The Education Training Collective

Annual Report

of the Members of the Corporation and

Financial Statements

for the year ended

31 July 2020

Annual Report and Financial Statements of the Corporation

For the period 1 August 2019 to 31 July 2020

Contents

Board of Governors
The members who served on the Corporation during 2019-20 were:

Mark White OBE DL (Chair)
Richard Poundford (Vice Chair)
Russ McCallion
Norma Wilburn
Samantha Beel
Stuart Blackett
Subhash Chaudhary MBE
Phil Cook
Louise Davies
Michael Duffey
Martin Gray
Ethan Harper
Rob Mitchell
James Ruddock
Kirk Siderman-Wolter
Dot Smith
Aman Toor
Anne Vickers
Gary Wright

A full list of Governors is given on pages 23 and 24 of these financial statements.
Ms Sarah Thompson acted as Clerk to the Corporation throughout the period.

Key management personnel
Key management personnel are defined as members of the Senior Management Team and were represented by the following in 2019-20:

Phil Cook Group Principal and CEO; Accounting officer
Mick Hickey; Group Executive Director Quality (to 31 October 2019)
Phil Hastie; Group Executive Director Planning and Infrastructure
Fiona Sharp; Group Executive Director of Finance
Jason Faulkner; College Principal: Redcar
Lesley Graham; College Principal; Stockton
Ben Robinson; College Principal; Bede
Phil Blewitt; Managing Director NETA
Mandy Morris; Group Vice Principal Curriculum
Gary Potts; Group Director of Business Engagement
Erika Marshall; Group Director of Marketing (from 4 September 2019)
Kay Taylor; Group Director of Human Resources
Liz Boynton; Group Director of Quality (from 1 September 2019)

Principal and Registered Office
Harvard Avenue, Thornaby, Stockton on Tees, TS17 6FB

Professional advisors

Financial Statements auditors and reporting accountants
RSM UK Audit LLP
1 St James' Gate
Newcastle upon Tyne
NE1 4AD

Internal Auditors
AuditOne
Kirkstone Villa
Lanchester Roach Hospital
Durham
DH1 5RD

Bankers
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49 High Street
Stockton-on-Tees
TS18 1AH

Solicitors
Weightmans LLP
1 St James Gate
Newcastle upon Tyne
NE99 1YQ

Endeavour Partnership
Tobias House, St Mark's Court
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Stockton on Tees
TS17 6QW

Askews Solicitors
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Redcar
~~Cleveland~~
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Thompsons Solicitors
Maybrook House
27-35 Grainger Street
~~Newcastle~~
NE1 1TH

Bramhalls
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Eastham Village
Wirral
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Yarm
Stockton on Tees
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Jacksons Law Firm
17 Falcon Court
Preston Farm Industrial Estate
Stockton on Tees
TS18 3TU

OBJECTIVES AND STRATEGY

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

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Stockton & Billingham College. On 1 January 2003, with the approval of the secretary of state, the Corporation changed its name to Stockton Riverside College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

On 1 May 2008 Stockton Riverside College formed a merger with Bede Sixth Form College under which the Corporation of Bede College was dissolved and its property, assets and liabilities were transferred to the continuing Stockton Riverside College Further Education Corporation.

On 3 August 2015, Stockton Riverside College became the sole member of the charity NETA Training Trust, an independent training provider.

On 1 August 2018, Stockton Riverside College formed a merger with Redcar and Cleveland College under which the Corporation of Redcar and Cleveland College was dissolved and its property, assets and liabilities were transferred to the continuing Stockton Riverside College Further Education Corporation.

On 25 July 2019, with the approval of the Secretary of State for Education, the Corporation changed its name to the Education Training Collective (Etc.). All sites continue to be branded under their own name as part of the Group.

Mission

The Corporation reviewed the Group's mission during 2019-20 and retained its mission statement as follows:

"We will deliver great learning opportunities, inspirational educational experiences and real practical skills training for the young people, adults, businesses and the diverse communities that we serve".

Implementation of Strategic Plan

The Education Training Collective's annual strategic planning process commences each year in February with a Governors' Strategic Seminar. The strategic seminar provides governors with the opportunity to:

- consider current performance;
- consider the current and future socio-economic and political environment;
- formulate the following year's strategic goals.

The outcomes from strategic seminars are significant and ultimately lead to the Group producing a list of Strategic Goals.

Strategic Goals 2019-20
Governors agreed the following Strategic Goals for 2019-20:

1. Financial Sustainability – maintain financial sustainability through highly effective and proactive strategic and operational financial management.
2. Quality Improvement – to be judged as Outstanding by Ofsted (2021/22).
3. Staff – for the Group to be recognised as a great place to work.
4. Capital investment – ensure all capital investment plans are delivered on time and on budget.
5. Reputation Building – further develop a transformational approach to partnerships, based on an external facing (demand led) approach.

Financial Objectives
The financial strategy underpins all the strategic priorities and is specifically addressed by the aim to promote financial sustainability and efficient use of resources.

The Group's financial objectives for 2019-20 were:

(a) To achieve the budgeted deficit, in line with the merger financial plan
(b) To generate sufficient cash to service the Group debt and meet the lending covenants set by our bankers
(c) To fund the Group's capital programme

During 2019-20, all of these objectives were met.

COVID-19:
As a result of Coronavirus / COVID-19 the Education Training Collective (Etc.), as much of the further education and skills sector, ceased face to face training for the majority of learners from 23 March 2020 and did not fully resume full on-site delivery until September 2020. A small proportion of learners were also supported on site, in line with government guidance, from 15 June 2020. From August 2020, the Group resumed delivery so that learners of all ages benefit from their education and training in full, including the full delivery of planned hours for learners of all ages, onsite (supplemented by high quality remote delivery where required and appropriate to the learners needs).

In developing a Group level approach to the pandemic, the intent has been to:

- Follow the directives of HM Government and follow appropriate scientific advice issued by HM Government;
- Seek to follow the directives of other key stakeholders, including Local Authorities, Tees Valley Combined Authority (TVCA) and government agencies.

We have also been mindful of:

- Staff and learner welfare, wellbeing and concerns;

- The maintenance of appropriate social distancing (in line with guidance) and the impact of this on physical operations;
- The differential needs of different learners / groups of learners;
- The increasing role of technology in the delivery of teaching, training and Group services.

In line with published guidance, risk assessments and appropriate control measures were established. Overarching Risk Assessments were shared with key stakeholders (including unions and Local Authorities), campus / college specific risk assessments completed and updated and task specific risk assessments reviewed and updated in line with COVID secure requirements and sector guidance.

The Group approach to the pandemic was rooted in prior planning and preparation. The Group has robust Emergency Planning processes in place, which detail the processes and approach that will be taken in the event of a 'disaster' (any event that disrupts normal business operations and has an adverse effect on staff or students), with the intent of effectively managing the initial impact of the disaster and to enable the Group to continue operations or recover operations to normal levels. The Pandemic action plan, a central element of the Emergency Plan, was instigated ahead of COVID-19 lockdown, enabling a planned, speedy and effective response to the pandemic, including:

- Teaching & training – moving learning online through MS Teams and supporting learners through the transition;
- IT – supporting the movement of teaching and training to MS Teams, the distribution of devices to staff and students and the maintenance of key business systems;
- Support for vulnerable learners – ensuring continued access to services, including Free meals
- Estates management – creating COVID secure working environments and maintaining the physical infrastructure;
- Communications - with staff and students. Tiered communication being established with staff, with CEO led communication being augmented by operational / instructional communication (GEDPI) and specific communication through College Principals / Departments.

Where possible, without detriment to Group services, staff continue to work from home.

RESOURCES:

The Group has various resources that it can deploy in pursuit of its strategic objectives.

People

The Group employs 737 people (511.31 expressed as full time equivalents), of whom 186 (161.72 FTE) are teaching staff

Students

The Group enrolled approximately 12,700 students. The College's student population includes c.2,350 16-18 year old students, c.950 apprentices, c.400 higher education students and c.9,000 adult learners, of which c.3,500 are funded through Adult Education Budget and Advanced Learner Loan funding. In 2019-20 the College has delivered activity that has produced £17.3m in funding body main allocation funding (2019 - £15.3m).

Financial

The Group has £5.1m of net liabilities (including £26.4m pension liability) and long term bank debt of £3.2m. Tangible resources include the Harvard Avenue (Teesdale) site in Stockton, the Corporation Road site in Redcar and the Marsh House Avenue site in Billingham which also houses the College sports centre. NETA Training Trust operates from industrial premises in Stockton supporting training, development and assessment.

Reputation

The Group continues to build on its already strong reputation as a high performing provider of training and skills. Through its approach to transformational partnership working, the Group has strong relationships with Stockton on Tees Borough Council, Redcar and Cleveland Council, the Tees Valley Combined Authority including Tees Valley Mayor Ben Houchen, Teesside University and the Education and Skills Funding Agency and a large number of longstanding business relationships across the Tees Valley and England.

The Group works closely with local schools to remove barriers to learning and to increase opportunities for the residents of the boroughs of Stockton on Tees, Redcar and Cleveland and the wider communities.

NETA Training Trust continues to grow its commercial training activities with an expanding, national portfolio of clients, training over 6,250 professionals per year. NETA has also grown its 16-18 learner recruitment by over 41% for September 2019 intake based on its strong reputation in industry, local business communities and amongst local schools. NETA is rapidly gaining a national reputation for training excellence and is now an active member of a range of business networking and membership groups including the North East Chamber of Commerce. NETA has also achieved recognition as a national finalist at the Engineering Construction Industry Training awards. NETA has successfully gained ISO 45001 accreditation for its Health & Safety performance and recertification of the ISO 9001:2005 quality standard.

Stakeholders

The College (Group) has many stakeholders, including:

- Its current, future and past students
- Its staff and their trade unions
- Education sector funding bodies
- FE Commissioner
- Local employers (with specific links)
- Local Authorities
- The Tees Valley Combined Authority
- Local Enterprise Partnerships (LEPs)
- Partner schools and the local community
- Teesside University
- Other FE institutions
- Professional bodies
- Barclays Bank
- MPs
- The Prince's Trust

The Group recognises the importance of these relationships and engages in regular communication with them through conferences, stake-holder events and by meetings.

Inclusive College

The Group prides itself on its inclusivity:

- **NEETs:** To reduce the numbers of young people not in Education, Employment or Training (NEETs) the Group entered into partnership with the Local Authority and Egglescliffe School to create the Skills Academy in Billingham, which was launched in 2015. The Academy offers a wide range of vocational programmes for 14-16 year olds and young people aged 16-18 who are not yet ready for mainstream college. In September 2019, a full time vocational pathway for 14-16 year olds was launched in direct response to meet the growing needs of the local authority.
- **ESOL:** the Group is the main provider across the Tees Valley of English for Speakers of Other Languages courses for students where English is not their first language. The College offers full and part time courses for both 16-18 ad 19+ learners that enables them to improve and develop their speaking, listening and writing skills, providing them with a solid foundation for everyday life and enables them to progress onto other courses or into work.
- **Prince's Trust:** The Prince's Trust provision regularly achieves national acclaim and has recently won a Gold award at the National Teaching Awards for Team of the Year. It continues to deliver a range of Team and Achieve programmes across the Tees Valley and North East region, working with partners to re-engage those furthest away from the labour market. During the lockdown period Prince's Trust programmes were delivered online to learners who would otherwise not have been engaged in education.
- **Working with the unemployed:** The Group's work with the unemployed in respect of reskilling and upskilling is something we are particularly proud of. In 2019-20, across all programmes, 221 learners engaged in 536 courses across a range of employability skills

with Stockton and Redcar. A strong multi- agency approach has been adopted; benefiting from close working relationships with local employers, Jobcentre Plus (JCP), Youth Directions and ESF prime providers, the Group is successfully positioned to flexibly engaging with 16-18 NEETS and the 19+ unemployed, support agencies and other providers, allowing a responsive approach to meet local community demands. A key aim is to ensure engagement and progression into individualised and meaningful education and training, leading to sustainable employment and to challenge the employment and training perceptions (and the aspirations) of the unemployed, so that they can make realistic judgments about the appropriateness of options/opportunities into learning and employment.

- **Services for vulnerable young people:** The Group provides a comprehensive range of educational services to vulnerable young people and students with high needs. Highly experienced and qualified welfare and safeguarding officers offer pastoral support to student. The team also signpost to internal services such as careers and financial support as well as specialist agencies such as talking therapies and Counselling, sexual health and harm minimisation services. In light of COVID, many forms of communication have been adopted: MS teams, emails, texting and phone call to maintain high levels of communication with those who need it most.
- **Pastoral support:** The Group has a comprehensive range of pastoral support services available to all students to remove any barriers which would otherwise prevent a student from progressing on to further study or employment. The Group has extensive links with a wide range of external organisations to complement and support the activity undertaken in college to support students.

DEVELOPMENT AND PERFORMANCE

Financial results

The financial results for the year are in line with the financial plan supported by the ESFA for the merger with Redcar and Cleveland College and can be summarised as follows:

	Group	*Group*
	2020	***2019***
	£000	***£000***
Operating deficit for the year	(1,168)	(2,745)
Merger grant	1,200	12,139
Surplus for the year from continuing operations	32	9,394
FRS102/EPP pension adjustments	(1,584)	(1,504)
Deficit for the year	(1,552)	7,890
Actuarial (loss) /gain in respect of pensions schemes	**(14,369)**	**(3,283)**
Gain from gift on merger	-	2,072
Total comprehensive Income for the year	**(15,921)**	**6,679**

The FRS102 pension adjustments impacted interest payable by £222k, staff costs of £1.343m and actuarial loss in respect of pension schemes by £14.274m. The Enhanced Pension Provision adjustments impacted interest payable by £19.7k and actuarial loss of £94.7k.

The loss of income against original target across the Group, in particular from Apprenticeships and Commercial activity, has impacted in 2019-20 and will impact in future years but can be mitigated if recruitment of Apprentices and Commercial activity can return to previous levels at the earliest opportunity. Early indications in 2020-21 are looking positive. In response to the pandemic, costs have been closely controlled and savings made to mitigate the impact. A number of staff were placed on furlough in line with the Job Retention Scheme which provided a contribution towards staffing costs of c. £347k.

There has been a considerable increase in the defined beneft pension liability as a result of the updated 2019 actuarial valuation and the volatility of investment returns due to Covid-19. The changes in assumptions has led to an increased charge to the accounts. The effect of both of these has resulted in Total net liabilities and negative Income and Expenditure reserves on the balance sheet.

Cash flows and liquidity

There was a net cash inflow from operating activities in the year of £1,165k (2019: £594k). This was sufficient to cover capital investment and the servicing of borrowing. There was an overall net decrease in cash for the year of £1.445m (2019 – net increase of £1.831m).

During the year the Group made planned repayments on the existing long term fixed loan.

The amount of the Group's total borrowing and its interest rate risk management strategy are managed through the budget process to ensure that the total cost of servicing ongoing debt can be met within the operating cash flow.

Covid-19 has not presented any considerable impact on the cash position or cash movements in the year. A small number of at risk suppliers were identified in line with government guidance and measures put in place to support them, by way of negotiated rates and early payment terms.

Developments

Fixed asset additions during the year amounted to £748k: IT Infrastructure £318k, Curriculum Equipment £103k and Premises related expenditure of £327k.

Reserves

The Group has accumulated reserves of (£5.1m), a pension liability of (£26.4m) and cash balances of £3.2m. It is acknowledged that the actuarial losses on the defined benefit pension liability has had a major negative impact on reserves in 2019-20 and that this is out of the control of the Group. The Group wishes to continue to accumulate reserves and cash balances in order to create a contingency fund.

Sources of Income

The Group has significant reliance on the education sector funding bodies for its principal funding source. In 2019-20 the FE funding bodies provided 77.84% (2019 – 73.69%) of the Group's total income.

Group Companies

The Corporation has five subsidiary companies. Tees Valley Catering Ltd was incorporated in June 2015 and commenced trading from August 2015 to provide catering services primarily to students and hospitality to external clients. On 3 August 2015, the College acquired NETA Training Trust, an independent training provider with one subsidiary company. NETA Enterprises Ltd operated as a commercial arm of the Trust and in March 2016 ceased trading and all activity was transferred to the Trust. Stockton & Billingham College Developments Ltd operates to facilitate the procurement of new college facilities (most recently a new sixth form building and college sports centre at Billingham). Tees Valley Training Ltd is currently dormant but is retained as a potential vehicle for commercial activity.

The Covid-19 pandemic has created a very tough operating climate for many local and national organisations, where budgets have had to be reforecast and savings identified. An inevitable by-product of this is a reduction in workforce training and development budgets, which has impacted upon commercial income. However, it is expected that all 'licence to operate' type programmes will continue as planned, if not increase due to retraining of displaced staff, whereas the more 'nice to have' developmental commercial training programmes may be negatively impacted by the pandemic in the short to medium term. NETA offers a wide range of commerial short courses, 90% of which are licence to operate programmes for high risk industries for which we have not yet seen a regional decline in requests as a result of Covid-19. The business is also engaged in the delivery of adult up-skilling programmes for those effected by the economic impact of Covid-19 in order to support them back into employment.

FUTURE PROSPECTS

Developments

The Group has recently invested in its facilities to support growth and the experience of learners. Capital investment of £748k during 2019-20 included:

- Engineering facilities at Redcar & Cleveland College to grow this provision
- IT equipment to support remote learning
- Canteen refurbishment to provide nutritious meals that support cognitive function
- Upgrading of staff facilities at Redcar & Cleveland Colege and NETA Training Trust in line with the Group's Great Place to Work strategy – Health and well-being theme

Through the College Principals at Bede Sixth Form, Redcar & Cleveland College and Stockton Riverside College and the Managing Director of NETA Training Trust and their work with local stakeholders, each 'college' is focusing provision on the local needs of each area.

Developments are planned to further improve the environmental sustainability of the Group, setting and delivering energy usage and waste reduction targets. A Group Environmental Strategy has been agreed and the Investors in the Environment Bronze standard achieved in the first year; with the intent to achieve Silver in 2020-21..

Financial Plan

The Corporation approved a financial plan in July 2020 which sets objectives for the period to 2022. The Group believes it is in a good position to continue in operation and meet its liabilities taking account of its current position and principal risks over the period of the plan to 2021-22.

The Group has robust governance, and has benefitted from extensive financial expertise. Our strategic planning processes are outstanding and supported by exemplary Business Planning (BP) and Performance Review (PR) systems. The BP/PR system enables precise and pre-emptive financial management and for the five years prior to the merger with RCC the Group delivered surpluses. The Group has successfully diversified its income streams, countering the reductions of Education and Skills Funding Agency (ESFA) funding per learner by continuing to develop Apprenticeships, Higher Education programmes and commercial income. Accountability has been driven down the organisation, enabling those closest to the front line to make decisions that impact directly on the student experience. This has been a key factor in the Group's success.

The Group has, through the established BP and PR processes, maintained effective financial management throughout the period. Prompt financial review and appropriate actions enabled the Group to perform in line with 2019-20 financial year expectations. Business Planning and Performance Review processes were successfully migrated online and scenario planning employed to model the potential impacts of lockdown. This process informed the financial plans for 2020-21 and 2021-22.

The Group's ESFA main funding allocations for 2020-21 have been confirmed at £12.7m for young learners and £4.5m for adult learners (from ESFA and TVCA).

The Group's rigorous performance management systems will further drive efficiency and target growth areas. The Group plans to grow, taking advantage of relevant opportunities aligned to LEP priorities and funding availability, not least through Advanced Learning Loans and Apprenticeships.

COVID-19 has massively disrupted apprenticeship provision in many ways: lack of access to the workplace for apprentice and assessor; furloughed apprentices; remote learning being utilised across all sectors but difficult in more practically based occupations; breaks in learning being enacted; subcontractors furloughing staff; new starts volumes decreasing significantly meaning in year and future income being impacted negatively. The group has responded well to this and has engaged in a pro-active communication strategy with employers and apprentices but undoubtedly the longer the disruption continues, the greater the scale of impact upon future income, delivery and outcomes.

Financial Health

The Group is assessed by the Education and Skills Funding Agency as having a "Requires Improvement" financial health grading. The current rating of Requires Improvement is considered an acceptable outcome and is in line with the financial plan supported by the ESFA as part of the merger with Redcar and Cleveland College.

Treasury policies and objectives

The Group has treasury management arrangements in place to manage cash flows, banking arrangements, money market and the risks associated with those activities. Short term borrowing for temporary revenue purposes is authorised by the Principal/Chief Executive Officer. All other borrowing requires the authorisation of the Corporation.

Reserves

The Group has no formal Reserves Policy, but recognises the importance of reserves in the financial stability of an organisation, whilst ensuring that adequate resources are provided for the Group's core activities. The Group currently holds no restricted reserves. As at the balance sheet date, the Income and Expenditure account reserve stands at (£5.429m) (2019: £10,492m). The Group holds a Revaluation reserve of £309k that relates solely to inherited land at the Billingham site. The Defined benefit pension provision stands at a negative £26.378m (2019: negative £10.539m). It is the Corporation's intention to increase reserves over the life of the Strategic Plan through the generation of annual operating surpluses.

Going Concern

After making appropriate enquiries, the Corporation considers that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group has in place robust budget setting and financial monitoring processes and has developed a three year financial plan which has the support of the Education and Skills Funding Agency and demonstrates that it will be financially sustainable over the period of the plan. The Group remains in line with this financial plan despite the impact of Covid-19. During 2019-20, the Group put in place effective measures to mitigate the impact of the pandemic which has protected the financial position of the Group. For these reason it continues to adopt the going concern basis in preparing the financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

Risk management

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

A risk register is maintained at the Group level which is reviewed at every meeting held by the Audit Committee. The risk register identifies the key risks, the likelihood of those risks occurring, and their potential impact on the Group and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

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

1. Covid-19

The Group has considered risks and appropriate mitigations arising from the COVID-19 pandemic. Specific risk management processes were put in place, including the establishment of a COVID specific risk register, and reported regularly to the FE Corporation.

In line with published guidance, risk assessments and appropriate control measures to enable COVID secure operations were established. Overarching Risk Assessments were developed and shared with key stakeholders (including Unions and Local Authorities), campus / college specific risk assessments completed and updated and task specific risk assessments reviewed and updated in line with COVID secure requirements and sector guidance.

The Group established, through guidance published to all staff, clear principles and expectations for all staff. In order to best meet the needs and requirements of different learners and sites, through the direction of each College Principal and the MD NETA, the guidance allowed for the overarching guidance to be applied to meet local requirements.

The key risks and controls / mitigating actions in place to address these identified risks for 2020-21 arising as a result of COVID-19 include:

- Reduced additional funding for FE than would otherwise, without COVID-19, have been anticipated.
- General business downturn / recession leading to reduction in the demand for learning.
- Loss of learning for year 11 learners making their transition to FE more difficult
- Operational issues upon resumption of 'normal' business
- Financial stress on local FE colleges, schools and Independent Training providers leading to disruption in the FE market locally
- Information, data security and safeguarding in the world of remote delivery

2 Government Funding

The Group has reduced reliance on continued government funding (through the further education funding bodies and through franchised HEFCE funding) and has diversified income streams.

In 2019-20, 77.84 % of the Group's revenue was public funded. The Group has successfully diversified income sources, growing 16-18 apprenticeship income, adult apprenticeships and commercial income.

The Group is still heavily reliant on public funding and there can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The Group is aware of several issues which may impact on future funding:

- An increasing role for the Combined Authority in determining skills funding
- Destabilisation of Apprenticeship provision as a result of COVID-19 and Apprenticeship funding changes
- Colleges for the Future proposed changes and the anticipated Post-16 White Paper
- Planned changes to technical education resulting from T Level implementation
- Uncertainty surrounding the potential impact of Brexit
- Recent announcements by the Chancellor of the Exchequer in relation to potential funding increases for 16-18 year old learners

The risk is mitigated in a number of ways:

- Funding is derived through a number of direct and indirect contractual arrangements
- Further development of loan funded provision
- By ensuring the Group 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 Group is focused on those priority sectors which will continue to benefit from public funding
- Regular dialogue with funding bodies
- Proactive partnerships with key stakeholders, including lenders, the local authority and the Combined Authority

3 Tuition fee policy

The Group charges all learners, or their nominated sponsors, fees unless they qualify for exemptions or fee remission. Fees for courses are published on the Group website (www.stockton.ac.uk) and / or in Group printed course guides and publications. Fees comply with the Education and Skills Funding Agency (ESFA) and other relevant funding body regulations and guidance and are, in general, set annually in line with market conditions for a particular course.

The risks associated through changing fee assumptions will be managed through rigorous performance management and business planning and:

- By ensuring the Group is rigorous in delivery high quality education and training, thus ensuring value for money for students
- Close monitoring of the demand for courses as prices change

4 Maintain adequate funding of pension liabilities

The financial statements report the share of the Local Government Pension Scheme deficit on the Group's balance sheet in line with the requirements of FRS 102. In 2019-20, the deficit has increased sharply from £10.5m to £26.4m due to the impact of

- Revaluation of the scheme in 2019

- Changes to actuarial assumptions
- Impact of judgement leading to amendment of the scheme to equalise pension benefits from men and women in relation to minimum pension benefits, "GMP"
- Impact of McCloud judgement which confirmed that schemes will need to amended to remove age discrimination in relation to reforms in 2014/2015 that introduced protections for older members
- Impact of Covid-19 on market values

5 Failure to maintain the financial viability of the Group

The Group's current financial health grade is classified as Requires Improvement as described above. The continuing challenge to the Group's financial position remains the constraint on further education funding arising from the ongoing cuts in public sector spending whilst maintaining the student experience. This risk is mitigated in a number of ways:

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

KEY PERFORMANCE INDICATORS

Performance in 2019-20 against the targets relating to the Corporation's priorities is shown below:

Measure	Target	Actual Performance*
Quality		
Overall Achievement rates		
a. 16-18	89.1%	88.7%
b. Adult	93.1%	92.7%
Overall Apprenticeship Achievement rates		
a. Overall	75%	67.2% **
b. Timely	72%	65.3% **
a. 16-18 English GCSE (A*-C)	34%	36.3%
b. 16-18 Mathematics GCSE (A*-C)	20%	25.2%
a. Overall 16-18 attendance	91%	89.4% ***
b. Overall 19+ attendance	90%	88.1% ***
% recommend The College as a great place to study	94%	96%
Human Resources		
Staff engagement ("is the Group a good place to work?")	92%	92%
Financial		
Pay cost/income (less subcontracting income) % (excluding restructuring costs)	71.83%	73.54%

* The actual performance of the Group has been impacted in 2019-20 by the Covid-19 pandemic.

** Legacy apprentices from the merger with RCC and Covid-19 combined to impact upon the 'overall' and significantly upon the 'timely' achievement rates in 2019-20. These were both external factors that impacted beyond the Group's control.

*** From last monitoring point pre-lockdown (5 March 2020).

The Group underwent an Ofsted theme based monitoring visit in March 2019 subsequent to the merger in August 2018. Ofsted judged significant progress had been made in four themes; reasonable progress in the fifth. The Group is expecting its first full inspection in 2020/21.

Student achievements

Achievement rates for the merged Group are very high for 16-18 year olds, at 88.7%; +5.3% points to the national rate of 83.4%; and for 19+ 92.7%; +2.8% points to the national rate of 89.9%

The Group is committed to observing the importance of sector measures and indicators and use the FE Choices website which looks at measures such as achievement rates. The Group is required to complete the annual Finance Record for the Education and Skills Funding Agency. The Group is assessed by the Education and Skills Funding Agency as having a "Requires Improvement" financial health grading. The current rating of Requires Improvement is considered an acceptable outcome as described earlier in the Report.

Public Benefit

The Education Training Collective is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on page 23 and 24. In setting and reviewing the Group'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.

In delivering its mission, the Group provides identifiable public benefits through the advancement of education to more than 13,000 students, including c.200 students with high needs. The Group provides courses without charge to young people, to those who are unemployed and adults taking English and maths courses. The Group adjusts its courses to meet the needs of the local employers and provides training to over 1000 apprentices. The Group is committed to providing information, advice and guidance to the students it enrols and to finding suitable courses for as many students as possible regardless of their educational background.

The delivery of public benefit is covered throughout the Members' Report.

Equality

The Education Training Collective is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, disability, religion or belief and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry.

At the Education Training Collective, we aim to become an exceptional educational institution that focuses on ensuring all our students enjoy their time at college, achieve their qualifications and develop valuable transferable skills that enable them to seize opportunities in the future. Our ethos is inclusive and we aim to maximise the potential of every one of our learners. We will promote shared values that include equality, diversity and inclusion, valuing and involving our community, showing care and respect for others and demonstrating honesty and fairness in everything we do.

This policy is resourced, implemented and monitored on a planned basis. The application of this policy is monitored through the Equality, Diversity and Inclusion Strategy Group which includes representation from the Group's Governing Body. The Group produces Equality, Diversity and

Inclusion Annual Reports; together with the Group's Single Equality Scheme. This includes objectives to ensure compliance with all relevant equality legislation, including the Equality Act 2010, which are published on the Group's website and the Group intranet site.

The Group will ensure that inclusion remains central to its ethos. The Group will deliver a broad and balanced curriculum that helps to protect students against radicalisation extremism and promotes community cohesion. Staff continue to be provided with support to challenge effectively discriminatory behaviour or behaviour which is contrary to Fundamental British Values.

In May 2019, the Group committed to the AOC Mental Health and well-Being Charter and a group designated Safeguarding lead is a mental health champion. The delivery and promotion of equal opportunities underpins the Group Group's Development Plan.

Disability Statement

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

1. The Group will ensure safe access to all buildings i.e. automatic and disabled doors at all main entrances and provide specialist equipment for staff and students, including but not limited to: evacuation chairs, hearing loops, desks and chairs.
2. The Group continuously makes significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There is a team of Learning Support Assistants that provides a variety of support for learning. There is a ongoing programme of continuous professional development to ensure the provision of a high level of appropriate support for learners who have learning difficulties and/or disabilities.
3. Safe movement around the Group is ensured through rigorous monitoring to make sure that lifts are in good working order and available, as well as through the provision of drop kerbs, manifestations on automatic doors, clear glass windows and clearly marked disabled parking spaces.
4. Personal Emergency Evacuation plans are created for anyone who may have difficulty in the event of an evacuation, whether this may be permanent or temporary.
5. The Group undertakes regular audits to ensure students have access to the support and equipment identified in their Educational Health Care Plans (EHCP) and that funding guidelines are met. The Group has specialist staff to oversee the EHCP process within the Group and ensure adherence to legal guidelines.
6. The Learning Support team provides information, advice and arranges support, where necessary, for students with disabilities. There is specialist equipment and software available through the specialist learning support team.
7. Admissions panels are held with appropriately qualified staff to ensure the support needs of individual students are taken into account when making a decision. Appeals against a decision not to offer a place are dealt with under the complaints policy.
8. All students with learning difficulties and/or disabilities are offered the same opportunities as other students to take part in all aspects of the study programme, including enrichment, work experience and enterprise. Counselling and welfare services are described in the Group Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

Safeguarding and the Prevent Strategy

The Group meets its statutory responsibilities for safeguarding. The Group has a statutory "Prevent duty." which aims to ensure that key public sector bodies carry out activities aimed at preventing radicalisation and extremism and promoting Fundamental British Values. The Group, through the Safeguarding Management Group, working with the Equality, Diversity and Inclusion Group, has successfully promoted Group-wide awareness of Prevent. The Prevent Duty is embedded in the Group's Safeguarding and other relevant procedures. Information technology continues to be effectively utilised to support Safeguarding and Prevent. All staff undertake relevant training on Safeguarding and Prevent. The Group Safeguarding Policy is updated annually in line with legislation and published on the Group website and the group intranet.

Trade union facility time

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

Numbers of employees who were relevant in period	FTE employee number
1	0.2 fte

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

Total cost of facility time	£1,840
Total pay bill	£19.523m
Percentage of total bill spent on facility time	0.009%

Time spent on paid trade union activities as a percentage of total paid facility time	Not applicable

Payment performance

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 per cent. During the accounting period 1 August 2019 to 31 July 2020, the Group paid over 95 per cent of its invoices within 30 days. The Group incurred no interest charges in respect of late payment for this period.

DISCLOSURE OF INFORMATION TO AUDITOR

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

Approved by order of the members of the Corporation on 14 January 2021 and signed on its behalf by:

Mark White

Mark White OBE DL
Chair of the Corporation

The following statement is provided to enable readers of the annual report and accounts of the Group to obtain a better understanding of its governance and legal structure. The 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 Group 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); and
ii. In accordance with the guidance to colleges from the Association of Colleges in the Code of Good Governance for English Colleges ("the Code").

In the opinion of the governors, the Group complies with the provisions of the Code and it has complied throughout the year ended 31 July 2020. 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, which it formally adopted in October 2015.

The Corporation's practices are not fully consistent with the Code in the following areas:

- The Corporation has not published a separate schedule of delegation, considering this requirement to be sufficiently met through the Articles of Government, which stipulate the responsibilities that cannot be delegated.
- The Corporation does not formally discuss with stakeholder and community representatives the coverage and timing of its reporting but this is managed through both formal and informal engagement.
- The Corporation has decided that it is inappropriate to comply with the code in respect of the provision that directors appointed to subsidiary entities should not be staff members or corporation members. The directors appointed to NETA Training Trust include the Chief Executive and Group Principal and a current governor; the directors appointed to Tees Valley Catering include the Chief Executive and Group Principal and two senior staff members.
- The Corporation is in the process of succession planning for Corporation leadership and is reviewing Corporation leadership role descriptions as part of this process.
- The board's self-assessment process does not specifically take into account the views of the executive, relevant bodies, staff, parents, trustees, employers and student communities, although governors do consider relevant stakeholder feedback in relation to the Group. In addition, the views of staff and student governors are sought, and independent governors are able to articulate the views of a wide range of employers and other bodies. An external facilitator has supported the board with succession planning and governors regularly seek external support as part of their review of the organisation's strategic direction.

The Group 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.

The Corporation

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

Table 1: Members who served during the year

Name	Date of appointment (R) reappointed	Term of Office	Date of resignation / end of office	Status of Appointment	Committees Served	Corporation meeting attendance
Samantha Beel	1.8.18	To 5.3.22		Staff	Standards Improvement	7/8
Stuart Blackett	25.4.19	4 years		Member	Audit	7/8
Subhash Chaudhary MBE	20.10.16	4 years		Member	Audit	8/8
Phil Cook	4.2.13	Ex officio		Principal	Finance and Employment, Standards Improvement, Search and Governance	7/8
Louise Davies	22.11.18	4 years		Member	Finance and Employment	7/8
Michael Duffey	23.11.17	2 years	22.11.19	Staff	Finance and Employment, Search and Governance	3/3
Martin Gray	7.5.20	4 years		Member		2/2
Ethan Harper	4.7.19	4 years		Student		5/8
Russ McCallion	22.10.19 (R)	4 years		Member	Finance and Employment (Chair), Remuneration	6/8
Rob Mitchell	1.8.18	4 years		Member	Search and Governance	7/8
Richard Poundford	5.9.17 (R)	4 years		Member	Audit (Chair), Remuneration (Chair)	8/8
James Ruddock	12.12.19	4 years			Search and Governance, Standards Improvement	5/5
Kirk Siderman-Wolter	25.4.19	4 years		Member		5/8

Name	Date of appointment (R) reappointed	Term of Office	Date of resignation / end of office	Status of Appointment	Committees Served	Corporation meeting attendance
Dot Smith	1.8.18	4 years		Member	Remuneration, Standards Improvement (Chair)	8/8
Aman Toor	17.10.19	4 years		Student		3/7
Anne Vickers	7.5.20	4 years		Member		2/2
Mark White OBE DL, Chair	17.10.17 (R)	4 years		Member	Finance and Employment, Remuneration, Search and Governance, Standards Improvement	8/8
Norma Wilburn	28.3.17 (R)	4 years		Member	Audit, Search and Governance (Chair)	6/8
Gary Wright	13.12.18	4 years			Standards Improvement	8/8

The clerk to the corporation is Sarah Thompson.

Table 2: Co-opted members of committees (not members of the Corporation)

Ken Bowes-Dalton	Standards Improvement Committee (appointed for four years from 17.10.19)
Phil Heathcock	Finance and Employment Committee (appointed for four years from 17.10.19)
Deborah Merrett	Standards Improvement Committee (appointed 20.10.16, resigned 31.12.19)
Vanessa Housley	Standards Improvement Committee (appointed for four years from 7.5.20)

Table 3: Subsequent changes

Ken Bowes-Dalton	Standards Improvement Committee co-opted member, resigned 20.9.20
James Ruddock	Staff governor, resigned 10.09.20
Kirk Siderman-Wolter	Member, resigned 20.08.20
Katy Ludgate	Staff governor, appointed 22.10.20
Stacey Durham	Standards Improvement Committee co-opted member, appointed 22.10.20

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

The Corporation is provided with regular and timely information on the overall financial performance of the Group together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health & safety. The Corporation met eight times in 2019-20, with six scheduled meetings and two special meetings.

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 Employment, Remuneration, Search and Governance, Audit and Standards Improvement. Terms of reference were agreed by the Corporation. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the clerk to the Corporation at: Stockton Riverside College, Harvard Avenue, Thornaby, Stockton on Tees, TS17 6FB

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

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

Formal agendas, papers and reports are supplied to governors in a timely manner, prior to board meetings. Governor workshops are scheduled to take place termly and additional briefings are also provided on an ad-hoc basis as required. Governors also hold an annual, residential strategic conference.

The Corporation has a strong and independent non-executive element and no individual or group dominates its decision making process. The Corporation considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

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

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search and Governance Committee which, in 2019-20, had a membership of between three and five governors. The Search and Governance Committee is responsible for the selection and nomination of new members for the Corporation's consideration (other than those elected by the students and staff of the Group). The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding four years. The Corporation's Standing Orders detail the Corporation's decision to set a maximum term of office for any governor of eight years except in exceptional circumstances. Exceptional circumstances may include progression to Chair of a committee, or Chair or Vice-Chair of the Corporation, or to retain key skills where recruitment processes have been unsuccessful in identifying suitable candidates.

Corporation Performance

The Corporation's Standing Orders require governors to undertake an annual self-assessment process. A self-assessment questionnaire was circulated to all governors and co-opted members in post as at 1 August 2020 who had served during the 2019-20 academic year.

Governors recognised a wide range of Group strengths, including: clear, well-communicated and well-understood vision, strategy and values; commitment to learning and student well-being throughout the entire Group; progressive and forward-looking Board and senior leadership; strong reputation in the communities served; and financial stability and sustainability. Governors also identified some key areas for improvement and key Group priorities; as well as a wide range of decisions made by governors which had impacted on performance of the Group and learners' experience.

Governors' responses are reflected in the Group Self Assessment Report.

Remuneration Committee

Throughout the year ending 31 July 2020, the Corporation's Remuneration Committee comprised the Coporation Chair and three further independent members. The committee's responsibilities are to make recommendations to the board on the performance, remuneration and benefits of the Accounting Officer and certain other key management personnel (specifically Senior Post Holders and the Clerk.

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

The Remuneration Committee's recommendation that the AoC Colleges' Senior Post Holder Remuneration Code be adopted was approved by the Corporation on 17 October 2019. The Corporation is fully compliant with the Remuneration Code. The Remuneration Committee will consider the 2019-20 Annual Remuneration Report and Statement at its autumn term meeting.

Audit Committee
In 2019-20, the Audit Committee comprised four members of the Corporation (excluding the Accounting Officer and Corporation Chair). The committee operates in accordance with written terms of reference approved by the Corporation.

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

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

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

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

Finance and Employment Committee
The Finance and Employment Committee meets four times per year to monitor financial performance and consider key staffing and accommodation issues. There were between four and five committee members in 2019-20; an additional co-opted member with financial experience was appointed in October 2019.

Search and Governance Committee
The Search and Governance Committee meets at least termly to consider all matters relating to governor recruitment and appointments, as well as wider governance issues, such as Corporation composition, committee structures and the Corporation Chair's appraisal. There were between three and five committee members in 2019-20.

Standards Improvement Committee
The Standards Improvement Committee meets at least termly. Its role is to support the FE Corporation to monitor and review the quality of learners' experience across all group provision, including subcontracted provision, monitor and review the group's quality assurance processes, and challenge group performance based on relevant data. The committee also investigates any specific quality issues, as referred by the FE Corporation. There were between six and seven committee members in 2019-20.

COVID-19:
In order to comply with government guidance during the COVID-19 pandemic, the Corporation and its committees met using remote meeting software. There were no other changes to the governance structure or meeting cycle, other than the use of special meetings in line with the

Cororation's Instrument and Articles and Standing Orders. Regular communication between the executive and governors, and from the Chair and Clerk to governors using remote meeting software and e-mail ensured all governors were able to monitor, support and challenge the Group's response during the pandemic.

Internal Control

Scope of responsibility

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

The Corporation has delegated the day-to-day responsibility to the Chief Executive and Group Principal, as accounting officer, for maintaining a sound system of internal control that supports the achievement of the Group's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Funding Agreement between the Education Training Collective and the funding bodies. He is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Group's 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 Group for the year ended 31 July 2020 and up to the date of approval of the annual report and accounts.

The capacity to handle risk

The Corporation has reviewed the key risks to which the Group 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 significant risks for the Group and that this has been in place for the period ending 31 July 2020 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

The system of internal control is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

- Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the governing body

- Regular reviews by the governing body of periodic and annual financial reports which indicate financial performance against forecasts
- Setting targets to measure financial and other performance
- Clearly defined capital investment control guidelines
- The adoption of formal project management disciplines where appropriate

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

Risks faced by the corporation

The Group's Risk Management Strategy is reviewed annually and details the process for identification, evaluation and management of risks impacting on the Group. Each risk is assigned a risk score, which takes account of impact and likelihood. Strategic risks are reviewed at least termly by the Audit Committee, including any changes to risk score.

The Corporation will also establish specific risk registers for significant projects or events as required. In 2020, a focussed COVID-19 risk register was established to ensure focussed understanding of the specific risks and planned actions.

Control weaknesses identified

There were no significant internal control weakness or failures in 2019-20.

Responsibilities under funding agreements

The Corporation has met its contractual responsibilities under the funding agreements and contracts with the ESFA. This includes appointing an Accounting Officer, with an appropriate separation of duties between executive and non-executive roles and responsibilities; establishing an independent and objective Audit Committee; compliance with statutory health and safety duties; use of resources to provide a high quality teaching and learning environment; timely completion of the regularity self assessment questionnaire and approval and submission of the financial statements.

Statement from the audit committee
The Audit Committee has advised the board of governors that the Corporation has an effective framework for governance and risk management in place. The Audit Committee believes the Corporation has effective internal controls in place.

The specific areas of work undertaken by the Audit Committee in 2019/20 and up to the date of the approval of the financial statements are:

Internal audit area	Audit opinion
Risk Management	Substantial
Payroll and Expenses	Substantial
Apprenticeships	Substantial
Distance Learning	Substantial
Subcontracting	Substantial
Bursary	Substantial
Safeguarding	Substantial
Cyber Security	Good
Follow Up	Substantial

There were no funding agency or other external audits undertaken in the period.

COVID-19:
As a result of the COVID-19 pandemic, some internal audits were carried out remotely. It was not necessary to change the internal audit plan or audit scopes as a result of this and there was no impact on the ability of the auditors to provide an opinion. Similarly, a larger proportion of external audit work has been undertaken remotely but there has been no change to audit scope or timeline, and no impact on the auditors' opinon.

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

- the work of the internal auditors
- the work of the executive managers within the Group who have responsibility for the development and maintenance of the internal control framework
- comments made by the Group's financial statements auditors, the reporting accountant for regularity assurance and other reports

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

The Chief Executive and Group Principal and senior management team receive reports setting out key performance and risk indicators and consider possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Chief Executive and Group Principal, senior management team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and it receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its meeting on 22 October 2020, the Corporation carried out the annual assessment for the year ended 31 July 2020 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2020.

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

Approved by order of the members of the Corporation on 14 January 2021 and signed on its behalf by:

Mark White

Signed ______________________ Date 14.01.2021

Mark White OBE DL, Chair of the Corporation

Signed ______________________ Date 14.01.2021

Phil Cook, Accounting Officer

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

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

We confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the ESFA.

Mark White

Signed ______________________ Date 14.01.2021

Mark White OBE DL, Chair of the Corporation

Signed ______________________ Date 14.01.2021

Phil Cook, Accounting Officer

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

Within the terms and conditions of the corporation's grant funding agreements and contracts with ESFA, the corporation – through its Accounting Officer – is required to prepare financial statements and an operating and financial review for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education, the annual College Accounts Direction issued by the Education and Skills Funding Agency, and in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and which give a true and fair view of the state of affairs of the Corporation and its surplus/deficit of income over expenditure for that period.

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

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- assess whether the corporation is a going concern, noting the key supporting assumptions qualifications or mitigating actions as appropriate
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the Group will continue in operation.

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

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

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

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

Approved by order of the members of the Corporation on 14 January 2021 and signed on its behalf by:

M White OBE DL
Chair of the Corporation

Opinion

We have audited the financial statements of Education Training Collective (the 'College') and its subsidiaries (the 'Group') for the year ended 31 July 2020 which comprise the consolidated and college statements of comprehensive income, the consolidated and college balance sheets, the consolidated and college statements of changes in reserves, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the College's affairs as at 31 July 2020 and of the Group's and the College's deficit of income over expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the Report and Financial Statements other than the financial statements and our auditor's report thereon. The governors are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice 2019 to 2020 issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

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

Responsibilities of the Corporation of Education Training Collective
As explained more fully in the Statement of the Corporation's Responsibilities set out on pages 33 and 34, the Corporation is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Use of our report

This report is made solely to the Corporation, as a body, in accordance with the Funding Agreement published by the Education and Skills Funding Agency and our engagement letter dated 18 November 2020. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are engaged to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

RSM UK AUDIT LLP
Chartered Accountants
1 St James' Gate
Newcastle upon Tyne
NE1 4AD

Date 29 January 2021

Conclusion

We have carried out an engagement, in accordance with the terms of our engagement letter dated 18 November 2020 and further to the requirements of the grant funding agreements and contracts with the Education and Skills Funding Agency (the "ESFA"), to obtain limited assurance about whether the expenditure disbursed and income received by Education Training Collective during the period 1 August 2019 to 31 July 2020 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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.

Basis for conclusion

The framework that has been applied is set out in the Post-16 Audit Code of Practice (the "ACoP") 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 has other assurance arrangements in place.

We are independent of Education Training Collective in accordance with the ethical requirements that are applicable to this engagement and we have fulfilled our ethical requirements in accordance with these requirements. We believe the assurance evidence we have obtained is sufficient to provide a basis for our conclusion

Responsibilities of Corporation of Education Training Collective for regularity

The Corporation of Education Training Collective is responsible, under the grant funding agreements and contracts with the ESFA and 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. The corporation of Education Training Collective is also responsible for preparing the Governing Body's Statement of Regularity, Propriety and Compliance.

Reporting accountant's responsibilities for reporting on regularity

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 ACoP.

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 the procedures performed vary in nature and timing from, and are less in extent than for a reasonable assurance engagement; consequently a limited assurance engagement 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.

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.

Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities including the specific requirements of the grant funding agreements and contracts with the ESFA and high level financial control areas where we identified a material irregularity is likely to arise. We undertook detailed testing, on a sample basis, on the identified areas where a material irregularity is likely to arise where such areas are in respect of controls, policies and procedures that apply to classes of transactions.

This work was integrated with our audit of the financial statements and evidence was also derived from the conduct of that audit to the extent it supports the regularity conclusion.

Use of our report

This report is made solely to the Corporation of Education Training Collective and the Secretary of State for Education acting through 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 Education Training Collective and the Secretary of State for Education acting through the ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation of Education Training Collective and the Secretary of State for Education acting through the ESFA for our work, for this report, or for the conclusion we have formed.

RSM UK Audit LLP

RSM UK AUDIT LLP
Chartered Accountants
1 St James' Gate
Newcastle upon Tyne
Ne1 4AD

Date 29 January 2021

	Notes	Group 2020 £000	College 2020 £000	Group 2019 £000	College 2019 £000
Income					
Funding body grants	2	21,319	21,319	18,924	18,924
Merger related income	2	1,200	1,200	12,139	12,139
Tuition fees and education contracts	3	4,677	3,609	5,178	3,796
Other grants and contracts	4	347	197	-	-
Other income	5	1,367	942	1,567	993
Investment income	6	18	18	11	11
Total income		**28,928**	**27,285**	**37,819**	**35,863**
Expenditure					
Staff costs	7	19,523	18,291	18,462	17,078
Restructuring costs	7	148	148	450	450
Other operating expenses	8	7,969	7,916	8,545	8,162
Depreciation & Amortisation	11/12	2,320	2,244	1,989	1,911
Interest and other finance costs	9	520	456	483	420
Total expenditure		**30,480**	**29,056**	**29,929**	**28,021**
Surplus/(Deficit) before other gains and losses		**(1,552)**	**(1,771)**	**7,890**	**7,842**
Profit on disposal of assets	12	-	-	-	-
Surplus/(Deficit) before tax		**(1,552)**	**(1,771)**	**7,890**	**7,842**
Taxation	10	-	-	-	-
Surplus/(Deficit) for the year		**(1,552)**	**(1,771)**	**7,890**	**7,842**
Actuarial (loss)/gain in respect of pensions schemes		(14,369)	(14,369)	(3,283)	(3,283)
Gain from gift on merger		-	-	2,072	2,072
Total Comprehensive Income for the year		**(15,921)**	**(16,140)**	**6,679**	**6,631**

The Education Training Collective
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	3,813	309	4,122
Deficit from the income and expenditure account	7,890	-	7,890
Other comprehensive income:			
Actuarial Loss	(3,283)		(3,283)
Assets transferred from Redcar & Cleveland College	3,887		3,887
Pension liability transferred from Redcar & Cleveland College	(1,815)		(1,815)
	6,679	-	6,679
Balance at 31 July 2019	10,492	309	10,801
Deficit from the income and expenditure account	(1,552)	-	(1,552)
Other comprehensive income			
Actuarial Loss	(14,369)		(14,369)
Total comprehensive income for the year	(15,921)	-	(15,921)
Balance at 31 July 2020	(5,429)	309	(5,120)
College			
Balance at 1 August 2018	4,449	309	4,758
Deficit from the income and expenditure account	7,842	-	7,842
Other comprehensive income:			
Actuarial Loss	(3,283)		(3,283)
Assets transferred from Redcar & Cleveland College	3,887		3,887
Pension liability transferred Redcar & Cleveland College	(1,815)		(1,815)
	6,631		6,631
Balance at 31 July 2019	11,080	309	11,389
Deficit from the income and expenditure account	(1,771)	-	(1,771)
Other comprehensive income			
Acturial Loss	(14,369)	-	(14,369)
Total comprehensive income for the year	(16,140)		(16,140)
Balance at 31 July 2020	(5,060)	309	(4,751)

	Notes	Group 2020 £000	College 2020 £000	Group 2019 £000	College 2019 £000
Non-current assets					
Intangible fixed assets	11	201	201	256	256
Tangible fixed assets	12	65,600	64,927	67,118	66,403
Investments	13	-	-	-	-
		65,801	**65,128**	**67,374**	**66,659**
Current assets					
Stocks		29	6	21	2
Trade and other receivables	14	1,715	1,721	2,094	2,174
Cash and cash equivalents		3,198	3,149	4,643	4,608
		4,942	**4,876**	**6,758**	**6,784**
Less: Creditors - amounts falling due within one year	15	(3,979)	(3,769)	(5,822)	(5,515)
Net current assets/(liabilities)		**963**	**1,107**	**936**	**1,269**
Total assets less current liabilities		**66,764**	**66,235**	**68,310**	**67,928**
Creditors - amounts falling due after more than one year	16	(44,439)	(43,540)	(45,959)	(44,989)
Provisions					
Defined benefit obligations	18	(26,378)	(26,378)	(10,539)	(10,539)
Provision	18	(1,068)	(1,068)	(1,011)	(1,011)
Total net (liabilities) / assets		**(5,120)**	**(4,751)**	**10,801**	**11,389**
Unrestricted Reserves					
Income and Expenditure account		(5,429)	(5,060)	10,492	11,080
Revaluation reserve		309	309	309	309
Total unrestricted reserves		**(5,120)**	**(4,751)**	**10,801**	**11,389**

The financial statements on pages 40 to 67 were approved and authorised by the Corporation on 14 January 2021 and were signed on its behalf on that date by:

Mark White OBE DL, Chair: Mark White

Phil Cook, Accounting Officer:

	Notes	2020	2019
		£000	£000
Cash flow from operating activities			
Surplus/(Deficit) for the year		(1,552)	7,890
Adjustment for non-cash items			
Depreciation and amortisation		2,320	1,989
(Decrease) / Increase in stocks		(8)	7
Decrease / (Increase) in debtors		379	(587)
Decrease in creditors due within one year		(802)	(5,186)
Decrease in creditors due after one year		-	-
Increase in provisions		56	119
Pensions costs less contributions payable		1,470	1,329
Loan Repayments following merger		-	(5,439)
Adjustment for investing or financing activities		-	
Investment income		(18)	(11)
Interest payable		520	483
Profit on sale of fixed assets			-
Net cash flow from operating activities		2,365	594
Cash flows from investing activities			
Proceeds from sale of fixed asset		-	-
Capital Grants Received		177	1,019
Capital Grants Released		(1,214)	(1,018)
Other Grants Received		-	5,696
Other Grants Released		(1,200)	(2,270)
Investment income		18	11
Cash acquired on acquisition		-	1,130
Payments made to acquire fixed assets		(748)	(2,385)
		(2,967)	2,183
Cash flows from financing activities			
Interest paid		(456)	(400)
Interest element of finance lease rental payments		(64)	(83)
Proceeds of new borrowings			-
Repayments of amounts borrowed		(252)	(253)
Capital element of finance lease rental payments		(71)	(210)
		(843)	(946)
(Decrease)/ Increase in cash and cash equivalents in the year		**(1,445)**	**1,831**
Cash and cash equivalents at beginning of the year	19	4,643	2,812
Cash and cash equivalents at end of the year	19	3,198	4,643

Notes to the Financial Statements.

1. Statement of accounting policies and estimation techniques

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

Basis of Preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2019 to 2020* and in accordance with Financial Reporting Standard 102 – *"The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland"* (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Basis of Accounting

The financial statements are prepared in accordance with the historical cost convention as modified by the use of previous revaluations as deemed cost at transition for certain non-current assets. Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise stated.

Basis of Consolidation

The consolidated financial statements include the college and its subsidiaries Stockton and Billingham College Developments Limited, NETA Training Trust (and its subsidiary NETA Enterprise Ltd) and Tees Valley Catering Limited, controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. (Other subsidiaries are dormant and are immaterial to the college and therefore the results have no significant effect on the college). The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra group sales and profits and balances are eliminated fully on consolidation. In accordance with FRS 102, the activities of the student union have not been consolidated because the college does not control those activities. All financial statements are made up to 31 July 2020.

Reduced disclosures

In accordance with the 2015 FE HE SORP and FRS 102, the College in its separate financial statements, which are presented alongside the consolidated financial statements, has taken advantage of the disclosure exemptions available to it in respect of presentation of a cash flow statement and financial instruments.

Going Concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Members' Report. The financial position of the College, its cash flow, liquidity and borrowings are described in the Financial Statements and accompanying Notes. The College at 31 July 2020 has £3.215m of loans outstanding with bankers on terms re-negotiated in July 2018. The terms of the existing agreement are for up to another 13 years.

The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future. Detailed budgets and cash flow forecasts have been prepared to July 2022. The forecasts show that the College will be able to meet the bank covenants during this period. Management review the projections on a regular basis, and steps have been taken to reduce costs where appropriate. Accordingly 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.

Recognition of Income

Revenue grant funding

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

Funding body recurrent grant for Adult Education Budget ('AEB') is measured in line with best estimates for the year of what is receivable. Any under achievement of the AEB (outside of permitted tolerance levels) is adjusted for and reflected in the level of recurrent grant recognised in the statement of comprehensive income. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end

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

Capital grant funding

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

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

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

Other income
Income from the supply of services is recovered at fair value of the consideration received or receivable and represents the value of services to the extent there is a right to consideration.

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 transactions.

Accounting for post-employment benefits
Post-employment benefits to employees of the College are principally provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit plans, which are externally funded and contracted out of the State Second Pension.

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

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

Teesside Local Government Pension Scheme (LGPS)

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

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

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

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

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

Fixed Asset Investments
Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements. Investments in subsidiaries are assessed for impairment at each reporting date. Any impairment losses or reversals of impairment losses are recognised immediately in comprehensive income.

Non-current Assets - Tangible Fixed Assets
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. Building improvements made since incorporation are included in the balance sheet at cost.

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

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Land and Buildings
Freehold buildings are depreciated on a straight line basis over their expected useful lives as follows:

- New building – 60 years
- Refurbishments – 10 years

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 20 and 60 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 20 and 60 years.

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

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

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

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

Equipment
Equipment costing less than £500 per individual item is written off to the income and expenditure account in the period of acquisition. Individual items of equipment costing £500 or more, or groups of items where individually the cost is less than the threshold but as a collective purchase are greater than £500 are capitalised over their useful economic life. Equipment inherited from the local education authority is included in the balance sheet at valuation.

Inherited equipment has been depreciated on a straight-line basis over its remaining useful economic life to the College and is now fully depreciated.

- Fixtures and fittings	10 years
- Furniture and general equipment	7 years
- Vehicles and plant	5 years
- Computer and ILT equipment	3 years

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

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

Intangible Fixed Assets

Major IT systems with a purchase cost in excess of £30,000 will be capitalised at cost over a period of 7 years. Software costing less than £3,000 is written off to the income and expenditure account in the period of acquisition. All other software will be capitalised at cost and depreciated over three years. Annual licence fees are written off to the income and expenditure account.

Intangible fixed assets are depreciated on a straight line basis over its useful economic life as follows:

- Major IT systems	7 years
- Software	3 years

On adoption of FRS 102, the College followed the transitional provision to retain the book value of Intangible Assets. Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset.

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.

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright and are capitalised at their fair value at the inception of the lease and depreciated over the shorter of the lease term or the useful economic lives of equivalently owned assets. The capital element outstanding is shown as obligations under finance leases. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Stocks

Stocks are stated at the lower of their purchase cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Operating leases – as lessor

Rental income from operating leases is recognised on a straight line basis over the term of the lease.

Financial Instruments

Financial assets and liabilities are recognised when the College becomes a party to the contractual provisions of the instrument.

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

All financial assets and liabilities are initially measured at transactional price (including transaction costs), except for those financial assets measured at fair value through the income or expenditure, which are initially measured at fair value (which is normally transaction price excluding transaction costs), unless arrangement constitutes a financial transaction. A financial asset or liability that is payable or receivable in one year is measured as the undiscounted amount expected to be received or paid net of impairment, unless it is a financing transaction. If an arrangement constitutes a financing transaction, the financial asset of financial liability is measured at the present value of the future payments discounted at a market rate of interest or similar debt instrument.

Financial assets and financial liabilities are offset only when there is a current legally enforceable right to set off the recognised amounts and the intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Taxation

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

The College is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of 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. Non-pay expenditure is shown inclusive of VAT with any partial recovery netted off against these figures.

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

Liquid Resources

Liquid resources include sums on short term deposits with recognised banks and building societies.

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.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

Other key sources of estimation uncertainty

- *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.

2 Funding Body Grants

	Year ended 31 July 2020 Group £000	Year ended 31 July 2020 College £000	Year ended 31 July 2019 Group £000	Year ended 31 July 2019 College £000
Recurrent grants				
Education and Skills Funding Agency – adult	773	773	4,151	4,151
Tees Valley Combined Authority - adult	3,268	3,268	-	-
Education and Skills Funding Agency – 16-18	12,850	12,850	11,170	11,170
Education and Skills Funding Agency – apprenticeships	2,763	2,763	2,585	2,585
Specific grants				
Release of government capital grants	742	742	809	809
Teacher Pension Scheme Contribution Grant	450	450		
HE grant	473	473	209	209
Merger Related	1,200	1,200	12,139	12,139
Total	**22,519**	**22,519**	**31,063**	**31,063**

3 Tuition Fees and Education Contracts

	Year ended 31 July 2020 Group £000	Year ended 31 July 2020 College £000	Year ended 31 July 2019 Group £000	Year ended 31 July 2019 College £000
Adult education fees	1,729	661	2,383	1,002
Apprenticeship fees and contracts	57	57	68	68
Fees for FE loan supported courses	1,074	1,074	1,166	1,165
Fees for HE loan supported courses	1,442	1,442	1,422	1,422
International students fees	0	0	17	17
Total Tuition fees	4,302	3,234	5,056	3,674
Education contracts	375	375	122	122
Total	**4,677**	**3,609**	**5,178**	**3,796**

4 Other Grants and Contracts

	Year ended 31 July 2020 Group £000	Year ended 31 July 2020 College £000	Year ended 31 July 2019 Group £000	Year ended 31 July 2019 College £000
Coronavirus Job Retention Scheme Grant	347	197	-	-
Total	**347**	**197**	-	-

The corporation furloughed 141 staff, which related to some of the commercially funded staff, catering staff and associated support staff, under the government's Coronavirus Job Retention Scheme. The funding received of £347k relates to staff costs which are included within the staff costs note below as appropriate.

5 Other Income

	Year ended 31 July 2020 Group £000	Year ended 31 July 2020 College £000	Year ended 31 July 2019 Group £000	Year ended 31 July 2019 College £000
Catering	418	0	562	-
Other income generating activities	202	202	231	231
Miscellaneous income	747	740	774	762
	1,367	**942**	**1,567**	**993**

6 Investment Income

	Year ended 31 July 2020 Group £000	Year ended 31 July 2020 College £000	Year ended 31 July 2019 Group £000	Year ended 31 July 2019 College £000
Other interest receivable	18	18	11	11
	18	**18**	**11**	**11**

7 Staff Costs – Group and College

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

	Group 2020	College 2020	Group 2019	College 2019
Teaching staff	186	186	185	185
Non-teaching staff	551	497	532	474
	737	**683**	**717**	**659**

Staff costs for the above persons:	Group 2020 £000	College 2020 £000	Group 2019 £000	College 2019 £000
Wages and salaries	14,288	13,322	13,761	12,738
Social security costs	1,204	1,132	1,179	1,107
Other pension costs (including FRS102 s.28 adjustments) of £1,343k (2019 £1,197k)	3,555	3,509	3,022	2,977
Payroll sub total	**19,047**	**17,963**	**17,962**	**16,822**
Contracted out staffing services	476	328	500	256
	19,523	**18,291**	**18,462**	**17,078**
Fundamental restructuring costs- Contractual	136	136	331	331
Non contractual	12	12	119	119
Total staff costs	**19,671**	**18,439**	**18,912**	**17,528**

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 and Chief Executive, three Executive Directors, one Vice Principal, three Campus Principals, Director of Business Development, Director of Human Resources, Managing Director (NETA), Director of Quality and Director of Marketing. 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***
The number of key management personnel including the Accounting Officer was:	12	11

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

	Key Management Personnel		***Other Staff***	
Range	***2020 No.***	***2019 No.***	***2020 No.***	***2019 No.***
£				
45,001 – 50,000	1	-	-	-
50,001 – 55,000	-	-	3	-
55,001 – 60,000	4	2	-	-
60,001 – 65,000	2	2	-	-
65,001 – 70,000	-	2	-	-
70,001 – 75,000	3	2	-	-
75,001 – 80,000	-	-	-	-
80,001 – 85,000	1	1	-	-
135,001 – 140,000	-	1	-	-
150,001 – 155,000	-	-	-	-
155,001 – 160,000	1	-	-	-
160,001 – 165,000	-	1	-	-
	12	11	3	-

Key management personnel emoluments are made up as follows:

	2020 £000	***2019 £000***
Basic salary	966	955
Performance related pay and bonus	5	50
Benefits in kind	-	-
Pension contribution	172	133
Total emoluments	**1,143**	**1,138**

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

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

	2020	*2019*
	£000	*£000*
Basic salary	156	152
Performance related pay and bonus	0	10
Other including benefits in kind	0	0
Pension contribution	36	25
	192	187

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

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

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

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

	2020	*2019*
	£'000	*£'000*
Principal's basic salary as a multiple of the median of all staff*	6.8:1	7:1
Principal and CEO's total remuneration as a multiple of the median of all staff*	7.5:1	7.7:1

*All Staff includes flexible/atypical staff, but excludes payments to agency workers as agencies are paid via invoices and costs are not reported within total staff costs above. Details of the number of individuals involved and the number of hours worked has not been captured during the 2019-20 financial year.

Compensation for loss of office paid to former key management personnel

	2020	*2019*
	£000	*£000*
Compensation paid to one former post-holder - contractual	-	27
Estimated value of other benefits, including provisions for pension benefits	-	-
	-	27

All severance payments were approved by the College's Finance and Employment Committee.

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

8 Other Operating Expenses

	2020 Group £000	2020 College £000	2019 Group £000	2019 College £000
Teaching costs	1,713	2,165	1,714	1,982
Non-teaching costs	3,018	2,722	3,724	3,338
Premises costs	1,568	1,359	1,654	1,389
ESFA funded franchising provision costs	1,670	1,670	1,453	1,453
	7,969	**7,916**	**8,545**	**8,162**

Other operating expenses include	2020 £000	2019 £000
Auditors' remuneration:		
- financial statements and audit*	35	37
- internal audit **	13	19
Other services provided by the financial statements auditor	-	-
Hire of assets under operating leases	191	108

*includes £24,840 in respect of the college (2018-19: £25k)
**includes £13,176 in respect of the college (2018-19: £19k)

9 Interest and other finance costs – Group and College

	Group 2020 £000	College 2020 £000	Group 2019 £000	College 2019 £000
On bank loans, overdrafts and other loans	215	215	228	228
	215	**215**	**228**	**228**
On finance leases	64	-	83	20
Net interest on defined pension liability (FRS102 s.28 - £222k (note 24)) & (EPP - £19k)	241	241	172	172
	520	**456**	**483**	**420**

10 Taxation – Group only

The members believe that, as an exempt charity for the purposes of the Charities Act 1993, the college was not liable for any Corporation tax arising out of its activities during this period. The consolidated accounts include adjustments to the Corporation tax of subsidiaries.

11 Intangible Fixed Assets (Group and College)

	Group	College
	Major IT/Software	
	£'000	£'000
Cost or Valuation		
At 1 August 2019	628	628
Transfer from Merger	-	-
Additions	-	-
Disposals	(25)	(25)
At 31 July 2020	603	603
Depreciation		
At 1 August 2019	372	372
Transfer from Merger	-	-
Charge for the year	55	55
Elimination in respect of disposals	(25)	(25)
At 31 July 2020	402	402
Net book value at 31 July 2020	201	201
Net book value at 31 July 2019	256	256

12 Tangible Fixed Assets (Group)

	Land and Buildings		*Equipment*	*Total*
	Freehold	*Leasehold*		
	£000	*£000*	*£000*	*£000*
Cost or valuation				
At 1 August 2019	78,377	1,117	12,383	91,877
Acquisition				
Transfer from Merger	-	-	-	-
Additions	-	-	748	748
Disposals	-	-	(42)	(42)
At 31 July 2020	**78,377**	**1,117**	**13,088**	**92,582**
Depreciation				
At 1 August 2019	15,977	542	8,240	24,759
Transfer from Merger	-	-	-	-
On acquisition				
Charge for the year	1,234	39	991	2,265
Elimination in respect of disposals	-	-	(42)	(42)
At 31 July 2020	**17,211**	**581**	**9,189**	**26,982**
	61,165	**535**	**3,899**	**65,600**
Net book value at 31 July 2020				
Net book value at 31 July 2019	62,400	575	4,143	67,118

12 Tangible Fixed Assets (College Only)

	Land and Buildings Freehold	*Equipment*	*Total*
	£000	*£000*	*£000*
Cost or valuation			
At 1 August 2019	78,356	11,767	90,123
Transfer from Merger	-	-	-
Additions	-	712	712
Disposals	-	(42)	(42)
At 31 July 2020	**78,356**	**12,437**	**90,793**
Depreciation			
At 1 August 2019	15,961	7,758	23,720
Transfer from Merger	-	-	-
Charge for the year	1,233	955	2,189
Elimination in respect of disposals	-	(42)	(42)
At 31 July 2020	**17,194**	**8,671**	**25,867**
Net book value at 31 July 2020	**61,162**	**3,766**	**64,927**
Net book value at 31 July 2019	62,395	4,009	66,403

Land and buildings with a net book value of £38,248,068 have been financed by exchequer funds, through for example the receipt of capital grants. Should these assets be sold the college may be liable under the terms of the financial memorandum with the funding body to surrender the proceeds. Freehold land and buildings include properties with a net book value of £1,759,500 (2019: £1,759,500) for which title deeds and leasehold agreements have been transferred to the College.

13 Non current Investments

	Group 2020	*College 2020*	*Group 2019*	*College 2019*
	£000	*£000*	*£000*	*£000*
Investments in subsidiaries	-	-	-	-
Intangible assets	-	-	-	-
	-	-	-	-

The College owns 100% of NETA Training Trust, a registered charity which constitutes a limited company, limited by guarantee, whose principal activity is the provision of training to members of the community.

NETA Training Trust owns 100% of the issued ordinary £1 shares of NETA Enterprises Ltd, a company incorporated in England and Wales, whose principal activity was the provision of training services. The company ceased trading from 29 February 2016 and activity transferred to NETA Training Trust.

The College owns 100% of Tees Valley Catering Ltd, a company incorporated in England and Wales, whose principal activity is the provision of catering services. The company is limited by guarantee without share capital.

The college owns 100% of the issued ordinary £1 shares of Stockton and Billingham College Developments Limited, a company incorporated in England and Wales, whose principal activity was the development of a new college campus.

The college owns 100% of the issued ordinary £1 shares of Tees Valley Training Ltd, a company incorporated in England and Wales, which is currently dormant and exempt from the requirements to prepare individual accounts by virtue of the Companies Act 2006 section 394A.

14 Trade and Other Receivables

	Group 2020 £000	*College 2020 £000*	*Group 2019 £000*	*College 2019 £000*
Amounts falling due within one year				
Trade receivables	346	302	520	358
Amounts owed by group undertakings:				
Subsidiary undertakings	-	280	-	316
Prepayments and accrued income	1,014	784	974	900
Amounts owed by the Education and Skills Funding Agency	355	355	600	600
	1,715	**1,721**	**2,094**	**2,174**

15 Creditors: Amounts Falling Due Within One Year

	Group 2020 £000	*College 2020 £000*	*Group 2019 £000*	*College 2019 £000*
Bank loans	252	252	252	252
Obligations under finance leases	71	-	71	-
Trade payables	538	467	1,079	988
Amounts owed to group undertakings				
Subsidiary undertakings	-	130	-	126
Other taxation and social security	290	274	382	360
Accruals and deferred income	1,288	1,106	1,452	1,203
Deferred income – government capital grants	1,270	1,270	1,211	1,211
Deferred income – government revenue grants	-	-	1,100	1,100
Amounts owed to the ESFA	270	270	275	275
	3,979	**3,769**	**5,822**	**5,515**

16 Creditors: Amounts Falling Due After One Year

	Group 2020 £000	College 2020 £000	Group 2019 £000	College 2019 £000
Bank loans	2,963	2,963	3,215	3,215
Obligations under finance leases	899	-	970	-
Deferred income – government capital grants	38,351	38,351	39,448	39,448
Deferred income – government revenue grants	2,226	2,226	2,326	2,326
	44,439	**43,540**	**45,959**	**44,989**

17 Maturity of debt

(a) Bank Loans

Bank loans are repayable as follows:

	Group 2020 £000	College 2020 £000	Group 2019 £000	College 2019 £000
In one year or less	252	252	252	252
Between one and two years	252	252	252	252
Between two and five years	745	745	745	745
In five years or more	1,966	1,966	2,218	2,218
Total	**3,215**	**3,215**	**3,467**	**3,467**

A bank loan at a fixed rate of 4.15% (plus margin of 2.25%), repayable by instalments falling due between 1 August 2018 and 15 July 2033, was renegotiated on 1 August 2018 in relation to the merger with Redcar and Cleveland College and is secured on the freehold assets of the Stockton, Redcar and Billingham campuses.

(b) Finance Leases

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

	Group 2020 £000	College 2020 £000	Group 2019 £000	College 2019 £000
In one year or less	71	-	71	-
Between one and two years	213	-	213	-
Between two and five years	686	-	757	-
Total	**970**	-	**1,041**	-

Finance lease obligations are secured on the assets to which they relate.

18 Provisions

	Defined benefit Obligations	*Group and College Enhanced Pensions*	*Dilapidation Provision*	*Total*
	£000	*£000*	*£000*	*£000*
At 1 August 2019	10,539	983	28	11,550
Expenditure/movement in the period	15,839	42	14	15,895
At 31 July 2020	**26,378**	**1,025**	**42**	**27,445**

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 from the balance sheet date. This provision has been recalculated in accordance with guidance issued by the funding bodies. The actuarial loss and recognised in Other Comprehenive Income is £95k.

The principal assumptions for this calculation are:

	2020	**2019**
Price inflation	2.2%	2.2%
Interest rate	1.3%	2.0%

19 Cash and Cash Equivalents (Group)

	At 1 August 2019	*Cash Flows*	*Other Changes*	*At 31 July 2020*
	£000	*£000*	*£000*	*£000*
Cash and cash equivalents	4,643	(1,445)	-	3,198
Total	**4,643**	**(1,445)**	**-**	**3,198**

20 Capital and Other Commitments

	Group and College	
	2020	*2019*
	£000	*£000*
Commitments contracted for at 31 July	-	90

21 Lease Obligations

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

	Group and College	
Future minimum lease payments due:	***2020***	***2019***
	£000	***£000***
Land and buildings		
Not later than one year	41	41
Later than one year and not later than five years	164	164
Later than five years	41	28
	246	233
Other:		
Not later than one year	20	79
Later than one year and not later than five years	22	61
Later than five years		
	42	140
Total Lease payments due	288	373

At the year end, the Group and College had contracted with tenants, under operating lease, for the following future minimum lease payments:

Amounts receivable	***2020***	***2019***
	£'000	***£'000***
Less than one year	38	38

The operating lease represents the lease of one area of Redcar College to third parties. The lease is for an undefined period, subject to annual review, and cancellable with six months notice.

22 Contingent Liabilities

There are no contingent liabilities in the year (2019 £nil).

23 Events after Reporting Period

There are no events to report

24 Defined benefit obligations

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

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

Total pension cost for the year		*2020* *£000*		*2019* *£000*
Teachers' Pension Scheme: contributions paid		1,297		900
Local Government Pension Scheme:				
Contributions paid	862		1,055	
FRS 102 (28) charge	1,343		971	
Charge to the Statement of Comprehensive		2,205		2,026
Enhanced pension charge to Statement of Comprehensive Income		-		51
Contributions from subsidiaries & Other Pension Agencies		53		45
Total Pension Cost for Year within staff costs		**3,555**		**3,022**

Contributions amounting to £248k (2019: £199k) were payable to the schemes at 31st July and are included within creditors.

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

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

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

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

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

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

The pension costs paid to TPS in the year amounted to £1,297k (2019: £906k).

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Middlesbrough Borough Council. The total contributions made for the year ended 31 July 2020 were £1,213k of which employer's contributions totalled £862k and employees' contributions totalled £352k. The agreed contribution rates for future years are 15.2% for employers and range from 5.5% to 12.5% for employees, depending on salary according to a national scale.

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	3.3%	3.2%
Future pensions increases	2.3%	2.2%
Discount rate for scheme liabilities	2.3%	2.2%
Inflation assumption (CPI)	2.3%	2.2%
Commutation of pensions to lump sums	50%	50%

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

	At 31 July 2020	***At 31 July 2019***
Retiring today	***years***	***years***
Males	21.8	21.9
Females	23.5	23.8
Retiring in 20 years		
Males	23.2	23.6
Females	25.3	25.7

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

	Fair Value at 31 July 2020 £000	*Fair Value at 31 July 2019 £000*
Equity instruments	25,143	27,604
Debt instruments	-	-
Property	1,456	3,144
Cash	2,647	4,863
Other	3,838	951
Total fair value of plan assets	**33,084**	**36,562**

Actual return on plan assets	**(3,613)**	**1,843**

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	33,083	36,562
Present value of plan liabilities	(59,461)	(47,101)
Net pensions (liability)/asset (Note 18)	**(26,378)**	**(10,539)**

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

	2020 £000	*2019 £000*
Amounts included in staff costs		
Current service cost	2,207	1,432
Past service cost	1	800
Total	**2,208**	**2,232**
Amounts included in investment income		
Net interest income	-	-
	-	-
Amount recognised in Other Comprehensive Income		
Return on pension plan assets	(4,419)	872
Experience (losses)/gains arising on defined benefit obligations	(9,855)	(4,155)
Changes in assumptions underlying the present value of plan liabilities	-	-
Amount recognised in Other Comprehensive Income	**(14,274)**	**(3,283)**

Movement in net defined benefit (liability)/asset during year	***2020***	***2019***
	£000	***£000***
Net defined benefit (liability)/asset in scheme at 1 August	(10,539)	(4,112)
Movement in year:		
Current service cost	(2,207)	(1,432)
Employer contributions	865	1,061
Past Service cost	(1)	(800)
Net interest on the defined (liability)/asset	(222)	(152)
Actuarial gain or loss	(14,274)	(3,274)
Effect of business combinations	-	(1,830)
Net defined benefit (liability)/asset in scheme at 31 July	**(26,378)**	**(10,539)**

Asset and Liability Reconciliation

	2020	***2019***
	£000	***£000***
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	47,101	27,864
Current service cost	2,207	1,432
Interest cost	1,028	1,123
Contributions by Scheme participants	352	304
Experience (gains) and losses on defined benefit obligations	9,855	4,146
Changes in financial assumptions	-	-
Estimated benefits paid	(1,083)	(1,266)
Past Service cost	1	800
Curtailments and settlements	-	-
Effect of business combinations	-	12,698
Defined benefit obligations at end of period	**59,461**	**47,101**
Changes in fair value of plan assets		
Fair value of plan assets at start of period	36,562	23,752
Interest on plan assets	806	971
Return on plan assets	(4,419)	872
Employer contributions	865	1,061
Contributions by Scheme participants	352	304
Estimated benefits paid	(1,083)	(1,266)
Effect of business combinations	-	10,868
Fair value of plan assets at end of period	**33,083**	**36,562**

25 Related Party Transactions

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

The total expenses paid to or on behalf of the Governors during the year was £4,563; 6 governors (2019: £4,053; 5 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 remuneration or waived payments from the College or its subsidiaries during the year.

26 Amounts Disbursed as Agent

Learner support funds	***2020***	***2019***
	£000	***£000***
Funding body grants – bursary support	474	389
Funding body grants – discretionary learner support	431	392
Interest earned	-	-
	905	781
Disbursed to students	(807)	(739)
Administration costs	(26)	(31)
Balance unspent as at 31 July, included in creditors	**72**	**11**