Report and Financial Statements

For the year ended 31 July 2020

Contents

Reference and Administrative Details

Board of Governors

Richard Noah (Chair)
Rosie Darkin Miller (Vice Chair)
Nigel Evans (Principal)
Stephen Webb
Jane Nicklen
Stephen Prewett (resigned 1 October 2019)
Lynda Bourne
Rodney Davis
Louise Matthews
Jacqui Gerrard
Andrew Matthews
Jack Dickson (from 11 February 2020)
Chris Brooke (from 11 February 2020)
Ian Bates (from 11 February 2020)
Peter Vowles
Megan Barnes
Jade House
Lucas McCallum
Jenny Stiling (Associate Member)
Joanne George (Co-opted Member Audit Finance Committee – resigned 27 October 2020)

Clerk/Company Secretary
Sue Ratcliffe

Senior Leadership Team

Nigel Evans	-	Principal and Chief Executive
Kelly Bush	-	Vice Principal Curriculum
Julia Howe	-	Vice Principal Quality
Phil Templeton	-	Vice Principal Funding and Operations
Robert Cole	-	Director of Finance
Sue Ratcliffe	-	Clerk to the Corporation

Principal and Registered Office Cranford Avenue, Weymouth, Dorset DT4 7LQ

Professional advisors

External auditors	Moore SW (Bath)
Solicitors	Blake Morgan (contract) Nantes,
Bankers	Allied Irish Bank

Strategic Report

OBJECTIVES AND STRATEGY

The governing body present their annual report together with the financial statements and auditor's report for Weymouth College for the year ended 31 July 2020.

Legal status

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

The Corporation completed the merger of its subsidiary companies on the 1st August 2019. Weyco Services Limited absorbed the business of continuing to provide sports facilities at Redlands Sports Centre and the Redlands Sports Hub Limited was dissolved.

Mission

The Weymouth College Board regularly reviews the College's mission and educational character, and the extent to which it is aligned with the wider strategic priorities of national, regional and local government, the skills needs of the local and regional business community and the individual education and training needs of the local people.

The College's mission is:

"Weymouth College will transform lives and contribute to economic and social regeneration – bringing skills and knowledge to life."

Impact of COVID19

Due to the COVID19 pandemic and following Government advice, the College closed its doors to students and staff on the 23rd March 2020 and delivered remote teaching and learning for the remainder of the 2019/20 academic year.

At the start of the 2020/21 academic year, the College reopened and has continued to follow Government advice to ensure full access and face-to-face teaching for students. The College has seen, and continues to experience disruption to commercial related activities with an ongoing adverse impact to finances.

The College has employed all appropriate social distancing and personal protective equipment measures to ensure continued student learning this academic year. Weymouth College remains proactive in informing students, staff, parents and all other stakeholders of COVID19 developments that affect the College community.

RESOURCES

The College has various resources that it can deploy in pursuit of its strategic objectives. Tangible resources include the main College site at Cranford Avenue, Redlands Community Sports Centre, The Dorset Centre for the Creative Arts, a town centre site at 106 St Mary Street and the enterprise centre at Poundbury.

Due to capital investment and the COVID19 pandemic, the College will be exiting leased premises at Poundbury and bringing Stone Masonry curriculum back to the Construction Centre on the main College campus.

Financial

The Group has £19,874,000 of net liabilities (including £24,509,000 pension liability) and debt of £4,168,000, the profile of which is shown in note 15.

People

The Group employs 451 people (expressed as a head count) (2019: 476) and remains one of the largest employers in the local area. 180 are teaching staff (2019: 209).

Reputation

The College has continued to improve its reputation both locally and nationally. The achievement of a 'Good' Ofsted judgment in March 2020 and a QAA 'grade 2' for higher education programmes has been central to enhancing its local reputation. Maintaining a quality brand is essential for the College's success at attracting students and external relationships.

The College works closely with local Secondary Schools (formerly the Chesil Partnership) and continues to network with local and regional employers to ensure newly established Centres of Excellence (Motor vehicle, Engineering and Construction) and the curriculum meets the needs of employers and the business community.

Apprenticeships have been a significant focus and the success of the Weymouth College brand in terms of both enrolments and achievements has allowed the College to go from strength to strength in its employer engagement work.

STAKEHOLDER RELATIONSHIPS

The Board operates on behalf of its ownership, which it defines as:

Those people of Weymouth and Portland and the wider South and West Dorset area who share an interest in the long-term availability and quality of post 14 education and training.

Weymouth College therefore has many stakeholders. These include:

- Students;
- Education sector funding bodies;
- F.E. Commissioner;
- Staff;
- Local employers;
- Local authorities;
- Local Enterprise Partnerships (L.E.P);
- The local community;
- Multi-agency groups;
- Community groups;
- Other FE institutions;
- Local schools;
- Trade unions;
- Financial institutions;
- Professional bodies.

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

Public Benefit

Weymouth College is an exempt charity under Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 18 to 20.

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

The Board operates a policy governance model, on behalf of its ownership, which it defines as:

Those people of Weymouth and Portland and the wider South and West Dorset area who share an interest in the long-term availability and quality of post 14 education and training.

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

- High-quality teaching
- Widening participation and tackling social exclusion
- Excellent employment record for students
- Strong student support systems
- Links with employers, industry and commerce.

DEVELOPMENT AND PERFORMANCE

Financial results

The Group generated a deficit before other gains and losses in the year of £1,849,000 (2018/19 – deficit of £1,005,000), with total comprehensive expense of £9,229,000 (2018/19 - total comprehensive expense of £2,184,000). This result is after charging:

Result before other gains and losses	**(£1,849,000)**
Net interest on defined pension liability	(£330,000)
FRS 102 (28) charge	(£765,000)
Enhanced pension charge	(£13,000)
Total defined pension charges	**(£1,108,000)**
Result excluding defined pension charges	**(£741,000)**

At the balance sheet date, the Group had negative accumulated reserves of £22,495,000 and cash balances of £325,000. The Group wishes to accumulate reserves and cash balances in order to create a contingency fund.

Tangible fixed asset additions during the year amounted to £725,000. The College has been successful with several Local Enterprise Partnership grant funded capital bids (Motor Vehicle Centre of Excellence, Engineering Centre of Excellence). The College has kept all other capital expenditure to a minimum reflecting the need to strengthen cash balances.

Due to the COVID19 pandemic and College closure in March, the financial accounts reflect the adverse impact on commercial income with losses of £1m. The impact on College finances, after calculating College closure efficiency savings and the Job Retention Grant (furlough) confirms a net loss of £340k for the 2019/20 financial year.

Commercial operations affected included WeyCo catering, Redlands (Leisure centre), National Citizenship Service (Leisure activities) and College lettings. The College also reports a significant decline in planned Apprenticeship starts during the Summer which resulted in lower Apprenticeship income (funding body grants) which continues to have a lagged adverse impact for the 2020/21 financial year.

Due to the net loss of £340k between 23rd March and 31st July 2020, the College maintained a proactive dialogue with the ESFA on cash flow projections, resulting in the receipt of an advance in re-profiled 16-18 funds of £300k in July 2020, noted as creditors < 1 year in the financial accounts and a further £40k advance in August 2020.

These additional funds enabled financial stability during the summer months. Student growth in FE and HE courses, improved FE funding rates and a significant increase in EHCP commissioned places is leading the financial recovery with an improved forecast ESFA financial health grade for 2020/21. The College is now reviewing cash flow forecasts for 2020/21 and 2021/22 in consultation with the ESFA to consider the repayment of the advanced funds received this summer.

Curriculum developments

In order to achieve the breadth of provision that our community requires we will continue to work with partners (both regional and national) to improve the experience for our learners.
Significant provision in 14 of the 15 subject sector areas is offered at the College. We offer a range of higher education courses as well as apprenticeships and workplace learning with 94% of the College's provision aligned to either Local Enterprise Partnership (L.E.P.) or Local Authority (L.A.) priorities.

In preparation for the College's Motor Vehicle Centre of Excellence and Engineering Centre of Excellence, the College hosted a number of employer meetings to research curriculum delivery and investment in new capital resources to ensure both Centres of Excellence provide outstanding facilities and student outcomes that will benefit the local business community.

Reserves

The College currently holds no restricted reserves. As at the balance sheet date, the Income and Expenditure account reserve, excluding the pension deficit, stands at (£2,014,000) (2019: £2,664,000). It is the Board's intention to increase reserves over the life of the Strategic Plan, by the generation of annual operating surpluses.

Sources of income

The Group has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2019/20, the FE funding bodies provided 70% of the Group's total income. Projections for 2020/21 indicate FE funding increasing as a percentage of total income due to student growth and a decline in commercial income due to the ongoing COVID19 pandemic.

Group Companies

The College had two subsidiary companies, which merged with effect from 1 August 2019. Weyco Services Limited provide catering, grounds maintenance and cleaning services to the College. Redlands Sports Hub Limited merged its operation into Weyco Services and was dissolved on 31 July 2019. The principal activity of the company is to provide the stated services to the College. WeyCo Services Ltd is a wholly owned subsidiary supported financially by the College.

The majority of commercial income affected by COVID19 was from WeyCo (catering and leisure provision). The subsidiary accounts confirm a loss on ordinary activities before taxation of £152,455 and WeyCo Directors continue to review all operations within the WeyCo subsidiary to assess value for money for the College community.

FUTURE PROSPECTS

Developments

The College continuously reviews its curriculum offer to ensure that it meets the needs of learners and other stakeholders, including employers. The main development for the 2020/21 academic year is the launch of new Level 5 and 6 Higher Education professional degree courses – this has in part led to significant growth in HE student enrolments.

The College is also reviewing Apprenticeship courses as more courses move towards ‘standards’ from ‘frameworks’. The College’s Employability Services Team continues to liaise with local employers to develop Apprenticeship provision to meet business community needs.

The LEP investment in Motor Vehicle, Engineering and pending Construction Centre will provide the College with greater capacity for learner numbers and course provision at a time when student demographics in the local area are on the rise.

The College is working in partnership with Dorset Council for 16-18 Education Health Care Plan (EHCP) student numbers as the College has experienced significant growth from 80 learners in September 2019 to 130+ learners for the 2020/21 academic year. The College has submitted a LEP expression of interest bid to develop building and resource capacity in College for future 16-18 EHCP provision to meet the rising demand in enrolments, with an anticipated bid outcome in the Autumn 2020 for completion by March 2022.

Financial plan

Ordinarily, the College prepares a 2-year financial plan in July each year, which is approved by the Board prior to the 31 July. Due to the adverse impact of COVID-19 and College lockdown from the 23rd March, the Corporation received and approved the 2020/21 budget with an acknowledgement that the 2021/22 budget forecast would follow in the Autumn term.

Corporation received a re-forecast 2020/21 budget and 2021/22 budget forecast at its meeting of the 27th October, confirming an improved 2020/21 EBITDA of £1,242k (education specific EBITDA of £687k) and 2021/22 forecast EBITDA of £1,297k (education specific EBITDA of £718k). The 24-month cash flow forecast covering both financial years noted stable cash reserves that mirrored the ESFA funding profile.

COVID19 lockdown during late Spring through to August 2020 affected the College with the loss of £842k of commercial income and over £120k of Apprenticeship income. The net financial impact of COVID19 after College efficiency closure savings and accessing the Job Retention Scheme (furlough) grant was £340k. Agreement was reached with the ESFA to re-profile

2020/21 16-18 funds and additional funds were provided in July for £300k and a further £40k in August 2020. The Group reports cash and bank balances of £325k at year-end.

COVID19

The ESFA accepted Weymouth College's 2020/21 Financial plan and this confirms the positive trend reported in 2019 of improving College financial health due to the lagged impact of 16-18 student growth. This good financial news has been moderated by the ongoing impact of COVID19 that continues at the time of this report.

Budget plans for 2020/21 included a cautious view of commercial income for the Autumn term due to social distancing measures, the risk of a further lockdown and uncertainty with public confidence with the return to work / College environments. The re-forecast budget approved by Corporation in October confirmed revisions to income and costs with COVID19 adversely affecting the College with £480k losses in income or a net reduction in funds of £295k.

With 16-18 enrolment at circa. 1,400 students for 2020/21, budget forecasts for 2021/22 present continued improvements with financial health and greater capacity when combined with College strategic plans to address resource demands, staffing and pay, and ongoing debt commitments. The College has seen a shift in reliance on student led grant-funded income from 65% of total income in 2019/20 to 83% of total income within the 2020/21 reforecast budget.

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.

All borrowing requires the authorisation of the Board and shall comply with the requirements of the Financial Memorandum and College Financial Regulations. Such arrangements are restricted by limits in the College's Financial Memorandum previously agreed with the LSC and subsequently transferred to the Education and Skills Funding Agency (ESFA).

Cash flows and liquidity

At £896,000, net cash inflow from operating activities was positive (2018/19: £531,000 net cash inflow).

As noted above, due to COVID19, the College negotiated a re-profiled advance of 16-18 funds of £300k from 2020/21 to address cash flow pressures in July 2020. A further £40k of funds were advanced in August to cover TU interest costs incurred in July.

The College also received a 3-month bank loan moratorium (holiday repayment period) from AIB in April, May and June, totalling £108,000. The College made repayments of £239,000 AIB loans during the financial year.

Despite the College making AIB repayments in 2019/20, total borrowing relative to turnover has marginally increased over the last year due to the adverse COVID19 impact on turnover. Total borrowing relative to turnover now stands at 35% (2019: 34%). Based on 2020/21 budget plans, total borrowing relative to turnover should reduce to 29%.

Reserves

The College does not have a formal Reserves Policy, but recognises the importance of reserves in the financial stability of an organisation, whilst ensuring that adequate resources are provided for the College's core business.

PRINCIPAL RISKS AND UNCERTAINTIES

The College has undertaken further work during the year to develop and embed the system of internal control, including financial, operational and risk management, which is designed to protect the College's assets and reputation. This also follows an internal audit review in June 2020 on key financial controls during the lockdown period and the College's effectiveness during remote working and the College's ongoing ability to strategically manage cash flow, debtor and creditor management.

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

Annually, the extended College Management Team work with SLT members to assess the risks aligned to the College not achieving its objectives for the forthcoming year, existing systems and procedures are identified together with any additional actions required to further mitigate the risk in question. Risks are scored using an impact, likelihood and reputation matrix, scores subsequently being categorised as significant, contingent or low.

The College risk register is configured such that gross risk and net risk can be easily identified. The register is compiled annually and reviewed on a termly basis by both the SLT and the Audit Finance Committee to ensure that mitigating controls and planned further controls are being implemented as appropriate. The risk register forms the basis of the audit needs assessment compiled by the College Internal Auditor.

In addition to the annual review, the SLT will also consider any risks which may arise as a result of a new area of work being undertaken by the College or risks which materialise as a consequence of the work of the college Internal Auditor.

The table below outlines the key risks that have faced the College in 2019/20 together with an analysis of how effective the implementation of mitigating controls has been in reducing risk.

Risk register 2019/20

Ref	Risk Description	Performance in 2019/20
1	COVID19 Safety and wellbeing of students, staff and visitors whilst delivering face-to-face teaching. Financial risks of further lockdown.	The College has followed all Government guidelines for remote learning during Summer 2020 term and face-to-face teaching during a busy enrolment and start of Autumn term. Social distancing and personal protective equipment (PPE) employed throughout College (in line with Government guidance) for students, staff and visitors. College capital investment for additional laptops to support students with on site and remote learning.

		Clear and consistent College communication with all stakeholders for safe working / learning practices and reporting of COVID19 cases.
2	Maximisation of Student Recruitment	The College saw an increase in 16-18 learners for September 2019 to 1,291 *(was 1,206 in 2018)* and the College continues to see growth in 2020/21 with student numbers expected to be c. 1,400. Conversely, Apprenticeship numbers have fallen due to COVID19 impact with the local economy and employers. The College has gained new Apprenticeship contracts and continues to explore new 'remote' delivery for Adult Education, which is seeing an upturn in learner recruitment.
3	Promotion of the College's Reputation	The Ofsted visit in March 2020 under the new framework confirmed that the Weymouth College is a GOOD Further Education College. This follows the GOOD Ofsted report from 2015. Student satisfaction rates remain high and improving. Partnership working with employers has been strengthened and has been evidenced through the support given to the College as various L.E.P. bids (totalling £1.6m) have been awarded over the last year. Regular briefings with Staff and Students continue to keep all stakeholders fully appraised of productive times at the College.
4	Financial Sustainability	The College has produced comprehensive management accounts throughout 2019/20 and was quick to appraise the adverse impact of COVID19 in the Spring. The College accessed all Government funding initiatives with a daily review / projection of cash flow and regular monthly meetings with the ESFA and a meeting with the FE Commissioner Team in May 2020. An agreed re-profiling advance of 2020/21 16-18 funds in July enabled the College to remain financial sustainable and budget plans for 2020/21, on the back of student growth, an improved FE funding rate and prior year savings from contract reviews will deliver an improved financial position for the College. ESFA Financial Health was 'Inadequate' for 2019/20 due to COVID19. Financial performance for 2020/21 is expected to be firmly within the 'Requires Improvement' category with further improvements expected in 2021/22. Cash flow remains a focus for the College as the main Financial health indicator (liquidity). Financial performance and Borrowing indicators continue to improve.

5	Safety and Wellbeing of Students and Staff	Learner surveys have indicated that 92% feel safe. Regular monitoring reports on safeguarding issues. Accident and incident reports indicate positive trends. Endorsed by periodic reviews of internal audit service. Achievement rates for students receiving Additional Learning Support and from B.M.E. backgrounds are high. Regular staff communications and access to professional advice. A proactive and highly regarded Student Support Team that includes dedicated 'Not in education, employment or training' (NEETs) support and youth health champion provision. Whole College approach to student wellbeing including the 'students at risk' group has enabled excellent student retention rates and ensuring students are enrolled on the correct course.
6	Innovation and Responsiveness to Employers	94% of the College's provision aligned to either Local Enterprise Partnership (L.E.P.) or Local Authority (L.A.) priorities. Income streams expanding and diversifying: Higher Education; Apprenticeships; Full cost provision; further work to embed the new Apprenticeship regime.

In addition to those shown above, the College is aware of certain sector-wide risks that may impact on the College in the future:

Government funding

The College has considerable reliance on continued government funding through the further education sector funding bodies and through OfS. In 2019/20, 83% of the College's revenue was ultimately publicly funded and this level of requirement is expected to increase due to student growth and improved FE 16-18 funding rates. There can be no absolute 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:

- Changes to the funding methodology and/or funding rates;
- Implementation of devolution deals and the potential transfer of responsibilities for adult skills funding to combined authorities;
- Enrolment performance and the impact of lagged funding;
- The impact of a potential recurrent Government agreement for increased FE funding rates

The College seeks to mitigate these risks by keeping tight control of all expenditures; by maintaining and increasing income streams from other sources (e.g. provision of school meals by Weyco; National Citizenship Service provision by the Sailing Academy; Skills Support for the Workforce); and by a proactive marketing and recruitment strategy aimed at securing growth in student enrolments.

Tuition fee policy

Ministers have confirmed that the fee assumption remains at 50%. In line with the majority of other colleges, Weymouth College has set its classroom based tuition fees in accordance with the fee assumptions. For students aged over 24, most higher-level courses are now eligible for a student loan. The risk for the College is that demand is impacted by resistance to fee rates or the prospect of a loan.

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students;
- Close monitoring of the demand for courses and effective use of bursary funds where these are available;
- Reviewing the cost base for full cost provision where delivery is off-site;
- Maintaining 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.

The Local Government Pension Scheme (LGPS) for staff on support contracts is administered by Dorset Council. The actuarial assumptions relating to the fund resulted in a loss of £7,380,000 (2018/19: £1,179,000 loss).

The Teacher Pension Scheme (TPS) is an unfunded defined benefit scheme. A notional value is ascribed to the scheme for the purposes of determining contribution rates.

KEY PERFORMANCE INDICATORS

Performance indicators

The College is committed to observing the importance of sector measures and indicators and uses the FE Choices data available on the GOV.UK website, which looks at measures such as achievement rates. The College is also required to complete the annual Finance Record for the ESFA.

Key performance Indicator	Measure/Target	Actual for 2019/20
Student number targets – 16-18	1302	1,297
Student achievement	90%	92.5%
EBITDA as % of income	8%	1.5%
SAR rating	Good	Good

Student achievements

Students continue to prosper at the College. Achievement rates remained high in 2019/20, 88% of students moved into employment, further or higher education after they completed College.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, in the absence of agreement to the contrary, requires organisations. During the accounting period 1 August 2019 to 31 July 2020, the college paid 45% of its invoices within 30 days. The college incurred no interest charges in respect of late payment for this period.

Equal opportunities

The College is committed to ensuring equality of opportunity for all who learn and work here. We:

- hold as a guiding principle the belief that all people are of equal worth;
- practise Equality and Diversity in everything we do;
- aim to foster an environment where everyone is treated with dignity, fairness and respect according to their needs;
- celebrate diversity and the individuality of each and every member of the College;
- commit to eliminating bullying and harassment, prejudice and stereotyping.

Weymouth College is committed to complying with its duties under the Equality Act 2010; we are working to remove all barriers to people accessing the College. This includes any staff, students, visitors and external partners of the College.

This Single Equality Scheme (S.E.S.) is a statement of our strong commitment and continuing approach to delivering equality of opportunity for all staff, students and visitors to the College. It is closely aligned to the College's strategic priorities. The principles set down in the S.E.S. are fundamental to building a more inclusive learning organisation which sees Equality, Diversity and Inclusivity as a dynamic driver for change and which takes the Equality Act 2010 to its heart.

We aim to be open to all sections of the community and to be a truly inclusive organisation where individual differences are respected, where staff and students are treated solely on their merits, and where everyone has a fair opportunity to fulfil their potential. We welcome the new statutory duties under the Equality Act 2010 which asks public authorities to take a proactive approach to the promotion of equality, diversity and inclusivity. Including the three due regards:

- eliminate unlawful discrimination, harassment and victimisation and any other conduct prohibited under the Act;
- advance equality of opportunity between people who share a protected characteristic and people who do not share it; and
- foster good relations between people who share a protected characteristic and people who do not share it.

Weymouth College has used positive initiatives to make our services, policies, practices and buildings as accessible as possible. The S.E.S. highlights our progress to date, where there are gaps, where we can make improvements in policy and practice, and our new responsibility to promote equality in all aspects of our work.

We have involved students, staff, managers and external organisations through a range of activities and initiatives in developing the S.E.S. The feedback from staff, students and external partners has enabled us to prioritise key actions, which will enable us to develop and enhance the extensive services and support we already offer. We will also take a fresh look at those areas which require new initiatives.

Our Single Equality Scheme provides the essential framework for promoting and embedding equality across all areas of our work. It will enable us to provide a positive and lasting difference to the experiences of current and potential students, staff and external partners and those who would like to join us as students and employees. This will also provide the opportunity for

Weymouth College to attract and retain talented staff and students and enhance our diversity and competitiveness in the changing and dynamic further and higher education environment.

Our work to date on this has been recognised and the College has achieved Investors in Diversity stage 1 accreditation.

The aim of the S.E.S. reflects the College's commitment to the general duties of eliminating direct or indirect discrimination, promoting equality of opportunity for all.

Disability statement

The College is committed to promoting the practice of fairness and to eliminating inequality based on the grounds of age, disability, learning needs, family responsibility, marital status, culture, ethnicity, nationality, religious beliefs, gender, sexual orientation, trade union activity, unrelated criminal convictions or other irrelevant criteria. We aim to recognise and value the contribution made by each individual to our learning environment.

The College strives to ensure that all staff and learners, whether existing of potential, receive fair treatment when making application; and in terms of their retention, achievements and employability, not least in relation to under-represented groups within the community.

Trade Union facility time

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 employed	FTE employee number
438	297

Percentage of time	Number of employees
0%	295
1-50%	2
51-99%	0
100%	0

Total cost of facility time	£3,010
Total pay bill	£8,985,000
Percentage of total bill spent on facility time	0.03%

Time spent on paid trade union activities as a percentage of total paid facility time	0.03%

Going concern

The Transaction Unit approval in March 2019 to restructure the College's previous BIS loan resulted in additional funds of £400,000 and a total loan of £2,419,000 re-profiled for repayment over an 8-year term. This prudent approach to repayment operates alongside the current Bank loans and provides the College the opportunity to review Financial plans in conjunction with College future strategic plans.

The impact of COVID19 and its wide reaching effect on the economy and the Further Education sector is well documented and the additional financial support provided to Weymouth College by the ESFA and AIB bank has enabled the College to remain in operation, whilst under lockdown measures.

Despite COVID19 continuing to have an adverse impact on some Autumn commercial activities and Apprenticeship new starts, the College continues to see:

(1) Student growth at 16 to 18 and for Higher Education courses,

(2) Increased funding in 2020/21 from the 4.7% funding rate increase for 16-18 learners,

(3) The full year savings in 2020/21 from the contract review process undertaken in 2018/19 and 2019/20,

(4) The part year financial savings in 2020/21 of withdrawal from leased premises at Poundbury.

College financial health as calculated by the ESFA is now expected to improve for 2020/21 and 2021/22.

Weymouth College is in discussion with the ESFA for the repayment of the advance of £340k with cash flow forecast plans at the October (P3) management accounts, confirming proposed repayments in December 2020 and May 2021.

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

The College maintains positive and frequent dialogue with AIB Bank with the covenant waiver letter confirmed at 31st July 2020. Annual reviews take place with AIB Bank with financial plans / EBITDA sufficient to repay planned Bank loan capital and interest payments.

EVENTS AFTER THE REPORTING PERIOD

The College has been successful with two Local Enterprise Partnership capital bids for (1) Construction Centre of Excellence for £750,000 and (2) Higher Education capital refurbishment for £250,000. The Construction Centre of Excellence project commenced November 2020 and will complete by the 31st March 2021. The Higher Education Centre project will start later this Autumn and complete by June 2021.

Implementation of strategic plan

In July 2015 the College adopted a strategic plan for the period 1 August 2016 to 31 July 2021. This strategic plan includes property and financial plans. The Board monitors the performance of the College against these plans. The plans are reviewed and updated each year. The Board are now in the process of reviewing and preparing a new strategic plan for 2021 onwards.

Strategic Objectives

The College's continuing strategic objectives are:

- to drive up performance and the standard of provision through a 'high expectation, high achievement' culture;

- to achieve year-on-year growth through the development and delivery of relevant, responsive and innovative education and training;

- to drive skills development and be a vital educational, social, cultural and economic asset for the region;

- to return the College to 'Good' financial health.

Financial objectives

The Board approved a revised set of objectives in 2017/18 to reflect the College's circumstances. The overarching objective is that of improving the College's financial health to "Good".

The 2019/20 priorities and progress against them is summarised below:

Priority 1: Achievement of Good Financial Health

The College's automated financial health score was "Inadequate" for the 2019/20 financial year due to the adverse impact of COVID19 and due to lower student numbers from September 2018 that were lagged in the 16-18 funding formula. The 2020/21 budget set and approved by Corporation in July 2020 confirms financial health returning to "requires improvement" with a forecast for 2021/22 showing further improvements in finance due to continued student growth combined with improvements in FE funding for 16-18 year old students.

Moving forward, the uncertainty of COVID19 on College commercial activity and income is being countered by ESFA grant funded income, due to student growth at 16-18, students with EHCP and Higher Education student numbers, progressing from FE courses.

- **Focussing on income sources and stability of income;**

The College has numerous income sources which vary in their stability and complexity. It is therefore important that there is continuity of income sources and that planning includes the replacement of sources which are ending and/or changing.

  - FE – *continued good recruitment above target;*
  - HE – *progression from our own FE courses;*
  - Apprenticeships – *re-focus of the team; working with levy-paying employers; processes within College/customer service;*
  - Full cost – *follow-on and complementary from ESIF courses; community and leisure*.

Other income for the 2019/20 financial year accounted for 14% of Group income. As noted, due to COVID19, the Group saw a reduction in other income of £842k. Budget plans for 2020/21 indicate other income starting to recover with budget forecast 2021/22 returning to 93% of 2019/20 (pre-COVID19) budget levels.

The College, funded and operating with current student numbers with other income at pre-COVID19 levels, would achieve ESFA Financial Health of 'Requires Improvement' but at a point score of approaching 'Good'.

- **Achievement of Annual Operating Surpluses;**

The College's plans include achievement of EBITDA (Earnings before interest, taxation, depreciation and amortisation) of circa £1.24m (education specific EBITDA of £687k). This financial position enables the College to meet current AIB loan and interest payments and planned Restructuring loans and interest payments, but does expose the College to depreciation costs and its capacity for capital investment.

Recent LEP plans and ESFA awarded capital funds, totalling in excess of £2m are enabling capital improvements across the Campus estate.

The College has future LEP bids pending and the success of these bids will positively impact the College's financial position and generate funds for further reinvestment through student growth.

- **Strengthening of Cash Balances;**

The College has achieved good cash generation from operations, which is above the sector average. Cash balances are lower than the start of the year due to the adverse impact of COVID19. Cash flow projections for 2020/21 present an improving position that mirrors the budget forecast.

- **Maintaining pay costs as a proportion of income - <65%;**

The College should maintain a level of pay costs to income of below 65%. This benchmark remains an annual challenge for the College due to 'in-house' services delivering catering, grounds and cleaning and the approximate 6% increase in National Minimum Wage each April.

This figure for 2019/20 reports at 70%; however, a further review to identify pay costs as a proportion of income for College activity (excluding subsidiary / trading activities) confirms pay costs at 68% of income. Budget plans for 2020/21 confirm pay at 68% of income or 66% when excluding subsidiary activity.

- **Prioritising capital expenditure within a limited capital budget.**

As noted within this report, the College has secured capital funds for various LEP capital projects that are now complete, including:

- Motor Vehicle Centre of Excellence £250k (completed March 2020),
- Media & ICT infrastructure £250k (completed March 2020),
- Curriculum and Estates capital development £155k (completed July 2020),
- Engineering Centre of Excellence £200k (completed September 2020),

The following LEP capital projects are ongoing at the time of this report:

- Construction Centre of Excellence £750k (completion expected March 2021),
- Higher Education Centre refurbishment £250k (completion expected March 2021),

The College also received ESFA capital funds (part of the FE sector £200m award) of £421,086 – these funds are earmarked for Estates and ICT improvements / developments by 31 March 2021. The College continues to review its Asset Management Plan in anticipation of further ESFA capital funds as part of the wider £2bn over the next 5 years announced by the Government.

Priority 2: Improving Financial Reporting

The College's management accounts have been revised to accommodate Governors comments and to enable comparison to the ESFA accounts reporting format. Management accounts now include detailed Trading Activity Review reports on nine commercial / trading areas of the College.

The College continues to liaise with the ESFA to refine financial reporting with further focus on various profiled grant income streams that accompany the detailed commentary within the Management Accounts report.

Direct access to the College's management information on income and expenditure has been rolled out to internal budget managers.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Financial Health

In line with the Government's guidance to all schools and College's, the closure on the 23 March 2020 due to the COVID19 pandemic had a significant adverse effect to College finances.

College financial health for 2019/20 is confirmed as 'Inadequate' based on the ESFA's grading review for financial performance, borrowing and solvency. The College had set a 2019/20 budget with 'Inadequate' financial health (which has been accepted by the ESFA) and the impact of COVID19 exacerbated cash flow challenges for March & April 2020 The College was able to manage cash flow through this period with careful management of creditors and debtors paying on time. However, as noted in this report, the College sought additional ESFA financial support for July 2020 (£300k) and August (£40k) to address the net impact of lost commercial income and funded Apprenticeship income for the Spring / Summer 2020 period.

The College 2020/21 budget presents an improving financial health, firmly returning to 'Requires mprovement' based on a combination of the lagged effect of student growth and improvements in FE 16-18 funding. The College now faces a further challenge of potential in-year growth during the Autumn 2020 term with student 16-18 numbers almost 200 higher than enrolments from September 2018.

Student numbers

In 2019/20 the College has delivered activity that has produced £8,394k in funding body main allocation funding (2018/19 – £8,763k). Re-forecast budget plans for 2020/21 indicate significant growth in funding body main grants to £10,160k due to growth in student numbers from September 2019.

Student achievements

Students continue to prosper at the College. Achievement rates rose again in 2019/20; from 86% in 2014/15 to 92.5% in 2019/20.

Whilst the College's financial position has continued to be a strong focus for the Board, the College has sought to minimise the impact of cost reduction measures on the student experience and outcomes. As a result, and since September 2014, strong curriculum performance has continued to be effectively delivered and monitored with performance at very high levels. In terms of performance for 2019/20, the College has continued to place the students at the centre of 'what it does'. As a result the College is able to report Outstanding achievement rates of 92.5% across College. In addition, the College reports good English and maths achievement rates (Functional Skills and GCSE rates) 6% above national averages.

The College continues to build a strong reputation regionally and nationally. It is worth emphasising that, despite the financial challenges Weymouth College has faced since 2014/15, it has nevertheless been successful in not only continuing to improve its achievement rates, but also continuing to gain a number of awards and kite marks. This including being awarded an AoC Beacon Award for Sport and Public Services in 2016/17, in addition to the 2 AoC national Beacon Awards achieved in the previous year and being shortlisted for a fourth in Practical Teaching and Learning in Health and Social Care for 2017/18. The College has seen the reaccreditation of the Sports Leaders Academy status, re-accreditation of matrix, and Investors in Careers.

2018/19 UCAS applications were high at 228, with 96% being offered a place. In addition, 64 College students progressed onto College HE courses, maintaining the highest level of progression achieved over the past 5 years, as a direct result of a Higher education strategy aimed HE provision progression from highly performing and successful level 3 curriculum.

The College's forward financial plans show improving EBITDA projections, cash generation and declining borrowing in the next two years which will enable the College to improve gearing / cash balances and to invest in infrastructure. The College continues to hold constructive monthly case review meetings with the Education Skills Funding Agency as part of the Notice of Improvement for Financial Health, which pre-dates the development of the College's Financial Recovery Plan in 2015. These monthly reviews provide assurances that the implementation of the Recovery Plan is on track.

The College also maintains a positive working relationship with its bankers (AIB Bank) who have issued a waiver letter covering the breach of loan covenants in 2019/20.

Disclosure of information to auditors

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

Approved by order of the members of the Corporation on 8 December 2020 and signed on its behalf by:

………………………………………………………………………………..

Richard Noah

Chair

Governance Statement

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

The college endeavours to conduct its business:

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

In the opinion of the governors, the College complies with all the provisions of the Combined Code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31 July 2020.

The Corporation recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges.

The Corporation

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

	Dates of Appointment	Term of office	Date of resignation	Status of appointment	Committees served on	Attendance
Richard Noah	05/02/2019 04/02/2023 *2nd term*	4 years		Independent Member	Chair Of Board July 2019	Corporation 5/6 Search 1/1 Remuneration 3/3
Rosie Darkin-Miller	1/11/2019 31/10/2023 *2nd term*	4 years		Independent Member	Vice-Chair Board and Chair Audit Finance	Corporation 3/6 Audit Finance 4/4 Remuneration 3/3
Andrew Matthews	1/11/2019 31/10/2023 *2nd term*	4 years		Independent Member	Audit Finance	Corporation 6/6 Audit Finance 4/4
Jane Nicklen	27/03/2018 26/03/2022 *2nd term*	4 years		Independent Member	Audit Finance Remuneration Chair	Corporation 6/6 Audit Finance 4/4 Remuneration 3/3

	Dates of Appointment	Term of office	Date of resignation	Status of appointment	Committees served on	Attendance
Nigel Evans	26/11/2014			Principal	Search	Corporation 6/6 Search 1/1
Stephen Webb	11/07/2017 10/07/2021 *2nd term*	4 years		Independent Member	Audit Finance	Corporation 3/6 Audit Finance 3/4
Stephen Prewett	11/07/2017 10/07/2021	4 years	01/10/19	Independent Member	Search Audit Finance	Corporation 0 Audit Finance 1/4
Peter Vowles	22/05/2018 21/05/2022	4 years		Staff Member	n/a	Corporation 6/6 Search 1/1
Megan Barnes	22/05/2018 21/05/2022	4 years		Staff Member	n/a	Corporation 5/6
Lynda Bourne	7/11/2017 6/11/2021	4 years		Independent Member	n/a	Corporation 5/6
Rodney Davis	7/11/2017 6/11/2021	4 years		Independent Member	n/a	Corporation 5/6
Jacqui Gerrard	09/10/2018 08/10/2022	4 years		Independent member	Remuneration	Corporation 6/6 Remuneration 3/3
Louise Matthews	09/10/2018	4 years		Independent Member	n/a	Corporation 4/6
Ian Bates	11/02/2020 10/02/2024	4 years		Independent Member	Audit Finance	Corporation 3/3 Audit Finance 3/3
Jack Dickson	11/02/2020 10/02/2024	4 years		Independent Member	None	Corporation 3/3

	Dates of Appointment	Term of office	Date of resignation	Status of appointment	Committees served on	Attendance
Chris Brook	11/02/2020 10/02/2024	4 years		Independent Member	None	Corporation 2/3
Jade House	01/11/2019 31/10/2021	2 years		Student Member	None	Corporation 2/5
Lucas McCallum	01/11/2019 31/10/2021	2 years		Student Member	None	Corporation 2/5
Sue Ratcliffe, Clerk to the Corporation appointed 01/01/2012						6/6
Jenny Stiling, non-voting Associate/Co-opted Member appointed annually						6/6
Joanne George, non-voting Co-opted Member of Audit Finance						Audit Finance 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 and academic performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and staff and student matters such as health and safety, equality and safeguarding and prevent.

The Corporation operates the Policy Governance model, and uses the Audit Finance, Search and Governance and Remuneration Committees, to help it conduct its business. The Committees each have their own terms of reference approved by the Corporation. The Corporation met on 6 occasions during 2019-2020. The meeting scheduled for March 2020 was cancelled due to the implementation of the first lockdown due to the Covid19 pandemic. After that date, all bar one meeting was held remotely using Microsoft Teams. The average attendance was 83%. The. Average attendance across committee meetings is 89%.

All Corporation and Committee minutes, except those deemed confidential by the Corporation, are published on the College website after they have been signed, or can be requested from the Clerk to the Corporation at:

Weymouth College
Cranford Avenue
Weymouth
Dorset
DT4 7LQ

The Clerk to the Corporation maintains a register of financial and personal interests of the governors and senior members of staff. The register is maintained via the Governors' Virtual Office and is available for inspection on request to the Clerk at the above address.

All governors are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Clerk to the Corporation, who is responsible to the Board for providing advice and guidance and 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 governors in a timely manner and Board members received regular internal and external policy briefings, all accessible electronically via their Governors' Virtual Office (GVO).

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 Principal are separate.

Appointments to the Corporation

There were three new appointments to the Corporation during 2019/2020. After losing members for personal reasons including moving away from the area. The College successfully used the services of www.inspiringovernance.org to fill the vacancies. The service successfully matched skills to our own requirements. Candidates were met and interviewed by members of the Search and Governance Committee and the appointments confirmed by the Corporation on 11 February 2020.

New appointments are a matter for the consideration of the Corporation as a whole. The Corporation's Search and Governance Committee considers nominations and applications by any new member, with the exception of student and staff members. Appropriate induction and training opportunities are provided, including regional opportunities.

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

Corporation Performance

The Corporation continues to use the Code of Good Governance for English Colleges as a self-assessment tool to annually evaluate its own performance. In addition during the 2019-2020 year, the Corporation participated in a Governance Healthcheck undertaken by TIAA, its internal auditors. This is a desktop review designed to establish the extent to which the governance documents considered by the Board can demonstrate the risks leading to governance failures at other similar organisations have been assessed and mitigated.

Whilst the review did not consider the extent of the operational arrangements which are designed and operated to effectively mitigate these risks, the findings show that the College has arrangements in place to demonstrate that the identified risks that have led to governance failures at other similar organisations have been mitigated and there were no recommendations arising from the report. The following matters were highlighted:

- The Principal presents regular reports on the actions they have taken.
- A skills audit of the Board has been carried out and action has been taken to recruit governors with financial credentials.
- The Clerk to the Corporation has a wealth of experience within this role and operates an efficient and effective service to the Board.

- Whilst the college is continuing to experience financial difficulties, there is robust strategic planning in place and performance is regularly monitored/reported on.
- The Board reviews information regarding students' progress, attendance and punctuality.

Statement from the Audit and Finance Committee

The Audit Finance Committee comprises five members of the Corporation (excluding the Principal and Chair) and one co-opted member bringing financial expertise. It operates in accordance with written terms of reference approved by the Corporation.

The Committee meets four times a year 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 provides a forum for requests by the Board for extra scrutiny of financial matters in addition to considering reports from the main FE funding bodies as they affect the College's business.

The College's internal auditors monitor 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 Committee. Implementation of agreed audit recommendations is the responsibility of management and internal auditors undertake periodic follow-up reviews to ensure such recommendations have been completed.

The Committee also advises the Corporation on the appointment of its Auditors, including their remuneration for both audit and non-audit work.

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

The Search and Governance Committee

The Search and Governance Committee comprises 5 members who operate in accordance with written terms of reference approved by the Corporation. The Committee meet as required and oversees governance arrangements in addition to recruiting, interviewing and recommending to the Corporation new members for appointment.

Remuneration Committee

The Remuneration Committee comprises 4 members who meet as required in accordance with terms of reference approved by the Corporation. Its prime responsibilities relate to the annual review and appraisal of the performance of the Principal. During 2019-2020 the Committee worked closely with the Principal to present a proposal to the Board which would facilitate his request to reduce his hours in a phased approach to his retirement on 31 December 2021.

Responsibilities under funding agreements

The Corporation has met its contractual responsibilities under its funding agreements and contracts with ESFA through financial reports and monitoring of all grant funded income either by delegation to the Audit Finance Committee, direct reports to the Corporation or through small Governor led working groups.

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 Funding Agreement between Weymouth 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 Weymouth College for the year ended 31 July 2020 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2020 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by Audit Finance Committee on behalf of 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 Audit Finance Committee and 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
- the adoption of formal project management disciplines, where appropriate.

The College has an internal audit service, which operates in accordance with the requirements of the ESFA's *Post 16 Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Finance Committee. At minimum, annually, the Head of Internal Audit (HIA) provides the governing body 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
- comments made by the College's financial statements auditors, the reporting accountant for regularity assurance, the appointed funding auditors (for colleges subject to funding audit) 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 Finance Committee, which oversees the work of the internal auditor and other sources of assurance, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The senior leadership team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior leadership team and the Audit Finance Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Finance 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 through regular reports from the senior management team and the Audit Finance Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December meeting, the Corporation receives the Annual Report of the Audit Finance Committee and its auditors.

Based on the advice of the Audit Finance 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 8 December 2020 and signed on its behalf by:

	Nigel Evans
Richard Noah	Nigel Evans
Chair	Principal & 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.

Nigel Evans

Nigel Evans	**Richard Noah**
Principal	**Chair of Governors**
8th December 2020	**8th December 2020**

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 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, ESFA's college accounts direction and the UK's Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the college and its deficit of income over expenditure for that period.

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

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

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

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

Members of the corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from ESFA are used only in accordance with 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 to safeguard public and other funds and 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 ESFA are not put at risk.

Approved by order of the members of the Corporation on 8th December 2020 and signed on its behalf by:

………………………………………………………………..

Richard Noah, Chair

Independent Auditors' Report to the Corporation of Weymouth College

Opinion

We have audited the financial statements of Weymouth College (the "College") and its subsidiaries (the "Group") for the year ended 31st July 2020 which comprise the Consolidated and College Balance Sheets, the Consolidated and College Statements of Comprehensive Income, the Consolidated and College Statements of Changes in Reserves, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice), and the College Accounts Direction 2019 to 2020 issued by the Education and Skills Funding Agency.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and the College's affairs as at 31 July 2020 and of the Group's and College's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Statement of Recommended Practice – Accounting for Further and Higher Education and the College Accounts Direction 2019 to 2020 issued by the Education and Skills Funding Agency.

Basis for opinion

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

Conclusions relating to going concern

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

- the Corporation's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate, or
- the Corporation has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the College's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept; or
- the 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.

Responsibilities of Members of the Corporation

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 21, the Corporation is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporation is responsible for assessing the Group's and the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporation either intends to liquidate the Group or the College or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Mark Powell (Senior Statutory Auditor)
For and on behalf of Moore
Chartered accountants and statutory auditors
30 Gay Street
Bath
BA1 2PS

Mark Powell
.... Date: Dec 13, 2020 ....

Independent Reporting accountant's assurance report on regularity

To:

The Corporation of Weymouth College and Secretary of State for Education acting through the Department for Education ("the Department")

In accordance with the terms of our engagement letter dated 6th October 2020 and further to the requirements of funding agreement with the 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 Weymouth College during the period 1st August 2019 to 31 July 2020 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

Respective responsibilities of Weymouth College and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1st August 2019 to 31 July 2020 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

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

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

Reporting accountant's assurance report on regularity (continued)

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

The work undertaken to draw to our conclusion includes but not limited to:

- Reviewing minutes of meetings, management accounts and making enquiries of management;
- Performing sample testing of expenditure ensuring items are for the College's purposes and are appropriately authorised;
- Sample testing on purchase card expenditure, review for any indication of purchase for personal use by Staff or Governors;
- Reviewing the procedures for identifying and declaring related parties and other business interests;
- Obtaining formal representation from the Governing Body and Accounting Officer acknowledging their responsibilities;
- Scrutinising journals, and other adjustments posted during the year for evidence of unusual entries and making further enquiries into any such items where relevant;
- Performing an evaluation of the general control environment of the College;
- Reviewing nominal ledger accounts for any large or unusual entries, obtaining supporting documentation and making further enquiries into any such items where relevant.

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 1st August 2019 to 31 July 2020 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Moore

Moore, Statutory Auditor

30 Gay Street,
Bath,
BA1 2PA

Date: Dec 13, 2020

Consolidated Statements of Comprehensive Income and Expenditure

	Notes	Year ended 31 July 2020		Year ended 31 July 2019	
		Group £'000	**College £'000**	**Group £'000**	**College £'000**
INCOME					
Funding body grants	2	8,406	8,394	8,784	8,763
Tuition fees and education contracts	3	1,100	1,100	1,264	1,264
Other grants and contracts	4	803	679	530	530
Other income	5	1,658	1,027	2,358	1,339
Investment income	6	3	-	2	-
Total income		**11,970**	**11,200**	**12,938**	**11,896**
EXPENDITURE					
Staff costs	7	9,711	8,886	9,161	8,363
Other operating expenses	8	2,898	2,776	3,476	3,267
Depreciation	10	785	785	851	851
Interest and other finance costs	9	425	416	455	448
Total expenditure		**13,819**	**12,863**	**13,943**	**12,929**
Deficit before other gains and losses		**(1,849)**	**(1,663)**	**(1,005)**	**(1,033)**
Deficit before tax		**(1,849)**	**(1,663)**	**(1,005)**	**(1,033)**
Taxation		-	-	-	-
Deficit for the year		**(1,849)**	**(1,663)**	**(1,005)**	**(1,033)**
Actuarial (loss) / gain in respect of pensions schemes	19	(7,380)	(7,189)	(1,179)	(1,114)
Total Comprehensive (Expense) / Income for the year		**(9,229)**	**(8,852)**	**(2,184)**	**(2,147)**

Consolidated and College Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Group			
Balance at 1 August 2018	**(11,316)**	**2,855**	**(8,461)**
Deficit from the income and expenditure account	(1,005))	-	(1,005)
Other comprehensive income	(1,179)	-	(1,179)
Transfers between revaluation and income and expenditure reserves	117	(117)	-
Total comprehensive income for the year	(2,067)	(117)	(2,184)
Balance at 31 July 2019	**(13,383)**	**2,738**	**(10,645)**
Deficit from the income and expenditure account	(1,849)	-	(1,849)
Other comprehensive expense	(7,380)	-	(7,380)
Transfers between revaluation and income and expenditure reserves	117	(117)	-
Total comprehensive expense for the year	**(9,112)**	**(117)**	**(9,229)**
Balance at 31 July 2020	**(22,495)**	**2,621**	**(19,874)**
College			
Balance at 1 August 2018	**(10,787)**	**2,855**	**(7,932)**
Deficit from the income and expenditure account	(1,033)	-	(1,033)
Other comprehensive income	(1,114)	-	(1,114)
Transfers between revaluation and income and expenditure reserves	117	(117)	-
Total comprehensive income for the year	(2,030)	(117)	(2,147)
Balance at 31 July 2019	**(12,817)**	**2,738**	**(10,079)**
Deficit from the income and expenditure account	(1,663)	-	(1,663)
Other comprehensive expense	(7,189)	-	(7,189)
Transfers between revaluation and income and expenditure reserves	117	(117)	-
Total comprehensive expense for the year	**(8,735)**	**(117)**	**(8,852)**
Balance at 31 July 2020	**(21,552)**	**2,621**	**(18,931)**

Balance Sheets as at 31 July 2020

	Notes	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Non-current assets					
Tangible Fixed assets	10	14,642	14,642	14,702	14,702
Investments	11	-	-	-	-
		14,642	14,642	14,702	14,702
Current assets					
Stocks		27	14	24	12
Trade and other receivables	12	452	505	772	692
Cash and cash equivalents	17	325	305	511	463
		804	**824**	**1,307**	**1,167**
Less: Creditors – amounts falling due within one year	13	(2,620)	(2,558)	(2,209)	(2,093)
Net current liabilities		**(1,816)**	**(1,734)**	**(901)**	**(926)**
Total assets less current liabilities		**12,826**	**12,908**	**13,801**	**13,776**
Creditors – amounts falling due after more than one year	14	(7,847)	(7,847)	(8,078)	(8,078)
Provisions					
Defined benefit obligations	19	(24,509)	(23,873)	(16,047)	(15,645)
Other provisions	16	(344)	(119)	(320)	(132)
Total net liabilities		**(19,874)**	**(18,931)**	**(10,645)**	**(10,079)**
Unrestricted Reserves					
Income and expenditure account		(22,495)	(21,552)	(13,383)	(12,817)
Revaluation reserve		2,621	2,621	2,738	2,738
Total unrestricted reserves		**(19,874)**	**(18,931)**	**(10,645)**	**(10,079)**
Total reserves		**(19,874)**	**(18,931)**	**(10,645)**	**(10,079)**

The report and financial statements were approved and authorised for issue by the Corporation on 8th December 2020 and were signed on its behalf on that date by:

Nigel Evans

Richard Noah **Nigel Evans**

Chair **Accounting Officer**

Consolidated Statement of Cash Flows

	Notes	2020 £'000	2019 £'000
Cash flow from operating activities			
Deficit for the year		(1,849)	(1,005)
Adjustment for non-cash items			
Depreciation	10	785	851
Decrease/(increase) in stocks		(3)	3
(Increase)/decrease in debtors	12	320	(188)
Increase in creditors due within one year	13	346	11
Decrease/ (increase) in creditors due after one year	14	100	(198)
Increase in provisions	16	24	24
Pensions costs less contributions payable	19	1,081	939
Adjustment for investing or financing activities			
Investment income	6	(3)	(2)
Interest payable	9	95	96
Adjustment to fixed assets		-	-
Net cash flow from operating activities		**896**	**531**
Cash flows from investing activities			
Investment income	6	3	2
Receipt of capital grant		-	-
Payments made to acquire fixed assets	10	(725)	(48)
		(722)	(46)
Cash flows from financing activities			
Interest paid	9	(95)	(93)
Interest element of finance lease rental payments	9	-	(3)
Repayments of amounts borrowed	15	(239)	(362)
New loans	15	-	400
Capital element of finance lease rental payments	15	(26)	(58)
		(360)	(115)
Increase / (Decrease) in cash and cash equivalents		**(186)**	**370**
Cash and cash equivalents at beginning of the year	17	511	141
Cash and cash equivalents at end of the year	17	325	511
Change in cash and cash equivalents in the year		**(186)**	**370**

Notes to the Financial Statements

1. Statement of accounting policies and estimation techniques

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

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2019* (the 2019 FE HE SORP), the *College Accounts Direction for 2019 to 2020* and 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 consolidated financial statements include the College and its subsidiary Weyco Services Limited, controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Under the purchase method of accounting, the results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2020.

Going concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Members Report. The financial position of the College, its cashflow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

The College currently has £1.749m of loans outstanding with bankers on terms negotiated in 2010, repayable under terms outlined in Note 15. The College also has a £2.419m loan from the Restructuring Facility with the ESFA, a rescheduling of the previous Business, Innovation and Skills (BIS) loan, which was agreed in April 2019.

The Restructuring Facility (RF), agreed with the ESFA's Transaction Unit considered a medium term review of the College's financial prospects, deferring loan repayments to the 2020/21 financial year for a repayment term that now runs to 2026/27. This new RF agreement now enables the College to review current financial plans to generate a cash reserve and undertake investment in infrastructure and growth.

The College was also in receipt of advanced re-profiling of 16-18 funds in July 2020 of £300k and in August 2020 of £40k to address cash flow concerns resulting for COVID19 closure and loss of commercial income. This ESFA advance has been treated within the accounts as a creditor owed within 1 year (note 13).

When approving the 2020/21 budget in July and due to the uncertain impact on College income with the COVID19 pandemic, the Board received a re-forecast 2020/21 budget at its October meeting. The re-forecast budget confirms a strengthening reliance on student-grant income due to HE, EHCP and 16-18 growth with improvements in EBITDA and cash flow.

The Board is now in discussion with the ESFA regarding the £340k advance of funds and repayment profile, which based on P2 and P3 cash flow is financially viable, but with an ongoing caveat of volatile cash flow as further national lockdowns will impact future College commercial income.

Based on current cash flow forecasts, the Board 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.

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 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.

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

Fee Income

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

Catering activities

Income from catering activities 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 risks 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 and contracted out of the State Second Pension.

Teachers' Pension Scheme (TPS)

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method.

The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

Local Government Pension Scheme (LGPS)

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

Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in interest and other finance costs.

Actuarial gains and losses are recognised immediately in actuarial gains and losses.

Short term Employment benefits

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

Enhanced Pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by 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. Where parts of a fixed asset have different useful lives, they are accounted for as separate items if fixed assets.

Land and buildings

Freehold buildings are depreciated over their expected useful economic life to the College of 75 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 10 and 75 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 systematic 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.

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.

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

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1993, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

Assets under construction

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

Subsequent expenditure on existing fixed assets

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

Equipment

Equipment costing less than £2,000 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost.

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

- technical equipment - 6 to 10 years
- motor vehicles - 4 years
- computer equipment - 3 years
- furniture, fixtures and fittings - 6 to 10 years

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between 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 and Expenditure. Any lease premiums or incentives relating to leases signed after 1st August 2014 are spread over the minimum lease term.

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

Investments in subsidiaries

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

Other investments

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

Stock

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

Cash and cash equivalents

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

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

Financial liabilities and equity

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

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

Foreign currency translation

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

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax, so that it can only recover around 5% 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.

The Group has a provision for the replacement of the sports pitch at the Redlands centre, in respect of an estimated future liability of £225,000. Further details are given in note 16.

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

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 19, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2020. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 Funding body grants

	Year Ended 31 July		Year Ended 31 July	
	2020 Group £'000	2020 College £'000	2019 Group £'000	2019 College £'000
Recurrent grants				
Education and Skills Funding Agency – adult	706	706	743	743
Education and Skills Funding Agency – 16-18	6,037	6,025	6,373	6,352
Education and Skills Funding Agency - apprenticeships	1,058	1,058	1,179	1,179
Higher Education Funding Council	85	85	105	105
Specific grants				
Education and Skills Funding Agency	353	353	210	210
Releases of government capital grants	167	167	174	174
Total	**8,406**	**8,394**	**8,784**	**8,763**

Supplementary Funding body grant note for the Office for Student (Higher Education funding)

Office for student grants

	Year ended 31 July		Year ended 31 July	
	2020 Group £'000	2020 College £'000	2019 Group £'000	2019 College £'000
Grant income from the Office for Students	85	85	105	105
Grant income from other bodies	-	-	-	-
Fee income for taught awards (excl. of VAT)	549	549	640	640
Fee income for research awards (incl. of VAT)	-	-	-	-
Fee income for non-qualifying course	-	-	-	-

Total	**634**	**634**	**745**	**745**

3 Tuition fees and education contracts

	Year Ended 31 July		Year Ended 31 July	
	2020 Group £'000	2020 College £'000	2019 Group £'000	2019 College £'000
Adult education fees	189	189	241	241
Apprenticeship fees and contracts	16	16	26	26
Fees for FE loan supported courses	282	282	274	274
Fees for HE loan supported courses	549	549	640	640
International students fees	64	64	83	83
Total	**1,100**	**1,100**	**1,264**	**1,264**

4 Other grants and contracts

	Year Ended 31 July		Year Ended 31 July	
	2020 Group £'000	2020 College £'000	2019 Group £'000	2019 College £'000
European Commission	(13)	(13)	40	40
Other grants and contracts	514	514	490	490
HMRC Job Retention Grants	302	178	0	0
Total	**803**	**679**	**530**	**530**

The Corporation furloughed catering staff, cleaning staff, leisure and hospitality staff under the Government's Coronavirus Job Retention Scheme. The funding received of £302k relates to staff costs, which are included within the staff costs note (No. 7) below as appropriate.

5 Other income

	Year Ended 31 July		Year Ended 31 July	
	2020 Group £'000	2020 College £'000	2019 Group £'000	2019 College £'000
Catering and residences	536	47	918	55
Other income generating activities	667	365	915	534
Non-government capital grants	85	85	34	34
Miscellaneous income	370	530	491	716
Total	**1,658**	**1,027**	**2,358**	**1,339**

6 Investment income

	Year Ended 31 July		Year Ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Interest receivable	3	-	2	-

7 Staff costs

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

	2020	2020	2019	2019
	Group	College	Group	College
	No.	No.	No.	No.
Teaching staff	180	180	209	209
Non-teaching staff	271	207	267	198
	451	**387**	**476**	**407**

Staff costs for the above persons

	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Wages and salaries	7,881	7,129	7,201	6,467
Social security costs	536	498	519	485
Other pension costs	1,294	1,259	1,441	1,441
Total Staff costs	**9,711**	**8,886**	**9,161**	**8,363**

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 Principals, Directors of Finance and Clerk to the Corporation. Staff costs include compensation paid to key management personnel for loss of office.

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

	2020 No.	2019 No.
The number of key management personnel including the Accounting Officer was:	**6**	**8**

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

	Key management personnel 2020 No.	2019 No.
£10,001 to £20,000 p.a	-	1
£20,001 to £30,000 p.a	1	1
£30,001 to £40,000 p.a	-	2
£50,001 to £60,000 p.a	-	-
£60,001 to £70,000 p.a.	4	3
£70,001 to £80,000 p.a.	-	-
£80,001 to £90,000 p.a.	-	-
£90,001 to £100,000 p.a.	1	1
	6	**8**

There are no other higher paid staff requiring disclosure.

Key management personnel compensation is made up as follows:

	2020 £'000	2019 £'000
Salaries – gross of salary sacrifice and waived emoluments	365	369
Employers' National Insurance	43	43
Benefits in kind	2	3
	410	**415**
Pension contributions	63	52
Total key management personnel compensation	**473**	**467**

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

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

	2020 £'000	2019 £'000
Salaries	95	95
Benefits in kind	0	1

	95	**96**
Pension contributions	15	15

Accounting officer's emoluments and that of all other employees as a pay multiple.

Accounting officer's basic salary divided by the median pay of all other corporation employees (all on a full-time equivalent basis); 4.24 *(4.50 reported in 2018/19)*

Accounting officer's total emoluments divided by the median pay of all other corporation employees (all on a full-time equivalent basis) 5.54 (5.25 reported in 2018/19)

The basis of methodology for these calculations are analysed through the full staff list, extracted the FTE for each position held and identified the median. Agency workers were excluded from the calculation.

8 Other operating expenses

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Teaching costs	392	392	534	534
Non-teaching costs	1,554	1,533	2,009	1,852
Premises costs	952	851	933	881
Total	**2,898**	**2,776**	**3,476**	**3,267**

Other operating expenses include:	**2020 £'000**	**2019 £'000**
Auditors' remuneration:		
Financial statements audit	23	27
Internal audit	10	7
Other services provided by the financial statements auditor - taxation compliance	1	1
Hire of assets under operating leases	0	64

Access and participation spending - Office for students

	2020 Group £'000	2020 College £'000	2019 Group £'000	2019 College £'000
Access investment	88	88	46	46
Financial support to students	2	2	2	2
Disability support	-	-	-	-
Research & evaluation (relating to access & participation)	2	2	-	-
	92	**92**	**48**	**48**

9 Interest and other finance costs

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
On bank loans, overdrafts and other	95	95	93	93
On finance leases	0	0	3	3
Net interest on defined pension liability (note 19)	330	321	359	352
Total	**425**	**416**	**455**	**448**

10 Tangible Fixed Assets: Group and College

	Freehold Land and buildings £'000	Equipment £'000	Total £'000
Cost or valuation			
At 1 August 2019	24,320	9,619	33,939
Additions	22	703	725
At 31 July 2020	**24,342**	**10,322**	**34,664**
Depreciation			
At 1 August 2019	10,283	8,954	19,237
Charge for the year	530	255	785
At 31 July 2020	**10,813**	**9,209**	**20,022**
Net book value at 31 July 2020	**13,529**	**1,113**	**14,642**
Net book value at 31 July 2019	14,037	665	14,702

Land and buildings with a net book value of £13,529,000 have been partly financed by exchequer funds through, for example, the receipt of capital grants. Should these assets be sold, the College may be liable, under the terms of its Financial Memorandum, to surrender the proceeds.

11 Non-current investments

	College 2020 £	College 2019 £
Investments in subsidiary companies	100	110
Total	**100**	**110**

The College owns 100 per cent of the issued ordinary £1 shares of Weyco Services Limited, a company incorporated in England and Wales, The principal business activity of Weyco Services Limited is providing cleaning, catering, grounds maintenance services to the College and leisure facilities at the Redlands Community Sports Hub.

12 Trade and other receivables

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Amounts falling due within one year:				
Trade receivables	74	69	275	210
Amounts owed by group undertakings:				
Subsidiary undertakings	-	62	-	-
Prepayments and accrued income	271	267	296	281
Amounts owed by ESFA	107	107	201	201
Total	**452**	**505**	**772**	**692**

13 Creditors: amounts falling due within one year

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Bank and other loans	354	354	362	362
BIS Loan < 1yr	100	100	-	-
Deferred income – Govt revenue grant	300	300	-	-
Obligations under finance leases	0	0	26	26
Trade payables	108	100	253	186
Other taxation and social security	267	254	265	253
Accruals and deferred income	630	624	727	720
Accruals – holiday pay	292	257	299	269
Deferred income - government capital	569	569	198	198
Amounts owed to the ESFA	-	-	79	79
Total	**2,620**	**2,558**	**2,209**	**2,093**

14 Creditors: amounts falling due after one year

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Bank and other loans	1,395	1,395	1,626	1,626
BIS Loan	2,319	2,319	2,419	2,419

Deferred income - government capital	4,133	4,133	4,033	4,033
Total	**7,847**	**7,847**	**8,078**	**8,078**

15 Maturity of debt

a) Bank loans and other loans

Bank loans and other loans are repayable as follows:

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
In one year or less	454	454	362	362
Between one and two years	1,134	1,134	1,089	1,089
Between two and five years	2,061	2,061	1,337	1,337
In five years or more	519	519	1,619	1,619
Total	**4,168**	**4,168**	**4,407**	**4,407**

b) Finance leases

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

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
In one year or less	-	-	26	26
Total	**-**	**-**	**26**	**26**

16 Provisions - Group

	Defined benefit obligations £'000	Sinking fund £'000	Enhanced pensions £'000	Total £'000
At 1 August 2019	16,047	188	132	16,367
Expenditure in the period	(734)	-	(13)	(747)
Addition in period	9,196	37	-	9,233
	24,509	**225**	**119**	**24,853**

Provisions - College

	Defined benefit obligations	Enhanced pensions	Total
	£'000	£'000	£'000
At 1 August 2019	15,645	132	15,777
Expenditure in the period	(706)	(13)	(719)
Additions in period	8,934	-	8,934
At 31 July 2020	**23,873**	**119**	**23,992**

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in note 19.

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

The principal assumptions for this calculation are:

	2020	2019
Price inflation	3.1%	3.1%
Discount rate	2.7%	2.7%

Sinking Fund

The Group has a contractual obligation to replace the 3G astro pitch located at the Redlands Sports Centre as part of an agreement associated with a grant awarded by the Football Foundation. Replacement is estimated at £225,000 resulting in a £22,500 annual provision per year across the estimated 10 year life of the asset. However no provision was set aside in the first four years, resulting in a recalculation of £37,500 per year for the remaining 6 years.

17 Cash and cash equivalents: Group

	At 1 August 2019	Cash flows	At 31 July 2020
	£'000	£'000	£'000
Cash and cash equivalents	511	(186)	325
Total	**511**	**(186)**	**325**

Cash and cash equivalents: College	At 1 August 2019	Cash flows	At 31 July 2020
	£'000	£'000	£'000
Cash and cash equivalents	463	(158)	305
Total	**463**	**(158)**	**305**

18 Lease obligations

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

	Group and College	
	2020	**2019**
	£'000	**£'000**
Future minimum lease payments due		
Land and buildings		
Not later than one year	87	114
Later than one year and not later than five years	55	408
	142	522
Other		
Not later than one year	34	21
Later than one year and not later than five years	68	-
	102	21
Total Lease Payments Due	244	543

19 Defined benefit obligations

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

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

Total pension cost for the year – Group		2020 £000		2019 £000
Teachers' Pension Scheme: contributions paid		553		399
Local Government Pension Scheme:				
Contributions paid	733		693	
FRS 102 (28) charge	752		580	
Charge to the Statement of Comprehensive Income		1,485		1,273
Enhanced pension charge to Statement of Comprehensive Income		13		13
Total Pension Cost for Year within staff costs		**2,051**		**1,685**

Total pension cost for the year – College		2020 £000		2019 £000
Teachers' Pension Scheme: contributions paid		553		399
Local Government Pension Scheme:				
Contributions paid	706		667	
FRS 102 (28) charge	718		549	
Charge to the Statement of Comprehensive Income		1,424		1,216
Enhanced pension charge to Statement of Comprehensive Income		13		13
Total Pension Cost for Year within staff costs		**1,990**		**1,628**

There were no outstanding or prepaid contributions at either the beginning or the end of the financial year.

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including colleges. Membership is automatic for teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS.

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

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

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

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

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

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/9. DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019-20 academic year.

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

The pension costs paid to TPS in the year amounted to £553,000 (2019: £399,000)

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Dorset Council. The total contributions made for the year ended 31 July 2020 were: Group - £947,075; College - £910,799, of which employer's contributions totalled: Group - £733,441; College - £705,903 and employees' contributions totalled: Group - £213,634; College – £204,896. The agreed contribution rates for future years are 18% for employers and range from 5.5% to 12.5% for employees, depending on salary.

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

Group	2020	2019
	£'000	**£'000**
Fair value of plan assets	24,825	24,988
Present value of plan liabilities	(49,334)	
Net pensions liability	**(24,509)**	**(16,047)**

Principal Actuarial Assumptions – Group and College unless stated

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2020 by a qualified independent actuary.

	At 31 July 2020	**At 31 July 2019**
Rate of increase in salaries	1.0%	1.0%
Future pensions increases	2.25%	2.4%
Discount rate for scheme liabilities	1.35%	2.1%
Inflation assumption (CPI)	2.25%	2.4%
Commutation of pensions to lump sums (Group and College)	50%	50%

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

	At 31 July 2020	**At 31 July 2019**
Group and College	years	years
Retiring today		
Males	23.3	22.9
Females	24.8	24.8
Retiring in 20 years		
Males	24.7	24.6
Females	26.2	26.6

College	2020	2019
	£’000	£’000
Fair value of plan assets	24,216	24,425
Present value of plan liabilities	(48,089)	(40,070)
Net pensions liability	**(23,873)**	**(15,645)**

Sensitivity Analysis - Group

	At 31 July 2020	At 31 July 2019
	£’000	£’000
Discount Rate + 0.1%	1,874	1,329
Discount Rate - 0.1%	1,996	1,398
Mortality Assumption - 1 year increase	2,007	1,409
Mortality Assumption - 1 year decrease	1,864	1,318
Long Term Salary Increases + 0.1%	1,935	1,363
Long Term Salary Increases - 0.1%	1,933	1,363
Adjustment to pension increases and deferred revaluation +1.0%	1,994	1,365
Adjustment to pension increases and deferred revaluation -1.0%	1,875	1,361

Sensitivity Analysis - College

	At 31 July 2020	At 31 July 2019
	£’000	£’000
Discount Rate + 0.1%	1,801	1,268
Discount Rate - 0.1%	1,919	1,333
Mortality Assumption - 1 year increase	1,929	1,344
Mortality Assumption - 1 year decrease	1,792	1,257
Long Term Salary Increases + 0.1%	1,917	1,300
Long Term Salary Increases - 0.1%	1,802	1,300
Adjustment to pension increases and deferred revaluation +1.0%	1,917	1,333
Adjustment to pension increases and deferred revaluation -1.0%	1,802	1,268

The Group's share of the assets in the plan at the balance sheet date and the actual return were:

	Fair Value at 31 July 2020	Fair Value at 31 July 2019
	£'000	£'000
Equity instruments	12,791	12,754
LDI and Other Bonds	4,957	5,053
Property and Infrastructure	4,144	3,925
Cash	257	650
Other	2,676	2,606
Total fair value of plan assets	**24,825**	**24,988**
Actual return on plan assets	**(791,000)**	**1,679,000**

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

	Fair Value at 31 July 2020	Fair Value at 31 July 2019
	£'000	£'000
Equity instruments	12,476	12,468
LDI and Other Bonds	4,836	4,939
Property and Infrastructure	4,043	3,836
Cash	251	635
Other	2,610	2,547
Total fair value of plan assets	**24,216**	**24,425**
Actual return on plan assets	**(772,000)**	**1,643,000**

	2020	2019
	£'000	£'000
Amounts included in staff costs – Group		
Current service cost	1,470	1,255
Administrative expenses	15	18
Total	**1,485**	**1,273**

Amounts included in staff costs – College

Current service cost	1,408	1,198
Administrative expenses	16	18
Total	**1,424**	**1,216**

Amounts included in interest and other finance costs (note 9) – Group

Net interest cost	330	359
	330	**359**

Amounts included in interest and other finance costs (note 9) – College

Net interest cost	321	352
	321	**352**

Amount recognised in Other Comprehensive Income – Group

Return on pension plan assets	(1,296)	1,062
Experience losses arising on defined benefit obligations	(111)	-
Changes in assumptions underlying the present value of plan liabilities	(5,973)	(2,241)
Amount recognised in Other Comprehensive Income	**(7,380)**	**(1,179)**

Amount recognised in Other Comprehensive Income – College

Return on pension plan assets	(1,293)	1,040
Experience losses arising on defined benefit obligations	(102)	-
Changes in assumptions underlying the present value of plan liabilities	(5,794)	(2,154)
Amount recognised in Other Comprehensive Income	**(7,189)**	**(1,114)**

Movement in net defined benefit liability during year – Group

	2020 £'000	**2019** £'000
Net defined benefit liability in scheme at 1 August	(16,047)	(13,929)
Movement in year:		
Current service cost	(1,470)	(1,255)
Employer contributions (including unfunded)	734	693
Net interest on the defined liability	(330)	(359)
Actuarial gain or loss	(7,380)	(1,179)
Administration expenses	(16)	(18)
Experience gains and losses	-	-
Net defined benefit liability at 31 July	**(24,509)**	**(16,047)**

Asset and Liability Reconciliation

	2020 £'000	2019 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	**41,035**	**37,099**
Current service cost	1,470	1,255
Interest cost	861	976
Contributions by Scheme participants	214	199
Experience gains and losses on defined benefit obligations	111	-
Changes in financial assumptions	5,973	2,241
Changes in demographic assumptions	-	-
Estimated benefits paid	(330)	(735)
Unfunded pension payments	-	-
Defined benefit obligations at end of period	**49,334**	**41,035**

Changes in fair value of plan assets

	2020 £'000	2019 £'000
Fair value of plan assets at start of period	**24,988**	**23,170**
Interest on plan assets	531	617
Return on plan assets	(1,322)	1,062
Administration expenses	(16)	(18)
Other Actuarial Gains	26	-
Employer contributions	734	693
Contributions by Scheme participants	214	199
Estimated benefits paid	(330)	(735)
Fair value of plan assets at end of period	**24,825**	**24,988**

Movement in net defined benefit liability during year – College

	2020 £'000	2019 £'000
Net defined benefit liability in scheme at 1 August	(15,645)	(13,630)
Movement in year:		
Current service cost	(1,408)	(1,198)
Employer contributions (including unfunded)	706	667
Net interest on the defined liability	(321)	(352)
Actuarial gain or loss	(7,189)	(1,114)
Administration expenses	(16)	(18)
Experience gains and losses	-	-
Net defined benefit liability at 31 July	**(23,873)**	**(15,645)**

Asset and Liability Reconciliation – College

	2020 £'000	2019 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	**40,070**	**36,308**
Current service cost	1,408	1,198
Interest cost	840	955
Contributions by Scheme participants	205	190
Experience gains and losses on defined benefit obligations	102	-
Changes in financial assumptions	5,794	2,154
Changes in demographic assumptions	-	-
Estimated benefits paid	(330)	(735)
Unfunded pension payments	-	-
Defined benefit obligations at end of period	**48,089**	**40,070**

	2020 £'000	2019 £'000
Changes in fair value of plan assets		
Fair value of plan assets at start of period	**24,425**	**22,678**
Interest on plan assets	519	603
Return on plan assets	(1,291)	1,040
Administration expenses	(16)	(18)
Other Actuarial Gains	(2)	-
Employer contribution	706	667
Contributions by Scheme participants	205	190
Estimated benefits paid	(330)	(735)
Fair value of plan assets at end of period	**24,216**	**24,425**

These accounts show a past service cost of £230 million in respect of the McCloud / Sergeant judgment which ruled that the transitional protection for some members of public service schemes implemented when they were reformed constituted age discrimination. This provision is just under 2% of the total scheme liability as at 31 July 2020. The calculation of adjustment to past service costs, £7 billion, arising from the outcome of the Court of Appeal judgment is based on a number of key assumptions including:

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

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

20 Related party transactions

Owing to the nature of the College's operations and the composition of the board of governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving 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 on behalf of the Governors during the year was £1,287; 3 governors (2018/19: £1,386; 2 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiary during the year (2018/19: None).

21 Amounts disbursed as agent

Learner support funds	**2020**	**2019**
	£'000	**£'000**
Funding body grants – bursary support	301	295
Funding body grants – discretionary learner support	39	42
	340	337
Disbursed to students	(226)	(281)
Administration costs	(9)	(11)
Balance unspent as at 31 July, included in creditors	105	45

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