



Salford City College

Annual Report and Financial Statements

Year ended 31 July 2019

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Reference and Administrative Details

Board of Governors

Jackie Flynn (Chair)	Anthony Redmond
Pat Walkington (Vice Chair)	Prof. Carole Roberts
Michael Sheehan (Principal)	Michael Sharples
Charles Davies	Sam Shiels (resigned 31/07/2019)
Lindsay Harford	Cllr. Lisa Stone (resigned February 2019)
James Hargreaves	Amy Vaughan
Paul Johnson	

Clerk/Company Secretary:

Ms J McKenna, until 31/01/19, Mr Rodney Fisher 21/01/2019 to 31/03/2019, and Mr Ashley Newell from 01/04/2019.

Senior Leadership Team

Mr Michael Sheehan – Group Principal and Head of Pendleton College, Accounting Officer
Mrs Tracy Kitchingman - Vice Principal Finance & Resources
Kate Rogerson – Head of City Skills
Mrs Debbie Ward – Head of Apprenticeships and Partnerships
Mrs Kimberley Cash – Head of Worsley College
Mrs Rebecca Parks – Head of Eccles Sixth Form College
Mrs Ruth Osborne-Thompson – Head of HE and Professional

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,
11th Floor, McLaren House
46 Priory Queensway
Birmingham
B4 7LR

Bankers:

Lloyds Bank plc	Barclays Bank plc
1st Floor	PO Box 4132
31-32 Park Row	5 th Floor, 51 Mosley Street
Leeds LS1 5JD	Manchester M60 1UB

Solicitors:

DWF LLP Solicitors	Eversheds LLP
Centurion House	Eversheds House
129 Deansgate	70 Great Bridgewater Street
Manchester	Manchester
M2 3WQ	M1 5ES

Report of the Corporation

OBJECTIVES AND STRATEGY

The members present their annual report together with the financial statements and auditor's report for the year ended 31 July 2019.

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 Principal, the Corporation reviewed the College's mission and in July 2017 adopted:

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.*

Strategic plan

In July 2017, following the revision of the College's Vision and Aims, three key strategic objectives have been set:

OUR OBJECTIVES:

QUALITY

To become a Grade 1 (Outstanding) college with:

- *Grade 3 (Excellent) Alps* or equivalent on all courses by September 2019.*
- *All areas of the College exceeding national achievement rates by a minimum of 5%.*

GROWTH

- *By September 2019 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 2019 to be classified by the ESFA as having 'good' financial performance with sound finances leading to organisational stability.*

Financial objectives

The key ongoing financial objectives are:

- Generation of an operating surplus position (2018/19: £39k surplus excluding effects of FRS 102 (28) and loss on disposal of lease/assets).
- Achievement of a "good" financial health rating from Skills Funding Agency (2018/19: "good").
- Achievement of an adjusted current ratio of 1.0 (2018/19: 1.25).
- Maintenance of cash days of 30 (2018/19: 56).

RESOURCES

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

The College employed an average of 506 people (expressed as full time equivalents), of whom 295 were teaching staff.

The College enrolled approximately 10,300 students. The College's student population includes 4,187 16-to-18 year old students, 1,420 apprentices, 382 higher education students, 1 international student and 2,940 adult learners.

The College has £9.18 million of net assets (including £16.12 million pension liability) and total long term debt of £6.8 million which includes £0.3 million due within one year.

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 around the Salford area.

The College has an outstanding reputation locally and nationally. Maintaining brands is essential for the College's success at attracting students and external relationships. The College markets its provision under the banners of Eccles Sixth Form College, Pendleton Sixth Form College, City Skills, Worsley College, Future Skills at MediaCityUK, University Centre at Salford City College and Apprenticeships at Salford City College.

STAKEHOLDERS

The College has many stakeholders including:

- its current, future and past students;
- its staff and their trade unions;
- the employers it works with;
- the professional organisation in the sectors where it works;
- 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.

FINANCIAL PERFORMANCE

Results

The College generated a deficit before other gains and losses in the year of £1,909k (2017/18 – deficit of £621k), with total comprehensive income of -£7,050k, (2017/18 – £4,952k)).

The total comprehensive income in 2018/19 is stated after accounting for the disposal of the Media City Lease.

During the year, the College incurred restructuring costs. The College generated a deficit of £502k before exceptional restructuring and FRS102 (28) costs (2017/18: £1,771k surplus).

Developments

Tangible Fixed Asset additions during the year amounted to £1,955k. This was split between property improvements of £1,539k, fixtures and fittings of £55k, equipment purchases of £189k and assets under the course of construction £172k.

Reserves

The College has accumulated reserves of £9,133k and cash balances of £4,848k. The College wishes to continue to accumulate reserves and cash balances to create a contingency fund and fund the further development of the College estate.

Sources of Income

The College continues to rely significantly on the education sector funding bodies as its principal funding source, largely from recurrent grants. In 2018/19 the FE funding bodies provided 85% of the College's total income (2017/18: 88%).

Group Companies

The College has one subsidiary company, E4Jobs Ltd. Any surplus generated by the subsidiary is transferred to the College under deed of covenant. In the current year, E4Jobs Ltd did not trade.

Future Prospects

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 has revised its Vision, Aims and Objectives, establishing clear emphasis on Quality, Efficiency and Growth. Initially, a two-year period of consolidation to enable future significant change to support the College's key aims: to establish financial stability and invest in quality improvement.

Financial plan

The College governors approved a financial plan in July 2019, which sets objectives for the period to 2020.

Treasury policies and objectives

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

The College has a separate treasury management policy in place.

Short term borrowing for temporary revenue purposes is authorised by the College's Accounting Officer. All other borrowing requires the authorisation of the Corporation and complies with the requirements of the Financial Memorandum.

Cash Flows and liquidity

The College's operating cash inflow was £1,587k (2017/18: £4,452k). The College's overall net cash outflow is £935k, after financing £1,955k of tangible fixed assets purchases and 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 were complied with.

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 £8,525k (2018: £15,543k). It is the Corporation's intention to increase reserves over the life of the Strategic Plan, by the generation of annual operating surpluses.

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.

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.

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

Government funding

The College has considerable reliance on continued government funding through the further education sector funding bodies. In 2018/19 85% 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 apprenticeship reforms and the devolution of the adult education budget. The College, in conjunction with its key stakeholders, is developing a strategy for growth in response to the devolution agenda and to the apprenticeships reform. It is recognised that the introduction of the apprenticeship levy will significantly affect that marketplace though the full implications are not yet known as government policy continues to develop

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 is 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 "Good" as described above. Notwithstanding that, the continuing challenge to the College's financial position remains the constraint on further education funding arising from the ongoing cuts in public sector spending whilst maintaining the student experience. This risk is mitigated in a number of ways:

- By rigorous budget setting procedures and sensitivity analysis

- Regular in year budget monitoring
- Robust financial controls
- Exploring ongoing procurement efficiencies

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 Finance Record for the Education and Skills Funding Agency ("ESFA"). The College is assessed by the ESFA as having "Good" financial health grading. The current rating of "good" is considered an acceptable outcome.

Student numbers

In 2018/19 the College delivered activity against its main funding body allocations as follows:

- 16 – 18 Funding Allocation £21,047k excluding transitional protection with 4,228 learners (compared to £21,047k with 4,228 learners in 2017/18).
- Adult Skills Budget allocation of £5,205k (compared to £5,205k in 2017/18).
- 16 – 18 Apprentices allocation of £1,675k (compared to £1,075k in 2017/18).
- Community Learning allocation of £967k (compared to £967k in 2017/18).

Student achievements

Achievement rates at the College continue to be good, and, in the case of apprenticeships, are outstanding.

The overall 16-18 achievement rate has remained at the high rate of 86.4% compared to a 19+ achievement rate of 89.9%. The overall Apprenticeship success rate is 74.3%.

Level 3 achievement rates were at 89% for 16-18 students (2017/18: 92.2%) and 82.8% for 19+ students (2017/18: 76.6%).

Value Added

Value added measures overall student performance, taking into account the number of subjects and the quality of teaching and learning. The T score takes into account difficulty of subject, other factors as well as the quality of teaching and learning. Scores are measured on a scale of 1 – 9 where 1 is "best possible", 2 is "outstanding", 3 is "excellent" and 4 is "very good".

At A level, the College achieved a significantly improved value added score of 4 (2017/18: 6).

For BTEC the college again improved with a value added score of 2 (2017/18: 3).

Financial results

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

	2018/19	2017/18	2016/17	2015/16
Current ratio (adjusted)	1.25	1.27	0.75	1.23
Cash days in hand	56	63	43	69
Operating surplus (deficit) / income	-6.21%	0.53%	0.21%	1.16%
EBITDA	7.03%	13.09%	10.91%	9.38%
Staff costs (including contract tuition services, excluding restructuring) as % of income	65.59	62.84%	57.55%	60.22%
Staff costs (including contract tuition services excluding pensions adjustment and excluding restructuring) as % of income	61.71%	59.86%	56.13%	59.43%

Quality of Provision

The College was subjected to an Ofsted Short Inspection Visit in November 2015, the outcome was that the College continues to be good (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 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.

OTHER INFORMATION

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 10. 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 10,300 students, including 93 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 1,420 apprentices. The College is committed to providing information, advice and guidance to the students it enrolls and to finding suitable courses for as many students as possible regardless of their educational background.

Salford Academy Trust

Salford City College is 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 22. The Academies within the Trust transferred to the United Learning Trust on 1 February 2019.

Equality

Salford City College is fully committed to delivering equality of opportunity for all its students and staff, to eliminate all forms of unfair and illegal discrimination as well as all forms of harassment and victimisation. The College has developed 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 meet these duties through the development of the Single Equality Scheme Action Plan.

The College considers all applications from disabled persons, bearing in mind the aptitudes of the individuals concerned. 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 are, as far as possible, identical to those for other employees. An equalities plan is published each year and monitored by managers and the Corporation.

Disability statement

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

1. As part of the redevelopment of the buildings we will install ramps so that eventually most of the facilities will allow access to people with a disability (insofar as is practical).
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 admissions policy for all students is described in the College Charter. Appeals against a decision not to offer a place are dealt with under the complaints policy.
4. The College has made a significant investment in the appointment of specialist staff to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
5. Counselling and welfare support services are described in the College Charter.
6. A Dyslexia Specialist has been appointed to assist 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
6	5.73

Percentage of time	Number of employees
0%	0
1-50%	6
51-99%	0
100%	0


Total cost of facility time	£6,343
Total pay bill	£19,909,553
Percentage of total bill spent on facility time	0.032%

Time spent on paid trade union activities as a percentage of total paid facility time	<i>Nil</i>
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Disclosure of information to auditor

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 auditor is 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 auditor is aware of that information.

Approved by order of the members of the Corporation on 16 December 2019 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 2018 to 31st July 2019 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 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 2019. 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.

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	Extended 17 December 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	18/18
Charles Davies	1 April 2017	1 April 2020	Independent member	Human Resources and Organisational Development Strategy Finance and Resources	11/11
Lindsay Harford	Extended 21 March 2018	31 July 2020	Independent member	Quality and Standards (Chair) Audit Remuneration	13/13
James Hargreaves	26 March 2018	26 March 2022	Independent member	Strategy Finance and Resources	11/11
Paul Johnson	Reappointed 21 March 2016	31 July 2020	Independent member	Audit (Chair) Remuneration	10/10
Anthony Redmond	Extended 2 July 2018	31 July 2022	Independent member	Audit Human Resources and Organisational Development (Vice Chair)	12/12
Prof. Carole Roberts	Extended 21 March 2018	31 July 2020	Independent member	Human Resources and Organisational Development (Chair) Strategy Finance and Resources (Vice Chair) Remuneration (Vice Chair) Governance and Search	15/15
Michael Sharples	Appointed 14 Dec 2015	31 Dec 2019	Independent member	Strategy Finance and Resources	8/8
Sam Shiels	1 August 2018	31 July 2019	Student	Quality and Standards	8/8
Bailey Peters	1 August 2019	31 July 2020	Student	Quality and Standards	0/0
Michael Sheehan	Effective from 3 July 2017	N/A	Principal	Human Resources and Organisational Development Governance and Search Quality and Standards Strategy Finance and Resources	17/17
Cllr. Lisa Stone	26 March 2018	Resigned February 2019	Independent Member	Strategy Finance and Resources	1/3
Pat Walkington	Extended 21 March 2016	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)	19/19
Amy Vaughan	1 August 2018	31 July 2022	Staff	Quality and Standards	8/8
Ms Jennifer McKenna acted as Clerk to the Corporation until 31 January 2019, Mr Rodney Fisher from 21 January 2019 to the 31 March 2019 and Mr Ashley Newell from 1 April 2019. Mrs Denise Hark is the current Clerk to the Corporation.					

Co-optees

In 2017-18 the Corporation appointed two Co-optee members (to the Quality and Standards and Audit committees respectively). The Co-optees are not members of the Corporation but are strategically appointed to serve on the committees most appropriate to their skills.

Cllr. John Walsh	26 March 2018	26 March 2022	Co-optee	Quality and Standards	3/3
Prof. Hassan Yazdifar	2 July 2018	2 July 2022	Co-optee	Audit Committee	3/4

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 and 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:

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.

Appointments to the Corporation

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

Members of the Corporation are appointed for a term of office not exceeding four years.

Co-optees

In 2017-18 the Corporation appointed two Co-optee members (to the Quality and Standards and Audit committees respectively). The Co-optees are not members of the Corporation but are strategically appointed to serve on the committees most appropriate to their skills.

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 Common 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 November 2015.

Remuneration Committee

In the year ending 31 July 2019, 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 remuneration and benefits of the Accounting Officer and other senior post-holders.

Details of remuneration for the year ended 31 July 2019 are set out in note 6 to the financial statements.

Audit Committee

The Audit Committee comprises five 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 Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum 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 2019 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 2019

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.

Salford City 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.

Review of effectiveness

As Accounting Officer, the Principal 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:

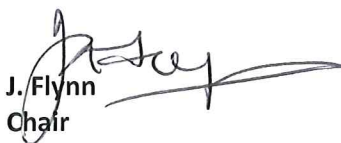
- the work of the internal auditors;
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework; and
- comments made by the College's financial statements auditors, the regularity auditors, the appointed funding 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 Principal and senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Chief Executive Officer/Principal and senior management 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 management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its November 2019 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2019 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2019.

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 16 December 2019 and signed on its behalf by:


J. Flynn
Chair


M. J. Sheehan
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 college's grant funding agreement and contracts with ESFA. As part of our consideration we have had due regard to the requirements of the grant funding agreements and contracts with ESFA.

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

Approved by order of the members of the Corporation on 16 December 2019 and signed on its behalf by:


J. Flynn
Chair


M.J. Sheehan
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 and an operating and financial review for each financial year in accordance with the *2015 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *College Accounts Direction 2018 to 2019* 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 College'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 College or to cease operations, or have no realistic alternative but to do so.

The Corporation is also required to prepare a Members 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 ESFA's grant funding agreements and contracts 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 16 December 2019 and signed on its behalf by:


J. Flynn
Chair

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

Opinion

We have audited the financial statements of Salford City College ("the College") for the year ended 31 July 2019 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 2019, and of the College's income and expenditure, gains and losses, 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 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education*.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities 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

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 twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The Corporation is responsible for the other information, which comprises the 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 2018 to 2019 (February 2019) 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 15, 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.¹

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

18 December 2019

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

In accordance with the terms of our engagement letter dated 12 June 2018 and further to the requirements of the funding agreement with Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Salford City College during the period 1 August 2018 to 31 July 2019 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

This report is made solely to the corporation of Salford City College and the Education and Skills Funding Agency in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of Salford City College and Education and Skills Funding Agency those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the corporation of Salford City College and the Education and Skills Funding Agency 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 to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Post-16 Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2018 to 31 July 2019 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

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

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

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

The work undertaken to draw 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 1 August 2018 to 31 July 2019 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

18 December 2019

Salford City College
Statement of Comprehensive Income

	Notes	Year ended 31 July	
		2019	2018
		£'000	£'000
INCOME			
Funding body grants	2	29,346	29,960
Tuition fees and education contracts	3	3,091	2,470
Other income	4	2,149	1,725
Investment income	5	27	15
Total Income		34,613	34,170
EXPENDITURE			
Staff costs	6	22,378	21,297
Other operating expenses	7	10,549	9,618
Depreciation	10	2,976	3,166
Interest and other finance costs	8	619	710
Total Expenditure		36,522	34,791
(Deficit)/surplus before other gains, losses and tax		(1,909)	(621)
(Loss)/Gain on disposal of assets	10	(274)	796
(Deficit)/Surplus before tax		(2,183)	175
Taxation	9	-	-
(Deficit)/Surplus for the year		(2,183)	175
Actuarial gain in respect of pension schemes	22	(4,867)	4,777
Total Comprehensive Income for the year		(7,050)	4,952

The notes on pages 24 to 39 form part of these financial statements.

Salford City College
Statement of Changes in Reserves

	Income and Expenditure account £'000	Revaluation reserve £'000	Total £'000
Balance at 1st August 2017	10,556	674	11,230
Surplus from the income and expenditure account	175	-	175
Other comprehensive income	4,777	-	4,777
Transfers between revaluation and income and expenditure reserves	35	(35)	-
Total comprehensive income for the year	4,987	(35)	4,952
Balance at 31st July 2018	15,543	639	16,182
Surplus 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 31st July 2019	<u>8,525</u>	<u>607</u>	<u>9,132</u>


The notes on pages 24 to 39 form part of these financial statements.

Salford City College
Balance Sheet as at 31 July 2019

	Notes	2019 £'000	2018 £'000
Non current assets			
Tangible Fixed assets	10	39,061	40,309
Investments	11	-	-
		<u>39,061</u>	<u>40,309</u>
Current assets			
Stocks		81	60
Trade and other receivables	12	785	1,206
Cash and cash equivalents	17	4,848	5,783
		<u>5,714</u>	<u>7,049</u>
Less: Creditors – amounts falling due within one year	13	(4,628)	(6,131)
Net current assets		<u>1,086</u>	<u>918</u>
Total assets less current liabilities		40,147	41,227
Creditors – amounts falling due after more than one year	14	(14,671)	(15,189)
Provisions			
Defined benefit obligations	16	(16,120)	(9,647)
Other provisions	16	(223)	(209)
Total net assets		<u>9,133</u>	<u>16,182</u>
Unrestricted Reserves			
Income and expenditure account		8,525	15,543
Revaluation reserve		607	639
Total unrestricted reserves		<u>9,132</u>	<u>16,182</u>

The financial statements on pages 20 to 39 were approved and authorised for issue by the Corporation on 16 December 2019 and were signed on its behalf on that date by:

J. Flynn
Chair




M. Sheehan
Accounting Officer

The notes on pages 24 to 39 form part of these financial statements.

Salford City College
Statement of Cash Flows

	Notes	2019 £'000	2018 £'000
Cash inflow from operating activities			
Surplus for the year		(2,183)	175
Adjustment for non cash items			
Depreciation		2,976	3,166
Assets disposals - Land at Worsley & Pendleton fire		227	932
(Increase)/Decrease in stocks		(21)	(44)
(Increase)/decrease in debtors		421	(9)
Increase/(decrease) in creditors due within one year		(1,515)	(1,163)
Decrease/(increase) in creditors due after one year		(242)	(288)
(Decrease)/increase in provisions		14	(11)
Pensions costs less contributions payable		1,606	1,365
Adjustment for investing or financing activities			
Investment income		(27)	(15)
Interest payable		331	344
Net cash flow from operating activities		<u>1,587</u>	<u>4,452</u>
Cash flows from investing activities			
Investment income		27	15
Payments made to acquire fixed assets		(1,955)	(2,409)
Net cash flow from investing activities		<u>(1,928)</u>	<u>(2,394)</u>
Cash flows from financing activities			
Interest paid		(331)	(344)
Repayments of amounts borrowed		(264)	(253)
Net cash flow from financing activities		<u>(595)</u>	<u>(597)</u>
Increase/(decrease) in cash and cash equivalents in the year		<u>(936)</u>	<u>1,461</u>
Cash and cash equivalents at beginning of the year	17	5,783	4,322
Cash and cash equivalents at end of the year	17	4,848	5,783

The notes on pages 24 to 39 form part of these financial statements.

Salford City College Report and Financial Statements for the year ended 31 July 2019

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 2015 (the 2015 FE HE SORP), the College Accounts Direction for 2018 to 2019 and in accordance with Financial Reporting Standard 102 – “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Basis of accounting

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

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 2019 and at 31 July 2018 are immaterial to the Group.

Going concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the 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 College currently has £6.8m of unsecured loans outstanding with bankers. In addition the College has £4.8m cash available. The terms of the existing agreements, at 31 July 2019, 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 3.9% until 18 March 2021 and a £5,375,000 unsecured loan at a fixed rate of 5.367% falling due between August 2009 and May 2034. The College's forecasts and financial projections indicate that it will be able to operate within the terms of its existing facilities and respective covenant requirements for the foreseeable future.

Accordingly, the College has a reasonable expectation that it has adequate resources to continue in operational existence for at least twelve months from the date of approval of these financial statements, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

Recognition of income

Revenue grant funding

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

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

Salford City College Report and Financial Statements for the year ended 31 July 2019

Notes to the Accounts (continued)

Revenue grant funding (continued)

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

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

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.

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.

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.

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 operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred.

Salford City College Report and Financial Statements for the year ended 31 July 2019

Notes to the Accounts (continued)

Greater Manchester Local Government Pension Scheme (LGPS) (continued)

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 a 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. 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.

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 10 –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 those 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 1996, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

Assets under construction

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

Salford City College Report and Financial Statements for the year ended 31 July 2019

Notes to the Accounts (continued)

Subsequent expenditure on fixed assets

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

Equipment

Equipment costing less than £1,000 per individual item is written off to the income and expenditure account 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 other 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:

Equipment

Motor vehicles and general equipment – 5 – 10 years.

Computer equipment – 5 years.

Fixtures and fittings – 5 – 15 years.

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

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

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

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. 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 FIFO methodology) and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

Salford City College Report and Financial Statements for the year ended 31 July 2019

Notes to the Accounts (continued)

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 basic 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 costs. 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.

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 companies are subject to corporation tax and VAT in the same way as any commercial organisation.

Provisions and contingent liabilities

Provisions are recognised when

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

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

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

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

Salford City College Report and Financial Statements for the year ended 31 July 2019

Notes to the Accounts (continued)

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the College's tangible assets. 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 re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 22, 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 2016 to value the pensions liability at 31 July 2019. 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.

Salford City College Report and Financial Statements
for the year ended 31 July 2019

Notes to the Accounts (continued)

2 Funding body grants

	2019 £'000	2018 £'000
Recurrent grants		
Education and Skills Funding Agency - adult	6,286	6,206
Education and Skills Funding Agency – 16 -18	19,076	20,293
Education and Skills Funding Agency - apprenticeships	2,546	2,360
Higher Education Funding council	122	47
Specific grants		
Education and Skills Funding Agency – 16 -18	-	-
Education and Skills Funding Agency - adult	-	-
Other ESFA Grants	172	-
Higher Education Funding council	527	407
Releases of government capital grants	617	647
Total	29,346	29,960

3 Tuition fees and education contracts

	2019 £'000	2018 £'000
Adult Education fees	219	427
Apprenticeship fees and contracts	101	54
Fees for FE loan supported courses	502	417
Fees for HE loan supported courses	592	319
Total tuition fees	1,414	1,217
Education contracts	1,677	1,253
Total	3,091	2,470

4 Other Income

	2019 £'000	2018 £'000
Residences, catering and conferences	911	724
Other income generating activities	159	234
Other grants and contracts	4	17
Other income	1,075	624
Insurance receipts re Pendleton fire	-	126
Total	2,149	1,725

5 Investment income

	2019 £'000	2018 £'000
Other interest receivable	27	15

Salford City College Report and Financial Statements
for the year ended 31 July 2019

Notes to the Accounts (continued)

6 Staff costs

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

	2019 No.	2018 No.
Teaching staff	295	271
Non teaching staff	211	222
	<u>506</u>	<u>493</u>
Staff costs for the above persons	2019 £'000	2018 £'000
Wages and salaries	16,441	15,632
Increase (Release) of Holiday Pay Accrual	(7)	17
Social security costs	1,543	1,492
Other pension costs (incl. FRS102(28.11) adjustments £1,318k (2018: £999k))	3,894	3,296
Payroll sub total	<u>21,871</u>	<u>20,437</u>
Contracted out staffing services	432	629
	<u>22,303</u>	<u>21,066</u>
Restructuring costs - Contractual	75	231
Total staff costs	<u>22,378</u>	<u>21,297</u>

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 Principal, Vice Principal Finance and Resources, Heads of College, Head of Apprenticeships and Partners and the Head of HE and Professional Studies.

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

	2019 No.	2018 No.
The number of key management personnel including the Accounting Officer was:	<u>7</u>	<u>9</u>

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

	Key management personnel		Other staff	
	2019 No.	2018 No.	2019 No.	2018 No.
£60,001 to £70,000	5	5	-	-
£70,001 to £80,000	-	1 *	-	-
£80,001 to £90,000	1	1	-	-
£90,001 to £100,000	-	1 **	-	-
£100,001 to £110,000	-	-	-	-
£110,001 to £120,000	-	-	-	-
£120,001 to £130,000	-	-	-	-
£130,001 to £140,000	-	-	-	-
£140,001 to £150,000	1	1	-	-
	<u>7</u>	<u>9</u>	<u>-</u>	<u>-</u>

*This represents the pro-rata salary for the full year for the Head of Planning, Performance & Information who commenced and ceased employment during the 2017/18 financial year.

**This represents the pro-rata salary for the full year for the Deputy Principal who ceased employment during the 2017/18 financial year.

Salford City College Report and Financial Statements
for the year ended 31 July 2019

Notes to the Accounts (continued)

6 Staff costs (continued)

Key management personnel compensation is made up as follows:	2019 £'000	2018 £'000
Salaries - gross of salary sacrifice and waived emoluments	564	613
Compensation for loss of office	27	-
Employers National Insurance	69	75
	660	688
Pension contributions	76	77
Total key management personnel compensation	736	765

The compensation payments in 2018/19, included above, reflect in full the payments paid to 1 key management person of £26,951.58.

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 making use of the Mytech scheme for personal IT equipment.

The above compensation includes amounts payable to the Accounting Officer (who is also the highest paid officer) of:

	2019 £'000	2018 £'000
Principal		
Salaries	145	143
Pension contributions	-	-
	145	143

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.

The governing body has adopted AoC's Senior Staff Remuneration Code in July 2019 and will assess pay in line with its principles in future.

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

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

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

	2019	2018
Principal/Chief Executive's basic salary as a multiple of the median of all staff	4.7	
Principal/Chief Executive's total remuneration as a multiple of the median of all staff	4.1	

7 Other operating expenses

	2019 £'000	2018 £'000
Teaching costs	2,830	2,817
Non teaching costs	4,321	3,695
Premises costs	3,398	3,055
Loss on disposal of assets	-	-
Other Costs incurred as a result of the Pendleton campus fire	-	51
Disposal and impairment of assets - Pendleton fire	-	-
Total	10,549	9,618

Other operating expenses include:	2019 £'000	2018 £'000
Auditors' remuneration:		
Financial statements audit	27	27
Other Services provided by Financial Statements Auditors	1	1
Internal audit	19	19
SubContracting Assurance Report	1	-
Other services provided by the internal auditors *	-	6
Hire of other assets – operating leases	1,229	825

* In relation to an additional ad hoc report on specific issues

Salford City College Report and Financial Statements
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Notes to the Accounts (continued)

8 Interest payable and other finance costs

	2019 £'000	2018 £'000
On bank loans, overdrafts and other loans:		
Repayable within five years, by instalments	331	344
Repayable wholly or partly in more than five years	104	122
	227	222
Pension finance costs (note 22)	288	366
Total	619	710

9 Taxation

The College is not liable for any tax arising out of its activities during either year.

10 Tangible fixed assets

	Freehold Land and Buildings £'000	Property Improvements £'000	Fixtures & Fittings £'000	Equipment £'000	Assets under the course of construction £'000	Total £'000
Cost or valuation						
At 1 August 2018	37,004	14,817	1,573	3,707	334	57,435
Assets under construction transferred		275	7	52	(334)	-
Additions		1,539	55	189	172	1,955
Disposal - fully depreciated assets	(159)	-	(273)	(583)		(1,015)
Assets disposals - Media City		(605)				(605)
At 31 July 2019	36,845	16,026	1,362	3,365	172	57,770
Depreciation						
At 1 August 2018	10,001	4,538	579	2,009	-	17,126
Charge for the year	925	1,233	141	676		2,976
Elimination in respect of fully depreciated assets	(159)	-	(273)	(583)	-	(1,015)
Assets disposals - Media City		(378)				(378)
At 31 July 2019	10,767	5,393	448	2,102	-	18,709
Net book value at 31 July 2019	26,078	10,633	914	1,263	172	39,061
Net book value at 31 July 2018	27,004	10,280	994	1,698	334	40,309

Other tangible fixed assets inherited from the LEA at incorporation have been valued by the college on a depreciated replacement cost basis with the assistance of Independent professional advice.

11 Non-current Investments

	2019 £'000	2018 £'000
Investment in subsidiary company	-	-
Total	-	-

The College owns 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 £13 for the year (filing fee) resulting in a net deficit of £13 at 31 July 2019 (2018: net deficit £2,798).

12 Trade and other receivables

	2019 £'000	2018 £'000
Amounts falling due within one year:		
Trade receivables	135	414
Related party debtors (note 23)	-	-
Intercompany debtors	3	3
Prepayments and accrued income	647	501
Amounts owed by the ESFA	-	288
Total	785	1,206

Salford City College Report and Financial Statements
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Notes to the Accounts (continued)

13 Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Bank loans (note 15)	276	264
Payments received in advance	139	-
Trade payables	1 118	715
Other taxation and social security	390	370
Accruals and deferred income	1 781	3,093
Holiday pay accrual	13	21
Deferred income - government capital grants	522	541
Fixed asset creditor	73	73
Other creditors	315	350
Amounts owed to the ESFA	-	704
Total	4,627	6,131

In the year ended 31st July 2018 the college identified an under-release of Bursary funds in respect of costs incurred providing a free bus service to students relating to years ending 31st July 2015 and 31st July 2016. a release of £520,574 has been made from the residual bursary funds.

14 Creditors: amounts falling due after one year

	2019 £'000	2018 £'000
Bank loans (note 15)	6,526	6,803
Deferred income - government capital grants	8,144	8,386
Total	14,670	15,189

15 Maturity of debt

Bank loans

Bank loans are repayable as follows:

	2019 £'000	2018 £'000
In one year or less	276	264
Between one and two years	291	276
Between two and five years	3,119	3,181
In five years or more	3,116	3,346
Total	6,802	7,067

At 31 July 2019, 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 and a £5,375,000 unsecured loan at a fixed rate of 5.367% falling due between August 2009 and May 2034.

16 Provisions

	Defined benefit obligations £'000	Enhanced pensions £'000	Total £'000
At 1 August 2018	9,647	209	9,856
Expenditure in the period	(1,039)	25	(1,014)
Transferred from income and expenditure account	7,512	(11)	7,501
At 31 July 2019	16,120	223	16,343

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 22.

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:

	2019	2018
Price inflation	2.40%	2.40%
Discount rate	2.80%	2.80%

Salford City College Report and Financial Statements
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Notes to the Accounts (continued)

17 Cash and cash equivalents

	At 1 August 2018 £'000	Cash flows £'000	At 31 July 2019 £'000
Cash and cash equivalents	<u>5,783</u>	<u>(936)</u>	<u>4,847</u>
	5,783	(936)	4,847

18 Capital commitments

	2019 £'000	2018 £'000
Commitments contracted for at 31 July	<u>1,492</u>	<u>654</u>
Authorised but not contracted at 31 July	<u>818</u>	<u>3,393</u>

The commitments noted above will be partially funded by way of capital grants due to be received from the Greater Manchester Combined Authority as part of the Local enterprise Partnership. The value of the grant is 33% of the certified works plus 100% of certain professional fees.

19 Lease obligations

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

	2019 £'000	2018 £'000
Future minimum lease payments due:		
Land and buildings		
Not later than one year	496	637
Later than one year not later than five years	2 055	2 622
Later than five years	<u>12,482</u>	<u>14,313</u>
	<u>15,033</u>	<u>17,572</u>
Other		
Not later than one year	90	61
Later than one year not later than five years	<u>97</u>	<u>17</u>
	<u>187</u>	<u>78</u>
Total lease payments due	<u>15,220</u>	<u>17,650</u>

20 Contingent liability

There are no contingent liabilities (2017/18: none).

21 Events after the reporting period

There are no events after the reporting period.

22 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 2012 and of the LGPS 31 March 2016.

	2019 £'000	2018 £'000
Total pension cost for the year		
Teachers Pension Scheme: contributions paid	1,476	1,303
Local Government Pension Scheme:		
Contributions paid	1,067	989
FRS 102 (28) charge	<u>1,318</u>	<u>999</u>
Charge to the Statement of comprehensive Income	2,385	1,988
Enhanced pension charge to Statement of Comprehensive Income	<u>33</u>	<u>5</u>
Total Pension Cost for Year within staff costs	<u>3,894</u>	<u>3,296</u>
Pension contributions paid in respect of prior year	-	-
Total Pension Cost for Year within staff costs	<u>3,894</u>	<u>3,296</u>

At 31 July, there was £212k outstanding employer's contributions due to the two schemes (£123k TPS and £89k GMPF) which were both paid over in August 2019 (2018: £196k).

Notes to the Accounts (continued)

22 Defined benefit obligations (continued)

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act. Retirement and other pension benefits are paid by public funds provided by Parliament.

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

Accordingly, the College has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The College has set out above the information available on the plan and the implications for the College in terms of the anticipated contribution rates.

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

The latest actuarial review of the TPS was carried out as at 31 March 2012. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation are:

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

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

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

The pension costs paid to TPS in the year amounted to £2,305,000 (2018: £2,035,000).

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Notes to the Accounts (continued)

22 Defined benefit obligations (continued)

FRS 102 (28)

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

Accordingly, the College has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The College has set out above the information available on the scheme 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 contribution made for the year ended 31 July 2019 was £1,411k of which employer's contributions totalled £1,067k and employees' contributions totalled £344k. The agreed contribution rates for future years are 19.6% for employers, and range from 5.5% to 12.5% for employees, depending on salary.

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

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2017 by a qualified independent actuary

	At 31 July 2019	At 31 July 2018
Rate of increase in salaries	3.2%	3.2%
Future pensions increases	2.4%	2.4%
Discount rate for scheme liabilities	2.1%	2.8%
Inflation assumption (CPI)	2.4%	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 65 are:

	At 31 July 2019	At 31 July 2018
<i>Retiring today</i>		
Males	20.6	21.5
Females	23.1	24.1
<i>Retiring in 20 years</i>		
Males	22.0	23.7
Females	24.8	26.2

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

	Long-term rate of return expected at 31 July 2019	At 31 July 2019 Fair value £'000	Long-term rate of return expected at 31 July 2018	At 31 July 2018 Fair value £'000
Equities	69.0%	32,052	68.0%	29,575
Bonds	14.0%	6,503	16.0%	6,959
Property	8.0%	3,716	7.0%	3,045
Cash	9.0%	4,181	9.0%	3,914
Total market value of assets		46,452		43,493
Weighted average expected long term rate of return		2.6%		2.8%
Actual return on plan assets		2,527		3,440

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

	2019 £'000	2018 £'000
Fair value of plan assets	46,452	43,493
Present value of plan liabilities	(62,572)	(53,140)
Net pensions liability (Note 16)	(16,120)	(9,647)

Notes to the Accounts (continued)

22 Defined benefit obligations (continued)

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

	2019 £'000	2018 £'000
Amounts included in staff costs		
Current service cost	1,938	1,981
Past service cost	419	46
Total	<u>2,357</u>	<u>2,027</u>

Amounts included in interest payable

Net interest expense	<u>(288)</u>	<u>(366)</u>
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Amounts recognised in Other Comprehensive Income

Return on pension plan assets excluding amounts included in net interest	1,304	2,364
Experience gains arising on defined benefit obligations	-	-
Changes in assumptions underlying the present value of plan liabilities	(6,171)	2,413
Amount recognised in Other Comprehensive Income	<u>(4,867)</u>	<u>4,777</u>

Movement in net defined benefit liability during the year

	2019 £'000	2018 £'000
Net defined liability in scheme at 1 August	(9,647)	(13,059)
Movement in the year:		
Current service cost	(1,938)	(1,981)
Employer contributions	1,039	1,028
Losses on settlements and curtailments	(419)	(46)
Net interest on the defined liability	(288)	(366)
Actuarial gain or loss	(4,867)	4,777
Net defined benefit liability at 31 July	<u>(16,120)</u>	<u>(9,647)</u>

Asset and Liability Reconciliation

	2019 £'000	2018 £'000
Changes in the present value of defined benefit		
Defined benefit obligations at start of period	53,140	52,769
Current service cost	1,938	1,981
Interest cost	1,511	1,442
Contributions by Scheme participants	332	317
Experience losses on defined benefit obligations	-	-
Actuarial losses in respect of pension	6,171	(2,413)
Changes in financial assumptions		
Past service costs		
Curtailments and settlements	419	46
Estimated benefits paid	(939)	(1,002)
Defined benefit obligations at end of period	<u>62,572</u>	<u>53,140</u>

Changes in fair value of plan assets

	2019 £'000	2018 £'000
Fair value of plan assets at start of period	43,493	39,710
Interest on plan assets	1,304	2,364
Return on plan assets less interest on plan assets	1,223	1,076
Contributions by Scheme participants	332	317
Employer contributions	1,039	1,028
Actuarial gains		
Estimated benefits paid	(939)	(1,002)
Fair value of plan assets at end of period	<u>46,452</u>	<u>43,493</u>

**Salford City College Report and Financial Statements
for the year ended 31 July 2019**

Notes to the Accounts (continued)

23 Related party transactions

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

The total expenses paid to or on behalf of the Governors during the year was £56; 1 governor (2017/18 £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 (2017/18: 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 Salford Academy Trust was transferred to the United Learning Trust during the year. There were no Sales to Salford Academy Trust (including individual academies within the Trust) during the year and no balances outstanding (2018: £20,300). 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 - 3/10/17)
Tracy Kitchingman	Vice Principal Finance and Resources	Director (commenced - 6/10/17)
Kim Cash	Head of Pendleton Sixth Form College	Director (commenced - 10/10/15)
Ruth Osbourne-Thompson	Head of HE & Professional/Interim Head of Marketing	Director (commenced - 7/2/18)

E4Jobs Limited

E4Jobs Limited is a wholly owned subsidiary of Salford City College. The College made one payment of £13 on behalf of E4Jobs Limited in the year (2018: None). A balance of £3,368 remains outstanding at the year end and is included in year end debtors (2018: £3,368).

The Canterbury Centre

The College charged the Canterbury Centre £105 plus VAT for a well being even in January 2019. This is disclosed as Councillor John Walsh, co-optee to the Corporation is a member of the management committee of the The Canterbury Centre. This transaction was conducted without the involvement of Councillor Walsh.

24 Amounts disbursed as agent

Learner support funds

	2019	2018
	£'000	£'000
Funding body grants – hardship support	691	637
Interest earned		
Disbursed to students	(758)	(694)
Administration costs	(29)	(29)
Deferred income carried forward	167	774
Release re prior year expenditure		(521)
Balance unspent as at 31 July, included in creditors	<u>71</u>	<u>167</u>

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