Telford College

Consolidated Report and Financial Statements

Year ending 31 July 2020

CONTENTS

	Page
Key Management Personnel and Professional Advisors	3
Members' Report	4
Statement of Corporate Governance and Internal Control	13
Governing Body's statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding	18
Statement of Responsibilities of the Members of the Corporation	19
Report of the Independent Auditor to the Corporation of Telford College ('The Corporation')	20
Reporting Accountant's Assurance Report on Regularity to the Corporation of Telford College ('The Corporation')	23
Consolidated Statement of Comprehensive Income	25
Consolidated and College Statement of Changes in Reserves	26
Consolidated and College Balance Sheet as at 31 July	27
Consolidated Cash Flow Statement	28
Notes to the Financial Statements	29

KEY MANAGEMENT PERSONNEL, BOARD OF GOVERNORS AND PROFESSIONAL ADVISORS

Board of Governors

A full list of Governors is given on pages 13-14 of these financial statements.

Ms S Morley acted as Clerk to the Corporation throughout the period.

Key management personnel

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

Graham Guest	-	Principal and Accounting Officer
Janet Stephens	-	Deputy Principal, Curriculum & Strategic Growth

Professional advisers

Financial Statement & Regularity Auditors:	KPMG One Snowhill Snow Hill Queensway Birmingham B4 6GH
Internal Auditors:	RSM Risk Assurance Services LLP St Phillips Point Temple Row Birmingham B2 5AF
Bankers:	Barclays Bank plc Barclays Business Centre 23 Church Street Wellington Telford TF1 1DQ

MEMBERS' REPORT

NATURE, OBJECTIVES AND STRATEGIES:

The members of the Corporation of Telford College present the report and the audited financial statements of the College, incorporating the outturn of its subsidiary companies Shropshire College Management Limited, Shropshire College Hotel School Limited and Telford College Enterprises Limited for the year ended 31 July 2020.

Shropshire College Management Limited

The company was formed on 4 September 2013 and was a wholly owned subsidiary of Telford College. The principal activity was managing the use of a property asset (The Telford Whitehouse Hotel) leased to Shropshire College Hotel School Limited. Following the sale of the asset earlier in the year, the company was no longer trading and was closed down in November 2020.

Shropshire College Hotel School Limited

The company was formed on 4 September 2013 and was a wholly owned subsidiary of Telford College. The principal business activity was the provision goods and services to guests of the Telford Whitehouse Hotel.
The Whitehouse Hotel was sold in January 2020 and Shropshire College Hotel School Ltd was closed down in June 2020.

Telford College Enterprises Limited

The company was formed in 1992 and was a wholly owned subsidiary of Telford College. Telford College Enterprises Limited has not traded for several years and was closed down in August 2020.

Telford College

Legal Status

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

Strategic Plan

Telford College is an ambitious college and, as a measure of our determination to make the college a success, we have set ourselves the following seven objectives:

- To become a broad base for the delivery of further and higher education across the region, meet the needs of employers and make a major contribution to the economic success of the Telford and Wrekin area.
- To maximise opportunities for students to develop their skills and achieve their aspirations.
- To ensure a strong student voice.
- Provide staff with the opportunity to develop their skills and the best possible opportunities to develop their careers.
- To develop a physical estate that provides state-of-the-art facilities and maximises the use of new and emerging technology.
- To ensure financial sustainability by taking advantage of new opportunities and by being efficient in the use of our resources.
- To be regarded as a highly valued partner by our stakeholders.

Vision

Our vision is

"Students first – a belief that all students can succeed and an unwavering commitment to pursue achievement for all."

Values

- Integrity
- Transparency
- Honesty
- Equality
- Professional Challenge

Implementing the Strategic Plan

Telford College compiles development plans which identify the management actions required to achieve identified business objectives. These plans include specific actions and agreed outcomes relating to student recruitment, curriculum development and quality improvement. The College also compiles two-year financial plans on an annual basis that fully reflect planned and anticipated developments, and currents risks such as the Covid-19 pandemic and economic impact of Brexit.

Resources:

Financial
The College has £12.6 million of net liabilities including £28.3 million pension liability (2018/19: £7.7 million of net assets including £21.4million of pension liability) and bank loans of £3.5 million (2018/19 £5.4 million).

People
The College employed 476 people (2018/19: 468), of whom 287 are teaching staff (2018/19: 279).

Stakeholders:

The College has many stakeholders including:

- Students
- Parents
- Education sector funding bodies
- FE Commissioner
- Staff
- Local employers (with specific links)
- Local authorities
- Local Enterprise Partnerships (LEPs)
- The local community
- Other FE institutions
- Trade unions
- Professional bodies

DEVELOPMENTS AND PERFORMANCE:

Financial Results

The total comprehensive income of the Group for the year before pension scheme costs was a surplus

of £2,216k (£4.9m deficit after a net actuarial loss of £5.5m, £1.575m FRS102 costs in respect of pension schemes and £0.3m gain in respect of disposal of fixed assets) compared with a deficit of £116k in 2018/19 (£11.4m deficit after a net actuarial loss of £9.5m, £1.6m FRS102 costs in respect of pension schemes and £0.25m loss in respect of disposal of fixed assets).

Robust financial planning and processes, linking curriculum delivery to staffing and non-pay costs, are in place alongside regular year end outturn forecasts. This, alongside accurate and timely funding forecasting has led to a significant improvement in the College's financial position.
Effective budgeting, planning and monitoring has enabled the College to respond swiftly and effectively to reductions in funding. The College is now independently financially viable and well placed to face the ongoing financial challenges facing the sector.

Tangible fixed asset additions in the year amounted to £0.895m compared to £2.570m in the previous year. Included in the £0.895m was £0.495m which was the final part of TU funded improvements to IT infrastructure.

Cash and bank balances amounted to £2.566m (2018/19: £1.547m).

Shropshire College Management Limited realised a deficit of £241k (2018/19: £2k deficit). Shropshire College Hotel School realised a surplus of £250k (2018/19: £63k surplus) after management charges. Telford College Enterprises Limited realised a surplus of £11k (2018/19: £4k deficit).

Developments

In January 2020, with the backing of the DfE, the College sold the Whitehouse hotel and began the process of closing Shropshire college Hotel School Ltd.

Reserves Policy

The Group recognises the importance of reserves in the financial stability of any organisation, and aims to ensure there are adequate reserves to support the College's core activities. At the balance sheet date the Income and Expenditure reserve excluding the pension liability stands at £13.3m (2018/19: £11.2m. It is the Corporation's intention to increase reserves over the life of the strategic plan through the generation of annual operating surpluses.

Sources of Income

The Group has considerable reliance on continued government funding through the further education sector funding bodies. In 2019/20, 79.6% of the Group's revenue was ultimately publicly funded and this level of requirement is expected to continue.

FUTURE PROSPECTS:

Developments

Telford College has an ambitious, aspirational and unique curriculum vision.

We aspire to be a distinctive, high quality College with a broad inclusive curriculum with specialisms in key areas to meet the economic, educational and community needs of the borough and beyond raising the aspirations of its learners through an academic 7th Form offer, careers focused professional and technical provision and work-based apprenticeships enabling clear progression into higher education, jobs and enhanced career opportunities.

Our focus is on achieving our Curriculum Growth Strategy which includes:

- Academic excellence through the provision of a high quality 7th Form college offer.

- Career focused professional and technical skills training with easily understood and strong progression pathways for young people.
- The development of the Ambition Centre working in partnership with stakeholders, employers and niche providers.
- More engagement with local secondary schools.
- Expanding opportunities for high level professional and technical education and training in the region's key employment sectors.
- Developing strong links with local organisations that will increase the voice of the community and strengthen local accountability.
- Driving social mobility, inclusion and aspiration through foundation learning, skills engagement and flexible learning opportunities.

Our Curriculum Plan supports the Strategy by:

- Maintaining a broad offer of provision in the region including local access.
- Providing innovative, flexible and responsive delivery.
- Maintaining and, wherever possible, improving our high progression rates to positive destinations such as employment and Higher Education.
- Enabling us to remain responsive to the needs of our stakeholders including local authorities, schools, universities and employers.
- Enhancing skills for those in employment.
- Enabling us to enhance our reputation for excellence and high quality in teaching, learning and College services.

We will also continue to work with small, medium and large employers in the region to ensure that we can help meet the need for them to develop their work forces and contribute to economic prosperity. Our newly developed Curriculum Plan with aligned Career Paths has:

- Enabled us to contribute effectively to the development of the region.
- Ensured that we can contribute effectively to meeting the needs of our partners.

Financial Plan

The College has a 'Good' financial health grade. College Governors have approved a sustainable financial plan that is effective from the 1st August 2020. This financial plan is supported by the ESFA and will deliver sustained 'Good' financial health in year 2020/21.

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.

Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation

Cash flows and Liquidity

The College generated an operating cash inflow of £2,269k (2018/19 inflow: £352k).

Going Concern

The financial statements have been prepared on a going concern basis which the Corporation considers to be appropriate for the following reasons.

The Corporation has prepared cash flow forecasts for a period of 24 months from the date of approval of these financial statements. After reviewing these forecasts, the Corporation is of the opinion that, taking account of severe but plausible downsides, including a potential downturn in recruitment for

apprenticeships, adults and Higher Education learners and commercial income resulting from Covid-19 and additional costs associated with the pandemic such as cleaning, hygiene supplies and PPE, the College will have sufficient funds to meet its liabilities as they fall due over the period of 12 months from the date of approval of the financial statements (the going concern assessment period).

The Corporation monitors its financial position and cash flows on an ongoing basis and reports to both the ESFA and its lenders on a quarterly basis. The College had a loan facility from its bank of £3m which was originally to be repaid by December 2020. £750k was repaid in 18/19 following the sale of King Street campus, leaving a balance as at 1st August 2019 of £2,250k. In January 19/20 the College sold its interest in the Whitehouse Hotel and the £1.7m net proceeds were used to reduce the loan balance to £550k. An extension on the loan maturity date is formally in place with the bank to December 2022. The College plans to refinance both this loan and its other loan with the bank in 2022. Barclays bank have issued a loan variation to update the covenant definitions to exclude any loan repayments arising from capital disposals. With this adjustment the College has not breached its covenants at 31 July 2020 and has headroom in its loan covenants.

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

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.

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

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

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

1 Failure to maintain the financial viability of the College

The College's current financial health grade is "Good". The College has approved a sustainable financial plan and repayment of historical debt which will sustain Good financial health to the end of 22/23 and beyond. Throughout the financial plan period strong cash management will be required to ensure that the College continues to operate within its banking facility and a system of daily monitoring is in place to this end. The College has modelled the impact of the Covid-19 pandemic on income and expenditure streams and consider the current financial plan to be achievable.

This risk is also mitigated in a number of other ways:
- By rigorous budget setting procedures and sensitivity analysis.
- Regular in year budget monitoring.
- Robust financial controls.
- Exploring ongoing procurement efficiencies.

2 Government funding

The Group has considerable reliance on continued government funding through the further education sector funding bodies and through the Office for Students. In 2019/20, 79.6% of the Group's revenue was ultimately publicly funded and this level of requirement is expected to continue.

The College is aware of several issues which may impact on future funding, including apprenticeship reforms and further devolution of the adult education budget.

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training.
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies.
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding.
- Regular dialogue with funding bodies.

3 Quality of provision and data quality

The College has continued its rigorous programme of data interrogation and cleansing. The quality of the College's provision remains one of its highest priorities and the College takes seriously the risks which may impact on the quality of provision.

These risks are mitigated by:

- Maintaining rigorous focus on data quality.
- Withdrawal of provision where quality is below acceptable standards.
- Robust QIP Action Plan monitored closely by the College and the Corporation.
- Learning Walks and targeted CPD for teaching staff, designed to raise quality of teaching and learning.

4 Apprenticeships

The College must ensure that it is able to meet the needs of learners who aspire to become apprentices and deliver high-quality frameworks and standards that match local employer demand. Whilst the College has the ability and client base to develop further adult apprenticeship provision in line with Government priorities, there remain significant challenges – namely:

- Meeting the challenge of changes to the funding system whereby funds flow through the employer to the training provider and managing the shift to the Digital Apprenticeships Service.
- Mitigating the impact of Covid-19 on the ongoing employment and training of existing apprentices, and on future recruitment.
- Improving the quality of provision in delivering full apprenticeship frameworks.

These risks will be mitigated by:

- Working closely with employers and establishing clear communication links.
- Supporting apprentices with remote learning and simulated practical elements.
- Continuing the quality improvement actions.

5 Maintain adequate funding of pension liabilities

The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS 102. Following the triennial revaluation, this has increased to £28.3m from £21.3m in 2018/19.

6 Staffing

The College is working to ensure minimal disruption to teaching provision caused by staff absences, particularly as a result of the Covid-19 pandemic.

These risks were mitigated by:

- Introduction of remote working and blended learning
- Regular, clear communication with staff.
- Good, open working relationships with staff representatives.
- Recruitment of interim fixed term staff.
- Implementation of wellbeing policy.

KEY PERFORMANCE INDICATORS:

Key Performance indicator	Target for 2019/20	Actual 2019/20
16-19 Learner numbers	2,024	1,864
Apprentice learner enrolments	1,999	1,187
Financial health grade	Good	Good

Student achievements

	2016/17 %	2017/18 %	2018/19 %	2019/20 %	Improvement %
Overall Achievement	79.5	87.1	85.6	87.7	+2.1
19+	80.9	89.9	89.9	91.3	+1.4
16-18	77.4	83.2	78.3	83.5	+5.2
Apprenticeships Overall	42.2	60.5	70.7	43.7	-27
Apprenticeships Timely	30.3	55.9	67.3	38	-29.3

During 19/20 the Covid-19 pandemic and subsequent lockdown period reduced the College's opportunities to recruit new apprentices.

Public Benefit

Telford College is an exempt charity under the Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Education.

The members of the Governing Body, who are trustees of the charity, are disclosed on page 13.

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

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

- High-quality teaching.
- Widening participation and tackling social exclusion.
- Excellent employment record for students.
- Strong student support systems.

- Strong links with employers, industry and commerce.
- Collaborative links with Local Enterprise Partnerships (LEPs) and the Business Chamber of Commerce.

Equal opportunities and employment of disabled persons

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, ability, class and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy will be resourced, implemented and monitored on a planned basis. The College's Equal Opportunities Policy is published on the College's internet site.

The College considers all applications from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion which are, as far as possible, identical to those for other employees. How the College ensures equality and diversity underpins its day-to-day activities and college-wide communication of these priorities is set out in the policy, including action planning and monitoring; staff induction and refresher training; data collection and analysis; and celebration.

Disability statement

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

The College has a comprehensive Equality, Diversity and Inclusion policy which makes reference to persons with disabilities such as learning difficulties, and physical and sensory disabilities.

a) There is a list of specialist equipment, which the College can make available for use by students and a range of assistive technology is available in the Learner Hub.
b) The admissions policy for all students is described in the College charter. Appeals against a decision not to offer a place are dealt with under the complaints policy.
c) The College has a number of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
d) Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.

Counselling and welfare services are described in the College Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

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.

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
7	6.4

Percentage of time	Number of Employees
0%	0

51-99%	0
100%	0

Total cost of facility time	£9,994.13
Total pay bill	£15,681,523
Percentage of total pay bill spent on facility time	0.064%

Time spent on paid trade union activities as a percentage of total paid facility time hours	100%

Payment Performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1st November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is over 95%. The College has a policy of paying all suppliers within the agreed terms of trade, or within 30 days of receipt of invoice where terms are not specified. In the accounting year to 31st July 2020 this policy has been maintained and the College has suffered no interest charge for latepayment.

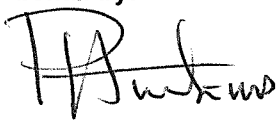
EVENTS AFTER THE REPORTING PERIOD:

On the 8th of October 2020 the lease for the leasehold element of Shropshire College Hotel School was surrendered to the local authority.

DISCLOSURE OF INFORMATION TO THE 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 17 December 2020 and signed on its behalf by:



P Hinkins
Chair of Governors

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

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

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

In the opinion of the Governors, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2020 and up to the date of these financial statements. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015.

The Corporation

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

Name	Date of Appointment	Term of Office length	Date of Resignation	Status of Member	Committees Served	Attendance in 2019/20
Rosie BESWICK	01/12/09	4	N/A	General	Corporation Audit	9/9 1/2
Louise BIFFIN	07/10/19	4	N/A	General	Corporation	7/8
Paul BIRCH	05/11/18	4	N/A	General	Corporation Audit	4/9 2/2
Dan BLASCZYK	20/02/19	4	N/A	Staff	Corporation	8/9
Gail BLEASBY (Vice Chair)	19/12/17	4	N/A	General	Corporation Remuneration (Ch)	9/9 1/1
Corin CRANE	09/07/19	4	N/A	General	Corporation Audit	8/9 1/1
Wendy FARRINGTON-CHADD	07/10/19	4	N/A	General	Corporation Audit (Ch)	7/8 2/2
Graham GUEST	01/05/17	-	N/A	Ex-officio	Corporation	8/9
Paul HINKINS (Chair)	01/07/13	4	N/A	General	Corporation (Ch) Remuneration	9/9 1/1
Benjamin JOHNSON	25/11/18	1		Student	Corporation	5/6
Geoff LAYER	19/12/17	4	N/A	General	Corporation Remuneration	7/9 0/1
Charlie LEIVERS	25/11/18	1		Student	Corporation	4/6
Ruth	07/10/19	4	N/A	General	Corporation	7/8

MATTHEWS						
Chris PALLETT	01/09/18	4	N/A	General	Corporation Audit	7/9 0/2
Gavin REAL	21/10/19	4	20/10/23	Staff	Corporation	6/8

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

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

The Corporation conducts its business through a number of committees/groups. Each committee/group has terms of reference, which have been approved by the Corporation. These committees are Audit, Remuneration and Search. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on request from:

The Clerk to the Corporation, Telford College, Haybridge Road, Wellington TF1 2NP

The Clerk to the Corporation maintains a register of financial and personal interests of the governors. The register is available for inspection at the above address and is also published on the College's website (www.telfordcollege.ac.uk/governance).

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 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, prior to Board meetings. Training and briefings are provided on an ad hoc basis.

The Corporation has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Corporation considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. The Corporation Register of Interests is reviewed on an annual basis (or when changes occur in-year) and declarations of interest are an agenda item at the beginning of every Corporation and committee meeting.

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

Appointments to the Corporation

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

Members of the Corporation are appointed for a term of office not exceeding four years (except in the case of the Principal and student governors).

Corporation performance

The Corporation carried out a self-assessment of its own performance for the year ended 31st July 2020 and graded itself as "Good" on the Ofsted scale based on the Regularity and Self-Assessment Reports.

Remuneration Committee

Throughout the year ending 31 July 2020 the College's Remuneration Committee comprised three members of the Corporation. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other key management personnel.

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

Audit Committee

The Audit Committee comprises five members of the Corporation (excluding the Accounting Officer and Chair). The Committee operates in accordance with written terms of reference approved by the Corporation.

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

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

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

The Audit Committee also advises the Corporation on the appointment of internal, reporting accountants and financial statements auditors.

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 the Principal in the Funding Agreement between the College and the funding bodies. The Principal is also responsible for reporting to the Corporation any material weaknesses or break-downs in internal control.

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 a 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 the College for the year ended 31 July 2020 and up to the date of approval of the annual report and financial statements.

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 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 the Audit Committee and annually by the Corporation.

The risk and control framework

The College's system of internal controls and governance structures ensure regularity and propriety in the use of funds, including all public funds, via the following processes:

- As detailed in the statement of Internal Control (page 15), the College Corporation is responsible for maintaining a sound system of internal control that safeguards the public and other funds and assets for which it has responsibility.
- The College maintains a comprehensive suite of Financial Regulations and Procedures, giving control over the totality of the College's resources and providing an appropriate financial regulatory framework which ensures that resources are used with due regard to propriety, regularity and value for money, in the context of the achievement of the College's strategic plan. All employees and contractors are required to abide by the Financial Regulations and Procedures.
- The College is required to adhere to all funding body rules, in addition to the requirements of its own Financial Regulations and Procedures, and operates various controls to do this.
- The College's Internal Audit function provides assurance to management and the Audit Committee. Internal Audit makes recommendations for improvement in key management processes. It particularly aims to ensure that key risks are being appropriately managed, including those in relation to the use of funds and value for money.

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

The College's External and Internal audit providers both make recommendations for improvement in key management and internal processes. In addition to the assurance reports, the Audit committee and Governors receive benchmarking and sector specific reports from both External and Internal auditors to assist them in discharging responsibility to monitor the college's performance in delivering value for money.

Review of effectiveness

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. The Principal's 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 and regularity auditors in their management letters and other reports.

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

The 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 management

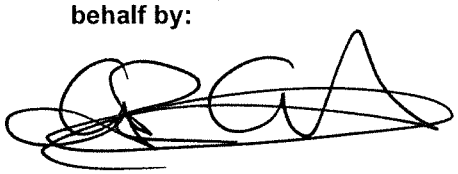
team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

Based on the advice of the Audit Committee and the Principal, 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 assets"*.

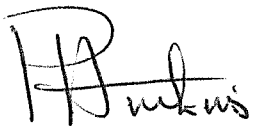
The Corporation has considered its responsibility to notify the Education & Skills Funding Agency of material irregularity, impropriety and non-compliance with Education & Skills Funding Agency terms and conditions of funding, under the Funding Agreement in place between the College and the Education & Skills Funding Agency. As part of its consideration the Corporation has had due regard to the requirements of the Funding Agreement.

We confirm, on behalf of the Corporation that to the best of its knowledge, the Corporation believes it is able to identify any material irregular or improper use of funds by the College, or material non-compliance with the Education & Skills Funding Agency's terms and conditions of funding under the College's Funding Agreement. We further confirm that any instances of material irregularity, impropriety or funding non-compliance discovered to date have been notified to the Education & Skills Funding Agency.

Approved by order of the members of the Corporation on 17 December 2020 and signed on its behalf by:



G Guest
Accounting Officer



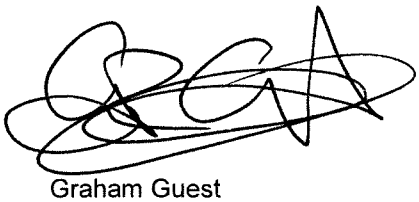
P Hinkins
Chair of Governors

Statement of 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.



Graham Guest

Accounting Officer

17 December 2020

Paul Hinkins

Chair of Governors

17 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 for each financial year in accordance with the *2019 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *College Accounts Direction 2019 to 2020* issued by the ESFA, and which give a true and fair view of the state of affairs of the group and the parent College and the result for that year.

In preparing the group and parent College financial statements, the Corporation is required to:

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

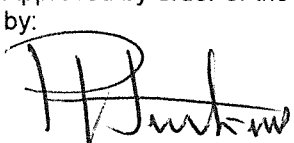
The Corporation is also required to prepare a Members' Report which describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the College.

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

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

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

Approved by order of the members of the Corporation on 17 December 2020 and signed on its behalf by:



Paul Hinkins

Chair of Governors

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF TELFORD COLLEGE

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Telford College ("the College") for the year ended 31 July 2020 which comprise the Consolidated and College Statement of Comprehensive Income and Expenditure, the Consolidated and College Statement of Changes in Reserves, the Consolidated and College Balance Sheets and Consolidated Statement of Cash flow and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

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

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

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

Basis for opinion

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

Going concern

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

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

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

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the

financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Corporation's responsibilities

As explained in full, in their statement set out on page 19, the Corporation is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the parent College or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We are required to report on the following matters by the OfS Accounts Direction.

In our opinion, in all material respects:

- funds from whatever source administered by the Group or the College for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation; and

- funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions.

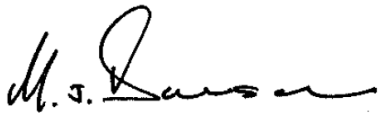
Matters on which we are required to report by exception

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

We have nothing to report in this respect.

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

This report is made solely to the Corporation, in accordance with Article 22 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the Corporation for our audit work, for this report, or for the opinions we have formed.



Mark Dawson
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Date: 29 January 2021

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

In accordance with the terms of our engagement letter dated 16 November 2020 and further to the requirements and conditions of funding in ESFA grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Telford College during the 01 August 2019 to 31 July 2020 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

Respective responsibilities of Telford College and the reporting accountant

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

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

Approach

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

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

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

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

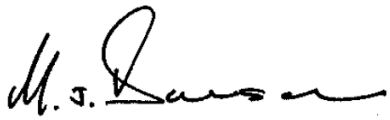
The work undertaken to draw our conclusion included:

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

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

Conclusion

In the course of our work nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 01 August 2019 to 31 July 2020 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Mark Dawson
For and on behalf of KPMG LLP, Reporting Accountant
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

29 January 2021

Telford College
Consolidated Statements of Comprehensive Income and Expenditure

	Notes	Year ended 31 July 2020	2020	Year ended 31 July 2019	2019
		Group £'000	College £'000	Group £'000	College £'000
INCOME					
Funding body grants	2a	19,107	19,107	18,353	18,353
Restructuring Facility funding from the ESFA	2a	45	45	764	764
Tuition fees and education contracts	3	2,781	2,781	2,761	2,761
Other grants and contracts	4	110	110	107	107
Other income	5	1,955	911	2,174	301
Endowment and investment income	6	6	6	7	56
Total income		**24,004**	**22,960**	**24,166**	**22,342**
EXPENDITURE					
Staff costs	7	15,681	15,074	15,962	15,054
Other operating expenses	8	5,676	5,229	7,867	6,922
Depreciation	11	1,664	1,645	1,500	1,437
Interest and other finance costs	9	639	639	519	517
Total expenditure		**23,660**	**22,587**	**25,848**	**23,930**
Surplus/(deficit) before other gains and losses		**344**	**373**	**(1,681)**	**(1,587)**
Gain/(loss) on disposal of assets	11	297	-	(257)	(257)
Surplus/(deficit) before tax		**641**	**373**	**(1,938)**	**(1,844)**
Taxation	10	-	-	-	-
Surplus/(deficit) for the year		**641**	**373**	**(1,938)**	**(1,844)**
Actuarial loss in respect of pension scheme		(5,543)	(5,543)	(9,456)	(9,456)
Total Comprehensive Income for the year		**(4,902)**	**(5,170)**	**(11,394)**	**(11,300)**

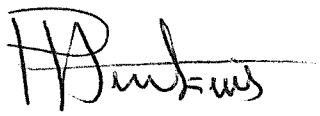
Telford College
Consolidated and College Statement of Changes in Reserves

	Income and Expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Group			
Balance at 1st August 2018	1,222	2,446	3,668
Deficit from the income and expenditure account	(1,938)	-	(1,938)
Other comprehensive income	(9,456)		(9,456)
Transfers between revaluation and income and expenditure reserves	46	(46)	-
	(11,348)	(46)	(11,394)
Balance at 31st July 2019	(10,126)	2,400	(7,726)
Surplus from the income and expenditure account	641	-	641
Other comprehensive income	(5,543)	-	(5,543)
Transfers between revaluation and income and expenditure reserves	46	(46)	-
Total comprehensive income for the year	(4,856)	(46)	(4,902)
Balance at 31st July 2020	**(14,982)**	**2,354**	**(12,628)**
College			
Balance at 1st August 2018	1,399	2,446	3,845
Deficit from the income and expenditure account	(1,844)	-	(1,844)
Other comprehensive income	(9,456)	-	(9,456)
Transfers between revaluation and income and expenditure reserves	46	(46)	-
	(11,254)	(46)	(11,300)
Balance at 31st July 2019	(9,855)	2,400	(7,455)
Surplus from the income and expenditure account	373	-	373
Other comprehensive income	(5,543)	-	(5,543)
Transfers between revaluation and income and expenditure reserves	46	(46)	-
Total comprehensive income for the year	(5,124)	(46)	(5,170)
Balance at 31st July 2020	**(14,978)**	**2,354**	**(12,624)**

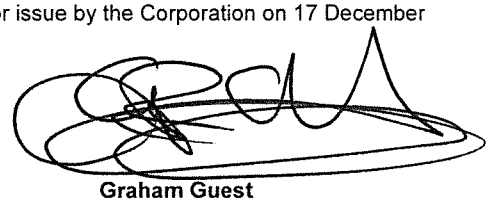
Telford College
Balance sheets as at 31 July

	Notes	Group	College	Group	College
		2020 £'000	2020 £'000	2019 £'000	2019 £'000
Fixed assets					
Tangible fixed assets	11	31,429	31,429	34,049	32,303
Investments	12	–	–	–	1,948
		31,429	**31,429**	**34,049**	**34,251**
Current assets					
Stocks		–	–	14	–
Trade and other receivables	13	547	500	980	897
Asset held for sale	14	117	117	–	–
Cash and cash equivalents	19	2,566	2,544	1,547	1,444
		3,230	**3,161**	**2,542**	**2,341**
Less: Creditors – amounts falling due within one year	15	(3,399)	(3,326)	(9,570)	(9,300)
Net current Liabilities		**(169)**	**(165)**	**(7,028)**	**(6,959)**
Total assets less current liabilities		**31,260**	**31,264**	**27,021**	**27,292**
Less: Creditors – amounts falling due after more than one year	16	(14,058)	(14,058)	(11,967)	(11,967)
Provisions					
Defined benefit obligations	18	(28,315)	(28,315)	(21,352)	(21,352)
Other provisions	18	(1,515)	(1,515)	(1,427)	(1,427)
Total net Liabilities		**(12,628)**	**(12,624)**	**(7,726)**	**(7,455)**
Unrestricted reserves					
Income and expenditure account		(14,982)	(14,978)	(10,126)	(9,855)
Revaluation reserve		2,354	2,354	2,400	2,400
Total unrestricted reserves		**(12,628)**	**(12,624)**	**(7,726)**	**(7,455)**
Total reserves		**(12,628)**	**(12,624)**	**(7,726)**	**(7,455)**

The financial statements on pages 25 to 49 were approved and authorised for issue by the Corporation on 17 December 2020 and were signed on its behalf on that date by:



Paul Hinkins
Chair of Governors



Graham Guest
Accounting Officer

Telford College
Consolidated Statement of Cash Flows

	Notes	2020 £'000	2019 £'000
Cash inflow from operating activities			
Surplus/(deficit) for the year		641	(1,938)
Adjustment for non cash items			
Depreciation		1,664	1,500
Decrease/(increase) in stocks		14	(3)
Decrease/(increase) in debtors		433	(324)
(Decrease)/increase in creditors due within one year		(5,457)	5,111
(Decrease)/increase in creditors due after one year		4,143	(5,583)
Increase in provisions (excluding actuarial gain)		88	42
Pensions costs less contributions payable		1,121	1,122
Adjustment for investing or financing activities			
Deferred capital and revenue grants released to income		(714)	(341)
Interest payable		639	517
Interest receivable		(6)	(7)
Gain on sale of fixed assets		(297)	257
Net cash flow from operating activities		**2,269**	**353**
Cash flows from investing activities			
Proceeds from sale of fixed assets		1,975	750
Disposal of non-current asset investments		(275)	–
Interest receivable		6	7
Deferred grants received		45	719
Payments made to acquire fixed assets		(904)	(2,570)
		847	(1,094)
Cash flows from financing activities			
Interest paid		(157)	(187)
Interest element of finance lease rental payments		–	(2)
New unsecured loans		–	480
Repayments of amounts borrowed		(1,940)	(990)
		(2,097)	(699)
Increase / (decrease) in cash and cash equivalents in the year		**1,019**	**(1,441)**
Cash and cash equivalents at beginning of the year	20	1,547	2,988
Cash and cash equivalents at end of the year	20	2,566	1,547

Notes to the Accounts

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 2019-20 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 subsidiaries, Telford College Enterprises Limited, Shropshire College Management Limited and Shropshire College Hotel School Limited. 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 annual report. The financial position of the College, its cash flow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

The Corporation has prepared cash flow forecasts for a period of 24 months from the date of approval of these financial statements. After reviewing these forecasts, the Corporation is of the opinion that, taking account of severe but plausible downsides, including a potential downturn in recruitment for apprenticeships, adults and Higher Education learners and commercial income resulting from Covid-19 and additional costs associated with the pandemic such as cleaning, hygiene supplies and PPE, the College will have sufficient funds to meet its liabilities as they fall due over the period of 12 months from the date of approval of the financial statements (the going concern assessment period).

The Corporation monitors its financial position and cash flows on an ongoing basis and reports to both the ESFA and its lenders on a quarterly basis. The College had a loan facility from its bank of £3m which was originally to be repaid by December 2020. £750k was repaid in 18/19 following the sale of King Street campus, leaving a balance as at 1st August 2019 of £2,250k. In January 19/20 the College sold its interest in the Whitehouse Hotel and the £1.7m net proceeds were used to reduce the loan balance to £550k. An extension on the loan maturity date is formally in place with the bank to December 2022. The College plans to refinance both this loan and its other loan with the bank in 2022. Barclays bank have issued a loan variation to update the covenant definitions to exclude any loan repayments arising from capital disposals. With this adjustment the College has not breached its covenants at 31 July 2020 and has headroom in its loan covenants.

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

Recognition of income
Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Skills Budget is ordinarily adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account, however for 19/20 only due to the Covid-19 pandemic both the ESFA and Combined Authorities have suspended the reconciliation process. 16-18 classroom based funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

The recurrent grant from the OFS 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.

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

Income 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.

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.

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.

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 the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. 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.

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values.
In determining the valuation of the Shropshire Pension Fund, a number of key assumptions have been made. The key assumptions, which are given below, are largely dependent on factors outside the control of the College:
• Discount rate;
• Inflation rate; and
• Life expectancy
The asset values are reported using estimated asset allocations prepared by the scheme Actuary. This asset value is calculated at each triennial valuation. Thereafter it is rolled forward to accounting dates using investment returns, contributions received, and benefits paid out. During each annual reporting period between triennial valuations, asset returns are estimated using 11 months of market experience and one month of extrapolation being assumed.

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 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 other recognised gains and losses.

Actuarial gains and losses are recognised immediately in other recognised 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. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2019 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Land and buildings

Freehold land is not depreciated.

Freehold buildings are depreciated over their expected useful economic life to the College of between 5 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life.

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.

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

Assets under construction

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

Subsequent expenditure on existing fixed assets

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

Equipment

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

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

- motor vehicles and general equipment 3-10 years
- computer equipment 3-5 years

- furniture and fittings 5-10 years
- land and buildings 15-50 years

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

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

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

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

Investments
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.

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 a minor element of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

The College's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

Provisions and contingent liabilities
Provisions are recognised when the College has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.
Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the statement of comprehensive income in the period it arises.

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

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

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

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

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 23, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 July 2020. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2a Funding council grants

	Year ended 31 July 2020 Group £'000	Year ended 31 July 2020 College £'000	Year ended 31 July 2019 Group £'000	Year ended 31 July 2019 College £'000
Recurrent grants				
Education and Skills Funding Agency - adult	5,592	5,592	6,020	6,020
Education and Skills Funding Agency – 16 -18	10,262	10,262	9,358	9,358
Education and Skills Funding Agency - apprenticeships	2,426	2,426	2,350	2,350
Office for Students	113	113	101	101
Specific Grants				
Releases of government capital grants	714	714	524	524
Merger Grant funding from the ESFA	45	45	764	764
Total	**19,152**	**19,152**	**19,117**	**19,117**

2b Grant and fee income

	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Grant income from the Office for Students	113	113	101	101
Grant income from other bodies	19,039	19,039	19,016	19,016
Fee income for taught awards (exclusive of VAT)	453	453	565	565
Fee income for research awards (exclusive of VAT)	-	-	-	-
Fee income from non-qualifying courses (exclusive of VAT)	-	-	-	-
Total grant and fee income	19,605	19,605	19,682	19,682

There were no income received for research and non qualifying courses. Fee income for taught awards (exclusive of VAT) is exclusively Higher Education (HE) income. Grant income from ESFA is included in Grant income from other bodies.Grant and fee income figures include all taught levels.

3 Tuition fees and education contracts

	Year ended 31 July 2020 Group £'000	Year ended 31 July 2020 College £'000	Year ended 31 July 2019 Group £'000	Year ended 31 July 2019 College £'000
Adult education fees	868	868	828	828
Fees for FE loan supported courses	452	452	590	590
Fees for HE loan supported courses	268	268	309	309
Total tuition fees	**1,588**	**1,588**	**1,728**	**1,728**
Education contracts	1,193	1,193	1,034	1,034
Total	**2,781**	**2,781**	**2,761**	**2,761**

4 Other grants and contracts

	Year ended 31 July 2020 Group £'000	Year ended 31 July 2020 College £'000	Year ended 31 July 2019 Group £'000	Year ended 31 July 2019 College £'000
Other grants and contracts	110	110	107	107
Total	**110**	**110**	**107**	**107**

5 Other income

	Year ended 31 July 2020 Group £'000	Year ended 31 July 2020 College £'000	Year ended 31 July 2019 Group £'000	Year ended 31 July 2019 College £'000
Catering and residences	1,044	–	1,875	–
Other income generating activities	171	171	237	237
Miscellaneous income	741	741	64	64
Total	**1,955**	**911**	**2,176**	**301**

6 Investment income

	Year ended 31 July 2020 Group £'000	Year ended 31 July 2020 College £'000	Year ended 31 July 2019 Group £'000	Year ended 31 July 2019 College £'000
Other investment income	-	-	-	49
Other interest receivable	6	6	7	7
	6	**6**	**7**	**56**
Net return on pension scheme (note 23)	-	-	-	-
	6	**6**	**7**	**56**

7 Staff costs - Group and College

The average number of persons (individual headcount including key management personnel but excluding casual staff) employed by the College during the year was:

	Year ended 31 July 2020 Group	Year ended 31 July 2020 College	Year ended 31 July 2019 Group	Year ended 31 July 2019 College
	No.	**No.**	**No.**	**No.**
Teaching staff	287	287	279	279
Non teaching staff	189	157	189	147
	476	**444**	**468**	**426**

Staff costs for the above persons

	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Wages and salaries	11,028	10,572	11,390	10,533
Social security costs	973	942	992	955
Other pension costs	3,022	3,016	2,708	2,699
Payroll sub total	**15,023**	**14,530**	**15,090**	**14,187**
Contracted out staffing services	402	402	688	683
	15,425	**14,932**	**15,778**	**14,870**
Restructuring costs - contractual	255	141	184	184
	15,681	**15,074**	**15,962**	**15,054**

Other Grants and contracts	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Coronavirus Job Retention Scheme grant	30	30	-	-
Total	30	30	-	-

Prior year staff numbers have been restated to disclose headcount instead of the number of Full Time Equivalents (FTEs

7 Staff costs - Group and College (cont'd)

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 Executive Leadership Team which comprises the Principal and Deputy Principal. 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:	2	3

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

	Key management		Other staff	
	2020 No.	2019 No.	2020 No.	2019 No.
£60,001 to £65,000 p.a	-	1	-	3
£70,001 to £75,000 p.a	-	-	1	-
£75,001 to £80,000 p.a	-	-	-	1
£120,001 to £125,000 p.a	1	1	-	-
£145,001 to £150,000 p.a	1	1	-	-
	2	3	1	4

	2020 £'000	2019 £'000
Basic Salary	270	333
Performance related pay and bonus	-	-
Benefits in kind	-	-
Pension contributions	53	52
Total key management personnel compensation	323	385

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

	2020 £'000	2019 £'000
Basic Salary	150	150
Performance related pay and bonus	-	-
Other including benefits in kind	-	-
Pension contributions	35	25
	185	175

7 Staff costs - Group and College (cont'd)

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

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

The Principal and Chief Executive reports to the Chair of Corporation, who undertakes an annual review of his performance against the college's overall objectives using both qualitative and quantitative measures of performance. The Principal has performed very well during 2019/20, with increased challenges posed by the Covid-19 pandemic, meeting the College's objectives and ensuring good financial health and management, as well as, maintaining quality teaching and learning provision and ensuring positive positioning of the College locally and regionally.

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

	2020	2019
Principal's basic salary as a multiple of the median of all staff	8.2	7.2
Principal's total remuneration as a multiple of the median of all staff	8.5	8.3

Compensation for loss of office paid to former Key Management personnel and other staff

Severance payments were approved by the College's remuneration committee.

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

	2020	2019
	£	£
Compensation paid to the former Key management personnel and other staff	0	12,832

The severance payments were approved by the College's Remuneration Committee

8 Other operating expenses

	Year ended 31 July		Year ended 31 July	
	2020 Group £'000	2020 College £'000	2019 Group £'000	2019 College £'000
Teaching costs	1,745	1,745	1,647	1,647
Non teaching costs	2,918	2,471	4,654	4,066
Premises costs	1,013	1,013	1,566	1,209
Total	5,676	5,229	7,867	6,922

Other operating expenses include:

	2020 Group £'000	2020 College £'000	2019 Group £'000	2019 College £'000
Auditors' remuneration:				
Financial statements audit	40	40	81	64
Internal audit	17	17	18	18
Other services provided by the financial statements auditors	18	18	9	5

9 Interest payable

	2020 Group £'000	2020 College £'000	2019 Group £'000	2019 College £'000
On bank loans, overdrafts and other loans:	157	157	187	187
Net interest on defined pension liability and enhanced pension	483	483	330	330
Total	639	639	519	517

10 Taxation - Group only

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

Telford College
Notes to the Accounts (continued)

11 Tangible fixed assets (Group)

	Land and buildings	Equipment	Total
	£'000	£'000	£'000
Cost or valuation			
At 1 August 2019	43,746	9,672	53,418
Additions	56	833	889
Transfer assets held for sale	(117)	-	(117)
Disposals	(1,900)	(159)	(2,059)
At 31 July 2020	**41,785**	**10,346**	**52,131**
Depreciation			
At 1 August 2019	11,261	8,109	19,370
Charge for the year	941	723	1,664
Elimination in respect of disposals	(222)	(110)	(332)
At 31 July 2020	**11,980**	**8,722**	**20,702**
Net book value at 31 July 2020	**29,805**	**1,624**	**31,429**
Net book value at 31 July 2019	32,485	1,563	34,048

Tangible fixed assets (College only)

	Land and buildings	Equipment	Total
	£'000	£'000	£'000
Cost or valuation			
At 1 August 2019	41,846	9,522	51,368
Additions	56	832	888
Transfer assets to held for sale	(117)	–	(117)
Disposals	–	(9)	(9)
At 31 July 2020	**41,785**	**10,345**	**52,130**
Depreciation			
At 1 August 2019	11,057	8,008	19,065
Charge for the year	922	723	1,645
Elimination in respect of disposals	–	(9)	(9)
At 31 July 2020	**11,979**	**8,722**	**20,701**
Net book value at 31 July 2020	**29,806**	**1,623**	**31,429**
Net book value at 31 July 2019	30,789	1,514	32,303

12 Non current Investments

	College 2020 £	College 2019 £
Shropshire College Management Limited	–	1,948,151
Shropshire College Hotel School Limited	1	1
Telford College Enterprises	2	2
Total	**3**	**1,948,154**

The College owns 100 per cent of the issued ordinary £1 shares of Shropshire College Management Limited, a company incorporated in England and Wales, and 100 per cent of the issued ordinary £1 shares of Shropshire College Hotel School Limited, a company incorporated in England and Wales. The principal activity of Shropshire College Management Limited is the managing of the use of the assets for use by Shropshire College Hotel School Limited. The principal business activity of Shropshire College Hotel School Limited is the provision of goods and services to guests of the hotel.

In November 2013 Shropshire College Management Limited, acquired the freehold and leasehold interests in the Telford Whitehouse Hotel. The acquisition was financed by an investment in the subsidiary by New College Telford who used its own resources and a bank loan facility.

The value as at 31st July 2019 represents the full acquisition costs and working capital.

In January 2020 the college sold its interest in the freehold element of the Whitehouse Hotel (Lot 1, consisting of 90 hotel rooms and reception area) for £1.975m. £1.7m net proceeds were used to reduce the college loan balance, with the remaining £275,000 received in Shropshire College Management Limited, resulting in a gain on sale of £297,343. The remaining leasehold property (Lot 2, consisting of leisure facilities and conference centre) had nil value and the lease was surrendered to Telford and Wrekin Council on 08/10/20

13 Trade and other receivables

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Amounts falling due within one year:				
Trade receivables	131	84	239	135
Amounts owed by group undertakings:				
Subsidiary undertakings	–	–	–	21
Prepayments and accrued income	416	416	184	184
Amounts owed by the ESFA	–	–	557	557
Total	**547**	**500**	**980**	**897**

14 Asset held for sale

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Oakdene House	117	117	–	–
Total	**117**	**117**	**–**	**–**

15 Creditors: amounts falling due within one year

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Bank loans and overdrafts	280	280	5,440	5,440
Trade payables	598	525	1,019	747
Amounts owed to group undertakings:				
Subsidiary undertakings	–		–	10
Other taxation and social security	231	231	234	234
Accruals and deferred income	1,122	1,122	2,111	2,111
Finance lease obligation	–	–	8	–
Deferred income - government capital grants	788	788	648	648
Amounts owed to the ESFA	380	380	110	110
Total	**3,399**	**3,326**	**9,570**	**9,300**

16 Creditors: amounts falling due after one year

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Loans	3,380	3,380	480	480
Deferred income - government capital grants	10,678	10,678	11,487	11,487
Total	**14,058**	**14,058**	**11,967**	**11,967**

17 Maturity of debt

Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
In one year or less	280	280	5,440	5,440
Between one and two years	280	280	–	–
Between two and five years	840	840	–	–
In five years or more	2,100	2,100	–	–
Total	**3,500**	**3,500**	**5,440**	**5,440**

In addition to the above, £480k ESFA loan was drawn down on 18 March 2019. This loan was to support the launch of the College augmented/virtual reality facility. £320k will be repaid in 2020/21 and the remaining £160k will be repaid in 2021/22.

Telford College has two loans with Barclays Bank
Loan A was taken out in December 2017. It is a Floating rate basis Term Loan for £3,550,000. Interest is charged at 2.3% above Libor. The loan must be repaid within 5 years. Loan B was taken out in December 2017. It is a Floating rate basis Term Loan for £3,000,000. Interest is charged at 2.3% above Libor. The loan was originally to be repaid within 3 years, but in July 2020 the bank agreed to extend the maturity date by 2 years in line with Loan A. During the year the debt service covenants on both loans were amended to exclude the impact of debt repayments made to the bank arising from sale proceeds of the Whitehouse Hotel (sold 10th January 2020) and 48 Bennetts Bank (still on the market at 31st October 2020). At 31st July the College met its loan covenant conditions.

Barclays bank has a legal charge over the following assets as security for both loans: The Telford College campus situated on Haybridge Road in Wellington, Telford. The Freehold and Leasehold properties that make up the Telford Whitehouse hotel owned by Shropshire College Management Limited and operated by Shropshire College Hotel School Limited. Freehold properties owned by Telford College at 48 Bennetts Bank Telford and 166 Haybridge Road Telford.

18 Provisions

	Group and College		
	Defined benefit obligations £'000	Enhanced pensions £'000	Total £'000
At 1 August 2019	21,352	1,427	22,779
Expenditure in the period	1,575	(96)	1,479
Transferred (to)/from income and expenditure account	5,388	184	5,572
At 31 July 2020	**28,315**	**1,515**	**29,830**

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 25.

The enhanced pension provision relates to the cost of staff who have already left the College's employment and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date.

The principal assumptions for this calculation are:

	2020	2019
Price inflation	2.2%	2.2%
Discount rate	1.3%	2.0%

19 Cash and cash equivalents

	At 1 August 2019 £'000	Cash flows £'000	At 31 July 2020 £'000
Cash and cash equivalents	1,547	1,019	2,566
Total	**1,547**	**1,019**	**2,566**

20 Capital commitments

21 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	22	22
Later than one year and not later than five years	67	88
later than five years	988	989
Total lease payments due	1,077	1,099
Other		
Not later than one year	120	85
Later than one year and not later than five years	213	158
later than 5 years	–	–
	333	243
Total lease payments due	1,410	1,342

Lease obligations include £1,000 paid annually as a peppercorn rent for part of the hotel property. The lease started in 2013/14 and is for 999 years. At the date of signing the obligation was no longer a commitment due to Lot 2 Lease being handed back to Telford and Wrekin Council in October 2020.

22 Contingent liabilities

There were no Contingent Liabilities at 31 July 2020 (2019: £nil).

23 Defined benefit obligations

The College's employees belong to two principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Shropshire 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 was 31 March 2019.

Total pension cost for the year		**2020 £'000**		**2019 £'000**
Teachers Pension Scheme: contributions paid		472		763
Local Government Pension Scheme:				
Contributions paid	820		840	
FRS 102 (28) charge	948		555	
Charge to the Statement of Comprehensive Income		1,768		1,395
Enhanced pension charge to Statement of Comprehensive Income		155		99
Total Pension Cost for Year		**2,395**		**2,257**

Teachers' Pension Scheme

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

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

23 Defined benefit obligations (cont'd)

Valuation of the Teachers' Pension Scheme

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 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 to March 21).

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 £472,000 (2019: £763,000)

23 Defined benefit obligations (continued)

FRS 102 (28)

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

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

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds adminstered by Shropshire Local Authority. The total contribution made for the year ended 31 July 2020 was £1,022,317, of which employer's contributions totalled £714,132 and employees' contributions totalled £308,185. The agreed contribution rates for future years are 14.7% for employers and range from 5.5% to 7.5% cent for employees, depending on salary.

Principal Actuarial Assumptions

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

	At 31 July 2020	At 31 July 2019
Rate of increase in salaries	3.55%	3.70%
Future pensions increases	2.40%	2.30%
Discount rate for scheme liabilities	1.60%	2.20%
Inflation assumption (CPI)	2.30%	2.20%
Commutation of pensions to lump sums	0%	0%

The College has updated its approach to setting RPI and CPI inflation in light of the RPI reform proposals published on the 4th September 2019 by the UK Chancellor and UK Statistics Authority.

The Group continued to set RPI inflation in line with the market break-even expectations less an inflation risk premium. The inflation risk premium has been increased from 0.2% at 31 December 2018 to 0.4% at 31 December 2019, reflecting an allowance for additional market distortions caused by the RPI referral proposals. For CPI, the College has proposed a long term gap between RPI and CPI of 90 basis points, compared to 100 basis points at the prior year end.

The estimated impact of the change in the methodology is approximately a £6m increase in the defined benefit obligation in respect of the LGPS scheme.

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
	years	years
Retiring today		
Males	22.90	23.20
Females	25.00	26.40
Retiring in 20 years		
Males	24.20	25.40
Females	26.60	28.70

23 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

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

	Fair Value at 31 July 2020 £'000	Fair Value at 31 July 2019 £'000
Equities	22,080	22,534
Bonds	10,099	9,355
Property	1,928	2,114
Cash	780	810
Other	11,017	10,165
Total market value of assets	**45,904**	**44,978**
Actual return on plan assets	**(77)**	**1,766**

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

	2020 £'000	2019 £'000
Fair value of plan assets	45,904	44,978
Present value of plan liabilities	(74,208)	(66,076)
Present value of unfunded liabilities	(11)	(14)
Adjustment for GMP ruling 2020	-	(240)
Net pensions liability (Note 18)	**(28,315)**	**(21,352)**

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

	2020 £'000	2019 £'000
Amounts included in staff costs		
Current service cost	1,768	1,395
Past service cost	144	537
Total	**1,912**	**1,932**
Amounts included in investment income		
Net interest income	(454)	(294)
	(454)	**(294)**
Amounts recognised in Other Comprehensive Income		
Return on pension plan assets	(220)	518
Experience losses arising on defined benefit obligations	(5,408)	(9,635)
Adjustment for GMP ruling 2019	–	(240)
Amount recognised in Other Comprehensive Income	**(5,628)**	**(9,357)**

23 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

Movement in net defined benefit liability during the year

	2020 £'000	2019 £'000
Deficit in scheme at 1 August	(21,352)	(10,579)
Movement in year:		
Current service cost	(1,768)	(1,395)
Employer contributions	820	840
Past service cost	(144)	(537)
Administration Expenses	(29)	(30)
Net interest on the defined (liability)/asset	(454)	(294)
Actuarial gain or loss	(5,388)	(9,117)
Adjustment for GMP ruling 2020	–	(240)
Net defined benefit liability at 31 July	**(28,315)**	**(21,352)**

Asset and Liability Reconciliation

	2020 £'000	2019 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	66,090	53,489
Current Service cost	1,768	1,395
Interest cost	1,446	1,543
Contributions by Scheme participants	309	315
Experience gains and losses on defined benefit obligations	5,408	9,635
Estimated benefits paid	(946)	(824)
Past Service cost	144	537
Adjustment for GMP ruling 2020	–	240
Defined benefit obligations at end of period	**74,219**	**66,330**
Reconciliation of Assets		
Fair value of plan assets at start of period	44,978	42,910
Interest on plan assets	992	1,249
Return on plan assets	(220)	518
Employer contributions	820	840
Administration Expenses	(29)	(30)
Contributions by Scheme participants	309	315
Estimated benefits paid	(946)	(824)
Fair value of plan assets at end of period	**45,904**	**44,978**

These accounts show the College's share of a past service cost of £230 million in respect of the Court of Appeal 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 over 1% of the total scheme liability as at 31 March 2019.The calculation of adjustment to past service costs, £7 billion, arising from the outcome of the Court of Appeal judgment is based on a number of key assumptions including:

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

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

24 Related party transactions

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 possible that transactions will take place with organisations in which a member of the Board of Governors may have an interest. All transactions involving organisations in which a member of the Board of Governors may have an interest must be conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures. No transactions were identified which should be disclosed under Financial Reporting Standard 102 - Related Party Disclosures.

The College has three wholly owned subsidiaries in Shropshire College Management Limited,Shropshire College Hotel School Limited and Telford College Enterprises Limited. All transactions are on an arms length basis.

Transactions with the funding bodies are detailed in note 2.

The total expenses paid to or on behalf of the Governors during the year was £0 (2019: £0). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

Principal and Accounting Officer G Guest is also a Governor of TCAT Multi Academy Trust trading as Kickstart Academy. Kickstart Academy operates from premises owned by Telford College. During the year Kickstart Academy paid **£66,880** (2019 £66,880) Telford College in relation to rent and management charges.

Governor Mr G Layer is Vice Chancellor of the University of Wolverhampton. During the year, the College received £277k (2019: £260k) from the university in respect of a franchise agreement to deliver foundation degrees and £41k (2019: £30k) in respect of the Aspire to HE initiative; funded through the government's National Collaborative Outreach Programme. The College also paid the University £9k for services (2019: £6k).

Chair of Governors, Mr P Hinkins is Managing Director of Business Watch Guarding Ltd which provides security services to the College and were paid £199k for the year.

25 Amounts disbursed as agent

Learner support funds

	2020 £'000	2019 £'000
16 to 18 Bursary grants	469	300
Other Funding body grants	156	167
	625	467
Disbursed to students	(403)	(418)
Administration costs	(13)	(14)
Balance unspent as at 31 July, included in creditors	209	35

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

Of the amounts disbursed to students 328k, £20k is related to the Covid free school meals scheme.