become sector-leading in all our activities with appropriate benchmarking against 'Best in Class' organisations, Sixth Form Colleges and General Further Education Colleges.*

Our Values
- *We respect the rights of individuals.*
- *We promote ethical and professional behaviour.*
- *We value all our staff and students equally.*
- *We promote equality, diversity and inclusion.*
- *We operate first and foremost as a centre of excellence in education.*
- *We prioritise the needs of our primary stakeholders: our students and the communities we serve.*

Our Strategic Plan
Three key strategic objectives:

Quality
To become a Grade 1 (Outstanding) college with:
- *Grade 3 (Excellent) Alps* or equivalent on all courses by September 2020*
- *All areas of the College exceeding national achievement rates by a minimum of 5%*

Growth
- *By September 2020 to increase the number of 16-18 students enrolling at the College together with expansion of Higher Education, apprentices, adult and full cost recovery provision*

Efficiency
- *By September 2020 to be classified by the ESFA as having 'Good' financial performance with sound finances leading to organisational stability.*

Our Financial objectives

The key ongoing financial objectives are:
- Generation of an operating surplus position (2019-20: £353k deficit excluding effects of FRS 102 (28), holiday pay accrual, loss/gain on disposal and exceptional restructuring costs).
- Achievement of a 'Good' financial health rating from Education Skills Funding Agency (2019:20: "Requires Improvement" due to the timing of loan refinancing arrangements and resultant classification as short term debt).
- Achievement of an adjusted current ratio of 1.1 (2019-20: 0.51).
- Maintenance of cash days of 50 (2019-20: 47).

Covid-19 impact
The College has had a challenging year in relation to the impact from the Covid-19 pandemic, most notably from the requirement to move to remote education delivery and home working from March 2020, and the financial impact of the crisis. Whilst the quality, growth and efficiency objectives have been met, the financial position has been significantly impacted by the pandemic. The projected operating surplus position and resultant improvement in cash position have not materialised, and therefore have impacted on the delivery of the financial objectives with the loss of income and increased pressure on cash balances.

Resources

Salford City College has a wide range of resources that it can deploy in pursuit of its strategic priorities.

The College employed an average of 729 people (526 when expressed as full time equivalents), of whom 286 (256 when expressed as full time equivalents) were teaching staff.

The College enrolled approximately 9,032 students. The College's student population includes 4,267 16 to 18 year old students, 1,298 apprentices, 371 higher education students, 1 international student and 2,350 adult learners.

The College has £886k of net liabilities (2019: £9,132k of net assets), including a £25,576k pension liability (2019: liability of £16,120k), and total debt of £6,526k (2019: £7,078k), all of which is deemed to be due within one year due to the timing of loan refinancing arrangements and the resultant classification as short term debt (2019: £276k). The new agreements will be in place by the time the existing loan facility expires.

Tangible resources include the main college sites at Dronfield Road, Lissadel Street and Merchant's Quay in Salford, FutureSkills at MediaCity, Chatsworth Road in Eccles and Walkden Road in Worsley. In addition to these main sites, the needs of learners are met in a number of community based venues across the City of Salford.

Maintaining brands is essential for the College's success at attracting students and developing external relationships. The College markets its provision under the banners of five colleges and two brands. The five colleges are Eccles Sixth Form College, Pendleton Sixth Form College, City Skills, Worsley College, and Future Skills at MediaCityUK, whilst the two brands are University Centre at Salford City College and Apprenticeships at Salford City College.

Resources (continued)

The College has an outstanding reputation locally and nationally. In the last Ofsted inspection in December 2019, the outcome remained a grade 2 meaning the College continues to be a Good provider.

The College is registered with the Office of Students, to deliver its higher education provision.

Stakeholders

The College has many stakeholders including:

- its current, future and past students;
- its staff and their trade unions. The senior leadership team are named on page 1. The trade unions of which Salford City College staff are members are UNISON, NASUWT, National Education Union, and University and College Union;
- the employers it works with;
- the professional organisation in the sectors where it operates;
- its partner schools and universities;
- the wider college community;
- its local borough council, combined authority and Local Enterprise Partnership.

The College recognises the importance of these relationships and engages in regular communication with its stakeholders. The College has representatives on a number of key groups and leads in many of these areas.

Public Benefit

Salford City College is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Corporation, who are trustees of the charity, are disclosed on page 1. In setting and reviewing the College's strategic objectives, the Corporation has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education.

In delivering its mission, the College provides identifiable public benefits through the advancement of education to 9,032 students, including 90 students with high needs. The College provides courses without charge to young people, to those who are unemployed and adults taking English and maths courses. The College adjusts its courses to meet the needs of local employers and provides training to 1,298 apprentices. The College is committed to providing information, advice and guidance to the students it enrols and to finding suitable courses for as many students as possible regardless of their educational background.

DEVELOPMENT AND PERFORMANCE

Financial Results

The College focuses on monitoring performance based on its operating position, which is the surplus/deficit prior to restructuring costs, loss or gain on disposal and FRS102 (25) pension adjustments. The College generated an operating deficit of £393k before exceptional restructuring, loss/gain on disposal, and FRS102 (28) costs (2018-19: £49k surplus).

The decline in performance in year compared to the financial plan was as a result of the global coronavirus pandemic, as a number of key income streams temporarily ceased from March 2020, with only a limited corresponding decrease in expenditure, insufficient to offset the decrease in income.

The College generated a deficit before other gains and losses in the year of £2,167k (2018-19: deficit of £1,909k).

The actuarial loss on the pension schemes has resulted in a total comprehensive loss for the year of £10,018k (2018-19: £7,050k loss).

During the year, the College incurred restructuring costs of £169k.

Financial Results (continued)

At the balance sheet date, the College held net current liabilities of £5,190k (2019: current assets £1,085k) due to the timing of loan refinancing arrangements and the resultant classification as short term debt, and net liabilities of £886k (2019: £9,132k of net assets), which includes a defined benefit pension liability of £25,576k (2019: £16,120k). The significant deterioration in net assets in year is due to the impact of the actuarial valuation of the defined benefit pension scheme.

Covid-19 impact
Prior to the outbreak of the Covid-19 pandemic, the College was building its financial foundations, and was performing ahead of the budgeted operating surplus for 2019-20. Cash balances, whilst remaining tight, were heading in the right direction, with a forecast year-end balance of in excess of £5m.

The Covid-19 pandemic has had a profound impact on the College's finances. A financial hit to our income and expenditure account has turned the previously reported forecast operating surplus into an operating deficit.

As a result of the pandemic, whilst core funding was assured from the ESFA for 16-18 delivery, the Office for Students and Greater Manchester Combined Authority for adult education budget allocations, all other income streams were affected. Commercial activities, including catering and rental of facilities, ceased from March 2020. Apprenticeship income was hit twofold due to employers furloughing their apprenticeships and requiring breaks in learning, as well as the contraction of the employment market resulting in limited new apprenticeship vacancies. Tuition fees across all provision were affected, with limited new starts in Term 3.

Expenditure was restricted where possible. For some services, the College was able to negotiate a reduction in costs where the provision of service was temporarily not required. Following the temporary closure of commercial operations, the Corporation furloughed catering staff and other staff supporting commercial activities under the Government's Coronavirus Job Retention Scheme, obtaining £142k income to support salaries.

The pandemic has also adversely impacted on the valuation of the defined benefit pension liability, with a significant increase of £9.5m (59%) at the balance sheet date due to performance of financial markets.

Cash flows and liquidity

The College's net cash flow from operating activities was £1,582k (2018-19: £1,588k), and was in line with the prior year despite the impact of COVID-19. The College's overall net cash outflow is £681k (2018-19: £935k), after financing £1,674k of tangible fixed assets purchases and total debt servicing costs of £595k.

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 cashflow. During the year this margin was easily exceeded and the loan covenants being measured in 2019-20 were complied with.

Covid-19 impact
The deterioration in the College's financial position has also adversely impacted on the cash position. In addition, the cash position has been further hit by the necessary steps taken by the College to support and safeguard its students, including the most vulnerable, through the payment of bursaries and free college meals.

With the exception of the Coronavirus Job Retention Scheme, no financial support was applied for by the College, and therefore it was not in receipt of any funds from the ESFA's provider relief scheme, Government's Coronavirus business interruption loan scheme, nor the national free meals voucher scheme.

Whilst funds are deemed to be sufficient and compare favourably with many colleges in the country, the reduced cash balance impacts on the College's ability to manage its finances and ensure compliance with loan covenants. It will impact on the College's rate of potential investment for change and developments, including the capital programme.

Developments

The College's ongoing investment in its estate continued, with tangible fixed asset additions during the year amounting to £1,611k. This was split between property improvements of £954k, fixtures and fittings of £107k, equipment purchases of £472k and assets in the course of construction £77k.

Reserves

The College has accumulated reserves of -£1,461k and cash balances of £4,167k. Excluding defined pensions obligations in relation to the LGPS pension scheme, the accumulated reserves stand at £24,115k. The College wishes to continue to accumulate reserves and cash balances to create a contingency fund and to fund the further development of the College estate.

Covid-19 impact
The deterioration in the financial position in year due to the pandemic has directly impacted on the College's accumulated reserves and cash. This position will take time to recover, and in turn this limits the College's ability to further develop its estate to the desired extent.

Sources of Income

The College continues to have significant reliance on the education sector funding bodies as its principal funding source, largely from recurrent grants. In 2019-20, the Further Education funding bodies provided 87% of the College's total income (2018-19: 85%).

Covid-19 impact
The pandemic has reinforced the importance of diverse income streams to support the College's financial position. The College has been fortunate to have had some sources of grant funding underwritten during the year. With the temporary cessation of commercial activities, non-funded income levels fell, but these are anticipated to return to pre-pandemic levels as a minimum once Covid-19 measures are no longer in place which limit activity.

Group Companies

The College has one subsidiary company, E4Jobs Limited. Any surplus generated by the subsidiary is transferred to the College under deed of covenant. In the current year, as in recent years, E4Jobs Limited did not trade. An application has been made to Companies House to dissolve the company. The company was subsequently dissolved on 17 November 2020.

FUTURE PROSPECTS

Future developments

The ambition of the College is to create a curriculum and supporting infrastructure which is distinctive and meets the needs of individual learners. The College has two sixth form centres, together with a range of vocational skills centres placed in areas of defined need.

The College's vision, aims and objectives establish a clear emphasis on quality, efficiency and growth. Following an initial two year period of consolidation, the continuing progression in 2019-20 has laid the foundation to enable future significant change to support the College's key aims, namely to establish financial stability and invest in quality improvement. Linked to known demographic increases in school leavers in the local area over the next five years, the College is well positioned to be the destination of choice, with ever increasing standards of educational delivery.

Covid-19 impact
Following the necessitated change in year to the curriculum delivery and business models, these will continue to be available to the College, to be utilised as appropriate in the coming period, with the College flexible in its approach to the situation as it unfolds. There will be ongoing development of detailed curriculum delivery plans to support on site, blended or remote study programmes and courses, and the workforce will continue to work flexibly to meet the needs of the College and its learners.

Covid-19 impact (continued)

A greater focus on technology and more versatile curriculum delivery has arisen as a result of the pandemic, and this will continue to be invested in moving forward to support the quality objective. Online and blended learning models have the potential to further enhance standards and reach a greater number of students, thus also supporting the growth objective. With substantial increases in recruitment of 16-18 year olds on study programmes in 2020-21, the College will significantly exceed its targets, and the College is considering submitting a bid for additional in year funding. However, a slower start on Apprenticeships may result in a negative impact on income alongside the potential for fewer adult learners to take on studies. The Higher Education market also remains extremely competitive which may impact on the number of students taking up their places at the College. Not all learners will engage effectively with remote delivery learning models and this may impact on the quality of the provision and the learner experience.

With the move to remote working for periods of the pandemic, there is the potential for the College to continue to grow without the need for additional estate to support the College's professional functions, and further support the efficiency objective.

Financial plan

The College Governors approved a financial plan in July 2020, which sets objectives for the period to July 2021. The College aims to return to its financial health rating of 'Good' following the new loan arrangements commencing in March 2021, and to achieve a small surplus in the year to 31 July 2021, based on a baseline financial plan.

Sound financial planning is even more critical for the College as a result of the Covid-19 pandemic. In developing the financial plan for the 2020-21 financial year, a detailed review of the College's income streams and cost base has been undertaken, to create a robust baseline budget, on which the decision-making process for the College can be based. There is a clear understanding of the financial position across the Corporation and senior leadership team, and a commitment to steering the College back to a sound financial base as soon as possible.

From the baseline position, sensitivity analysis has been undertaken to assess the potential impact of the ongoing public health crisis in terms of the College's income streams. In parallel to this, mitigation plans are being formulated to enable the College to react should the pandemic continue to have a financial impact into the new financial year. The drive for efficiency and value for money across the whole spectrum of the College's activities is of paramount importance in order to further secure the College's financial position and to steer it back onto the path towards financial sustainability.

The College's Integrated Financial Model submitted to the ESFA in February 2020, prior to the pandemic, outlined a financial health improvement in both surplus and cash over the coming 3 years, and the expectation of moving from a Financial Health score of Good to a score of Outstanding was forecast at the end of that period. Whilst impact of the Covid-19 pandemic is expected to continue to impact on the College's finances in 2020-21, the expectation based on September 2020 enrolment and planned growth over the medium term is for the ambition of Outstanding financial health to be realised.

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 treasury management policy in place to manage cash flows and associated risks.

Short term borrowing for temporary revenue purposes is authorised by the College's Accounting Officer. All other borrowing requires the authorisation of the Corporation, and compliance with the requirements of the ESFA Funding Agreement.

The College has no plans to increase long term borrowing. In light of the Covid-19 pandemic, the College has agreement in principle for an overdraft facility with our primary bankers, should this be required for short term cash flow purposes.

Reserves

The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of an organisation, and ensures that there are adequate resources to support the College's core activities. The College currently holds no restricted reserves. As at the balance sheet date, the Income and Expenditure account reserve stands at £-1,461k (2019: £8,525k). This is predominantly due to the defined benefit obligation of £25,576k in relation to the Local Government Pension Scheme. It is the Corporation's intention to increase reserves over the life of the Strategic Plan, by the generation of annual operating surpluses.

PRINCIPAL RISKS AND UNCERTAINTIES

The College has well-developed strategies for managing risk and strives to embed risk management in all that it does. Risk management processes are designed to protect its assets, reputation and financial stability. The governing body has overall responsibility for risk management, and its approach to managing risks and internal controls is explained in the Statement on Corporate Governance.

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

The main risk factors which may affect the College are outlined below, along with the action being taken to minimise them. Not all factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

Government funding

The College has considerable reliance on continued government funding through the further education sector funding bodies. In 2019-20 87% of the College's revenue was ultimately public funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The College is aware of several issues which may impact on future funding, including anticipated reforms to be announced in the Government's White Paper on Further Education, further apprenticeship reforms and the second year of devolution of the adult education budget. The College, in conjunction with its key stakeholders, is developing a strategy for growth in response to the devolution agenda, and to these reforms in readiness for their publication. It is recognised that any changes to funding will impact on the College, but the extent and full implications will not be known until government policy has developed.

This risk is mitigated in a number of ways:

- Funding is derived through a number of direct and indirect contractual arrangements.
- By ensuring the College is rigorous in delivering high quality education and training.
- Considerable focus and investment are placed on maintaining and managing key relationships with the various funding bodies.
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding.
- Regular dialogue with the funding bodies.
- Exploring potential new income streams to underpin the College's income levels.

Maintain adequate funding of pension liabilities

The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS 102.

This risk is mitigated by an agreed deficit recovery plan with the Greater Manchester Pension Scheme.

Failure to maintain the financial viability of the College

The College's current financial health grade is classified as "Requires Improvement", due to the timing of loan refinancing arrangements, as described above. The loan classification to short term is the result of a timing issue, and once the legal documents are signed, the loans will both revert to long term, and as a result our financial health score would then return to Good, assuming all other aspects of College finances remain the same. Notwithstanding that, the continuing challenge to the College's financial position remains the constraint on further education funding arising from a sustained period of cuts in public sector spending whilst maintaining the student experience.

This risk is mitigated in a number of ways:

- By rigorous budget setting procedures and sensitivity analysis
- Continuous in year budget monitoring
- Robust financial controls
- Exploring ongoing procurement efficiencies
- Diversification of income streams

Covid-19 impact
Many of the College's risks and uncertainties are sensitive to Covid-19 related matters. Key risks arising are:

- the ability to deliver study programmes and courses
- the ability to recruit and retain learners
- the ability to continue the development of partnerships and stakeholder relationships
- the potential loss of income
- the escalating costs of Covid-related measures

These risks are being monitored closely and are being mitigated in a number of ways:

- Creation of detailed curriculum delivery plans to support on site, blended or remote study programmes and courses
- Regular engagement with learners to ensure progress and provide support
- Versatile marketing plans to deliver targets
- Close working with partners and key stakeholders to strengthen our provision offering and communication
- Establishment of a contingency budget to underpin the College's financial position
- Sensitivity analysis of income streams, with mitigation plans to address different scenarios including cost reduction
- Continuous in year budget monitoring, with ongoing analysis of income levels against target
- Tight budgetary control to understand and address the cost of Covid-related measures

KEY PERFORMANCE INDICATORS

The College is committed to observing the importance of sector measures and indicators and use the FE Choices website which looks at measures such as achievement rates. The College is required to complete the annual Integrated Financial Model for the Education and Skills Funding Agency (ESFA), in which the College is assessed by the ESFA as having "Good" underlying financial health, as evidenced by prior year performance and the 2020-21 financial plan. The current rating of "Requires Improvement" is considered a temporary rating due to the timing of loan refinancing arrangements, and is expected to revert to "Good" once the legal documentation is signed.

Student numbers

In 2019-20 the College delivered activity against its main funding body allocations as follows:

- 16–18 funding allocation £20,659k, with 4,211 learners (2018-19: £19,797k with 4,172 learners)
- ESFA Adult Skills Budget allocation, including community learning, of £98k (2018-19: £6,172k)
- GMCA Adult Skills Budget allocation, including community learning, of £6,172k (2018-19: £nil)
- 16–18 Apprenticeship allocation and levy income of £1,102k (2018-19: £1,675k)
- Community Learning income has been combined into the Adult Skills Budget, with no set allocation (2018-19: £967k).

Value Added

Value added measures overall student performance, taking into account the number of subjects and the quality of teaching and learning. The Quality Indicator (QI) score and grade indicates the progress made across all examination entries, containing every grade taken by each subject, and thus giving a clear view of overall curriculum performance. The QI compares the total actual points with the total expected points. Outcomes are graded from 1 to 9 to show performance against national benchmarks, where 1 is "best possible", 2 is "outstanding", 3 is "excellent" and 4 is "very good". A Grade 1 Alps indicates performance in the top 1% in the country, as students perform better than 99% of other sixth form establishments when compared to students with the same GCSE grades on entry.

At A level, the College achieved a significantly improved value added score of 2 (2018-19: 4), continuing on its significant progress since a score of 6 in 2017-18 and 2016-17.

For Advanced Level Vocational, the College has again achieved a value added score of 2 (2018-19: 2), maintaining its progress since a score of 3 in 2017-28 and a 5 in 2016-17.

Ofqual implemented a standardisation process for exam results this summer. However, the algorithm revealed a number of anomalies and many inconsistent and unfair outcomes for students. Subsequently, the Government and Ofqual agreed to revert back to centre assessed grades. The centre assessment grade is the teacher's professional judgement of the most likely grade a student would have achieved if exams had gone ahead. The College's teachers based this grade on a range of evidence including mock exams, coursework, homework assignments and any other records of student performance over the course of study. Therefore, it was an accurate reflection on performance.

Student achievements

Achievement rates at the College continue to be good, including apprenticeships.

The overall 16-18 achievement rate has remained at the high rate of 87.4%, with a 19+ achievement rate of 85.1%. The overall apprenticeship success rate is 65.4%.

Level 3 achievement rates were at 91.7% for 16-18 students (2018-19: 88.2%) and 89.4% for 19+ students (2018-19: 82.6%).

Financial results

The Financial health assessments are based on operating results excluding FRS 102 (28) adjustments.

	2019-20	2018-19	2017-18	2016-17	2015-16
Current ratio (adjusted)	0.51	1.39	1.27	0.75	1.23
Cash days in hand	47	56	63	43	69
Operating surplus / (deficit) as % of adjusted income	(6.28%)	(6.42%)	0.53%	0.21%	1.16%
Education-specific EBITDA as % of adjusted income	6.22%	6.94%	13.09%	10.91%	9.38%
Staff costs (including contract tuition services, excluding restructuring) as % of adjusted income	69.35%	65.51%	62.84%	57.55%	60.22%
Staff costs (including contract tuition services, excluding pensions adjustment and excluding restructuring) as % of adjusted income	65.72%	61.63%	59.86%	56.13%	59.43%

Quality of Provision

The College was subjected to an Ofsted Short Inspection Visit in December 2019, the outcome was that the College continues to be a Good provider (Grade 2).

The Inspectors made a judgement on a four-point scale:

1. Outstanding (Grade 1)
2. Good (Grade 2)
3. Requires Improvement (Grade 3)
4. Inadequate (Grade 4)

The inspection was conducted under the new Education Inspection Framework and focused on Quality of Education and Leadership & Management. All campuses and provision types were inspected: young people, adults, apprenticeships and high needs learners. Outcomes from the report highlight how far the College has travelled and praised the way leaders strive to ensure every student gains the very best possible outcomes.

The Corporation were pleased with the outcome of the Inspection Visit and the College continues to monitor progress against any recommendations made and ensure that high standards are maintained.

EQUALITY AND DIVERSITY

Equality

Salford City College is fully committed to ensuring and delivering equality of opportunity for all its students and staff. The College is committed to ensuring the elimination of all forms of unfair and illegal discrimination, as well as all forms of harassment and victimisation. We respect and value positively differences in race, gender, sexual orientation, disability, religion or belief and age.

The College's Single Equality Scheme is published on the College's website. The College publishes an Annual Equality Report and Equality Objectives 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. Equality impact assessments are also undertaken for existing policies and procedures on a prioritised basis.

The College's Single Equality Scheme is reviewed each year and monitored by managers and the Corporation.

Equality (continued)

The College has developed and implemented a Single Equality Scheme and Action Plan which provides an overview in regard to how the College will meet its equality duty; how the College will handle any cases of harassment and unlawful discrimination; how policies, processes and plans will be monitored for adverse impact; how the overall practice and outcomes of the College will be monitored; and how action will be planned and delivered to address any concerns that are identified.

The Single Equality Scheme supports the monitoring of the protected characteristics of students and staff so that continuous improvement can be achieved. The College will continue to meet these duties through the ongoing development of the Single Equality Scheme and Action Plan.

The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to ensure that employment with the college continues. The College's policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non-disabled employees.

The College is a 'Disability Confident Employer' and has committed to the principles and objectives of Disability Confident standard.

The College provides Equality & Diversity training and refresher training to all staff on an ongoing basis.

Disability statement

The College seeks to achieve the objectives set down in the Equality Act 2010:

1. Buildings are accessible (insofar as is practical), with ramps at each site to allow wheelchair access.
2. There is a list of specialist equipment, such as audio visual facilities, which the College can make available for use by students.
3. The College has separate admissions policies for further education (FE) and higher education (HE). These cover fair admission and the process in which to appeal an admissions decision.
4. The College has a number of Education Support Assistants and Student Support Assistants who provide a variety of support for students who have learning difficulties or disabilities.
5. Counselling and welfare support are available via our Student Services team. Both counselling and welfare appointments are available to students.

Trade union facility time

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

Numbers of employees who were relevant union officials during the period	FTE employee number
7	6.09

Percentage of time	Number of employees
0%	0
1-50%	7
51-99%	0
100%	0

Total cost of facility time	£4,834
Total pay bill	£22,162,327
Percentage of total bill spent on facility time	0.022%

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

GOING CONCERN

Going concern

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

The College has had a challenging year in relation to the impact from the Covid-19 pandemic. 2019-20 has met with some challenges in terms of both lost income and increased strain on cash balances. The College is assessed by the ESFA as having "Good" underlying financial health, despite the Covid-19 pandemic. The current rating of "Requires Improvement" is considered a temporary rating due to the timing of loan refinancing arrangements, and is expected to revert to "Good" once the legal documentation is signed.

In particular, commercial income has been significantly reduced. Free School Meals monies have been paid directly to students during the lockdown period which would normally have been recycled within the College as catering income. The need to make these payments directly has increased the total amount due to students as not all always take up their entitlement when they are in College. Other commercial income has also been affected as the College has been unable to rent spaces and put on shows which would normally take place across the year. There has also been an impact on income for Apprenticeship programmes due to the employers furloughing employees and requiring breaks in learning, as well as reduced tuition fee income as Term 3's delivery was impacted.

The result has impacted on the potential for the College to have made an operating surplus in year (prior to pension adjustments and staff restructuring), and these issues have also impacted on the College cash balances.

Moving forward, the College has increased activity for the Core 16-19 funded students and is on a continual trajectory for growth in this area as it is meeting the requirements to improve quality, grow provision and work on efficiencies. The challenge of meeting growth in numbers created by the lagged funding methodology makes it more difficult to increase potential surpluses. A small surplus is planned as part of the 2020-21 budget, with the provision of a significant contingency.

Detailed work on the 2020-21 baseline budget has been undertaken to ensure that the College is able to meet needs and serve the local community. A repeat of lockdown and ongoing Covid-19 measures will impact on the College. Sensitivity analysis has been undertaken to identify how the College can address and manage this. There is a contingency built into the budget for the coming year alongside a small surplus. In addition, mitigation plans have been proposed and there are actions which can be taken to reduce costs. The College has taken advantage of the furlough scheme which will continue into the new financial year but this has not been factored into the budget.

There has been an increase in the funding formula for 16-18 students, which in a position of growth the College is able to capitalise on, even taking into consideration the in-year strain caused by the lagged funding model. Further growth is expected in 2020-21 from progressing students and recruited students, and this is borne out in enrolment numbers. Financial plans are based on 100 additional students per year but current indications show that this number may be significantly more. Early recruitment of 16-18 year olds on study programmes is showing that the College will significantly exceed its current targets, putting it in the position of a positive start to 2020-21. The College is considering submitting a bid for additional in year funding.

Other sources of income are reasonably secure. Adult courses funded by the Greater Manchester Combined Authority are at a similar level to the previous year, with some additional funds provided for late achievements. Loan funded courses are at a similar level.

The outturn on Apprenticeships has not been impacted as much as expected during 2019-20 and conservative estimates remain in place for 2020-21. There are also other areas where income is likely to increase subject to the College remaining open throughout the year.

Cash balances are planned to restore to a level higher than the end of the 2018-19 financial year. The cash balance remains sufficient throughout the year, despite the cyclical low point in February and March linked to the ESFA payment profile. With continued growth in the core source of income the College will continue on this upward trajectory.

Going concern (continued)

Capital expenditure has been pulled back in line with the cash balances needing to recover. The College has sufficient space to accommodate the anticipated growth in numbers and so does not need to expand the estate. The focus is on ensuring it is meeting Health & Safety standards and running as efficiently as possible.

The continuing challenge to the College's financial position remains the constraint on further education funding, as well as inflationary pressures, whilst maintaining the student experience. This risk is mitigated in a number of ways:

- By rigorous budget setting procedures and sensitivity analysis
- Regular in year budget monitoring
- Robust financial controls
- Exploring ongoing procurement efficiencies

The Corporation considers that the College has adequate operational resources to continue existence for the foreseeable future.

OTHER INFORMATION

Salford Academy Trust

Salford City College was the academy sponsor for Salford Academy Trust along with its education partners, University of Salford and the local authority. Salford Academy Trust was incorporated on 21 June 2012 as a company limited by guarantee. The Trust has overseen the conversion to Academy status of four schools since September 2012 – The Albion Academy, Marlborough Road Academy, Dukesgate Academy and Irlam and Cadishead College. The Salford Academy Trust is a related party of Salford City College and transactions with the Trust are included in Note 24. The Academies within the Trust transferred to the United Learning Trust on 1 February 2019. A final set of accounts were provided to 31 January 2019. The Trustees are in the process of closing the Salford Academy Trust.

EVENTS AFTER THE REPORTING PERIOD

There are no significant post balance sheet events.

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.

Approved by order of the members of the Corporation on 25 January 2021 and signed on its behalf by:

J. Flynn
Chair

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. 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 ("the Code"); and
iii. having due regard to the 2018 edition of the UK Corporate Governance Code insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance. In carrying out its responsibilities, it takes full account of and complies with The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted in August 2015.

In the opinion of the members of the Corporation, the College complies with the provisions of the Code, and it has complied throughout the year ended 31 July 2020. The Corporation 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.

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 relevant to the further education sector and best practice.

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

Members of the Corporation

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

Member	Date of appointment	Term of Office Ends	Role	Committee membership	Attendance
Jackie Flynn	2 July 2018	31 July 2021	Independent member	**Chair of Corporation** Strategy Finance and Resources (Chair) Quality and Standards Governance and Search (Vice Chair) Remuneration (Chair) Human resources and Organisational Development	16/16
Charles Davies	1 April 2017	1 April 2021	Independent member	Human Resources and Organisational Development (Vice Chair) Strategy Finance and Resources	7/8
Lindsay Harford	21 March 2018	Resigned 15 November 2019	Independent member	Quality and Standards (Chair) Audit Remuneration	3/4
Paul Johnson	27 July 2020	31 July 2024	Independent member	Audit (Chair) Remuneration	8/9
Anthony Redmond	2 July 2018	31 July 2022	Independent member	Audit Human Resources and Organisational Development (Chair) Remuneration	13/13
Prof. Carole Roberts	27 July 2020	31 July 2021	Independent member	Human Resources and Organisational Development Quality & Standards (Chair) Strategy Finance and Resources (Vice Chair) Remuneration (Vice Chair) Governance and Search	16/16
Michael Sharples	16 Dec 2019	31 Dec 2023	Independent member	Strategy Finance and Resources	5/6
Bailey Peters	1 August 2019	31 July 2020	Student	Quality and Standards	3/5
Michael Sheehan	3 July 2017	N/A	Group Principal & Chief Executive	Human Resources and Organisational Development Governance and Search Quality and Standards Strategy Finance and Resources	14/14
Pat Walkington	2 July 2018	31 July 2021	Independent member	**Vice Chair of Corporation** Governance and Search (Chair) Human Resources and Organisational Development Remuneration Quality and Standards (Vice Chair) Audit (Vice Chair)	16/16
Paula Summersfield	16 Dec 2019	31 Dec 2023	Independent Member	Strategy, Finance & Resources	5/5
Shane Thompson	16 Dec 2019	31 Dec 2023	Independent Member	Audit	3/3
Sally Kells	20 April 2020	20 April 2024	Independent Member	Strategy, Finance & Resources	2/2
Amy Vaughan	1 August 2018	31 July 2022	Staff	Quality and Standards	4/5
Denise Hark is the current Clerk to the Corporation.					

Co-optees

The Corporation has also strategically appointed a number of Co-optees to serve on the committees most appropriate to their skills. Co-optees are not members of the Corporation and do not attend Corporation meetings.

Cllr. John Walsh	26 March 2018	26 March 2022	Co-optee	Quality and Standards	1/2
Prof. Hassan Yazdifar	2 July 2018	Resigned October 2019	Co-optee	Audit Committee	0/0
James Hargreaves	23 Sept 2019	23 Sept 2023	Co-optee	Strategy, Finance & Resources	0/3
Lucy Robinson	27 July 2020	27 July 2024	Co-optee	Audit Committee	0/0

The governance framework

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

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

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Strategy Finance & Resources, Human Resources & Organisational Development, Remuneration, Governance & Search, Quality & Standards and Audit. The full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website www.salfordcc.ac.uk or from the Clerk to the Corporation at the Corporation's registered address:

Salford City College
Pendleton College
Dronfield Road
Salford
M6 7FR

The Clerk to the Corporation maintains a register of financial and personal interests of the members of the Corporation. The register is available for inspection at the above address.

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

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

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

Covid-19

Covid-19 resulted in the March 2020 Corporation meeting having to be cancelled. However, Governors continued to discharge their duties and made approvals by electronic written resolutions, as permitted in the College's Instrument & Articles of Government. An Emergency Planning Group comprised of six governors, including the Group Principal & Chief Executive, was also established. The Emergency Planning Group considered the College's re-opening plans and the implications of Covid-19 on the College.

To ensure both the College and its suppliers did not receive duplicate funding, the cost of furloughed staff within supplier contracts was reduced from the invoice values paid. This mainly affected the contracts for transport, security and cleaning services.

Appointments to the Corporation

Any new appointments to the Corporation are a matter for consideration of, and approval by, the Corporation as a whole. The Corporation has a Governance & Search Committee consisting of 5 members of the Corporation, which is responsible for interviewing and nominating new members for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Appointments to the Corporation (continued)

Members of the Corporation are usually appointed for a term of office of four years in the first instance. The Corporation noted the AoC good practice guide recommendation that two periods of four years were the optimum. However, whilst noting this and broadly following this guidance, the Corporation ensures that the needs of the College are always put first. The need for consistency, coherence and experience are prime considerations. There has been a need to retain a number of very experienced governors over the past 6 years to maintain continuity and stability in light of the fact that there have been very significant changes in senior post-holders with 3 Principals, 3 Directors of Finance and 3 Clerks having been in post during this period. The College has been able to retain governors from all three of the original colleges which merged to form Salford City College Group, ensuring that the community it serves is represented.

Co-optees

The Corporation has appointed a number of Co-optees (3 at present to the Quality & Standards, Audit, and Strategy Finance & Resources respectively) who serve on the committees most appropriate to their skills. The Co-optees are not members of the Corporation, but are strategically appointed to strengthen specialist expertise in selected areas.

Corporation Performance

The Corporation undertakes an annual Self-Assessment of its performance against a wide range of criteria. In line with the OFSTED criteria for Leadership and Management within the Education Inspection Framework, it assessed itself as Good. This assessment is in line with the OFSTED view of Leadership and Management undertaken during their inspection in December 2019. In addition, individual governor development interviews are held by the Chair each year to assess training and development needs and secure feedback on performance. The Chair's performance is evaluated by governors through a Chair's Evaluation Questionnaire (drawn up from AoC guidance) and the results are considered by the Corporation and validated by an external reviewer.

Remuneration Committee

In the year ending 31 July 2020, the College's Remuneration Committee membership comprised five members of the Corporation. The committee's responsibilities are to make recommendations to the Board on the appointment, and remuneration and benefits, of the Accounting Officer and other senior post-holders. Decisions on remuneration are made following consideration of comparative, and other pertinent data, including performance.

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

Audit Committee

The Audit Committee is comprised of four members of the Corporation (excluding the Accounting Officer and Chair). The Committee operates in accordance with written terms of reference approved by the Corporation. The Audit Committee meets on a termly basis and provides a forum for reporting by the College's internal, regularity and financial statements auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the main FE funding bodies as they affect the College's business.

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

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

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

INTERNAL CONTROL

Scope of responsibility

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

The Corporation has delegated the day-to-day responsibility to the Group Principal & 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 him in the Funding Agreement between Salford City College and the funding bodies. He 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 Salford City 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 ending 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 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 Corporation;
- regular reviews by the Corporation of periodic and annual financial reports which indicate financial performance against forecasts;
- setting targets to measure financial and other performance;
- clearly defined capital investment control guidelines; and
- the adoption of formal project management disciplines, where appropriate.

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

Covid-19 impact

In response to the pandemic, the Corporation established an Emergency Planning Group, comprising the Chair of Corporation, the Chairs of all committees, the Group Principal & Chief Executive, and members of the senior leadership team. This Group reviewed the proposed arrangements being put in place by the Group Principal & Chief Executive and senior leadership team. This was further supported by an internal audit review of the College's arrangements for reopening. The Group will continue to meet whilst the pandemic and related risks remain.

Risks faced by the Corporation

The College has well-developed strategies for managing risk and strives to embed risk management in all that it does. Risk management processes are designed to protect its assets, reputation and financial stability. The governing body has overall responsibility for risk management. Individual risks identified are allocated to appropriate Corporation committees, and reviewed as part of the reporting processes.

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

The Audit Committee directs the work of the internal auditors, who develop their annual plan taking a risk-based approach, prior to submission to the Corporation for approval.

As a result of the significantly increased risk from the pandemic, additional action has been required, agreed and implemented to facilitate the reopening of the College in a Covid-19 safe environment. There is also additional oversight in relation to the risk of cyber attacks as the College is further dependent on the use of technology for blended and remote delivery.

Control weaknesses identified

The Corporation has not identified any significant internal control weaknesses. However, in September 2019, the College was the victim of a cybercrime resulting in a loss of £123,363. This was reported to Action Fraud and appropriate action was taken to mitigate any future impact, by increasing the amount of insurance cover for cybercrime and reinforcing adherence to financial procedures. Additional training was also provided to the College leadership team and the finance team.

Responsibilities under funding agreements

The Corporation has met regularly throughout the year and has ensured that its contractual responsibilities under its funding agreements and contracts with the ESFA and Greater Manchester Combined Authority have been met. Robust policies and standing operating procedures are in place to ensure compliance, which are regularly updated, monitored and approved by the Corporation.

The Office for Students (OfS) requirements have also been complied with. During the year the OfS normally require a Transparency return to be completed. However, this has been put on hold by the OfS due to the Covid-19 pandemic. However, arrangements are in place for the completion of the return when it is required.

Statement from the Audit Committee

The Audit Committee has advised the Corporation that the Corporation has an effective framework for governance and risk management in place. The Audit Committee believes the Corporation has effective internal controls in place.

The specific areas of work undertaken by the Audit Committee in 2019-20 and up to the date of the approval of the financial statements are detailed below.

Internal audits

- Space utilisation
- Anti-Fraud and Corruption Controls
- Teaching and Learning Observations and Learning Walks
- Follow-up of Previous Internal Recommendations

Three of these audits were given substantial assurance, and one reasonable assurance, with no high-risk recommendations made.

Advisory reviews

- External Assurance of Sub-Contractors – this annual review is required for any sub-contracting activity.
- Risk management of Covid-19 – this was a specific request in order to gain external assurance in relation to the plans for College reopening.
- Review of financial position 2018-19 – this review was undertaken at the request of the Corporation.

Covid-19 impact

- The planned internal audit review of the ESFA Funding was unable to be completed as a result of the lockdown. This was replaced by a Covid-19 specific advisory review. All other internal audits and reviews had been completed prior to the commencement of lockdown and therefore were unaffected by the pandemic, with the exception of the Follow-up of Previous Internal Recommendations which was undertaken remotely.

Review of effectiveness

As Accounting Officer, the Group Principal & Chief Executive has responsibility for reviewing the effectiveness of the system of internal control. His review of the effectiveness of the system of internal control is informed by:

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

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

The Group Principal & Chief Executive and senior leadership team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Group Principal & Chief Executive and senior leadership team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement.

The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior leadership team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its November 2020 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2020 by considering documentation from the senior leadership team and internal audit, and taking account of events since 31 July 2020.

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

Approved by order of the members of the Corporation on 25 January 2021 and signed on its behalf by:

J. Flynn	**R. Parks**
Chair	**Accounting Officer**

Statement on Regularity, Propriety and Compliance

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

The Corporation ensures that there are adequate and effective arrangements in place to ensure public funds are managed appropriately, in line with the conditions of grant and the principles of regularity, propriety and value for money, and to protect the interests of taxpayers and other stakeholders. This is done by ensuring that the College operates within an agreed framework of policies and procedures which are reviewed and updated regularly.

Approved by order of the members of the Corporation on 25 January 2021 and signed on its behalf by:

J. Flynn
Chair

R Parks
Accounting Officer

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the College's Grant Funding Agreements and contracts with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the *2019 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the College Accounts Direction 2019 to 2020 issued by the ESFA, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

The Corporation is responsible for keeping adequate accounting records which disclose with reasonable accuracy, at any time, the financial position of the College, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for taking steps that are reasonably open to it in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

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

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from the ESFA are used only in accordance with the Grant Funding Agreements and contracts with the ESFA and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the ESFA are not put at risk.

Approved by order of the members of the Corporation on 25 January 2021 and signed on its behalf by:

J. Flynn
Chair

Independent auditor's report to the Corporation of Salford City College

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Salford City College ("the College") for the year ended 31 July 2020 which comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Balance Sheet and Statement of Cash Flows and related notes, including the accounting policies in Note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2020, and of the College's income and expenditure, gains and losses and changes in reserves, and cash flows, for the year then ended; and

- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, and with the 2019 Statement of Recommended Practice – Accounting for Further and Higher Education.

- meet the requirements of the Accounts Direction dated 25 October 2019 issued by the Office for Students ('the OfS Accounts Direction').

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the College in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Corporation has prepared the financial statements on the going concern basis as it does not intend to liquidate the College or to cease their operations, and as it has concluded that the College's financial position means that this is realistic. It has also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Corporation's conclusions, we considered the inherent risks to the College's business model, and analysed how those risks might affect the College's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the College will continue in operation.

Other information

The Corporation is responsible for the other information, which comprises the Strategic Report of the Corporation and the Corporation's statement of corporate governance and internal control. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Matters on which we are required to report by exception

Under the Post-16 Audit Code of Practice 2019 to 2020 (July 2020) issued by the Education and Skills Funding Agency we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the College; or
- the College's financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Corporation's responsibilities

As explained more fully in their statement set out on page 24, the Corporation is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the College or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We are required to report on the following matters by the OfS 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;
- income has been applied in accordance with the articles of government and
- funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions.

Matters on which we are required to report by exception

We are required by the OfS Accounts Direction to report to you where the College has an access and participation plan that has been approved by the Office for Students' director of fair access and participation and the results of our audit work indicate that the College's expenditure on access and participation activities for the financial year disclosed in Note 8a has been materially misstated.

We are also required by the OfS Accounts Direction to report to you where the results of our audit work indicate that the College's grant and fee income, as disclosed in Note 2 to the financial statements has been materially misstated.

We have nothing to report in these respects.

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the Corporation, in accordance with Article 24 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the Corporation for our audit work, for this report, or for the opinions we have formed.

Rashpal Khangura
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

26 January 2021

Reporting Accountant's Report on Regularity to the Corporation of Salford City College and the Secretary of State for Education acting through the Education and Skills Funding Agency (ESFA)

In accordance with the terms of our engagement letter dated 2 September 2020 and further to the requirements and conditions of funding in ESFA grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Salford City College during the period 01 August 2019 to 31 July 2020 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post-16 Audit Code of Practice 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 or devolved authority has other assurance arrangements in place.

This report is made solely to the corporation of Salford City College and 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 Salford City College and 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 Salford City College and the ESFA for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Salford City College and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Post-16 Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 01 August 2019 to 31 July 2020 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Post-16 Audit Code of Practice issued by the ESFA. We performed a limited assurance engagement as defined in that framework.

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

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

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

The work undertaken to draw our conclusion included:

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

This list is not exhaustive and we performed additional procedures designed to provide us with sufficient appropriate evidence to express a limited assurance conclusion on regularity consistent with the requirements of the Post-16 Audit Code of Practice.

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 01 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.

Rashpal Khangura
For and on behalf of KPMG LLP, Reporting Accountant
1 St Peter's Square
Manchester
M2 3AE

26 January 2021

Salford City College
Statement of Comprehensive Income

	Notes	Year ended 31 July 2020 £'000	2019 £'000
INCOME			
Funding body grants	2	30,325	29,346
Tuition fees and education contracts	3	3,030	3,091
Other grants and contracts	4	761	984
Other income	5	903	1,165
Investment income	6	17	27
Total income		**35,036**	**34,613**
EXPENDITURE			
Staff costs	7	24,135	22,378
Other operating expenses	8	9,468	10,549
Depreciation	11	2,927	2,976
Interest and other finance costs	9	673	619
Total expenditure		**37,203**	**36,522**
(Deficit) / Surplus before other gains, losses and tax		**(2,167)**	**(1,909)**
(Loss) / Gain on disposal of assets	11	-	(274)
(Deficit) / Surplus before tax		**(2,167)**	**(2,183)**
Taxation	10	-	-
(Deficit) / Surplus for the year		**(2,167)**	**(2,183)**
Actuarial (loss) / gain in respect of pension schemes	23	(7,851)	(4,867)
Total Comprehensive Income for the year		**(10,018)**	**(7,050)**
Represented by:			
Restricted Comprehensive Income		-	-
Unrestricted Comprehensive Income		**(10,018)**	**(7,050)**
		(10,018)	**(7,050)**

All items of income and expenditure relate to continuing activities.

The notes on pages 34 to 51 form part of these financial statements.

Salford City College
Statement of Changes in Reserves

	Income and Expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Balance at 1 August 2018	15,543	639	16,182
Surplus / (deficit) from the income and expenditure account	(2,183)	-	(2,183)
Other comprehensive income	(4,867)	-	(4,867)
Transfers between revaluation and income and expenditure reserves	32	(32)	-
Total comprehensive income for the year	(7,018)	(32)	(7,050)
Balance at 31 July 2019	8,525	607	9,132
Surplus / (deficit) from the income and expenditure account	(2,167)	-	(2,167)
Other comprehensive income	(7,851)	-	(7,851)
Transfers between revaluation and income and expenditure reserves	32	(32)	-
Total comprehensive income for the year	(9,986)	(32)	(10,018)
Balance at 31 July 2020	**(1,461)**	**575**	**(886)**

The notes on pages 34 to 51 form part of these financial statements.

Salford City College
Balance Sheet as at 31 July 2020

	Notes	2020 £'000	2019 £'000
Non current assets			
Tangible fixed assets	11	37,745	39,061
Investments	12	-	-
		37,745	**39,061**
Current assets			
Stocks		63	80
Trade and other receivables	13	636	785
Cash and cash equivalents	17	4,167	4,848
		4,866	**5,713**
Less: Creditors – amounts falling due within one year	14	(10,056)	(4,628)
Net current assets/(liabilities)		**(5,190)**	**1,085**
Total assets less current liabilities		**32,554**	**40,146**
Creditors – amounts falling due after more than one year	15	(7,626)	(14,671)
Provisions			
Defined benefit obligations	17	(25,576)	(16,120)
Other provisions	17	(238)	(223)
Total net assets / (liabilities)		**(886)**	**9,132**
Unrestricted Reserves			
Income and expenditure account		(1,461)	8,525
Revaluation reserve		575	607
Total unrestricted reserves		**(886)**	**9,132**
Total reserves		**(886)**	**9,132**

The financial statements on pages 30 to 51 were approved and authorised for issue by the Corporation on 25 January 2021 and were signed on its behalf on that date by:

J. Flynn
Chair

R. Parks
Accounting Officer

The notes on pages 34 to 51 form part of these financial statements.

Salford City College
Statement of Cash Flows

	Notes	2020 £'000	2019 £'000
Cash inflow from operating activities			
Surplus / (Deficit) for the year		(2,167)	(2,183)
Adjustment for non-cash items			
Depreciation		2,927	2,976
Assets disposals - Media City		-	227
(Increase) / decrease in stocks		17	(20)
(Increase) / decrease in debtors		149	421
Increase / (decrease) in creditors due within one year		(758)	(1,515)
Increase / (decrease) in creditors due after one year		(518)	(242)
Increase / (decrease) in provisions		15	14
Pensions costs less contributions payable		1,605	1,606
Adjustment for investing or financing activities			
Investment income		(17)	(27)
Interest payable		319	331
Net cash flow from operating activities		1,572	1,588
Cash flows from investing activities			
Investment income		17	27
Payments made to acquire fixed assets		(1,674)	(1,955)
Net cash flow from investing activities		(1,657)	(1,928)
Cash flows from financing activities			
Interest paid		(319)	(331)
Repayments of amounts borrowed		(276)	(264)
Net cash flow from financing activities		(595)	(595)
Increase / (decrease) in cash and cash equivalents in the year		**(681)**	**(935)**
Cash and cash equivalents at beginning of the year	18	4,848	5,783
Cash and cash equivalents at end of the year	18	4,167	4,848

The notes on pages 34 to 51 form part of these financial statements.

Notes to the Accounts

1. Accounting policies

Statement of accounting policies and estimation techniques

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 (the 2019 FE HE SORP), the College Accounts Direction for 2019 to 2020, and the March 2018 revised edition of the 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.

Going concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Annual Report of the Corporation. The financial position of the College, its cashflow, liquidity and borrowings are described in the Financial Statements and accompanying Notes. The financial statements are prepared on a going concern basis notwithstanding that the College has reported an operating loss of £2,167,000 for the year to 31 July 2020 (2019: £1,909,000), operating cash outflow of £681,000 (2019: £935,000) and at 31 July 2020 has net liabilities of £886,000.

The Corporation has prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements. After reviewing these forecasts, the Corporation is of the opinion that, taking account of severe but plausible downsides, including the anticipated impact of COVID-19, the College will have sufficient funds to meet its liabilities as they fall due over the period of 12 months from the date of approval of the financial statements (the going concern assessment period).

A loan facility currently in place with Lloyds Bank is ending in March 2021. The Corporation has negotiated a new loan agreement which will roll the current facility (£2.5m) into a new 5 year loan agreement Based on the advanced discussions between all parties, the new loan agreement was approved at the Corporation meeting on 25th January 2021. This new agreement will be in place by the time the existing loan facility expires.

Loan covenants for the existing loans are measured following the signing of the financial statements. A loan in place from Barclays Bank had an outstanding balance of £4.0m at 31 July 2020. During the 2019-20 financial year the Corporation recognised that it was likely to record a deficit and would therefore potentially breach one of its covenants on that loan. The Corporation also recognised that it was likely to trigger an event of default as a consequence of recognising a pension deficit. Barclays provided formal notification to the Corporation prior to 31 July 2020 that the covenant would not be breached, provided the College had unrestricted cash at that date. Barclays has subsequently confirmed in a letter to the College dated 7 January 2021 that the existing loan agreement will be varied to change to event of default wording to permanently strip out the pension deficit, meaning that the College will not be in breach of that term. The letter also confirms that the existing covenants will be removed and replaced with new covenants and that the bank will not measure compliance with the new covenants on the submission of the signed 2019-20 financial statements. Compliance with the new covenants will be measured by reference to the signed 2020-21 financial statements.

Consequently, the Corporation is confident that the College will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Notes to the Accounts (continued)

Basis of consolidation

The College has one subsidiary company, E4Jobs Limited, which was incorporated on 6 May 2011. E4Jobs Limited has not traded during the year and the prior year. The College has elected not to prepare consolidated financial statements on the basis that the results of the subsidiary at 31 July 2020 and at 31 July 2019 are immaterial to the Group. E4Jobs was dissolved on 17th November 2020.

In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities.

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. 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 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 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.

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, non-governmental, capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the Balance Sheet and released to income as conditions are met.

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 Accounts (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.

Greater Manchester 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 the operating surplus/(deficit) 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.

Non-current assets – Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Land and buildings

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

Notes to the Accounts (continued)

Land and buildings (continued)

Capitalised expenditure on buildings since incorporation is classified as property improvements. Property improvements are depreciated on a straight-line basis over their expected useful economic life to the College of between 10 and 50 years.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred income account within creditors, and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and creditors due after more than one year.

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

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

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1993, 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 fixed assets

Where significant expenditure is incurred on tangible fixed assets after initial purchase, it is charged to the income and expenditure in the period it is incurred, unless it meets one of the criteria detailed below, in which case it is capitalised and depreciated on the relevant basis.

Non-current assets – Tangible fixed assets

Equipment

Equipment costing less than £1,000 per individual item is recognised as revenue expenditure in the year of acquisition, unless it is of significant operating value to the College in which case the asset is recorded in the College's asset register and depreciated over its useful economic life. All equipment with a cost in excess of £1,000 is capitalised at cost.

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

- General and technical equipment – between 5 and 10 years
- Motor vehicles – between 5 and 10 years
- Computer equipment – 5 years
- Fixtures and fittings – between 5 and 10 years.

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Comprehensive Income and Expenditure.

Notes to the Accounts (continued)

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

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

Stocks
Stocks are stated at the lower of their cost (using the first in first out method) and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

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

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

Financial liabilities and equity
Financial liabilities and equity are classed 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 College 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 basis financial instruments are subsequently measured at amortised cost, however the College has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the Balance Sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

Taxation
The 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.

Notes to the Accounts (continued)

Taxation (continued)

The College is partially exempt in respect of Value Added Tax, so that it can only recover around 1% 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 company is 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.

Judgements in applying accounting policies and key sources of estimation uncertainty

Judgements in applying accounting policies

In preparing these financial statements, management have made the following judgements:

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the College's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.

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 reassessing 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.

Notes to the Accounts (continued)

Other key sources of estimation uncertainty (continued)

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

  At 31 July 2020, in order to reflect the impact of proposals by the UK Chancellor and the UK Statistics Authority (UKSA) to align RPI with CPIH (a variant of the Consumer Prices Index that includes an estimate of housing costs), the CPI assumption methodology was reassessed. In particular, the assumed long term gap between RPI inflation and CPI inflation was reduced from 100 basis points to 90 basis points at this year end. The impact of this change is expected to have resulted in a circa £1,500k increase in the Fund's liabilities since the prior year end as the CPI assumption is now 0.1% higher than it would have been under the prior year methodology.

Notes to the Accounts (continued)

2 Funding body grants

		2020 £'000	2019 £'000
Recurrent grants			
Education and Skills Funding Agency – adult education budget	(314)	6,262	6,286
Education and Skills Funding Agency – 16-18		19,902	19,076
Education and Skills Funding Agency – apprenticeships		2,679	2,546
Office for Students		144	122
Specific grants			
Teacher Pension Scheme contribution grant		609	-
Other Education and Skills Funding Agency grants		-	172
Higher Education grants		207	527
Releases of government capital grants		522	617
Total		**30,325**	**29,346**

Office for Students (OfS) registered colleges are required to include a note analysing grant and fee income received in a single additional table. OfS' requirements overlap with the existing structure of Education and Skills Funding Agency's (ESFA) finance record. An additional table is provided with the required analysis. As OfS only regulates higher education in colleges only amounts relating to courses at level 4 and above are recorded here.

	2020 £'000	2019 £'000
Grant income from the Office for Students	351	649
Grant income from other bodies	-	-
Fee income for taught awards (exclusive of VAT)	1,835	1,769
Fee income for research awards (exclusive of VAT)	-	-
Fee income from non-qualifying courses (exclusive of VAT)	-	-
Total HE grant and fee income	**2,186**	**2,418**

3 Tuition fees and education contracts

	2020 £'000	2019 £'000
Adult education fees	215	219
Apprenticeship fees and contracts	47	101
Fees for FE loan supported courses	483	502
Fees for HE loan supported courses	610	592
Total tuition fees	**1,355**	**1,414**
Education contracts	1,675	1,677
Total	**3,030**	**3,091**

4 Other grants and contracts

	2020 £'000	2019 £'000
Coronavirus Job Retention Scheme grant	143	-
Additional Learning Support Element 3	600	980
Other grants and contracts	18	4
Total	**761**	**984**

Following the temporary closure of commercial operations, the Corporation furloughed catering staff and other staff supporting commercial activities under the Government's Coronavirus Job Retention Scheme. The funding received in respect of 37 staff of £142,590 relates to staff costs which are included within the staff costs note below as appropriate.

5 Other Income

	2020 £'000	2019 £'000
Catering	670	911
Other income generating activities	188	159
Miscellaneous income	45	95
Total	**903**	**1,165**

6 Investment income

	2020 £'000	2019 £'000
Other interest receivable	17	27
Total	**17**	**27**

7 Staff costs

The average number of persons (including key management personnel) employed by the College during the year, described as full-time equivalents, was:

	2020 No.	2019 No.
Teaching staff	256	295
Non-teaching staff	270	211
	526	**506**

The average number of persons (including key management personnel) employed by the College during the year, on an average headcount basis, was:

	2020 No.	2019 No.
Teaching staff	286	277
Non-teaching staff	443	401
	729	**678**

Staff costs for the above persons

	2020 £'000	2019 £'000
Wages and salaries	17,251	16,441
Increase / (release) of holiday pay accrual	40	(7)
Social security costs	1,712	1,543
Other pension costs (incl. FRS102(28.11) adjustments £1,251k (2019: £1,318k))	4,703	3,894
Payroll sub total	**23,706**	**21,871**
Contracted out staffing services	260	432
	23,966	**22,303**
Restructuring costs – Contractual	169	75
Total staff costs	**24,135**	**22,378**

The corporation also makes available to staff salary sacrifice schemes for childcare vouchers, Ride to Work and Home Technology. Staff costs are recorded at the full gross value before the deduction of the salary sacrifice.

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 Senior Leadership Team which comprises the Group Principal & Chief Executive, Director of Finance (appointed 23 March 2020), Interim Director of Finance (from 12 August 2019 until 22 March 2020) / Financial Consultant (from 23 March 2020), Vice Principal Curriculum & Quality, Heads of College, Head of Employer Engagement & Resources, Head of HE & Professional Studies, and Head of Human Resources & Organisational Development.

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

	2020 No.	2019 No.
The number of key management personnel including the Accounting Officer was:	9	7

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

	Key management personnel 2020 No.	Key management personnel 2019 No.	Other staff 2020 No.	Other staff 2019 No.
£25,001 to £30,000	1 *	-		
£55,001 to £60,000	1	-		
£60,001 to £65,000	-	2	-	-
£65,001 to £70,000	4	3	1	-
£70,001 to £75,000	1	-	-	-
£75,001 to £80,000	1 **	-	-	-
£80,001 to £85,000	-	-	-	-
£85,001 to £90,000	-	1	-	-
£140,001 to £145,000	1	1	-	-
	9	**7**	**1**	**-**

* represents the pro rata salary of a Senior Postholder appointed part way through the year (full year salary equivalent within the £80,001 to £85,000 range)
** includes a payment in lieu of holidays not taken by a Senior Postholder appointed (full year salary equivalent within the £70,001 to £75,000 range)

7 Staff costs (continued)

Key management personnel compensation is made up as follows:	**2020 £'000**	**2019 £'000**
Salaries – gross of salary sacrifice and waived emoluments	652	564
Compensation for loss of office		27
Employer's National Insurance	80	69
Benefits in kind	-	-
	732	660
Pension contributions	121	76
Total key management personnel compensation	853	736

There were no compensation payments made to key management personnel in 2019-20 (2018-19 one member £27k).

There were no amounts due to key management personnel that were waived in year, nor any salary sacrifice arrangements in place with the exception of one management member using the Childcare Voucher Scheme and one management member making use of the Mytech scheme for personal IT equipment.

The above compensation includes amounts payable to the Group Principal & Chief Executive who is the Accounting Officer and who is also the highest paid member of staff. Their pay and remuneration is as follows:

	2020 £'000	**2019 £'000**
Group Principal & Chief Executive		
Salaries	145	145
Pension contributions	14	-
	159	145

There are no other remuneration payments to the Head of Provider, including no payments in lieu of pension contributions.

The governing body adopted AoC's Senior Staff Remuneration Code in July 2019 and assesses pay in line with its principles.
The remuneration package of Senior Post Holders, namely the Group Principal & Chief Executive, Director of Finance, Interim Director of Finance / Financial Consultant, and Vice Principal Curriculum and Quality, are subject to annual review by the Remuneration Committee of the governing body who justify the remuneration on the grounds of performance and using benchmarking information to provide objective guidance. The Group Principal & Chief Executive reports to the Chair of the Corporation who oversees an annual review of performance against the College's overall objectives using both qualitative and quantitative measures of performance. The Remuneration Committee assesses the Corporation's performance against targets and objectives, including the attainment of students in the year, as well as the progress against the College's long term strategic objectives when reviewing the remuneration package of the Senior Post Holders. Qualitative measures of success, such as level of engagement of the staff and students are also considered.

The remuneration package of other key management staff is subject to annual review and approval by the Group Principal & Chief Executive, who justifies the remuneration on the grounds of performance against the College's overall objectives using both qualitative and quantitative measures of performance.

The level of pay for all key management personnel is benchmarked against the pay of similar colleges in the prior financial year, taken from their financial statements, and the general trend within the sector is also considered.

In 2019-2020, the Corporation exceeded its aims and objectives, including for staff satisfaction, student numbers and student achievement. The College made a deficit in the year following the onset of the Covid-19 pandemic. No inflationary increase was awarded to key management personnel.

Relationship of Group Principal & Chief Executive's pay and remuneration expressed as a multiple:	**2020**	**2019**
Group Principal & Chief Executive's basic salary as a multiple of the median of all staff, where the median pay is calculated on a full time equivalent basis for the salaries paid by the provider to its staff	5.1	4.7
Group Principal & Chief Executive's total remuneration as a multiple of the median of all staff, where the median pay is calculated on a full time equivalent basis for the salaries paid by the provider to its staff	4.5	4.1

Compensation for loss of office paid to former key management personnel

	2020 £	**2019 £**
Compensation paid to the former post-holder	-	26,952
Estimated value of other benefits, including provisions for pension benefits	-	-

The severance payment was approved by the College's Corporation.

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

Notes to the Accounts (continued)

8 Other operating expenses

	2020 £'000	2019 £'000
Teaching costs	2,584	2,830
Non-teaching costs	4,386	4,321
Premises costs	2,498	3,398
Total	**9,468**	**10,549**

Other operating expenses include:	2020 £'000	2019 £'000
Auditors' remuneration:		
Financial statements audit	46	27
Other services provided by financial statements auditor *	2	1
Internal audit fees	15	19
SubContracting Assurance Report	2	1
Other services provided by the internal auditors **	1	-
Payments to Subcontractors	1,886	1,724
Hire of assets under operating leases	672	1,229

* Fees incurred in relation to the Access and Participation Audit 2020 and the Teachers' Pension Audit 2020
** Fees incurred in relation to an additional ad hoc report on specific issues

8a Access and participation spending

OfS registered colleges with access and participation plans are required to disclose spending in up to four categories in a separate note:

	£
- Access investment	39,307
- Financial support to students	21,734
- Disability Support	1,400
- Research and evaluation (relating to access and participation)	2,041

There is no requirement for the College to present comparatives this year

Judgements and Assumptions

Access and participation costs have been identified as relating to specific parts of the plan and have been reviewed by management as part of the annual budget review. The review ensures that the spend is in line with forecasted spend that it can clearly be identified that those students needing the most support have been in receipt of that. The bulk of the spend will always be attributed to the activities to reach potential

The costs in these categories are very distinct. All events, taster sessions, marketing, publications are to enhance awareness of courses to student from underrepresented groups and classed as "Access investment"

All monies paid directly to students, such as bursaries or one off hardship payments are directly related to the "financial support" category. Any financial support to disabled students, or adjustments made in the University Centre, or learning supports costs would be directly attributable to "support for disabled students" and finally "research and evaluation" costs will be attributed to the time spent by a range of management hours in reviewing the plan and evaluation of its effectiveness.

Staff costs are apportioned on the basis of 1% of the total gross pay for several staff, and the full cost for the HE and Access Support Officer. This is confirmed by line managers and senior managers in line with their role and responsibilities to the APP.

9 Interest payable and other finance costs

	2020 £'000	2019 £'000
On bank loans, overdrafts and other loans:	319	331
Repayable within five years, by instalments	319	
Repayable wholly or partly in more than five years		331
Net interest on defined pension liability (Note 23)	354	288
Total	**673**	**619**

10 Taxation

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

Notes to the Accounts (continued)

11 Tangible fixed assets

	Freehold Land and Buildings £'000	Property Improvements £'000	Fixtures & Fittings £'000	Equipment £'000	Assets in the course of construction £'000	Total £'000
Cost or valuation						
At 1 August 2019	36,845	16,026	1,362	3,365	172	57,770
Assets under construction transferred	-	59	5	77	(142)	(0)
Additions	-	954	107	472	77	1,611
Disposals	-	-	-	-	-	-
Disposals – fully depreciated assets	(121)	1	(1)	(388)	-	(509)
At 31 July 2020	**36,724**	**17,040**	**1,474**	**3,527**	**108**	**58,872**
Depreciation						
At 1 August 2019	10,767	5,393	448	2,102	-	18,709
Charge for the year	804	1,285	145	693	-	2,927
Disposals	-	-	-	-	-	-
Disposals – fully depreciated assets	(121)	1	(1)	(388)	-	(509)
At 31 July 2020	**11,450**	**6,679**	**592**	**2,406**	**-**	**21,127**
Net book value at 31 July 2020	**25,274**	**10,361**	**882**	**1,120**	**108**	**37,745**
Net book value at 31 July 2019	**26,078**	**10,633**	**914**	**1,263**	**172**	**39,061**

Other tangible fixed assets inherited from the Local Education Authority at incorporation have been valued by the College on a depreciated replacement cost basis with the assistance of independent professional advice.

There are no assets held under finance leases.

12 Non-current investments

	2020 £'000	2019 £'000	
Investment in subsidiary companies	-	-	12.3
Total	-	-	

The College owned 100% of the issued ordinary £1 shares of E4Jobs Limited, a company incorporated in England and Wales. E4Jobs Limited was incorporated on 6 May 2011, the principal activity being apprenticeship training. E4Jobs Limited experienced no trading during the year but generated a cost of £163 for the year (filing fee and penalty charge) resulting in a net deficit of £163 at 31 July 2020 (2019: net deficit £13). As the company has not traded for some years, an application has been made to Companies House to dissolve the company. The investment has been impaired and the intercompany balance written off. The company was dissolved on 17 November 2020.

13 Trade and other receivables

	2020 £'000	2019 £'000
Amounts falling due within one year:		
Trade receivables	178	135
Related party debtors (Note 24)	3	-
Intercompany debtors	-	3
Prepayments and accrued income	350	647
Amounts owed by the ESFA	105	-
Total	**636**	**785**

Notes to the Accounts (continued)

14 Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Bank loans (Note 16)	6 526	276
Obligations under finance leases	-	-
Payments received in advance	207	139
Trade payables	601	1,118
Other taxation and social security	396	390
Accruals and deferred income	1 358	1,781
Restructuring accrual	-	-
Holiday pay accrual	54	13
Deferred income – government capital grants	519	522
Deferred income – government revenue grants		
Fixed asset creditor	10	73
Other creditors	385	315
Amounts owed to the ESFA	-	-
Total	**10,056**	**4,627**

15 Creditors: amounts falling due after one year

	2020 £'000	2019 £'000
Bank loans (Note 16)	-	6,526
Deferred income – government capital grants	7,626	8,144
Total	**7,626**	**14,670**

16 Maturity of debt

(a) Bank loans

Bank loans are repayable as follows:	2020 £'000	2019 £'000
In one year or less	6 526	276
Between one and two years	-	291
Between two and five years	-	3,119
In five years or more	-	3,116
Total	**6,526**	**6,802**

At 31 July 2020, the College had two bank loan facilities: a £3,000,000 unsecured loan at 1.5% over 3 month LIBOR, repayable over 25 years by quarterly instalments falling due between April 2015 and January 2039 currently fixed at 3.86% until 18 March 2021. The loan has been re-negotiated and will be a secured loan repayable in quarterly instalments between June 2021 and March 2026 at an indicative interest rate of 2.00%. There is an additional £5,375,000 unsecured loan at a fixed rate of 5.367% falling due between August 2009 and May 2034.

(b) Finance leases

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

	2020 £'000	2019 £'000
In one year or less	-	-
Between two and five years	-	-
In five years or more	-	-
Total	**-**	**-**

Notes to the Accounts (continued)

17 Provisions

	Defined benefit obligations £'000	Enhanced pensions £'000	Total £'000
At 1 August 2019	16,120	223	16,343
Expenditure in the period	(1,173)	(16)	(1,189)
Additions in period	10,629	31	10,660
At 31 July 2020	**25,576**	**238**	**25,814**

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Note 23.

The enhanced pension provision relates to the cost of staff who have already left the College's employ and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:

	2020	2019
Price inflation	2.20%	2.40%
Discount rate	1.40%	2.10%

18 Cash and cash equivalents

	At 1 August 2019 £'000	Cash flows £'000	At 31 July 2020 £'000
Cash and cash equivalents	4,848	(681)	4,167
Bank overdraft	-	-	-
Total	**4,848**	**(681)**	**4,167**

19 Capital commitments

	2020 £'000	2019 £'000
Commitments contracted for at 31 July	111	1,492
Authorised but not contracted at 31 July	172	818

20 Lease obligations

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

Future minimum lease payments due:	2020 £'000	2019 £'000
Land and buildings		
Not later than one year	572	496
Later than one year not later than five years	2 162	2 055
Later than five years	13,112	12,482
	15,846	15,033
Other		
Not later than one year	63	90
Later than one year not later than five years	6	97
	69	187
Total lease payments due	15,915	15,220

21 Contingencies

A former student has issued court proceedings against the college in respect of an incident in 2019-20 . The claim is for a maximum of £1,500 (2018-19: £nil). However, the College has received Counsel's opinion that case could be resolved with an offer of £500 in view of the specific circumstances of the case. The case is proceeding, and in a view of the uncertainty and level of claim, no financial provision has been made in these accounts in relation to this matter.

22 Events after the reporting period

As E4Jobs has not traded since 2016, a decision was made to apply to Companies House for the company to be dissolved and the application was made in May 2020. The notification was published in the London Gazette in August 2020 and the company was dissolved on 17 November 2020 after the publication of the notification.

23 Defined benefit obligations

The College's employees belong to two principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Greater Manchester Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Tameside Council. Both are multi-employer defined-benefit plans.

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

Total pension cost for the year	**2020** **£'000**	**2019** **£'000**
Teachers' Pension Scheme: contributions paid	2,241	1,476
Local Government Pension Scheme:		
Contributions paid	1,179	1,067
FRS 102 (28) charge	1,251	1,318
Charge to the Statement of Comprehensive Income	2,430	2,385
Enhanced pension charge to Statement of Comprehensive Income	32	33
Total Pension Cost for Year within staff costs	**4,703**	**3,894**

At 31 July, there was £298k outstanding employer's contributions due to the two schemes (£193k TPS and £105k GMPF) which were both paid over in August 2020 (2019: £212k).

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, including academies. Membership is automatic for full-time 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 £218,100 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £196,100 million giving a notional past service deficit of £22,000 million.

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay (including the administration levy of 0.08%) from September 2019 onwards (compared to 16.48% during 2018-19). The Department has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019-20 academic year.

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

The pension costs paid to TPS in the year amounted to £3,141,000 (2019: £2,305,000).

Notes to the Accounts (continued)

23 Defined benefit obligations (continued)

FRS 102 (28)

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.

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with assets held in separate funds administered by Tameside Local Authority. The total contributions made for the year ended 31 July 2020 was £1,557,000 of which employer's contributions totalled £1,180,000 and employees' contributions totalled £377,000. The agreed contribution rates for future years are 20.7% for employers, and range from 5.5% to 12.5% for employees, depending on salary according to a national scale.

Principal Actuarial Assumptions

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

	At 31 July 2020	At 31 July 2019
Rate of increase in salaries	3.0%	3.2%
Future pensions increases	2.2%	2.4%
Discount rate for scheme liabilities	1.4%	2.1%
Inflation assumption (CPI)	2.2%	2.4%
Commutation of pensions to lump sums	55.0%	55.0%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 67 are:

	At 31 July 2020	At 31 July 2019
Retiring today		
Males	20.5	20.6
Females	23.1	23.1
Retiring in 20 years		
Males	22.0	22.0
Females	25.0	24.8

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

	Long-term rate of return expected at 31 July 2020	Fair Value at 31 July 2020	Long-term rate of return expected at 31 July 2019	Fair Value at 31 July 2019
		£'000		£'000
Equities	67.0%	29,728	69.0%	32,052
Bonds	18.0%	7,987	14.0%	6,503
Property	7.0%	3,106	8.0%	3,716
Cash	8.0%	3,550	9.0%	4,181
Total fair value of plan assets		44,370		46,452
Weighted average expected long term rate of return		**1.9%**		**2.6%**
Actual return on plan assets		**(2,602)**		**2,527**

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

	2020 £'000	2019 £'000
Fair value of plan assets	44,370	46,452
Present value of plan liabilities	(69,946)	(62,572)
Net pensions (liability) / asset (Note 23)	**(25,576)**	**(16,120)**

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

	2020 £'000	2019 £'000
Amounts included in staff costs		
Current service cost	2,613	1,938
Past service cost	(189)	419
Total	**2,424**	**2,357**
Amounts included in interest payable		
Net interest on defined pension liability	(354)	(288)
	(354)	**(288)**

Notes to the Accounts (continued)

23 Defined benefit obligations (continued)

Amounts recognised in Other Comprehensive Income

Return on pension plan assets	(3,585)	1,304
Experience gains / (losses) arising on defined benefit obligations	4,380	-
Changes in assumptions underlying the present value of plan liabilities	(8,646)	(6,171)
Amount recognised in Other Comprehensive Income	**(7,851)**	**(4,867)**

Movement in net defined benefit (liability) / asset during the year	**2020 £'000**	**2019 £'000**
Net defined (liability) / asset in scheme at 1 August	(16,120)	(9,647)
Movement in the year:		
Current service cost	(2,613)	(1,938)
Employer contributions	1,173	1,039
Past service costs	189	(419)
Net interest on the defined liability	(354)	(288)
Actuarial gain or loss	(7,851)	(4,867)
Net defined benefit (liability) / asset at 31 July	**(25,576)**	**(16,120)**

Asset and Liability Reconciliation

Changes in the present value of defined benefit obligations

	2020 £'000	**2019 £'000**
Defined benefit obligations at start of period	62,572	53,140
Current service cost	2,613	1,938
Interest cost	1,337	1,511
Contributions by Scheme participants	376	332
Experience (gains) and losses on defined benefit obligations	(4,380)	-
Changes in financial assumptions	8,646	6,171
Estimated benefits paid	(1,029)	(939)
Past service costs	(189)	419
Defined benefit obligations at end of period	**69,946**	**62,572**

Changes in fair value of plan assets

	2020 £'000	**2019 £'000**
Fair value of plan assets at start of period	46,452	43,493
Interest on plan assets	(3,585)	1,304
Return on plan assets	983	1,223
Employer contributions	1,173	1,039
Contributions by Scheme participants	376	332
Estimated benefits paid	(1,029)	(939)
Fair value of plan assets at end of period	**44,370**	**46,452**

On 26 October, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits, "GMP". The Government will need to consider this outcome in conjunction with the Government's recent consultation on GMP indexation in public sector schemes before concluding on any changes required to LGPS schemes. However, this along with the judgement in relation to the McCloud case have been included within the figures provided by the actuary and are included below

These accounts show a past service cost of £230 million in respect of the McCloud / Sergeant judgment 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 2% 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 judgment 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 judgment, 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% pa increase would increase the estimated cost by 65%.

24 Related party transactions

Due to the nature of the College's operations and the composition of the board of governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

There were no expenses paid to or on behalf of the Governors during the year; (2018-19: £56; 1 governor). 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 Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2018-19: None).

Salford Academy Trust

Salford City College was the sponsor of Salford Academy Trust. Salford Academy Trust comprises of the Albion Academy, Marlborough Road Academy, Dukesgate Academy and Irlam and Cadishead College. The Academies within the Trust transferred to the United Learning Trust on 1 February 2019. The Group paid a sum of £2,544 in respect of legal fees on behalf of the Trust in 2019-20 which were recharged to the Trust (2019: £nil) . There were no sales to the individual academies within the Trust during the year (2019: £nil). There was an outstanding balance of £2,544 outstanding at 31 July 2020 (2019: £nil). The following employees of Salford City College are directors of Salford Academy Trust:

	Salford City College	**Salford Academy Trust**
Michael J Sheehan	Principal	Chair (commenced 3 October 2017)
Tracy Kitchingman	Vice Principal Finance and Resources	Director (resigned 23 August 2019)
Kimberley Cash	Head of Worsley College	Director (commenced 10 October 2015)
Ruth Osbourne-Thompson	Head of HE & Professional Studies	Director (commenced 7 February 2018)

E4Jobs Limited

E4Jobs Limited was a wholly owned subsidiary of Salford City College. The College made two payments of £13 and £150 on behalf of E4Jobs Limited in the year (2019: 13). A balance of £2,861 was written off during the year as an application was made to Companies House to dissolve the company (2019: £3,368). The company was dissolved on 17 November 2020

25 Amounts disbursed as agent

Learner support funds

	2020 **£'000**	**2019** **£'000**
Funding body grants – hardship support	804	691
Disbursed to students	(1,063)	(758)
Administration costs	(30)	(29)
Released from Free School Meals	247	
Deferred income carried forward	71	167
Balance unspent as at 31 July, included in creditors	28	71

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.