



LEICESTER COLLEGE

Annual Report and Financial Statements

for the year ended 31 July 2020

LEICESTER COLLEGE

KEY MANAGEMENT PERSONNEL, BOARD OF GOVERNORS AND PROFESSIONAL ADVISORS

Key Management Personnel

Key Management Personnel are defined as members of the College's Senior Leadership Team and were represented by the following in 2019/20:

Verity Hancock: Principal and CEO; Accounting Officer
Shabir Ismail: Deputy Principal and CEO
Kully Sandhu: Vice Principal, HE, Adult and Community
Tina Thorpe: Vice Principal, 14-19, Employer Engagement
Rod Wood: Director of Human Resources
Louise Hazel: Director of Governance and Policy

Board of Governors

A full list of Governors is given on pages 21 to 23 of these financial statements.

Louise Hazel acted as Company Secretary and Clerk to the Corporation throughout the period.

Professional Advisors

Financial Statements Auditors and Reporting Accountants:

KPMG LLP
One Snowhill
Snowhill Queensway
BIRMINGHAM
B4 6GH

Internal Auditors:

RSM
The Poynt
45 Wollaton Street
Nottingham
NG1 5FW

Bankers:

Santander
Bootle
Merseyside
L30 4GB

Solicitors:

Shakespeare Martineau
No 1 Colmore Square
Birmingham
B4 6AA

LEICESTER COLLEGE

REPORT AND FINANCIAL STATEMENTS

For year ended 31 July 2020

Contents

	Page
Strategic Report	4
Statement of Corporate Governance and Internal Control	20
Statement of Regularity, Propriety and Compliance	30
Statement of the Responsibilities of the Members of the Corporation	31
Independent Auditor's Report to the Corporation of Leicester College	33
Reporting Accountant's on Regularity to the Corporation of Leicester College and the Secretary of State for Education acting through the Education and Skills Funding Agency (ESFA)	36
Consolidated Statements of Comprehensive Income	38
Consolidated and College Statement of Changes in Reserves	40
Balance Sheets	41
Consolidated Statement of Cash Flows	43
Notes to the Accounts	44

LEICESTER COLLEGE

STRATEGIC REPORT

For the year 1 August 2019 to 31 July 2020

NATURE, OBJECTIVES AND STRATEGIES

The members present their report and the audited financial statements for the year ended 31 July 2020.

Legal Status

1. The Corporation was established under The Further and Higher Education Act 1992 for the purpose of conducting Leicester College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.
2. The Corporation was incorporated as Leicester College on 1 August 1999 and was a result of the merger of Charles Keene College and Leicester South Fields College.

Mission

3. The College's mission, as approved by its members, is:

To equip people with the skills they need to be successful in education, in work and business and in their personal lives.

Public Benefit

4. Leicester College is an exempt charity under Part 3 of the Charities Act 2011 and following the Machinery of Government Changes in July 2016, is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 21-23.
5. In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit.

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

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

The delivery of public benefit is covered throughout the Strategic Report.

Implementation of Strategic Plan

6. 2019/20 was the second year of the College's Strategic Plan for 2018-2021 which was approved in July 2018. This Strategic Plan includes accommodation and financial plans. The Corporation monitors the performance of the College against these plans. The plans are reviewed and updated each year. The College's strategic priorities are:
1. Raise standards of teaching, learning and assessment to ensure students and apprentices make rapid and sustained progress and have high levels of achievement.
 2. Develop the curriculum in preparation for the reform of technical education and the introduction of T levels, taking a leading role with employers in developing and promoting new routes.
 3. Make a positive contribution to the economic success and growth of the region by focussing on specialisms and priority skills areas and enhancing the employability of all students and apprentices.
 4. Attract, develop and retain high performing staff who contribute positively to the College as a learning community.
 5. Provide first-class facilities and an advanced IT infrastructure that support excellent teaching and learning and efficient and innovative business operation.
 6. Create a sound financial base that enables annual reinvestment in students, staff and the estate.
 7. Enhance the College's leading role in the local area as a community asset providing a safe and welcoming environment that supports the needs of all students.

Specific Objectives

7. 7.1 Specific objectives for 2019/20 related to:
- Learner recruitment
 - Learner achievements
 - Financial objectives
 - Continuing improvement plans
- 7.2 Improvement plans were monitored throughout the year through monthly Quality Assurance meetings with every curriculum area followed up by monthly meetings with governors and regular reports to the Senior Leadership Team and Corporation.
- 7.3 During the year, the College had to respond to the COVID-19 pandemic. The College closed on 24 March and moved the bulk of delivery and support operations online. Although the College re-opened on 24 June, it closed again on 1 July, following the announcement of the local lockdown affecting Leicester City. Recruitment to some courses, particularly part-time and short course programmes for adults, was affected. The extended local lockdown also meant that the College was unable to complete some students' final assessments in the 2019/20 year, unlike colleges across the rest of the Country. In preparation for a safe return to on site operation, extensive work was undertaken to make the estate COVID secure including installing screens, reconfiguring movement routes around buildings and buying PPE and additional supplies. Comprehensive risk assessments were completed for the College and individual departments.

STRATEGIC REPORT

For the year 1 August 2019 to 31 July 2020

8. Recruitment and Funding

- 8.1 Despite the pandemic and with the exception of some adult programmes which were affected by College closure, the College was successful in delivering against its participation and funding targets for learner responsive provision. The number of 16-18 learners recruited was 3,610 (2018/19: 3,582) and the College exceeded its funding target. The College continued to see a significant increase in the number of young people taking GCSE English and maths as a result of the condition of funding. The number of adult classroom based enrolments was 11,032; this was lower than the planned numbers (16,203) due to the national lockdown from late March 2020. Despite this the College achieved 87.6% of its AEB allocation for 2019/20, well above the 68% requirement.
- 8.2 Once again the College had very challenging growth targets for participation in apprenticeships. The numbers of 16-18 apprentices decreased from 792 in 2018/19 to 659 (a decrease of 17%). Adult apprenticeships declined to 650 (from 784 in 2018/19). The pandemic created considerable uncertainty in the market. As a result, the College, and many other providers, found its planned targets very difficult to achieve because of employer caution about continued employment for apprentices. The number of new starts has also been impacted in the last term.
- 8.3 The College recruited 957 full time equivalent (FTE) Higher Education learners.
- 8.4 Although funding for adults remained static, the ongoing funding constraints combined with other inflationary increases within pay and non-pay expenditure created further pressures on College budgets. Recognising the need to continue to achieve efficiencies, the College has continued a number of strategies to increase income and review the curriculum offer and the way in which it is delivered

Financial Objectives

9. The College aims to maintain financial viability measured by the attainment of an Education and Skills Funding Agency (ESFA) financial status of 'Requires Improvement' whilst enabling resources to be available for the delivery of a high quality curriculum. This aim is achieved within the College's current financial plan. The College recognises the challenges to improve its financial health to 'Good', which it planned to do by 2019/20 as it responds to public spending cuts and inflationary cost pressures by becoming more efficient. The planned performance will be assured by the following:

9.1 *Provision of Financial Stability*

- Maintaining the generation of at least an operating breakeven, after allowing for accommodation costs to comply with the grant funding agreement and contracts with the Education and Skills Funding Agency and covenants with the bank as a result of the loan to finance the accommodation project
- Generating a cash inflow from operating activities each year, sufficient to maintain strategic investment
- Maintaining at least 25 cash days at each year end
- Maintaining general reserves of at least 5% of income
- Achieving a current ratio of at least 1.1:1

9.2 *Maintaining the Confidence of Funding Bodies, Professional Advisers and Suppliers*

- Providing financial and non-financial returns on time and in the agreed format
- Ensuring returns requiring certification by auditors are unqualified
- Satisfying trade creditor liabilities within 30 days of receipt of invoice.

9.3 *Improving Financial Management and Awareness*

- Critically appraising all management decisions which have a financial output
- Reviewing capital investments both pre and post implementation
- Producing monthly management accounts within 10 working days of the month end including income and expenditure account, balance sheet and rolling 24 month cash flow forecast
- Providing financial training and advice to all relevant parties
- Providing up-to-date financial information to staff, managers and Corporation members.

9.4 *Investment*

- Allocating sufficient provision to ensure that the planned maintenance programme can be financed as necessary
- Generating sufficient income to enable the College to invest in new technology and equipment
- Protecting the security of all assets by ensuring appropriate procedures are in place
- Continuing to invest in staff by maintaining pay at nationally agreed levels and ensuring sufficient resources are available for training and development.

LEICESTER COLLEGE

STRATEGIC REPORT

For the year 1 August 2019 to 31 July 2020

Performance Indicators

10. The College is committed to observing the importance of sector measures and indicators. Performance data is published on the College's and DfE websites. The College is required to complete the annual Finance Record for the Education and Skills Funding Agency (ESFA). The Finance Record produces an automated financial health grade as 'Good'.
11. In addition, KPIs were agreed by the Board for each of the College's strategic objectives. These are monitored throughout the year through a range of mechanisms including Board reports, a governor dashboard, and monthly Quality Assurance meetings with each Curriculum Area and with governors.

FINANCIAL POSITION

Financial Results

12. The College's EBITDA is a surplus of £2,808,000 excluding the impact of FRS102 pension adjustments. This was achieved against a surplus budget of £391,000 (excluding FRS102 pension adjustments). The College generated a surplus of £1,022,000 against a budgeted surplus of £541,000, before restructuring and pension adjustments. It is worth noting that if the pandemic had not occurred, the College's financial performance would have been stronger and would have achieved an operating surplus after restructuring and pension adjustments closer to £1.8 million. The table below shows the movements from Comprehensive Income to the EBITDA position.

	£000s	£000s
Deficit per Financial Statements		(12,686)
FRS102 Pension Adjustment		
Staff costs charge	2,090	
Interest charge	793	
Actuarial losses	10,763	13,646
Restructuring Cost		62
Operating Surplus		1022
Depreciation and Release of capital grants	1,683	
Interest movement	165	
Exceptional staffing adjustments (as above)	(62)	1,786
EBITDA		2,808

13. The table below shows the College's underlying performance over the past 6 years.

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
EBITDA	2,140	2,159	1,374	350	1,986	2,808
As a % of income	4.6%	5.0%	3.3%	0.8%	4.3%	6.1%

LEICESTER COLLEGE

STRATEGIC REPORT

For the year 1 August 2019 to 31 July 2020

During this period the College faced a significant funding reduction from the ESFA. The funding reduction was compounded by significant year on year pressures on pensions, utilities and other non-pay expenditure. Despite this, the College has generated underlying surpluses.

14. The College has accumulated general reserves, (before the pension reserve), of £14,983,000 (2018/19: £13,766,000), and cash balances and short term investments of £8,687,000 (2018/19: £6,565,000). The College will continue to manage its reserves and cash balances in order to support developments to its estate.
15. During the year, the College invested £558,000 in tangible fixed assets. This was split between equipment purchased (£460,000) and assets in the course of construction (£98,000).
16. The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2019/20, the ESFA provided 74% of the College's total income.
17. The College has a subsidiary company, Leicester College Apprenticeship Training Agency Limited. The principal activity of the company was as an employment agency for Apprentices. The company has not traded for the past year and is now dormant.

Treasury Policies and Objectives

18. 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.
19. The College has a separate treasury management policy in place. All borrowing requires the prior authorisation by the Corporation and shall comply with the requirements of the Corporation's grant funding agreement and contracts agreed with the Education and Skills Funding Agency. The day-to-day transactions within an agreement are authorised by the Chair or Vice Chair of Governors, the Principal and the Deputy Principal. Investment of surplus funds is under the authority of the Deputy Principal within parameters set by the Corporation.

Cash Flows

20. The operating cash inflow was £3,336,000 (2018/19: inflow of £1,345,000). The net cash increase of £2,122,000 (2018/19: increase of £282,000) resulted from a net outflow of capital expenditure and financial investment of £649,000 (2018/19: £473,000), and a net outflow from financing activities of £565,000 (2018/19: £590,000).

Liquidity

21. During the year, the College continued to repay a term loan (£5,951,000 as at 31 July 2020) which was used to help finance the accommodation project completed in 2009/10.
22. The size of the College's total borrowing and its approach to interest rates have been calculated to ensure a reasonable margin between the total cost of servicing debt and liquidity. During the year, the costs of servicing debt were maintained comfortably within the budgeted margin.

Reserves

23. The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation, and ensures that there are adequate reserves to support the College's core activities. As at the balance sheet the Income and Expenditure reserves stands at £14,983,000 (excluding pension reserve). It is the Corporation's intention to increase reserves over the life of the strategic plan through the generation of annual operating surpluses.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student Numbers

24. The College is funded according to the level of activity that it generates each year. In 2019/20, the College delivered activity that has produced £32,654,000 (2018/19: £32,397,000 (including additional learning support) in funding body main allocation funding.

Student Achievements

25. The pandemic and changes to qualification specifications for 2019/20 mean that comparisons with previous years' data are not like for like comparisons. The data below is preliminary and will need to be reconsidered to include the students and apprentices who should have achieved in 2019/20 but had to continue into 2020/21 due to adapted/delayed assessment as well as late results from the Awarding Organisations. However, comparing the outcomes of learners 2019/20 to 2018/19:
 - The all ages overall achievement rate decreased by 0.8% to 86.8%.
 - The 16-18 achievement rate increased by 0.2% to 78.3%
 - The Adult achievement rate decreased by 0.4% to 90.7%.
 - The all age vocational qualification achievement rate increased by 2.7% from 88.3% to 91%.
 - 16-18 vocational qualification achievement rate increased by 7.7% from 78% to 85.7%
 - 19+ vocational qualification achievement rate increased by 0.8% from 91.6% to 92.4%
 - The all age achievement rate for Awards decreased by 2.5% from 98% to 95.5%
 - The all age achievement rate for Certificates decreased by 2.8% from 91.5% to 88.7%
 - The all age achievement rate for Diplomas decreased by 0.2% to from 84.0% to 83.8%

26. Apprenticeship overall achievement rate decreased by 5.5% from 58.3% to 52.8%, which is 66.7% below the national achievement rate. Overall achievement of Standards and Frameworks saw a decrease in achievement in 8 of the 12 Apprenticeship types/levels compared to 2018/19. Overall Apprenticeship achievement rates are below the national achievement rates in 10 of the 12 types/levels. However, it must be noted that the COVID-19 pandemic impacted on Apprenticeship overall achievement with many being furloughed or unable to sit their EPA or framework assessment.

Apprenticeship timely achievement rates (Frameworks only) increased by 5.2%, from 55.6% to 60.8%, 5.2% above the national achievement rate. The achievement rates improved in 10 of the 12 Apprenticeship type/levels compared to 2018/19 and 10 of the of the 12 Apprenticeship types/levels were above the national achievement rate.

27. GCSE English 9-4, 16-18-year-old and adults improved on 2018/19 by 2.8% and 1.2% respectively. Both were significantly above the national pass rate, 16-18 by 11.6% and adults by 25.5%. GCSE maths 16-18 and adults saw an improvement on 2018/19, 10.5% and 15.8% respectively. Both were above the national pass rate, 16-18 by 13.4% and adult by 22.7%.
28. The College expected Functional Skills English and maths achievement to decline due to the changes in specification, with the new qualifications being much harder. 16-18 and adult achievement rates both showed a decline on 2018/19. However, comparing 2019-20 achievement against 2018/19 NARs is not a like for like comparison due to the significant changes in qualifications.

Curriculum Developments

29. During 2019/20 the College continued to review and develop its curriculum in order to ensure that it meets the needs of employers, of employees and of learners. The College also ensures that the curriculum is compatible with the government's priorities for funding.
30. In 2019/20, the methodology for planning the curriculum in order to ensure that it provided a high quality and sustainable offer was continued and refined with each area looking in detail at the underlying costs and impact of each course. As part of the process, curriculum areas reviewed and revised their offer resulting in a number of courses being withdrawn and a small number of new courses programmed to run in 2020/21.

31. The College has retained a broad offer to adult learners, employers and young people to ensure that it is focussed on providing a high quality offer that meets local needs. Developments during the year included:
- A steering group looking at Enrichment and the LEAP programme. A series of policies relating to enrichment, student voice, tutorials and employability were revised to reflect the expectations of the Education Inspection Framework.
 - Ongoing work with employers to promote the Apprenticeships Levy. This included introduction of delivery to new Apprenticeship standards alongside existing frameworks and a review of the whole Apprenticeship offer to ensure the offer is relevant and viable. The Apprenticeship team continued to work with employers to ensure they are knowledgeable about the ways in which they can use their levy and how they can transfer 25% of their levy to non-levy companies.
 - Working with employers, parents/guardians and apprentices to help them understand the new apprenticeship standards and how they differ from an apprenticeship framework, and the tripartite relationship between the employer, the College and the apprentice.
 - A successful application to the Office for Students and the securing of accreditation to offer HE programmes in 2019/20 under the new funding and regulatory regime.
 - Regaining the Tier 4 license following a successful Home office Assessment which will enable the College to recruit overseas students.
 - Planning for the introduction of T Levels including the delivery of extended industry placements. The College secured funding for the academic year 2018/19 to build capacity for delivery of the industry placement element of the T Level across Level 2 and Level 3 programmes. A further £406k was awarded to the College for 2019/20. This will enable the College to double the number of students undertaking an industry placement to in excess of 300.
 - Planning for T Levels by increasingly introducing technical level qualifications. The main qualification in the T Level is a technical qualification, which aligns to the apprenticeship standard, providing synergy across technical education routes and apprenticeships. These have a very different assessment strategy and Curriculum Areas have implemented different ways of working to maximise outcomes. In 2020/21 all Curriculum Areas will have moved over to Technical qualifications.

- In 2018/19 and 2019/20, the College participated in the basic skills maths premium pilot. The aim of the basic maths premium pilot was to test the impact of paying a premium to post-16 providers to support attainment in basic maths for 16-19 study programme students without prior attainment of a grade 4 or above in GCSE maths.
- In view of the pandemic, the College moved a large amount of its delivery online within a very short period of time and continued to deliver to the majority of students during the lockdown. Practical sessions were affected which also impacted on some students' ability to undertake assessments.
- In accordance with national policy, Curriculum and Quality teams developed a rigorous process to determine Centre Assessed Grades (CAG) for students following the Government's decision to cancel examinations in the summer term. Validation meetings chaired by the Principal added further rigour.
- Curriculum plans for 2020/21 were reviewed to respond to the need for social distancing in College buildings and timetables were redesigned. This included detailed plans by every Curriculum area to identify where teaching could take place online and where onsite provision was needed. Contingency plans were also developed for 2020/21 to ensure that delivery could continue during any further enforced closure.

32. The College was inspected in December 2017. The College was found to be Good in all areas with a Good assessment for overall effectiveness. The Inspection Report found that:

- Senior leaders and managers have effectively tackled the most significant areas for improvement identified at the previous inspection
- The large majority of students make good progress because their teachers plan challenging and stimulating learning that enables them to acquire a good level of subject knowledge, and apply theory well
- Apprentices develop good work-related skills, which employers value
- The introduction of work experience on study programmes has been very effective; most students benefit from access to high-quality work placements, internships and well considered enrichment activities
- Support for students is good, particularly for those with high needs and those who are vulnerable
- Students and apprentices learn well, gain good independent thinking and learning skills and contribute well to group discussions
- Students and apprentices receive good impartial careers advice and guidance
- Governors, senior leaders and managers have forged very strong partnerships with a range of key stakeholders across the city; they skilfully use these links to ensure that the curriculum meets local economic priorities.

Areas for Improvement included:

- Improve students' attendance so that it is good across all areas of the College, through the rigorous and consistent implementation of the College's existing strategies; ensure that teachers routinely challenge all students who are not on time for their classes
- Teachers should ensure that all students routinely benefit from sharply focused and detailed feedback that enables them to understand clearly how to improve their work and make the progress of which they are capable
- Ensure that leaders and managers have access to timely, robust and accurate management information.

LEICESTER COLLEGE

STRATEGIC REPORT

For the year 1 August 2019 to 31 July 2020

Trade Union Facility Time

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

Numbers of employees who were relevant trade union officials during the relevant period (1 April 2019 – 31 March 2020)	FTE employee number
6	6

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

Total cost of facility time	15,358
Total pay bill	26,867,166
Percentage of total bill spent on facility time	0.06%

Hours spent on paid facility time	654
Hours spent on paid trade union activities	15
Percentage of total paid facility time hours spent on paid TU activities	2.29%

Payment Performance

34. The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 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 95% which has been met. The College incurred no interest charges in respect of late payment.

Post-balance Sheet Events

35. There are no material post-balance sheet events that require disclosure in the financial statements.

Future Developments

36. The College moves into 2020/21 with income budgeted at £46,861,000 which represents an increase of 0.7% compared with that achieved in 2019/20.
37. The College aims to diversify its income sources by seeking opportunities to grow where there is potential. It has a dedicated team with capacity to engage in open and competitive tendering for additional income. Delivery will continue to be financially efficient as the College continues to build on its successes in pursuit of value for money in both staffing and non-staffing expenditure.
38. The College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

RESOURCES

39. The College has various resources that it can deploy in pursuit of its strategic objectives.
40. The College has £21,934,000 of net assets (excluding a £49,292,000 pension liability) and long term debt of £5,951,000.
41. The College employs 1,333 people (2018/19: 1,353).
42. The College has a very good reputation locally and nationally. The College's brand conveys this reputation as an essential part of its mission and vision.

PRINCIPAL RISKS AND UNCERTAINTIES

43. The College has a clear commitment to develop, embed and maintain systems of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation. It is recognised that informed and calculated risks are involved in growing the provision of education and training and investing in the quality of the learning experience and learner environment. However, it will only tolerate that level of risk required by its commitment to achieving its strategic priorities.
44. The College is committed to mitigating risks within its control and preparing for contingencies beyond its control.
45. The College would not knowingly enter into any arrangements that would bring it into disrepute.
46. A risk register is maintained by the College and reviewed on a termly basis by the Senior Leadership Team, the Audit Committee and the Board of Governors.
47. The College has considerable reliance on continued government funding through the education sector funding bodies and Office for Students. In 2019/20, 75% of the College's revenue was ultimately public funded and this level of reliance is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

48. The College is aware of several issues which may impact on future funding:
- The continued downward pressure on FE funding rates and increases in costs such as pensions and inflationary increases
 - The rebalancing of investment in education towards individuals and employers and the impact on participation including loans for adult learners on advanced courses and the continued impact of the Apprenticeship Levy
 - Simplified and more formula driven allocation systems and adequate funding rates to meet the changes envisaged in the Post 16 Skills Plan
 - The College's ability to respond to local skills demands and the potential devolution of adult skills budgets
 - The impact of the withdrawal from the EU is still unclear but may present further risks. The Comprehensive Spending Review is still awaited and this and the expected White Paper which, it is anticipated, may set out further changes resulting from recommendations of the Augur review and other reviews, are unknown.
 - The COVID-19 pandemic and the potential for further local and national restrictions may continue to impact on the College and its ability to recruit students and apprentices, particularly those who tend to join throughout the year.
49. These risks are mitigated in a number of ways:
- Funding is derived through a number of direct and indirect contractual arrangements
 - By ensuring the College is rigorous in delivering high quality education and training
 - Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies
 - Ensuring the College is focused on those priority sectors which will continue to benefit from public funding
 - Regular dialogue with the Education and Skills Funding Agency, other funding bodies, the LLEP and City Council
 - Enhanced management information to make strategic decisions.
 - Contingency plans to enable the College to continue to deliver to students remotely should further lockdowns be imposed.
50. The fee assumption in 2019/20 remained at 50%. In line with the majority of other colleges, Leicester College will seek to collect tuition fees in accordance with the fee assumption. The risk for the College is that demand falls off as fees increase. This may impact on the growth strategy of the College.
- This risk is mitigated in a number of ways:
- By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students
 - Close monitoring of the demand for courses as prices change.
51. The financial statements report the share of the pension scheme deficit on the College's balance sheet in line with the requirements of FRS 102.

STAKEHOLDER RELATIONSHIPS

52. In line with other colleges and with universities, Leicester College has many stakeholders. These include:
- Students
 - Education Sector funding bodies
 - Staff
 - Local employers
 - Local Authorities
 - Leicester and Leicestershire Enterprise Partnership
 - The local community
 - Other FE institutions
 - Trade unions
 - Professional bodies.
53. The College recognises the importance of these relationships and engages in regular communication with stakeholders in an increasing range of ways. These include through the College website and an expanded range of e-communication channels; visits and events; course representatives, and a Student Council; and through day to day meetings and representation on a range of groups and boards.

Equality, Diversity and Inclusion and Employment of Disabled Persons

54. Leicester College promotes Equality, Diversity and Inclusion for all and works towards bringing down the barriers to participation and progression. The College values the diversity of the communities it serves, and recognises differences. The College is opposed to all discriminatory attitudes and behaviours, particularly in relation to ability, age, educational needs, ethnic origin, gender, disability, marital status, race, religion, trans gender, sexual orientation, social background and trade union membership. The College strives vigorously to remove conditions which place people at a disadvantage and actively combats bigotry. This policy is resourced, implemented and monitored on a planned basis. The College's Equality Framework is published on its intranet and website.
55. The College publishes an Annual Equality, Diversity and Inclusion Report and Equality Objectives to ensure compliance with all relevant equality legislation including the Equality Act 2010. The College reviews new policies and procedures and plans for any potential equality impacts.

Going Concern

56. As detailed in the Going Concern Accounting Policy on page 43, the Corporation considers that the Group and the College have sufficient funds 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.

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

STRATEGIC REPORT

For the year 1 August 2019 to 31 July 2020

It is worth noting that if the pandemic had not occurred, the College's financial performance would have been stronger and would have achieved an operating surplus after restructuring and pension adjustments closer to £1.8million. Nevertheless, the College has achieved a positive financial outturn despite the impact of the pandemic on 2019/20.

At time of submitting statements, the College has conducted its autumn term reforecast and still continues to have sufficient cash balances and to meet bank covenants for the following year.

Disability Statement

57. The College seeks to achieve the objectives set down in the Equality Act 2010. It makes the following commitments:

- This College recognises that students with disabilities may have additional needs for which they will require support. The College will do its best to respond to the individual needs of prospective students. A student with a disability is someone who may have a physical or sensory disability, a learning difficulty (which could be specific, mild, moderate or severe), a mental health problem, or who experiences emotional, behavioural or linguistic difficulties.
- There are specialist lecturers who support students with learning difficulties and/or disabilities. There are also student support staff and bought in services from specialist agencies to provide a variety of support for learning.
- Specialist programmes are described in course guides.

58. The College considers all applications for employment from disabled persons, bearing in mind the aptitudes of the individuals concerned and this year the College is proud to have become a Disability Confident Employer. Disability Confident is a government scheme designed to encourage employers to recruit and retain disabled people and those with health conditions. The Disability Confident scheme has taken over from the previous Two Ticks Positive about Disabled People scheme in which the College also participated. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues and all reasonable adjustments made. The College's policy is to provide training, career development and opportunities for promotion that are, as far as possible, identical to those for other employees.

Modern Slavery Transparency Statement

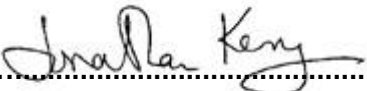
59. As required by the Modern Slavery Act 2015, Leicester College has developed a Transparency Statement, published on its website, describing its actions to understand all potential modern slavery risks relating to its business and its supply chains.

Disclosure of information to Auditors

60. The members who held office at the date 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.

LEICESTER COLLEGE

Approved by order of the members of the Corporation on 16 December 2020 and signed on its behalf by:



.....

**J Kerry
Chair**

**STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL
For the year 1 August 2019 to 31 July 2020**

61. The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2019 to 31 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; and
 - iii. having due regard to the UK Corporate Governance Code 2018 (“the he potential”) insofar as it is applicable to the further education sector.
62. The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the College has adopted and complied with the Code of Good Governance for English Colleges. We have not adopted and therefore do not apply the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.
63. In the opinion of the Governors, the College complies with all the provisions of the Code of Good Governance for English Colleges 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 and revised in March 2019.
64. The College is an exempt charity within the meaning of Part 3 of the Charities Act 2011. The Governors, who are also the Trustees for the purposes of the Charities Act 2011, confirm that they have had due regard for the Charity Commission’s guidance on public benefit and that the required statements appear elsewhere in these financial statements.

LEICESTER COLLEGE

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

For the year 1 August 2019 to 31 July 2020

The Corporation

The members who served the Corporation during the year and up to the date of signature of this report:

Name	Date of Appointment	Term of Office	Date of Resignation /End of Term	Status of Appointment	Committee Membership at 07/09/2020	Corporation Attendance	Overall Attendance
John Allen	13 September 2017 (Reappointed 13 September 2020)	3 years		Independent Member	Curriculum Strategy and Quality Improvement	100%	89%
Danielle Gillett	16 June 2016 (Reappointed 14 June 2019)	3 years		Independent Member	Curriculum Strategy and Quality Improvement Finance and General Purposes	84%	71%
Tim Gray	10 July 2019	3 years		Independent Member	Finance and General Purposes	33%	27%
Verity Hancock	01 January 2013	Ongoing		Principal	Curriculum Strategy and Quality Improvement Search and Governance Finance and General Purposes Student Liaison	100%	94%
Brigitte Heller	02 March 2017	3 years		Independent Member	Finance and General Purposes Student Liaison Search and Governance	84%	73%
Andrew Hind	01 April 2011 (Re-appointed 01 April 2014 and 01 April 2017)	3 years		Independent Member	Audit	84%	78%

LEICESTER COLLEGE

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL
For the year 1 August 2019 to 31 July 2020

The Corporation (continued)

Name	Date of Appointment	Term of Office	Date of Resignation /End of term	Status of Appointment	Committee Membership at 07/09/2020	Corporation Attendance	Overall Attendance
Chan Kataria	13 September 2017 (Reappointed 13 September 2020)	3 years		Independent Member	Finance and General Purposes Search and Governance	50%	69%
Jonathan Kerry	21 October 2013 (Reappointed 21 October 2016)	3 years		Independent Member	Finance and General Purposes Search and Governance	84%	93%
Zubair Limbada	01 August 2015 (Reappointed 01 August 2018)	3 years		Independent Member	Audit	67%	67%
Simon Meakin	10 July 2019	3 years		Independent Member	Audit Search and Governance	67%	78%
Roger Merchant	23 May 2018	3 years		External Member	Audit	-	100%
Denise Newsome	27 March 2019	3 years		External Member	Curriculum Strategy and Quality Improvement	-	100%
Najaha Nurani	24 May 2017	3 years	31 July 2020	Student Member	Curriculum Strategy and Quality Improvement Student Liaison	33%	55%
Kaushika Patel	19 October 2019	3 years	01 March 2020	Independent Member	Curriculum Strategy and Quality Improvement Audit	50%	71%

LEICESTER COLLEGE

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

For the year 1 August 2019 to 31 July 2020

The Corporation (continued)

Name	Date of Appointment	Term of Office	Date of Resignation /End of term	Status of Appointment	Committee Membership at 07/09/2020	Corporation Attendance	Overall Attendance
Louisa Poole	10 July 2019	3 years		Independent Member	Curriculum Strategy and Quality Improvement Audit	67%	83%
Habiba Rashid	01 August 2015 (Re-appointed 01 August 2018)	3 years	31 July 2020	Student Member	Curriculum Strategy and Quality Improvement Student Liaison	84%	82%
Mandeep Singh	01 August 2014 (Re-appointed 1 August 2017)	3 years		Staff Member	Curriculum Strategy and Quality Improvement Student Liaison	50%	73%
Caroline Tote	13 September 2017 (Reappointed 13 September 2020)	3 years		Independent Member	Finance and General Purposes	67%	82%
Tom Wilson	13 September 2017 (Reappointed 13 September 2020)	3 years		Independent Member	Audit Student Liaison	100%	100%

LEICESTER COLLEGE

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL For the year 1 August 2019 to 31 July 2020

The Corporation (continued)

Louise Hazel (Director of Governance and Policy) carried out the role of Clerk to the Corporation as defined in the Instrument and Articles.

65. It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.
66. 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 curriculum and funding targets, proposed capital expenditure, quality matters, equality diversity and inclusion (EDI) and personnel related matters such as health and safety and environmental issues. The Corporation meets five times each year.
67. The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Finance and General Purposes (including remuneration), Search and Governance, Audit, Curriculum Strategy and Quality Improvement and Student Liaison. Full minutes of meetings, except those deemed to be confidential by the Corporation, are available on the College's website or from the Director of Governance and Policy at:

Leicester College
Freemen's Park Campus
Welford Road
Leicester
LE2 7LW
68. The Director of Governance and Policy maintains a register of financial and personal interests of the governors. The register is available for inspection at the above address.
69. All governors are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Director of Governance and Policy, who is responsible to the Corporation for ensuring that all applicable procedures and regulations are complied with. The appointment and removal of the Director of Governance and Policy are matters for the Corporation as a whole.
70. Formal agendas, papers and reports are supplied to governors in a timely manner, prior to meetings of the Corporation. Briefings are also provided on an ad-hoc basis.
71. 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.
72. There is a clear division of responsibility in that the roles of the Chair and Accounting Officer are separate.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL
For the year 1 August 2019 to 31 July 2020

Appointments to the Corporation

73. Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search and Governance Committee which consists of the Chair and/or Vice Chair of Corporation, the Accounting Officer and a maximum of four other governors who are responsible for the selection and nomination of any new member; appointments are reported to the Corporation. The Corporation is responsible for ensuring that appropriate training is provided as required.
74. Members of the Corporation are appointed for a term of office not exceeding three years. The Corporation's Standing Orders allow for governors to serve three terms of office, subject to approval by the Corporation. A fourth reduced term of office can be considered in exceptional circumstances.

Senior Postholder Remuneration

75. During 2018/19 the Corporation agreed to adopt the Colleges Senior Staff Remuneration Code which forms part of the Code of Good Governance for English Colleges. Remuneration of Senior Postholders and other members of the Senior Leadership Team is dealt with by the Finance and General Purposes Committee which comprises the Chair of the Corporation and a maximum of seven other members of the Corporation. The Committee's responsibilities are to make recommendations to the Corporation on the remuneration and benefits of the Principal and other Senior Postholders. In line with the Senior Post Holder Remuneration Code, in fulfilling the remuneration function, the Committee must be independent of the College's management. Membership for items of remuneration must include the Chair, but not the Principal/Chief Executive. The Chair of Corporation should not chair the Committee when remuneration issues are discussed.
76. Details of remuneration for the year ended 31 July 2020 are set out in Note 8 to the financial statements.

Audit Committee

77. The Audit Committee has at least three members (excluding the Chair, Principal and Finance and General Purposes Committee members). The Committee operates in accordance with written terms of reference approved by the Corporation and in line with the Post-16 Audit Code of Practice.
78. The Audit Committee meets on a termly basis and provides a forum for reporting by the College's internal, reporting accountants and financial statement 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.
79. 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.
80. Management is responsible for the implementation of agreed audit recommendations and internal audit undertake periodic follow up reviews to ensure such recommendations have been implemented.
81. The Audit Committee also advises the Corporation on the appointment of internal, reporting accountants and financial statement auditors and their remuneration for audit and non-audit work, as well as reporting annually to the Corporation.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL
For the year 1 August 2019 to 31 July 2020

Internal Control

Scope of responsibility

82. 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.
83. 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 she is personally responsible, in accordance with the responsibilities assigned to her in the Funding Agreement between the College and the funding bodies. She is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

84. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the College for the year ended 31 July 2020 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

85. The Corporation has reviewed the key risks to which the College is exposed, together with the operating financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the year ending 31 July 2020 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

During the COVID-19 pandemic, a separate detailed risk register was drawn up identifying the key additional areas of risk arising from the pandemic. This was reviewed and agreed by the Corporation and progress was monitored by the Audit Committee.

**STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL
For the year 1 August 2019 to 31 July 2020**

The risk and control framework

86. The system of internal control is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:
- comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Corporation
 - regular reviews by the Corporation of periodic and annual financial reports which indicate financial performance against forecasts
 - setting targets to measure financial and other performance
 - clearly defined capital investment control guidelines
 - the adoption of formal project management disciplines, where appropriate.

Responsibilities under Funding Agreements

87. The Corporation has met its contractual responsibilities under its funding agreements and contracts with ESFA.

Statement from the Audit Committee

88. The College has an internal audit service, which operates in accordance with the requirements of the ESFA 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. The Audit Committee makes an annual report to the Corporation which includes information on external and internal audit activity in the College.
89. In view of the range of reviews and the assurance provided by the internal and external audits and the external reviews set out in the Annual Report to the Corporation, and its own self-assessment, the Committee takes that view that it has been given assurance of the adequacy and effectiveness of the College's systems and arrangements for risk management, control and governance processes and, for securing economy, efficiency and effectiveness and the safeguarding of assets.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL
For the year 1 August 2019 to 31 July 2020

Review of effectiveness

90. As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. Her review of the effectiveness of the system of internal control is informed by:
- the work of the internal auditors
 - the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework
 - comments made by the College's financial statements auditors, the reporting accountant for regularity assurance, the appointed funding auditors in their management letters and other reports.
91. The Accounting Officer has been advised of the implications of the result of her 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. A plan to address weaknesses and ensure continuous improvement of the system is in place.
92. The Senior Leadership Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Senior Leadership Team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Senior Leadership Team and the Audit Committee and an Annual Report from the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.
93. Based on the advice of the Audit Committee and the Accounting Officer, the Corporation is of the opinion that the College has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for *"the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets"*.

**STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL
For the year 1 August 2019 to 31 July 2020**

Corporate Governance Performance

94. The Corporation and Committees formally review their effectiveness as part of the annual self-assessment process which feeds into the College Improvement Plan. Action plans are provided, considered and monitored throughout the year. Governor attendance at Corporation meetings in 2019/20 was slightly below the target in the Standing Orders.
95. The Governing Body and its Committees are actively involved in shaping College strategy and consider all strategic plans, business and improvement plans as appropriate. Strategies are monitored regularly. The Corporation approves the risk management plan every year. The Audit Committee is responsible for monitoring progress against the plan and receives update reports at every meeting which are then reported to the Corporation. The Audit Committee is active in defining its requirements for the format of risk reporting, mapping sources of assurance and adding to the risk register if it identifies items of concern from audit findings.
96. The Corporation and its Committees review progress reports for underperforming areas, as identified through the annual College Improvement Plan. Reviews are undertaken regularly until such time that Governors are satisfied that performance has improved to a satisfactory level. The Curriculum Strategy and Quality Improvement Committee considers and monitors a range of papers that are agreed and approved each academic year aimed at improving all aspects of the curriculum including learning, teaching and assessment. Members of the College's Curriculum Strategy and Quality Improvement Committee are involved in the validation of the College Self-Assessment Report and Improvement Plan.
96. Each Committee undertakes a self-assessment of performance on an annual basis. The combined Committee self-assessment reports inform the overall Governance Self-Assessment process and the Governance Improvement Action Plan which is monitored by the Search and Governance Committee.
97. The members of the Corporation are well qualified and experienced. The latest annual skills audit for the Corporation confirms that all necessary areas of expertise are covered, including financial management and audit. Members of the Corporation have 1:1 meetings with the Chair and the Chair's performance is subject to an annual review.

Approved by order of the members of the Corporation on 16 December 2020 and signed on its behalf by:



**J Kerry
Chair**



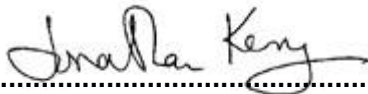
**V Hancock
Accounting Officer**

LEICESTER COLLEGE

**STATEMENT OF REGULARITY, PROPRIETY AND COMPLIANCE
For the year 1 August 2019 to 31 July 2020**

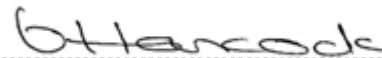
98. The Corporation has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the Corporation's grant funding agreement and contracts with the ESFA. As part of our consideration we have had due regard to the requirements of the grant funding agreements and contracts with the ESFA.
99. We confirm, on behalf of the Corporation, that after due enquiry, and to the best of our knowledge, we are able to identify any material irregular or improper use of funds by the Corporation, or material non-compliance with the terms and conditions of funding under the Corporation's grant funding agreements and contracts with the ESFA, or any other public funder. 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 Education and Skills Funding Agency.

Approved by order of the members of the Corporation on 16 December 2020 and signed on its behalf by:



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**J Kerry
Chair**



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**V Hancock
Accounting Officer**

LEICESTER COLLEGE

STATEMENT OF THE RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION For the year 1 August 2019 to 31 July 2020

100. The members of the Corporation are required to present audited financial statements for each financial year.
101. Within the terms and conditions of the College's grant funding agreements and contracts with the Education and Skills Funding Agency, 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 for 2019 to 2020* issued by the Education and Skills Funding Agency, 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.
102. 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 UK 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.
103. 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 the legal and administrative status of the College.
104. 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.
105. 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.

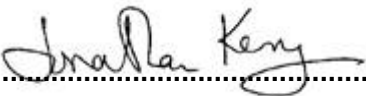
LEICESTER COLLEGE

STATEMENT OF THE RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

For the year 1 August 2019 to 31 July 2020

106. Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from the ESFA are used only in accordance with the Grant Funding Agreements and contracts with the ESFA and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place 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 16 December 2020 and signed on its behalf by:



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**J Kerry
Chair**

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF LEICESTER COLLEGE

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Leicester 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 Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2020, and of the Group's and College's income and expenditure, gains and losses, 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 it has concluded that the College's financial position means that this is realistic. It has also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Corporation's conclusions, we considered the inherent risks to the 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 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.

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF LEICESTER COLLEGE (contd)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the College; or
- the 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 more fully in their statement set out on page 31, the Corporation is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the College or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

In our opinion, in all material respects:

- funds from whatever source administered by the Group or the College for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- income has been applied in accordance with the articles of government and
- funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions

Matters on which we are required to report by exception

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

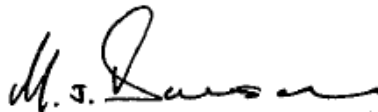
We have nothing to report in this respect.

LEICESTER COLLEGE

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF LEICESTER COLLEGE (contd)

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

22 December 2020

LEICESTER COLLEGE

REPORTING ACCOUNTANT'S REPORT ON REGULARITY TO THE CORPORATION OF LEICESTER 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 1 June 2019 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 Leicester College during the period 1 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 Leicester 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 Leicester College and 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 Leicester College and the ESFA for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Leicester College and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Post-16 Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2019 to 31 July 2020 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

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.

LEICESTER COLLEGE

REPORTING ACCOUNTANT'S REPORT ON REGULARITY TO THE CORPORATION OF LEICESTER COLLEGE AND THE SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE DEPARTMENT OF EDUCATION (ESFA) (contd)


The work undertaken to draw our conclusion included:

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

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

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 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

22 December 2020

LEICESTER COLLEGE

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 July 2020

	Notes	Year ended July 2020		Year ended July 2019	
		Group £'000	College £'000	Group £'000	College £'000
Income					
Funding body grants	2	35,295	35,295	34,426	34,426
Tuition fees and education contracts	4	8,708	8,708	8,630	8,630
Other grants and contracts	5	1,313	1,313	974	974
Other income	6	1,828	1,828	2,327	2,327
Investment income	7	54	54	36	36
Total Income		47,198	47,198	46,393	46,393
Expenditure					
Staff costs	8	31,347	31,347	30,713	30,713
Restructuring costs	8	62	62	179	179
Exceptional Pension Item	8	-	-	392	392
Other operating expenses	9	13,946	13,946	14,737	14,733
Depreciation	12	2,754	2,754	2,659	2,659
Interest and other finance costs	10	1,012	1,012	983	983
Total Expenditure		49,121	49,121	49,663	49,659
Deficit before other gains and losses		(1,923)	(1,923)	(3,270)	(3,266)
Surplus on disposal of assets		-	-	-	-
Deficit before tax		(1,923)	(1,923)	(3,270)	(3,266)
Taxation	11	-	-	-	-
Deficit for the year		(1,923)	(1,923)	(3,270)	(3,266)
Actuarial (loss)/gain in respect of pension schemes	24	(10,763)	(10,763)	(7,867)	(7,867)
Total Comprehensive Income for the year		(12,686)	(12,686)	(11,137)	(11,133)

LEICESTER COLLEGE

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (contd)

For the year ended 31 July 2020

	Notes	Year ended July 2020		Year ended July 2019	
		Group £'000	College £'000	Group £'000	College £'000
Represented by:					
Unrestricted comprehensive income		(12,686)	(12,686)	(11,137)	(11,133)
Restricted comprehensive income		-	-	-	-
		<u>(12,686)</u>	<u>(12,686)</u>	<u>(11,137)</u>	<u>(11,133)</u>
Deficit for the year attributable to:					
Non-controlling interest Group		(1,923)	(1,923)	(3,270)	(3,266)
Total Comprehensive Income for the year attributable to:					
Non-controlling interest Group		(12,686)	(12,686)	(11,137)	(11,133)

LEICESTER COLLEGE

CONSOLIDATED AND COLLEGE STATEMENT OF CHANGES IN RESERVES
For the year ended 31 July 2020

	Income and Expenditure Account	Revaluation reserve	Total
	£'000	£'000	£'000
Group			
Balance at 1 August 2018	(11,098)	7,563	(3,535)
Deficit from the income and expenditure account	(3,270)	-	(3,270)
Other comprehensive income	(7,867)	-	(7,867)
Transfers between revaluation and income and expenditure reserves	306	(306)	-
	(10,831)	(306)	(11,137)
Balance at 31 July 2019	(21,929)	7,257	(14,672)
Deficit from the income and expenditure account	(1,923)	-	(1,923)
Other comprehensive income	(10,763)	-	(10,763)
Transfers between revaluation and income and expenditure reserves	306	(306)	-
Total comprehensive income for the year	(12,380)	(306)	(12,686)
Balance at 31 July 2020	(34,309)	6,951	(27,358)
College			
Balance at 1 August 2018	(11,098)	7,563	(3,535)
Deficit from the income and expenditure account	(3,266)	-	(3,266)
Other comprehensive income	(7,867)	-	(7,867)
Transfers between revaluation and income and expenditure reserves	306	(306)	-
	(10,827)	(306)	(11,133)
Balance at 31 July 2019	(21,925)	7,257	(14,668)
Deficit from the income and expenditure account	(1,923)	-	(1,923)
Other comprehensive income	(10,763)	-	(10,763)
Transfers between revaluation and income and expenditure reserves	306	(306)	-
Total comprehensive income for the year	(12,380)	(306)	(12,686)
Balance at 31 July 2020	(34,305)	6,951	(27,354)

LEICESTER COLLEGE

BALANCE SHEETS

As at 31 July

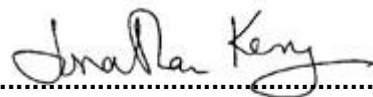
	Notes	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Fixed Assets					
Tangible fixed assets	12	50,833	50,833	53,030	53,030
		50,833	50,833	53,030	53,030
Trade and other receivables due after more than one year	14	445	445	453	453
Current assets					
Stocks		21	21	15	15
Trade and other receivables	14	4,234	4,234	4,329	4,328
Cash and cash equivalents	19	8,687	8,671	6,565	6,546
		12,942	12,926	10,909	10,889
Less: creditors - amounts falling due within one year	15	(11,723)	(11,703)	(11,425)	(11,401)
Net current assets/(liabilities)		1,219	1,223	(516)	(512)
Total assets less current liabilities		52,497	52,501	52,967	52,971
Less: Creditors - amounts falling due after more than one year	16	(29,753)	(29,753)	(31,076)	(31,076)
Provisions					
Defined benefit obligations	18	(49,292)	(49,292)	(35,695)	(35,695)
Other provisions	18	(810)	(810)	(868)	(868)
Total net liabilities		(27,358)	(27,354)	(14,672)	(14,668)
Unrestricted reserves					
Income and expenditure account		(34,309)	(34,305)	(21,929)	(21,925)
Revaluation reserve		6,951	6,951	7,257	7,257
Total reserves		(27,358)	(27,354)	(14,672)	(14,668)

LEICESTER COLLEGE

BALANCE SHEETS (contd)

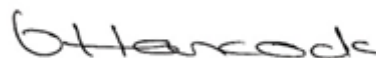
As at 31 July

The financial statements on pages 38 to 70 were approved and authorised for issue by the Corporation on 16 December 2020 and were signed on its behalf on that date by:



.....

J Kerry
Chair



.....

V Hancock
Accounting Officer

LEICESTER COLLEGE

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 July 2020

	Notes	2020	2019
		£'000	£'000
Cash inflow from operating activities			
Deficit for the year		(1,923)	(3,270)
Adjustment for non-cash items			
Depreciation		2,754	2,659
(Increase)/Decrease in stocks		(6)	1
Decrease/(increase) in debtors		103	(1,933)
Increase in creditors due within one year		443	1,303
(Decrease) in creditors due after one year		(978)	(986)
(Decrease) in provisions		(90)	(94)
Pensions costs less contributions payable		2,866	3,457
Adjustment for investing or financing activities			
Investment income		(54)	(36)
Interest payable		220	243
Loss on sale of fixed assets		1	1
		<u>3,336</u>	<u>1,345</u>
Cash flows from investing activities			
Investment income		54	37
Payments made to acquire fixed assets		(703)	(510)
		<u>(649)</u>	<u>(473)</u>
Cash flows from financing activities			
Interest paid		(220)	(245)
New loans		-	-
Repayments of amounts borrowed		(345)	(345)
		<u>(565)</u>	<u>(590)</u>
Increase in cash and cash equivalents in the year			
		<u>2,122</u>	<u>282</u>
Cash and cash equivalents at beginning of the year	19	6,565	6,283
Cash and cash equivalents at end of the year	19	8,687	6,565

LEICESTER COLLEGE

NOTES TO THE ACCOUNTS For the year ended 31 July 2020

1. STATEMENT OF ACCOUNTING POLICIES

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 2019-2020* and in accordance with Financial Reporting Standard 102 – “*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Basis of Accounting

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

Going Concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Strategic Report. The financial position of the College, its cash flow, liquidity and borrowings are described in the Financial Statements and accompanying notes.

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 at least 12 months from the date of approval of these financial statements. After reviewing these forecasts, the Corporate is of the opinion that, taking account of severe but plausible downsides, including the anticipated impact of Covid-19, the College will have sufficient funds to meet its liabilities as they all due over the period of 12 months from the date of approval of the financial statements (the going concern assessment period).

In preparing these forecasts the College has considered a decline in recruitment particularly for apprenticeships and adult learners, as well as additional costs due to Covid-19, such as cleaning, hygiene supplies and PPE.

At 31 July 2020 the College had £5,951,000 of loans outstanding (Note 17) with bankers on terms negotiated in 2017. The College refinanced the outstanding loans on 13 October 2017 with two new loans totalling £6.9 million. One loan of £5.0 million is repayable over 20 years and is subject to a fixed rate of interest for 10 years. The second loan of £1.9 million is repayable over 20 years at a variable interest rate of LIBOR plus a margin agreed. The loans are secured on Block A of the Abbey Park Campus property on Painter Street.

LEICESTER COLLEGE

It is worth noting that if the pandemic had not occurred, the College's financial performance would have been stronger and would have achieved an operating surplus after restructuring and pension adjustments closer to £1.8 million. Nevertheless, the College has achieved a positive financial outturn despite the impact of the pandemic on 2019/20.

At time of submitting statements, the College has conducted its autumn term reforecast and still continues to have sufficient cash balances and to meet bank covenants for the following year.

Consequently, the Corporation is confident that the Group and the College will have sufficient funds 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.

LEICESTER COLLEGE

NOTES TO THE ACCOUNTS For the year ended 31 July 2020

1. STATEMENT OF ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements include the College and its wholly owned subsidiary, Leicester College Apprenticeship Training Agency Limited. Intra-group sales and profits are eliminated fully on consolidation. All financial statements are made up to 31 July 2020.

In accordance with FRS102, the activities of the Student Union have not been consolidated because the College does not control these activities.

Recognition of Income

Revenue Grant Funding

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

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

Where part of a government grant is deferred, the deferred element is recognised as deferred income within creditors.

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

Capital Grant Funding

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual model as permitted by FRS 102. Other, non-governmental, capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as conditions met.

Fee Income

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

Investment Income

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

LEICESTER COLLEGE

NOTES TO THE ACCOUNTS For the year ended 31 July 2020

1. STATEMENT OF ACCOUNTING POLICIES (contd)

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.

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

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

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

Short term Employment Benefits

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

Enhanced Pensions

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

LEICESTER COLLEGE

NOTES TO THE ACCOUNTS For the year ended 31 July 2020

1. STATEMENT OF ACCOUNTING POLICIES (contd)

Non-current Assets - Tangible Fixed Assets

Tangible fixed assets are stated at deemed cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 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

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is transferred to the income and expenditure account on an annual basis. Building improvements made since incorporation are included in the balance sheet at cost. Freehold land is not depreciated as it is considered to have an infinite useful life. Freehold buildings are depreciated over their expected useful economic life to the College of between 10 and 40 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 10 and 40 years.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account, and are released to the Statement of Comprehensive Income 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.

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

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

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

LEICESTER COLLEGE

NOTES TO THE ACCOUNTS For the year ended 31 July 2020

1. STATEMENT OF ACCOUNTING POLICIES (contd)

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 it is charged to the income and expenditure account 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 or £500 for personal computers 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 their useful economic life as follows:

- | | | |
|------------------------------------|---|---------------|
| • Plant and equipment | - | 5 to 25 years |
| • Motor vehicles | - | 5 years |
| • Computer equipment | - | 3 years |
| • Furniture, fixtures and fittings | - | 5 years |

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the Statement of Comprehensive Income over the expected useful economic life of the related equipment. 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 value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Comprehensive Income and Expenditure.

Leased Assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term to the Statement of Comprehensive Income and Expenditure.

Inventories

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

1. STATEMENT OF ACCOUNTING POLICIES (contd)

Borrowing Costs

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

Investments

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

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 the income and expenditure account in the period in which they arise.

LEICESTER COLLEGE

NOTES TO THE ACCOUNTS For the year ended 31 July 2020

1. STATEMENT OF ACCOUNTING POLICIES (contd)

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 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax, so that it can only recover around 1% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

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

Provisions and Contingent Liabilities

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

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

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

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

Agency Arrangements

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

NOTES TO THE ACCOUNTS
For the year ended 31 July 2020

1. STATEMENT OF ACCOUNTING POLICIES (contd)

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.

- *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 24, 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.

LEICESTER COLLEGE

NOTES TO THE ACCOUNTS For the year ended 31 July 2020

2. FUNDING BODY GRANTS

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group £'000	College £'000	Group £'000	College £'000
Recurrent Grants				
Education & Skills Funding Agency - adult	10,132	10,132	11,027	11,027
Education & Skills Funding Agency – 16-18	17,364	17,364	16,233	16,233
Education & Skills Funding Agency - apprenticeships	4,662	4,662	4,708	4,708
Office for Students	496	496	429	429
Specific Grants				
Releases of government capital grants	805	805	789	789
Education & Skills Funding Agency	1,836	1,836	1,234	1,234
Office for Students	-	-	6	6
Total	35,295	35,295	34,426	34,426
	Year ended 31 July 2020		Year ended 31 July 2019	
	Group £'000	College £'000	Group £'000	College £'000
3. GRANT AND FEE INCOME - HE				
Grant income from the Office for Students	496	496	435	435
Grant income from other bodies	-	-	-	-
Fee income from taught awards (ex VAT)	4,954	4,954	4,432	4,432
Fee income from research awards (ex VAT)	-	-	-	-
Total	5,450	5,450	4,867	4,867

LEICESTER COLLEGE

NOTES TO THE ACCOUNTS For the year ended 31 July 2020

4. TUITION FEES AND EDUCATION CONTRACTS

	Year ended 31 July		Year ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	823	823	1,107	1,107
Apprenticeship fees and contracts	106	106	130	130
Fees for FE Loan Supported Courses	863	863	860	860
Fees for HE Loan Supported Courses	4,954	4,954	4,432	4,432
International Students' Fees	89	89	98	98
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Tuition Fees	6,835	6,835	6,627	6,627
Education contracts	1,873	1,873	2,003	2,003
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	8,708	8,708	8,630	8,630

5. OTHER GRANTS AND CONTRACTS

	Year ended 31 July		Year ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Erasmus	507	507	821	821
UK-based Charities	39	39	44	44
Coronavirus Job Retention Scheme Grant	631	631	-	-
Other grants and contracts	136	136	109	109
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	1313	1313	974	974

The Corporation furloughed some staff under the government's Coronavirus Job Retention Scheme Grant. This included nursery staff, cleaners, campus wardens, refectory staff, and roles within international activities, and construction and engineering supporting full cost delivery.

The funding received of £631k relates to staff costs which are included within the staff costs note below as appropriate.

LEICESTER COLLEGE

NOTES TO THE ACCOUNTS For the year ended 31 July 2020

6. OTHER INCOME

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group £'000	College £'000	Group £'000	College £'000
Catering and residences	491	491	699	699
Other income generating activities	447	447	538	538
Government capital grants	266	266	296	296
Miscellaneous income	624	624	794	794
	<hr/>	<hr/>	<hr/>	<hr/>
Total	1,828	1,828	2,327	2,327
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

7. INVESTMENT INCOME

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group £'000	College £'000	Group £'000	College £'000
Other interest receivable	54	54	36	36
	<hr/>	<hr/>	<hr/>	<hr/>

LEICESTER COLLEGE

NOTES TO THE ACCOUNTS For the year ended 31 July 2020

8. STAFF COSTS – GROUP AND COLLEGE

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

	2020 Group	2020 College	2019 Group	2019 College
	No	No	No	No
Teaching staff	687	687	687	687
Non-teaching staff	646	646	666	666
	1,333	1,333	1,353	1,353
	2020	2020	2019	2019
	£'000	£'000	£'000	£'000
Staff costs for the above persons				
Wages and salaries	22,471	22,471	22,103	22,103
Social security costs	1,971	1,971	1,944	1,944
Other pension costs	6,905	6,905	6,666	6,666
Payroll sub total	31,347	31,347	30,713	30,713
Restructuring costs:				
Contractual	62	62	179	179
Exceptional Pension Item	-	-	392	392
	31,409	31,409	31,284	31,284

Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Senior Leadership Team which comprises the Principal, Deputy Principal, Vice Principals, Director of Human Resources and the Director of Governance and Policy. 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	2019
	No	No
The number of key management personnel including the Accounting Officer was:	6	7

LEICESTER COLLEGE

NOTES TO THE ACCOUNTS For the year ended 31 July 2020

8. STAFF COSTS – GROUP AND COLLEGE (contd)

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

	Key Management Personnel		Other staff	
	2020	2019	2020	2019
	No	No	No	No
£25,001 to 30,000	-	1	-	-
£60,001 to £65,000	-	1	-	-
£65,001 to £70,000	1	-	1	-
£75,001 to £80,000	-	3	-	-
£80,001 to £85,000	2	-	-	-
£85,001 to £90,000	1	-	-	-
£105,001 to £110,000	-	1	-	-
£110,001 to £115,000	1	-	-	-
£145,001 to £150,000	-	1	-	-
£150,001 to £155,000	1	-	-	-
	<u>6</u>	<u>7</u>	<u>1</u>	<u>-</u>

Key management personnel made up as follows:

	2020 £'000	2019 £'000
Salaries	588	578
Employer's National Insurance	74	73
	<u>662</u>	<u>651</u>
Pension contributions	133	110
	<u>795</u>	<u>761</u>

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

The above include amounts payable to the Principal and Chief Executive, who is the Accounting Officer and who is also the highest paid officer of:

	2020 £'000	2019 £'000
Salary	153	150
Pension contributions	35	25
	<u>188</u>	<u>175</u>

LEICESTER COLLEGE

NOTES TO THE ACCOUNTS For the year ended 31 July 2020

8. STAFF COSTS - GROUP AND COLLEGE (contd)

The Corporation agreed to adopt the AoC Senior Post Holder Remuneration Code at a meeting on 4 April 2019. The remuneration of the Principal and CEO, and the Senior Leadership Team, is determined by the Corporation's Finance and General Purposes Committee in accordance with a Salary Review Framework, agreed each year with the Corporation. The Finance and General Purposes Committee makes a recommendation to the Corporation on the Principal's salary based on factors such as: the performance of the College against targets and objectives; the performance and contribution of the Principal and CEO who has an annual performance appraisal with the Chair and Vice Chair of the Corporation; and the market pay position. The salaries of the other members of the Senior Leadership Team are determined by recommendations from the Finance and General Purposes Committee to the Corporation based on sector bench marking.

The Finance and General Purposes Committee and Corporation receive data from the AoC's Annual Senior Pay survey to benchmark the Principal and CEO's salary and that of other SLT members. The data for 2019 shows that the Principal and CEO's salary and that of other SLT members is in line with the median for all Colleges of similar size to Leicester College.

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

	2020	2019
	£'000	£'000
Principal's basic salary as a multiple of the median of all staff	6.1	6.1
Principal and CEO's total remuneration as a multiple of the median of all staff	6.2	5.5

Compensation for loss of office paid to former key management personnel

	2020	2019
	£'000	£'000
Compensation paid to the former post holder	-	64

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.

LEICESTER COLLEGE

NOTES TO THE ACCOUNTS For the year ended 31 July 2020

9. OTHER OPERATING EXPENSES

	Year ended 31 July		Year ended 31 July	
	Group	College	Group	College
	2020	2020	2019	2019
	£'000	£'000	£'000	£'000
Teaching costs	7,199	7,199	7,742	7,742
Non-teaching costs	4,539	4,539	4,496	4,492
Premises costs	2,208	2,208	2,499	2,499
Total	13,946	13,946	14,737	14,733

Other operating expenses include:

	2020	2019
	£'000	£'000
Auditors' remuneration:		
- financial statements audit*	35	33
- internal audit**	18	17
Other services provided by the financial statements auditors***	4	5
Other services provided by the internal auditors****	5	9
Losses on disposal of tangible fixed assets (where not material)	1	1
Hire of assets under operating leases	375	382

*includes £35,000 in respect of the College (2018/19: £32,000)

**includes £18,000 in respect of the College (2018/19: £17,000)

***includes £4,000 in respect of the College (2018/19: £1,000)

****includes £5,000 in respect of the College (2018/19: £9,000)

LEICESTER COLLEGE

NOTES TO THE ACCOUNTS For the year ended 31 July 2020

10. INTEREST AND OTHER FINANCE COSTS – GROUP AND COLLEGE

	Group and College	
	2020	2019
	£'000	£'000
On bank loans, overdrafts and other loan:	220	233
Other interest	-	10
	<hr/>	<hr/>
	220	243
Interest on enhanced pension provisions brought forward	16	18
Pension finance costs (note 24)	776	722
	<hr/>	<hr/>
Total	1,012	983
	<hr/> <hr/>	<hr/> <hr/>

11. TAXATION - GROUP ONLY

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

LEICESTER COLLEGE

NOTES TO THE ACCOUNTS
For the year ended 31 July 2020

12. TANGIBLE FIXED ASSETS (GROUP AND COLLEGE)

	Freehold Land and Buildings £'000	Equipment £'000	Assets in the Course of Construction £'000	Total £'000
<i>Cost or Valuation</i>				
At 1 August 2019	84,065	11,523	189	95,777
Transfers	-	189	(189)	-
Additions	-	460	98	558
Disposals	(12)	(261)	-	(273)
	<u>84,065</u>	<u>11,523</u>	<u>189</u>	<u>95,777</u>
At 31 July 2020	<u>84,053</u>	<u>11,911</u>	<u>98</u>	<u>96,062</u>
<i>Depreciation</i>				
At 1 August 2019	33,486	9,261	-	42,747
Charge for the year	2,049	705	-	2,754
Elimination in respect of disposals	(12)	(260)	-	(272)
	<u>33,486</u>	<u>9,261</u>	<u>-</u>	<u>42,747</u>
At 31 July 2020	<u>35,523</u>	<u>9,706</u>	<u>-</u>	<u>45,229</u>
<i>Net Book Value</i>				
At 31 July 2020	<u>48,530</u>	<u>2,205</u>	<u>98</u>	<u>50,833</u>
At 31 July 2019	<u>50,579</u>	<u>2,262</u>	<u>189</u>	<u>53,030</u>

Land and buildings were valued in 1993 at depreciated replacement cost by a firm of independent chartered surveyors.

If fixed assets had not been revalued they would have been included at the following historical cost amounts:

	£'000
Cost	-
Aggregate depreciation based on cost	-
Net book value based on cost	<u>-</u>

LEICESTER COLLEGE

NOTES TO THE ACCOUNTS For the year ended 31 July 2020

13. NON CURRENT INVESTMENTS

	College 2020 £	College 2019 £
Investments in subsidiary companies	1	1

The College owns 100% of the issued ordinary £1 shares of Leicester College Apprenticeship Training Agency Limited, a company incorporated in England and Wales. The principal business activity of the subsidiary is an apprenticeship training agency. The company is now dormant.

14. DEBTORS	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Amounts falling due within one year:				
Trade receivables	3,343	3,343	3,350	3,350
Prepayments and accrued income	492	492	421	421
Other debtors	152	152	124	123
Amounts owed by the ESFA	247	247	434	434
Total	4,234	4,234	4,329	4,328

Amounts falling due after one year:

Prepayments and accrued income	445	445	453	453
--------------------------------	-----	-----	-----	-----

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Bank loans and overdrafts	345	345	345	345
Payments received in advance	3,054	3,054	2,784	2,784
Trade payables	564	563	670	665
Other taxation and social security	1,383	1,384	1,422	1,422
Accruals and deferred income	3,847	3,842	3,679	3,675
Holiday pay accrual	388	388	285	285
Deferred income – government capital grants	997	997	1,034	1,034
Deferred income – government revenue grants	38	23	38	23
Amounts owed to the ESFA	1,107	1,107	1,168	1,168
Total	11,723	11,703	11,425	11,401

LEICESTER COLLEGE

NOTES TO THE ACCOUNTS For the year ended 31 July 2020

16. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Bank loans	5,606	5,606	5,951	5,951
Deferred income – government capital grants	24,147	24,147	25,125	25,125
Total	29,753	29,753	31,076	31,076

17. MATURITY OF DEBT

Bank loans and overdrafts

Bank loans are repayable as follows:

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
In one year or less	345	345	345	345
Between one and two years	345	345	345	345
Between two and five years	1,035	1,035	1,035	1,035
In five years or more	4,226	4,226	4,571	4,571
Total	5,951	5,951	6,296	6,296

On 30 January 2009 two fixed term advances of £2,000,000 were drawn down. The interest rates charged on these loans were 5.57% and 5.84%. The fixed rate term of the latter came to an end on 31 January 2016 with the loan becoming subject to a variable interest rate of after this date. On 31 July 2009 a variable term advance of £4,372,000 was drawn down. The interest rate on this loan was fixed in October 2011 at 3.94%. All loans were repayable by instalments over 25 years. Security was provided by the property at Welford Road. On 13 October 2017 these loans were repaid in full and two new loans totalling £6.9million were taken out. One loan of £5m is repayable over 20 years and is subject to a fixed rate for 10 years. The second loan of £1.9m is repayable over 20 years at a variable interest rate. These loans are secured on Abbey Park Campus Block A.

LEICESTER COLLEGE

NOTES TO THE ACCOUNTS For the year ended 31 July 2020

18. PROVISIONS – GROUP AND COLLEGE

	Defined benefit obligations	Restructuring	Enhanced Pensions	Total
	£'000	£'000	£'000	£'000
At 1 August 2019	35,695	37	831	36,563
Expenditure in the period	2,852	(37)	(69)	2,746
Transferred from Income and Expenditure Account in the period	10,745	-	48	10,793
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 July 2020	49,292	-	810	50,102
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Note 24.

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. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:

	2020	2019
Price inflation	2.20%	2.20%
Discount rate	1.30%	2.00%
	<u> </u>	<u> </u>

19. CASH AND CASH EQUIVALENTS

	At 1 August 2019	Cash Flows	At 31 July 2020
	£'000	£'000	£'000
Cash and cash equivalents	6,565	2,122	8,687
	<u> </u>	<u> </u>	<u> </u>

LEICESTER COLLEGE

NOTES TO THE ACCOUNTS For the year ended 31 July 2020

20. CAPITAL COMMITMENTS

	Group and College	
	2020 £'000	2019 £'000
Commitments contracted for at 31 July	34	266
Authorised but not contracted at 31 July	1,000	520

21. LEASE OBLIGATIONS

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

	Group and College	
	2020 £'000	2019 £'000
Future minimum lease payments due		
Land and Buildings		
Not later than one year	248	248
Later than one year and not later than five years	805	858
Later than five years	342	520
	<u>1,395</u>	<u>1,626</u>
Other		
Not later than one year	129	127
Later than one year and not later than five years	147	274
	<u>276</u>	<u>401</u>
Total lease payments due	<u>1,671</u>	<u>2,027</u>

22. CONTINGENCIES

The College has no contingent liabilities.

23. EVENTS AFTER THE REPORTING PERIOD

There are no events after the reporting period.

LEICESTER COLLEGE

NOTES TO THE ACCOUNTS For the year ended 31 July 2020

24. DEFINED BENEFIT OBLIGATIONS

The College's employees belong to two principal pension schemes, 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 Leicestershire County Council. Both are multi-employer defined-benefit plans.

Total pension cost for the year

	2020		2019	
	£'000	£'000	£'000	£'000
Teachers' Pension Scheme: contributions paid		2,222		1,552
Local Government Pension Scheme: contributions paid	2,852		2,856	
FRS 102 (28) charge	2,090		2,735	
	<hr/>		<hr/>	
Charge to the Statement of Comprehensive Income		4,942		5,591
		<hr/>		<hr/>
Total pension cost for the year		7,164		7,143
		<hr/> <hr/>		<hr/> <hr/>

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

NOTES TO THE ACCOUNTS
For the year ended 31 July 2020

24. DEFINED BENEFIT OBLIGATIONS (contd)

Teachers' Pension Scheme

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

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

Under the definitions set out in FRS102 (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 FRS102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The College has set out above the information available on the plan and the implications for the College in terms of the anticipated contribution rates.

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

The latest actuarial review of the TPB was carried out as at 31 March 2016. The valuation report was published by the Department for Education (the Department) in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with 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 2018/19. DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019/20 academic year.

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

The pension costs paid to TPS in the year amounted to £2,222,000 (2019: £1,552,000).

Local Government Pension Scheme

The LGPS is a funded defined-benefits plan, with the assets held in separate funds administered by Leicestershire County Council. The total contribution made for the year ended 31 July 2020 was £3,526,000 (2019: £3,510,000) of which employer's contributions totalled £2,852,000 (2019: £2,856,000) and employees' contributions totalled £674,000 (2019: £654,000). The agreed employer contribution rates for future years are 25.8% for employers and range from 5.5% to 12.5% for employees, depending on salary.

LEICESTER COLLEGE

NOTES TO THE ACCOUNTS For the year ended 31 July 2020

24. DEFINED BENEFIT OBLIGATIONS (contd)

Principal actuarial assumptions

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

	At 31 July 2020	At 31 July 2019
Rate of increase in salaries	2.60%	3.40%
Future pensions increases	2.10%	2.40%
Discount rate for scheme liabilities	1.40%	2.10%
Commutation of pensions to lump sums	50% for pre April 08 service 75% for post April 08 service	50% for pre April 08 service 75% for post April 08 service

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 Years	At 31 July 2019 Years
<i>Retiring today -</i>		
Males	21.50	21.20
Females	23.80	23.40
<i>Retiring in 20 years -</i>		
Males	22.20	22.20
Females	25.20	24.70

LEICESTER COLLEGE

NOTES TO THE ACCOUNTS For the year ended 31 July 2020

24. DEFINED BENEFIT OBLIGATIONS (contd)

Local Government Pension Scheme (contd)

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

	Fair Value at 31 July 2020	Fair Value at 31 July 2019
	£'000	£'000
Equities	43,172	47,411
Bonds	23,480	24,107
Property	6,059	6,429
Cash	3,030	2,411
	<u>75,741</u>	<u>80,358</u>
Total market value of assets	75,741	80,358

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	75,741	80,358
Present value of plan liabilities	(125,033)	(116,053)
	<u>(49,292)</u>	<u>(35,695)</u>
Net pensions liability (note 17)	(49,292)	(35,695)

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	4,958	4,128
Past service (gain)/cost	(16)	1,463
	<u>4,942</u>	<u>5,591</u>
Total	4,942	5,591

Amounts included in interest and other finance costs

	2020 £'000	2019 £'000
Net interest cost	776	722
	<u>776</u>	<u>722</u>

LEICESTER COLLEGE

NOTES TO THE ACCOUNTS For the year ended 31 July 2020

24. DEFINED BENEFIT OBLIGATIONS (contd)

Local Government Pension Scheme (contd)

Amount recognised in Other Comprehensive Income

	2020	2019
	£'000	£'000
Return on pension plan assets	(7,959)	3,879
Changes in demographic assumptions	(2,196)	6,205
Changes in assumptions underlying the present value of plan liabilities	(9,311)	(17,857)
Other	8,735	-
	<u>(10,731)</u>	<u>(7,773)</u>
Amount recognised in Other Comprehensive Income	(10,731)	(7,773)
Actual (loss)/gain on enhanced pension provision	(32)	(94)
	<u>(10,763)</u>	<u>(7,867)</u>

Movement in net defined benefit liability during the year

Deficit in scheme at 1 August	(35,695)	(24,465)
Movement in year:		
Current service cost	(4,958)	(4,128)
Employer contributions	2,852	2,856
Past service gain/(cost)	16	(1,463)
Net interest on the defined liability	(776)	(722)
Actuarial loss	(10,731)	(7,773)
	<u>(49,292)</u>	<u>(35,695)</u>
Net defined liability asset at 31 July	(49,292)	(35,695)

Asset and liability reconciliation

Changes in the present value of defined benefit obligations

Defined benefit obligations at start of period	116,053	97,000
Current service cost	4,958	4,128
Interest cost	2,484	2,778
Contributions by Scheme participants	674	654
Experience gains and losses on defined benefit obligations	-	-
Changes in financial assumptions	9,311	17,857
Changes in demographic assumptions	2,196	(6,205)
Other experience	(8,735)	-
Estimated benefits paid	(1,892)	(1,622)
Past service (gain)/cost	(16)	1,463
	<u>125,033</u>	<u>116,053</u>
Defined benefit obligations at end of period	125,033	116,053

LEICESTER COLLEGE

NOTES TO THE ACCOUNTS For the year ended 31 July 2020

24. DEFINED BENEFIT OBLIGATIONS (contd)

Local Government Pension Scheme (contd)

Reconciliation of assets

	2020 £'000	2019 £'000
Fair value of plan assets at start of period	80,358	72,535
Interest on plan assets	1,708	2,056
Return on plan assets	(7,959)	3,879
Employer contributions	2,852	2,856
Contributions by scheme participants	674	654
Estimated benefits paid	(1,892)	(1,622)
	<hr/>	<hr/>
Assets at end of period	75,741	80,358
	<hr/> <hr/>	<hr/> <hr/>

An estimated McCloud judgement allowance has been added to the formal valuation results so that the impact continues to be included within the balance sheet at 31 July 2020. This allowance which was £976,000 in July 2019 has been reduced to reflect the recent proposed changes to McCloud eligibility. This reduction is shown as a past service gain within the income and expenditure account.

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 College continued to set RPI inflation in line with the market break-even expectations with no adjustment for an inflation risk premium, consistent with the prior year. 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 £2.8m increase in the defined benefit obligation in respect of the LGPS scheme.

25. RELATED PARTY TRANSACTIONS

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

The total expenses paid to or on behalf of the Governors during the year was £115; 3 governors (2019: £293; 2 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2019: none).

LEICESTER COLLEGE

NOTES TO THE ACCOUNTS For the year ended 31 July 2020

26. AMOUNTS DISBURSED AS AGENT

Learner Support Funds

	2020	2019
	£'000	£'000
Funding body grants – bursary support	724	680
Disbursed to students	(541)	(602)
Administration costs	(40)	(38)
	<hr/>	<hr/>
Balance unspent as at 31 July, (included in creditors)	143	40
	<hr/> <hr/>	<hr/> <hr/>

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.