



Members' Report and  
Financial Statements  
for the Year Ended  
31<sup>st</sup> July 2020

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## Key Management Personnel, Board of Governors and Professional Advisers

### Key Management Personnel

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

Ataf Hussain	Principal and CEO and Accounting Officer.
Ian Francis	Vice Principal
Gemma Kintas	Director of Finance (to 8 <sup>th</sup> January 2020)
Donna Donlon	Director of Finance and Operations (from 1 <sup>st</sup> June 2020)
Andrea Page	Director of Curriculum Quality
Marc Hulbert	Director of Progress, Behaviour and Achievement
Steve Kelby	Director of Information and Technical Services
Sayed Meghjee	Director of Human Resources

### Board of Governors

A full list of Governors is given on pages 17-18 of these financial statements.

Mrs Kuljinder Smith acted as Clerk to the Governing Body throughout the period.

### Professional advisers

#### Financial statements auditors and reporting accountants:

Buzzacott LLP  
Chartered Accountants  
130 Wood Street  
London  
EC2V 6DL

#### Internal auditors:

Wylie Bissett  
168 Bath Street  
Glasgow  
Scotland  
G2 4TP

#### Bankers:

Lloyds TSB Bank plc 3 <sup>rd</sup> Floor 25 Gresham Street London EC2V 7HN	Barclays Bank plc 1 Churchill Place Canary Wharf London E14 5HP
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#### Solicitors:

Mills & Reeve LLP  
Francis House  
112 Hills Road  
Cambridge  
CB2 1PH

## A. Members’ Report

### NATURE, OBJECTIVES AND STRATEGIES

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

#### Legal status

2. Luton Sixth Form College (the College) opened in 1966 as the first Local Education Authority sixth form college in the country. It became open access in 1974 and under the Further and Higher Education Act 1992 was made independent of the local authority.

3. **Public Benefit**

#### ***Luton Sixth Form College Public Value Statement***

Luton Sixth Form College is an exempt charity under Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education for Sixth Form Colleges. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 17 and 18.

In setting and reviewing the College’s strategic objectives, the Governing Body has had due regard for the Charity Commission’s guidance on public benefit and particularly upon its supplementary guidance on the advancement of education, as demonstrated by our mission and values, our inclusivity and our excellent teaching, learning and assessment.

#### ***Our mission:***

*“We will provide an outstanding education for young people at the College, and we will work with other local providers to ensure that there are opportunities for all young people to succeed and progress.”*

#### ***Our values:***

**Students:** as the focus for the work of everyone at the College

**Mutual Respect:** caring for and valuing students, staff, governors and our community

**Integrity:** honesty, working hard, taking personal responsibility and promoting equity and fairness

**Learning:** a passion for learning and its capacity to change lives

**Excellence:** high aspirations, high standards and high achievement

#### ***Our inclusivity:***

The College offers a wide range of academic and general vocational programmes and operates an inclusive admissions policy. It serves a diverse community in which around 70% of the College’s students are from minority ethnic groups. The vast majority of these are Pakistani and Bangladeshi. Over half of the students are female. Over 1000 students were required to re-sit GCSE English and/or GCSE maths (or equivalent). Approximately 24% of students consider themselves to have a learning disability, difficulty or health problem. Many students come from households without a tradition of either post-16 or higher education. Around 70% of students live within the 5 most deprived districts of Luton (*Source: EFA Data Report and MIDES Deprivation Profile Analysis*).

***Our excellent teaching, learning and assessment:***

The hard work of our staff and students, coupled with a relentless drive for improvement, has led to the achievement of high overall Level 3 achievement rates of 84.5% in 2018-19. Retention has also remained excellent at 95.5% Our students can be assured of an excellent learning experience and, when they leave the College, approximately 95% go on to higher/further education, training or employment.

***Our core objectives:***

1. To ensure that the students at this College enjoy, achieve and progress to destinations that will enable them to fulfil their career aspirations.
2. To ensure that the effectiveness and wellbeing of staff is maintained and improved to enable achievement of the College objectives.
3. To maintain the College’s cost-effectiveness and solvency, to enable the delivery of the Strategic Plan.

***Our strategic objectives:***

1. To embed a culture of leadership throughout the College, harnessing leadership skills at all levels, to drive forward positive change that will improve student outcomes.
2. Leaders and managers will, working with other organisations where appropriate, seek to develop a curriculum in order to ensure that the young people of Luton are able to participate, succeed and progress.
3. Leaders and managers will promote collaboration and joint working between staff at the College and those at other local organisations, in order to improve the educational achievement of 14-19 year olds in Luton and increase efficiency in the use of resources.

4. ***Implementation of the Strategic Plan***

The College approved a Strategic Plan and Vision in July 2019 for 2020-22. The Strategic Plan sets out the objectives for the three-year period and is supported by the annual College Improvement Plan (CIP), departmental plans and cross-College plans including the Financial Plan. The Governing Body monitors the performance of the College against these plans.

The College Improvement Plan 2019-20 identified actions to move forward key strategic objectives and highlighted priorities for the year. Very challenging targets were set but due to Covid 19 the effectiveness of our actions could not be formally assessed in 2019-20.

1. Increase A-Level ALPs score to 5 in 2019/20  
Project 240 Identification of 2<sup>nd</sup> year A-Level students who are forecast for low achievement (Grade E) or to fail (Grade U) their course.  
Project C to B  
Switch 2019/20
2. BTEC ALPs score of 4 or better in 2019/20  
Academic study skills – delivered by Progress Coaches using tutorial resources
3. Increase overall attendance to 93% or better in 2019/2020

## FINANCIAL PERFORMANCE

### Financial Objectives

5. The College’s financial objective is to ensure the solvency and financial stability of the College and the optimum use of resources by:
  - Maximising core funding and opportunities for income from sources other than 16-18 student participation funding.
  - Investing to ensure an appropriately qualified, skilled and experienced workforce.
  - Increasing the capability, flexibility and motivation of staff, within a supportive culture of high performance.
  - Increasing efficiency and cost-effectiveness, including by improving business processes and by exploiting the potential of modern technology.
  - Managing the campus to maximise cost effectiveness and sustainability, to promote health and to ensure safety for staff, students and visitors.
  - Managing cash reserves to ensure solvency during a period of continued financial uncertainty.
6. A series of performance indicators has been agreed to monitor the successful implementation of these objectives.

### Performance Indicators

7. The College’s key performance indicators are based on:
  - Success rates (see paragraphs 25-27)
  - Student progress (see paragraph 27)
  - Learner destinations (see paragraph 19)

The financial Indicators for Financial Health continued to be graded by the funding body. In a letter dated 29 May 2020, the funding body (ESFA) confirmed the College’s Financial Health Grade for 2018-19 as Outstanding and our calculations show 2019-20 continuing as Outstanding.

## FINANCIAL POSITION

### Financial Results

8. Based on the audited financial statements, the total reserves of Luton Sixth Form College have decreased by £2,845,000 during the year (2019 – decrease of £113,000), providing net assets of £3,135,000 at the 31 July 2020. (2019 – £5,980,000).  
The principal reason for the decrease in net assets during the year is the movements in the pension liability which totalled £4,479,000 (including the FRS102 retirement benefit charge and pension finance costs).

At the year end of the year the College had cash and short-term deposit balances totalling £7,521,000 (2019 – £6,025,000), and net current assets of £5,099,000 (2019 - £3,481,000). Excluding movements on the defined benefit pension liability, and other non-recurring items, the “operational” surplus for the year was £1,634,000 (2019 – £1,388,000) which is an

excellent result. The table below shows the reconciliation between final comprehensive income for the year and the “operational” income.

	<b>2020</b>	<b>2019</b>
	£’000	£’000
Total comprehensive income for the year	(2,845)	(113)
Add: LGPS actuarial loss	4,091	1,161
Add: LGPS service cost adjustment	291	253
Add: LGPS interest cost adjustment	97	87
Operational surplus for the year	1,634	1,388

Luton Sixth Form College is one of several employing bodies included within the Bedfordshire Local Government Pension Scheme. The scheme’s actuaries, Barnett Waddingham, have prepared a valuation of the assets and liabilities which are specific to Luton Sixth Form College. The pension deficit has been included on the balance sheet in order to comply with FRS 102 and is consistent with the treatment adopted in last year’s financial statements.

### **Premises and Equipment**

9. Tangible fixed asset additions during the year amounted to £661,000, all of which related to Equipment.
  
10. The College places significant reliance on the funding body for its principal funding source, both for recurrent and capital support grants. In 2019-20 the ESFA provided 98.5% of the College’s total recurrent income.

### **Treasury policies and objectives**

11. Treasury management is defined as the management of the College’s cash flows, banking, money market and capital market transactions, the effective control of the risks associated with those activities, and the pursuit of optimum performance consistent with the management of those risks.
  
12. The College has a separate treasury management policy in place. Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Governing Body and shall comply with the requirements of the Funding Agreement with the ESFA.

### **Cash flow**

13. Cash flow showed a net inflow of £496,000 (2018-19 inflow: £1,643,000).

### **Liquidity**

14. At year end, the College held an unsecured long-term loan of £ 2.997million taken out in 2008, to help finance the New College Project. The balance of the £56 million capital cost of the project was met from the capital support grant awarded by the funding body and from the College’s own cash resources.
  
15. The size of the College’s total borrowing and its approach to interest rates has been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cash flow. During the year, this margin was comfortably exceeded.

## Reserves Policy

16. College has no formal Reserves Policy but recognises the importance of maintaining strong reserves to achieve financial stability, whilst ensuring that adequate resources are provided for the College’s core business. As at the balance sheet date, the Income and Expenditure account reserve stands at £10,246,000 excluding the pension liability (2019: £8,612,000), and net current assets stand at £5,099,000 (2019: £3,481,000). It is the Governing Body’s intention to maintain or increase reserves over the life of the Strategic Plan by the generation of small annual operating surpluses. The Statement of Changes in Reserves shows Net Reserves of £3,135,000, this includes specific Pension Reserves of (£9,311,000) and a Revaluation Reserve of £2,200,000.



## CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

### Overall Performance

17. The data for 2019-2020 is not published, due to the impact of Covid19. The latest published data is for 2018-19.

The self-assessment report (SAR) 2018-19 concluded that the overall effectiveness of the College was good. In the 2019 SAR the Grades awarded for each area were as follows:

Overall Effectiveness Good:	Grade 2
Outcomes for Learners Good:	Grade 2
Quality of Teaching, Learning & Assessment Good:	Grade 2
Effectiveness of Leadership and Management Good:	Grade 2
Personal Development, Behaviour & Welfare Good:	Grade 2

18. Following Government guidelines, the college closed in March 2020 after which lessons were delivered remotely via MS Teams or other social media platforms as appropriate.

19. In 2019-20, the College made excellent educational provision for its students and the local community, which has significant areas of educational and social deprivation. Students achieved very high levels of success. Overall, 95% of students progressed to positive destinations, including higher and further education and employment.

20. Educational and social inclusion was outstanding, and the College continued to employ effective strategies to ensure compliance with equality legislation. When contextualised for prior attainment and subject choices, all the main ethnic groups performed above national averages.

21. Leadership and management were good. Leaders led by example and in line with the College values and British values of democracy, mutual respect, integrity and the pursuit of excellence. There was a relentless focus on improving student achievement and improving the progress of all students.

22. All support service departments operated efficiently, effectively and collaboratively to ensure a very high standard of service to students, staff and external stakeholders. The management of financial and other resources was excellent. It ensured continued investment to support further improvements for students and delivered very good value for money. All support service departments operated effectively throughout the shutdown period. The contribution of governors and the effectiveness of governance were major strengths.

23. Risk management processes continued to operate effectively and were commended by the internal auditors. Each of the major risks was monitored carefully throughout the year, our risk management process remained robust throughout the challenges presented by the global pandemic.

### Student Numbers

24. In 2019-20 the College had 3,114 full-time students and was funded for 3,000. This generated funding of £13,772k ESFA main allocation funding (2018-19: £12,941k).

### Student Achievements in 2018-19

25. In 2018-19 the College success rates were good, both in absolute terms and, in the context of this College. Retention was significantly above the sixth form college benchmark. The overall achievement rate for 2019 at Level 3 was 84.5% (2017-18: 82.9%).

26. The level 2 BTEC First Certificate programme success rate was 83.9%, compared to the sixth form college benchmark of 84.4%. The pass rate for GCSE English and Maths remained high at 53.9% and 33.8% respectively.
27. Most groups of students performed well. Performance gaps between boys and girls were narrowed. There are now few achievement gaps in terms of ethnicity and gender measured by success rates and value added. Valued-added at A level is below average and requires improvement.

### **Curriculum Developments**

28. In addition to the annual review of the curriculum we are moving through a period of external curriculum reform where the number and nature of qualifications is being changed for all providers. Our aim is always to respond positively to these changes, and our own internal needs, to provide our students with choice, flexibility and an enhanced prospect of success. As such the College continues to provide a broad range of academic and general vocational qualifications at levels 2 and 3. We offer five main BTEC L2 programmes and GCSEs in English Language, Mathematics and a Science.

### **Payment Performance**

29. The Late Payment of Commercial Debts (Interest) Act 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 College paid all of its invoices within 30 days, unless they were in dispute. The College incurred no interest charges in respect of late payment for this period.

### **Future Developments**

30. The College is funded based on lagged student numbers, and hence income for 2020-21 has been confirmed at £13,687,485.
31. Demand for places continues to be very strong and the College expects to at least maintain its market share of students locally over the next three years.

### **Post Balance Sheet Events**

32. There were no significant post balance sheet events.

### **Resources**

33. Tangible resources include the main college site, with £48 million invested in the construction and fitting out of the College building.

### **Financial**

34. The College has £3,135,000 of net assets (net of £9,311,000 pension liability and long-term debt of £38,004,000).

### **People**

35. The College employs 256 people of whom 135 are teaching staff. When reviewing full time equivalents the number of staff is 203, of whom 117 are teaching staff.

## Reputation

36. The College has held Beacon status since 2004 and was judged “good” by Ofsted in its most recent inspection in November 2018. It has an excellent reputation locally and nationally and has achieved significant growth in student numbers in recent years.

## PRINCIPAL RISKS AND UNCERTAINTIES

37. The College has a well-embedded system of internal control, including financial, operational and risk management which is designed to protect the College’s assets and reputation. In 2019-20 the college carried out an extensive review of risk management considering Covid 19. A Risk Assessment for the reopening of the college was completed and the risk register has been updated to include the impact of Covid 19.
38. The Senior Leadership Team (SLT) undertakes a comprehensive termly review, based on the Strategic Plan, of the risks to which the College is exposed, and identifies systems and procedures, including specific actions which have been implemented to mitigate any potential impact on the College. SLT also considers any risks which may arise as a result of a new area of work being undertaken by the College.
39. The College Risk Register identifies the key risks, the likelihood of these occurring, their potential impact on the College, and the actions taken to reduce and mitigate their effect. Risks are prioritised using a “traffic light” system designed to bring to the fore those risks which represent the greatest threat to the College. Key risks are included in the College Improvement Plan. Following review by the Senior Leadership Team, the Register and College Improvement Plan are taken to the Audit Committee, Finance & General Purposes Committee and the Governing Body. The Risk Register is also reviewed by the College Leadership Team and is then discussed at departmental meetings with comments fed back to SLT to be actioned.
40. The College has also developed a Board Assurance Framework, which is cross-referenced to the Risk Register and the College Improvement Plan and sets out the monitoring procedures for each individual risk. Outlined below is a description of some of the principal risks factors that may affect the College together with the controls in place to mitigate their effect. Not all factors are within the College’s control. Other factors besides those listed may also have an adverse impact on the College.

<i>Risk</i>	<i>Existing Controls</i>
<p>Failure to improve high grades for specific subjects at level 3.</p>	<ul style="list-style-type: none"> <li>● Student tracking and at-risk identification process in place as part of grade improvement project</li> <li>● Trial exams for all A level students including an autumn exam for Year 2 in Sept. 2020</li> <li>● Systematic follow up of underperforming students, including contact with parents that has been adapted to allow for remote implementation</li> <li>● Earlier risk identification in place for year 1 students</li> </ul>

- Demanding KPIs set - stated in the College Improvement Plan (CIP) with regular forecasts for all students received and monitored
- Significantly higher investment in AIM support
- Additional timetabled study time for A Level students
- One block converted into a supervised study centre
- More robust enrolment processes ensure appropriate entry requirements are met for A Level courses.
- In house VESPA model used and reinforced in tutorial/ lessons
- Year 2 students to return to more on-site learning
- Maths and Science designated as special intervention areas
- 16-19 Tuition Fund to be used for small group tuition for those students with low entry GCSE Maths or English on Level 3 Courses.

Failure to manage budgets effectively to maintain solvency and the College’s Financial health grading of outstanding.

- Rigorous budget setting procedures with regular Senior Leadership Team workshops
- Salary budgets for temporary staff delegated to, and regularly monitored by, SLT
- Monthly management accounts, 3-year cash flow forecast and KPI’s monitored by SLT and governors
- Robust financial controls
- Exploring ongoing procurement efficiency
- Annual report to Audit Committee on value for money and safeguarding of assets.

Funded learner target for 2020-21 of c3,100 is not achieved

- In-year monitoring of key data e.g., internal progression
- Excellent reputation locally based on high standards of teaching & learning
- High quality promotion campaign, including revised prospectus, website, DVD, billboard advertising
- Well managed Tasters, Open Evenings, applicant interviews, all adapted for the COVID environment.
- Strong relationships are maintained with feeder schools.

### Government Funding

41. The College has considerable reliance on continued government funding through the Education and Skills Funding Agency. In 2019-20 98.5% of the College’s revenue was received from the funding body and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms. This risk is mitigated by ensuring that the College remains rigorous in delivering high quality education and continues to attract a growing number of 16-18-year olds wishing to study.

### **Funding of Pension Liabilities**

42. The financial statements report the share of the Local Government Pension Scheme deficit on the College’s balance sheet in line with the requirements of FRS 102. This risk is mitigated by an agreed deficit recovery plan with Bedfordshire LGPS.

### **STAKEHOLDER RELATIONSHIPS**

43. In line with other colleges and with universities, Luton Sixth Form College has many stakeholders. These include:
- Students
  - Parents
  - Education Sector Funding bodies
  - Staff
  - Governors
  - Local employers (with specific links)
  - Local authorities
  - Government Offices/Regional Development Agencies/Local Enterprise Partnerships
  - Sixth Form Commissioner
  - The local community
  - Other FE institutions
  - Trade Unions
  - Professional bodies
44. The College recognises the importance of these relationships and engages in regular communication with its stakeholders through letters, emails and meetings.

### **Equal Opportunities and Employment of Disabled Persons**

#### ***Equal Opportunities***

45. Promotion of equality and diversity features prominently in college life. A much higher percentage of students from a minority ethnic background attend the College compared to the ethnic composition of the local population. Policies are detailed and cover legislative requirements. There is a continuing focus on maintaining the diverse community of the College as a harmonious, calm, safe environment where diversity is fully recognised and regularly celebrated. The College’s Single Equality Scheme is published on the College’s intranet. The College also publishes an Annual Equality Report and ensures compliance with all relevant equality legislation, including the Equality Act 2010.

#### ***Employment of disabled persons***

46. The College considers all applications from disabled persons, bearing in mind the aptitudes of the individuals concerned. It has a policy of enabling flexible working wherever possible and, where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion which are, as far as possible, identical to those of non-disabled employees.

#### ***Site Accessibility***

47. The College building has been designed to maximise disabled access. This has increased utilisation of College facilities, ensuring compliance with the Equality Act 2010 and enabling disabled persons to fully participate in College life.

**Disability statement**

48. The College seeks to achieve the objectives set down in the Equality Act 2010. The latest Ofsted inspection recognised that “Students with learning difficulties and/or disabilities receive excellent support and achieve well”.

- The prospectus describes the requirements for all courses and the admissions policy is published on the College website.
- The College arranges specialist assessment of individual needs prior to enrolment.
- The support available is actively promoted by the College Disability & Learning Support Co-ordinator, who provides information and advice and arranges support, wherever necessary.
- During their time at the College, all students have access to a Student Counsellor, Student Welfare Advisers and specialist impartial career guidance.
- The College provides specialist equipment, course material in a variety of formats, the assistance of British sign language interpreters and the support of the College’s own Academic and Additional Learning Support Team.
- Independent and confidential counselling is also available to staff from a fully qualified counsellor.
- There is a continuing programme of staff training to ensure the provision of high-quality services for students with learning difficulties or disabilities.

**Trade union facility time**

49. The Trade Union (Facility Time Publication Requirements) Regulations 2018 require the college to publish information on facility time arrangements for trade union officials at the college.

Numbers of employees who were relevant union officials during the relevant period:	FTE employee number:
5	5

Percentage of time	Number of employees
0%	0
1-50%	5
51-99%	0
100%	0
Total cost of facility time	£3,891
Total pay bill	£10,408,000
Percentage of total bill spent on facility time	0.04%

Time spent on paid trade union activities as a percentage of total paid facility time	0%
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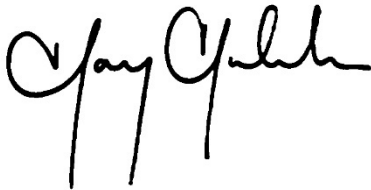
**Staff and Student Involvement**

- 50. The views of students are taken extremely seriously by the college and acted upon. The College considers good communications with all College members a priority and has an active Student Council to take this forward for students. Students receive regular information through @Source, the College’s New Share Point Virtual Learning Environment. The College encourages students to manage their own learning, and to play an active part in influencing the College’s development, through the Student Council, which is elected annually by all students. Both students and staff are represented on the Safeguarding Health and Inclusion Committees and on the Governing Body.
  
- 51. Staff receive regular information through the College intranet, email updates and Yammer, attend regular briefing and training sessions and are consulted on major strategic and policy issues. Students and staff share the College restaurant area, Westside, and other common resources, such as the fitness suite and Learning Resource Centre.

**Disclosure of Information to Auditors**

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

**Approved by order of the members of the Governing Body on 18 December 2020 and signed on its behalf by:**



.....  
**Mary Malcolm**  
**Chair**

## **B. Statement of Corporate Governance and Internal Control**

1. The following statement is provided to enable readers of the annual report and financial statements of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1<sup>st</sup> August 2019 to 31<sup>st</sup> July 2020 and up to the date of the Annual Report and Financial Statements.
2. The College endeavours to conduct its business:
  - in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
  - in full accordance with the guidance to colleges from the Association of Colleges in the Code of Good Governance for English Colleges (“the Code”); and
  - having due regard to the UK Corporate Governance Code 2016 insofar as it is applicable to the further education sector.
3. The College is committed to exhibiting the best practice in all aspects of corporate governance, and in particular the College has adopted and complied with the Code. We have not adopted and therefore do not apply the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.
4. In the opinion of Governors, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31<sup>st</sup> 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 on 10<sup>th</sup> July 2015, and reviewed in July 2020.
5. The College is an exempt charity within the meaning of Part 3 of the Charities Act 2011. The Governors, who are also the Trustees for the purposes of the Charities Act 2011, confirm that they have had due regard for the Charity Commission’s guidance on public benefit and that the required statements appear elsewhere in these financial statements.

### **The Governing Body**

6. It is the Governing Body’s responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.
7. The Governing Body meets six times per year and is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues.



8. The Governing Body conducts its business through several committees. The Governing Body and its committees continued to meet throughout lockdown via MS Teams. Each committee has terms of reference, which have been approved by the Governing Body. These committees are Search and Governance, Finance and General Purposes, Remuneration and Audit. Full minutes of all meetings, except those deemed to be confidential by the Governing Body, are available through the College website ([www.lutonsfc.ac.uk](http://www.lutonsfc.ac.uk)) and from the Clerk to the Governing Body at:

Luton Sixth Form College  
Bradgers Hill Road,  
Luton LU2 7EW

#### **Appointments to the Governing Body**

9. Any new appointments to the Governing Body are a matter for the consideration of the Governing Body as a whole. Members of the Governing Body are appointed for a term of office not exceeding 4 years.
10. The Governing Body is responsible for ensuring that appropriate training is provided as required. Its various Committees are:

#### **Search & Governance Committee**

11. The Search and Governance Committee is responsible for the identification of potential new members of the Governing Body, and their subsequent nomination for appointment by the Governing Body. The Committee has four members and meets termly, with further meetings as and when required.

#### **Finance & General Purposes Committee (F&GP)**

12. This Committee has a membership of six governors and one member of the senior leadership team. It met four times in 2019-20. The Committee considers the appropriateness of the College’s budgets and financial plans and makes recommendations to the Governing Body. It also considers the College’s performance against budgets, plans and other agreed objectives. It receives the College’s Financial Statements and recommends their adoption to the Governing Body.

#### **Remuneration Committee**

13. Throughout the year ended 31<sup>st</sup> July 2020, the College’s Remuneration Committee comprised four members of the Governing Body. The Committee’s responsibilities are to make recommendations to the Governing Body on the remuneration and benefits of the Accounting Officer and other senior post holders.
14. Details of remuneration for the year ended 31<sup>st</sup> July 2020 are set out in note 8 to the Financial Statements.

#### **Audit Committee**

15. The Audit Committee comprises four members of the Governing Body (excluding the Accounting Officer and Chair) and one co-opted with relevant experience. The Committee operates in accordance with written terms of reference approved by the Governing Body. It meets on a termly basis and provides a forum for reporting by the College’s Internal Reporting Accountants and Financial Statements auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also

receives and considers reports from the main FE funding bodies as they affect the College’s business.

16. The College’s internal auditors review the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit Committee.
17. Management is responsible for the implementation of agreed audit recommendations and for reporting to Audit Committee on their implementation.
18. The Audit Committee also advises the Governing Body on the appointment of Internal, Reporting Accountants and Financial Statements auditors and their remuneration for both audit and non-audit work, as well as reporting annually to the Governing Body.

**Governing Body Members**

19. The Governors, and the Committees on which they served during the year, were as follows:

<b>Member</b>	<b>Governor status</b>	<b>Dates of appointment</b>	<b>Term</b>	<b>Committee membership</b>	<b>Attendance</b>
Mrs N Abubacker	Co-opted Associate Independent	January 2012 April 2013 – April 2015 May 2015; Re-appointed May 2019	1 yr 3 mths 2 yrs 1 mth 4 yrsyrs 11mths	Audit (Chair from May 2015)	100%
Ms Samina Ali	Student	November 2019	1 yr		50%
Mr A Azam	Associate Independent	April 2013 April 2015 April 2020	2 yrs 4 yrs 2 yrs	F&GP	33%
Ms S Bleaney	Parent	December 2017; Retired Feb 2020	3 yrs		100%
Mrs J Chapman	Parent Independent	October 2014 July 2017	2 yrs 9 mths 4 yrs		100%
Ms P Griffin	Associate Independent	June 2012 January 2013; Re-appointed January 2017	6 mths 4 yrs; 4 yrs	Remuneration (Chair from Sept 2018)	100%
Cllr R Hopkins	Associate Independent	April 2014 April 2016; Re-appointed April 2020	2 yrs 4 yrs; 2 years	Audit	86%
Mr A Hussain	Principal	September 2018	Ex officio	F&GP; Search	100%
Mr J Kingham	Associate Independent	September 2015 September 2016; Retired August 2020	1 yr 4 yrs	F&GP	83%
Prof M Malcolm	Independent	Sept 2010 Reappointed Sept 2014 Reappointed Sept 2018	4 yrs 4 yrs 3 yrs	Audit until Jan 2012; F&GP from Jan 2012; Audit from Sept 2012 to July 2017 Chair of Corporation from July 2017	100%
Mr J McKiernan	Co-opted Independent	November 2016 - May 2019 May 2019	2 yrs 6 mths 4 yrs	Audit only from Nov 2016 Corporation since May 2019	100%
Ms T Malkani	Teaching Staff	May 2019	3 yrs		100%

<b>Member</b>	<b>Governor status</b>	<b>Dates of appointment</b>	<b>Term</b>	<b>Committee membership</b>	<b>Attendance</b>
Ms Shayna Makenji	Student	November 2019	1 yr		50%
Mr S Pryor	Co-opted Independent	September 2015 September 2016; Re-appointed September 2020	1 yr 4 yrs 3 yrs	Audit until August 2020; Chair of F&GP from September 2020	78%
Ms Z Ahmed Shoble	Student	November 2018, Retired October 2019	1 yr		100%
Mr G Wilkinson	Business Services Staff	May 2018	3 yrs	F&GP, Search	100%
Ms M Zulfikar	Student	November 2018, Retired October 2019	1 yr		0%
Mr Chris Treleaven	Co-Opted	February 2020	4 yrs	Audit	100%

20. The Clerk to the Governing Body maintains a register of financial and personal interests of the governors. The register is available for inspection at the College
21. All governors can take independent professional advice in furtherance of their duties at the College’s expense and have access to the Clerk to the Governing Body, who is responsible to the Governing Body for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Governing Body as a whole.
22. Formal agendas, papers and reports are supplied to governors in a timely manner, prior to Governing Body meetings. Briefings are also provided on an ad hoc basis.
23. The Governing Body has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Governing Body 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.
24. There is a clear division of responsibility in that the roles of the Chair and Accounting Officer are separate.

### **Governing Body Performance**

25. Governors held senior leaders to account for all aspects of the College’s performance, ensuring that the skilful and effective deployment of staff and resources delivered good or improving outcomes for students. Attendance by Governors at meetings was 89%, which is well above the national sector average for 2019-20. The quality of Governance was very high and improved due to effective leadership by the Chair and effective clerking. There was a clear and strong focus on improving student outcomes through regular monitoring of key performance indicators against agreed targets. Governors received regular reports about the progress towards the challenging targets included in the College Improvement Plan. Senior and middle leaders presented updates on progress to governors’ meetings at regular intervals. Individual governors asked challenging and perceptive questions to ascertain that good decisions were made about the use of resources to bring about improvement, as evidenced in the minutes of governors’ meetings, published on the College website. The Governing Body’s performance for 2019-20 was reviewed at the November meeting of the Search & Governance Committee as part of the annual self-assessment review, taking into consideration the governance self-assessment questionnaires. It was agreed that governance was robust and was appropriately structured to support delivery of the strategic plan and continued improvements at the College.

### **Internal Control**

#### ***Scope of Responsibility***

26. The Governing Body is ultimately responsible for the College’s system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.
27. The Governing Body has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College’s policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Funding Agreement between the College and the funding body.

28. The Accounting Officer is also responsible for reporting to the Governing Body any material weaknesses or breakdowns in internal control.

***The purpose of the system of internal control***

29. 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 provide only reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. This system of internal control has been in place in the College throughout the financial year 2019-20 and continues to be in place at the date of approval of the financial statements .

***Capacity to handle risk***

30. The Governing Body has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Governing Body is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ended 31<sup>st</sup> July 2020 and up to the date of approval of the financial statements. This process is regularly reviewed by the Governing Body.

***The risk and control framework***

31. 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.
32. The College has an internal audit service which operates in accordance with the requirements of the ESFA’s post 16 Audit Code of Practice. The College analysed the risks to which it was exposed and a programme of assurance, based on a 3-year Internal Audit Plan, was agreed with the Audit Committee. The Committee was provided with regular reports on this assurance activity in the College which included:
- Targeted internal audits in accordance with the 3-year Plan, which for 2019-20, included Nominal Ledger and Bank & Cash. The fixed asset audit has been postponed until October 2020 due to Covid.
  - Regular updates on the College Improvement Plan.
  - Termly reviews of the Risk Register and Board Assurance Framework, which clearly mapped sources of assurance against the risks identified.
33. The analysis of risks and the internal audit plans are endorsed by the Governing Body on the recommendation of the Audit Committee.

34. The targeted internal audits each produce a report for consideration by the Audit Committee and include the auditor or consultant’s independent opinion on the adequacy and effectiveness of the College’s system of risk management, controls and governance processes. These opinions are reported to, and considered by, the Governing Body.

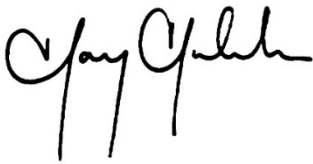
### **Review of effectiveness**

35. As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. His review of the effectiveness of the system of internal control is informed by:
- The targeted audits carried out in accordance with the 3-year Internal Audit Plan.
  - The work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework.
  - Comments made by the College’s Financial Statements Auditors and the reporting accountant for regularity assurance in their management letters and other reports.
36. 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 auditors and other sources of assurance, and a plan to address weaknesses and ensure continuous improvement of the system is in place.
37. The College maintains a College Risk Register which is reviewed termly by the Accounting Officer and Senior Leadership Team (SLT). The Risk Register is then submitted to the Audit Committee for consideration, and to the Finance & General Purposes Committee for information, before it is taken to Governing Body for approval.
38. The Accounting Officer and SLT receive reports setting out key performance and risk indicators and also consider possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training.
39. The Accounting Officer, SLT and the Audit Committee also receive regular reports on the targeted internal audits (which include recommendations for improvement) and other sources of assurance. The Audit Committee’s role in this area is confined to a high-level review of the arrangements for internal control.
40. The Governing Body’s agenda includes a regular item for consideration of risk and control and receives reports thereon from the SLT and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2020 meeting, the Governing Body carried out the annual assessment of the risk management process for the year ended 31<sup>st</sup> July 2020 by considering documentation from the SLT and internal audit and taking account of events since 31<sup>st</sup> July 2020. In 2019-20, internal audit was carried out by Wylie Bisset and covered Nominal Ledger and Banking and Cash. The fixed asset audit has been postponed until October 2020 due to Covid.
41. Based on the advice of the Audit Committee and the Accounting Officer, the Governing Body is of the opinion that the College has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for “the effective and efficient use of resources, the solvency of the institution and the safeguarding of its assets”.

**Going concern**

42. After making appropriate enquiries, the Governing Body considers that the College has adequate resources to continue in operational existence for the foreseeable future. This is based on the 2-year Financial Plan 2020-21 to 2021-22 which was considered by the Governing Body on 26<sup>th</sup> June 2020, together with details assumptions and a full sensitivity analysis, as updated by a 3-year cash flow forecast to 31<sup>st</sup> July 2023; management accounts to 31<sup>st</sup> October 2020, which were circulated to all governors in November 2020. The Funding Body confirmed in its letter to the Chair of the Governing Body dated 23 October 2020 that it assessed the College’s Financial Health Grading as *Outstanding*. For this reason, the Corporation continued to adopt the going concern basis in preparing the financial statements.

**Approved by order of the members of the Governing Body on 18 December 2020 and signed on its behalf by:**



.....  
**Mary Malcolm, Chair**



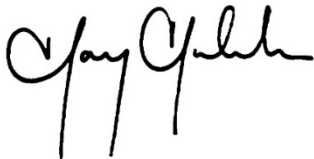
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**Altaf Hussain, Accounting Officer**



**C. Statement on Regularity, Propriety and Compliance**

1. The Governing Body has considered its responsibility to notify the Education and Skills Funding Agency of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the College’s grant funding agreements and contracts with the ESFA. As part of our consideration we have had due regard to the requirements of the grant funding agreements.
2. We confirm, on behalf of the Governing Body, that after due enquiry, and to the best of our knowledge, we are able to identify any material irregular or improper use of funds by the College, or material non-compliance with the terms and conditions of funding under the College’s grant funding agreements and contracts with the ESFA.
3. We confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the ESFA.

**Approved by order of the members of the Governing Body on 18 December 2020 and signed on its behalf by:**



.....  
**Mary Malcolm, Chair**

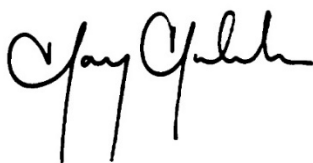


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**Altaf Hussain, Accounting Officer**

**D. Statement of Responsibilities of the Members of the Governing Body**

1. The members of the Governing Body are required to present audited Financial Statements for each financial year.
2. The law applicable to charities in England and the terms and conditions of the College’s Funding Agreement with the ESFA, the Governing Body, through its Accounting Officer, requires the Corporation of the College to prepare Financial Statements for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions, the Accounts Direction 2019-20 issued by the ESFA in accordance with UK Generally Accepted Accounting Practice (UK Accounting Standards) and which give a true and fair view of the state of affairs of the College and its result for that year.
3. In preparing the Financial Statements, the Governing Body 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.
  - Prepare Financial Statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation.
4. The Governing Body is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the College, and which enable it to ensure that the Financial Statements are prepared in accordance with the Charities Act 2011 and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.
5. The maintenance and integrity of the College website is the responsibility of the Governing Body of the College; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.
6. Members of the governing body are responsible for ensuring that funds from the ESFA are used only in accordance with the authorities that govern them as defined by and in accordance with Further and Higher Education Act 1992, subsequent legislation and related regulations and the Funding Agreement with the ESFA and other conditions that may be prescribed from time to time.

**Approved by order of the members of the Governing Body on 18 December 2020 and signed on its behalf by:**



.....  
**Mary Malcolm, Chair**

## **E. INDEPENDENT AUDITOR’S REPORT TO THE GOVERNING BODY OF LUTON SIXTH FORM COLLEGE**

### **Opinion**

We have audited the financial statements of Luton Sixth Form College (the “College”) for the year ended 31 July 2020 which comprise the college statement of comprehensive income, the college balance sheet, the college statement of changes in reserves, the college 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 College’s affairs as at 31 July 2020 and of the College’s surplus of income over expenditure for the year then ended; and
- 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 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 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 Members’ 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 Governing Body of Luton Sixth Form College**

As explained more fully in the Statement of the Governing Body’s Responsibilities set out page 24, the Governing Body 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 Governing Body 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 Governing Body is responsible for assessing the College’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Governing Body either intend to liquidate 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 Governing Body, as a body, in accordance with the Funding Agreement published by the Education and Skills Funding Agency. Our audit work has been undertaken so that we might state to the Governing Body, 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 Governing Body, as a body, for our audit work, for this report, or for the opinions we have formed.

**BUZZACOTT LLP**

Chartered Accountants and Registered Auditor  
 130 Wood Street  
 London  
 EC2V 6DL

Date: 20 January 2021

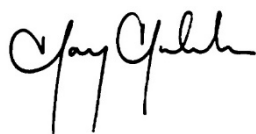
**F. Statement of Comprehensive Income for the year ended 31 July 2020**

	Notes	2020 £000s	2019 £000s
<b>INCOME</b>			
Funding body grants	2	15,604	14,471
Tuition fees and education contracts	3	4	6
Other grants and contracts	4	177	112
Other income	5	207	263
Investment income	6	53	37
Donations	7	1	1
<b>Total Income</b>		<b>16,046</b>	<b>14,890</b>
<b>EXPENDITURE</b>			
Staff costs	8	10,408	9,488
Other operating expenses	9	2,382	2,376
Depreciation	12	1,747	1,717
Interest and other finance costs	10	263	261
<b>Total Expenditure</b>		<b>14,800</b>	<b>13,842</b>
<b>Surplus before other gains and losses</b>		<b>1,246</b>	<b>1,048</b>
Loss on Disposal of Assets	12	0	0
<b>Surplus before tax</b>		<b>1,246</b>	<b>1,048</b>
Taxation	11	0	0
<b>Surplus for the year</b>		<b>1,246</b>	<b>1,048</b>
Actuarial loss in respect of pension schemes		(4,091)	(1,161)
<b>Total Comprehensive Income for the year</b>		<b>(2,845)</b>	<b>(113)</b>

**G. Balance Sheet as at 31 July 2020**

	Notes	2020 £000s	2019 £000s
<b>Fixed Assets</b>			
Tangible assets	12	<u>45,351</u>	<u>46,437</u>
		<u>45,351</u>	<u>46,437</u>
<b>Current Assets</b>			
Stock	13	20	22
Trade and other receivables	14	435	531
Investments	15	2,250	1,250
Cash and cash equivalents	20	<u>5,271</u>	<u>4,775</u>
<b>Total current assets</b>		7,976	6,578
<b>Less: Creditors – amounts falling due within one year</b>	16	<u>(2,877)</u>	<u>(3,097)</u>
<b>Net Current Assets</b>		<u>5,099</u>	<u>3,481</u>
<b>Total assets less current liabilities</b>		50,450	49,918
Creditors – amounts falling due after more than one year	17	(38,004)	(39,106)
<b>Provisions</b>			
Defined benefit pension scheme	19	<u>(9,311)</u>	<u>(4,832)</u>
<b>Total Net Assets</b>		<u>3,135</u>	<u>5,980</u>
<b>Unrestricted Reserves</b>			
Income and expenditure account		935	3,780
Revaluation reserve		<u>2,200</u>	<u>2,200</u>
<b>Total Unrestricted Reserves</b>		<u>3,135</u>	<u>5,980</u>
<b>Total Reserves</b>		<u>3,135</u>	<u>5,980</u>

The Financial Statements on pages 26-47 were approved by the Governing Body and authorised for issue on 18 December 2020 and were signed on its behalf on that date by:



.....  
Mary Malcolm  
Chair



.....  
Altaf Hussain  
Accounting Officer

## Statement of Changes in Reserves

	<u>General Reserves</u>	<u>Pension Reserves</u>	<u>Income &amp; Expenditure Account (sub-total)</u>	<u>Revaluation Reserve</u>	<u>Total</u>
<b>Balance at 31<sup>st</sup> July 2019</b>	<b>8,612</b>	<b>(4,832)</b>	<b>3,780</b>	<b>2,200</b>	<b>5,980</b>
Surplus/(Deficit) from the income and expenditure account	1,634	(388)	1,246	0	1,246
Other comprehensive income	0	(4,091)	(4,091)	0	(4,091)
<b>Total comprehensive income for the year</b>	<b>1,634</b>	<b>(4,479)</b>	<b>(2,845)</b>	<b>0</b>	<b>(2,845)</b>
<b>Balance at 31<sup>st</sup> July 2020</b>	<b>10,246</b>	<b>(9,311)</b>	<b>935</b>	<b>2,200</b>	<b>3,135</b>
<b>Balance at 31<sup>st</sup> July 2018</b>	<b>7,224</b>	<b>(3,331)</b>	<b>3,893</b>	<b>2,200</b>	<b>6,093</b>
Surplus/(Deficit) from the income and expenditure account	1,388	(340)	1,048	0	1,048
Other comprehensive income	0	(1,161)	(1,161)	0	(1,161)
<b>Total comprehensive income for the year</b>	<b>1,388</b>	<b>(1,501)</b>	<b>(113)</b>	<b>0</b>	<b>(113)</b>
<b>Balance at 31<sup>st</sup> July 2019</b>	<b>8,612</b>	<b>(4,832)</b>	<b>3,780</b>	<b>2,200</b>	<b>5,980</b>

**I. Statement of Cash flows**

	Notes	2020 £000s	2019 £000s
<b>Operating activities</b>			
Surplus for the year		1,246	1,048
<b>Adjustment for non-cash items</b>			
Depreciation		1,747	1,717
Decrease in stocks		2	6
Decrease/(Increase) in debtors		96	(178)
(Decrease)/Increase in creditors due within one year		(229)	266
(Decrease) in creditors due after one year		(932)	(1,139)
Pensions costs less contribution payable		291	253
<b>Adjustment for investing or financing activities</b>			
Investment income		(53)	(37)
Interest payable		263	261
		<u>2,431</u>	<u>2,197</u>
<b>Operating activities</b>			
<b>Investing activities</b>			
Investment income		53	37
Payments made to acquire fixed assets		(661)	(264)
New Deposits		(1,000)	0
		<u>(1,608)</u>	<u>(227)</u>
<b>Financing activities</b>			
Interest paid		(166)	(174)
Repayments of amounts borrowed		(161)	(153)
		<u>(327)</u>	<u>(327)</u>
<b>Increase in cash and cash equivalents in the year</b>			
		<u>496</u>	<u>1,643</u>
Cash and cash equivalents at beginning of the year	20	<u>4,775</u>	<u>3,132</u>
Cash and cash equivalents at the end of the year	20	<u><u>5,271</u></u>	<u><u>4,775</u></u>



## J. Notes to the Accounts

### 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 2019-20* and in accordance with Financial Reporting Standard 102 – *The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland* (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102. The Financial Statements are prepared in accordance with the historical cost convention as modified by the use of previous valuations as deemed cost at transition for certain non-current assets.

#### **Foreign currency translation**

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

#### **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 presented in the Financial Statements and accompanying Notes.

The College had £2.997m of loans outstanding at 31 July 2020 with bankers on terms negotiated in 2008. The terms of the existing agreement at 31 July 2020 are for a further 13 years (2033). 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.

Going Concern has been reviewed considering Covid, impact has been costly, but costs have been absorbed into overhead expenditure budgets and given the solid level of cash reserves of £5.3m and short term investments of £2.25m, it is reasonable to state that Covid has not impacted our assessment of going concern.

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**

##### ***Grants – government and non-government***

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

Grants (including research grants) from non-government sources are recognised in income when the College is entitled to the income and performance related conditions have been met. Income received in advance of

performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

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

#### **Other Income**

Income from tuition fees is recognised in the period for which it is received and includes all fees chargeable to students or their sponsors.

Income from the supply of services rendered is included at fair value to the extent of the completion of the contract or service concerned.

All income from short-term deposits is accrued in the period in which it is earned on a receivable basis.

#### **Retirement 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), which are multi-employer defined benefit plans.

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 the Government Actuary on the basis of valuations using a projected unit method. The TPS is a multi-employer scheme but sufficient information is not available to use defined benefit accounting and therefore it is accounted for as a defined contribution scheme, with the amount charged to the statement of comprehensive income being the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

The LGPS is a funded scheme, and the assets of the scheme are held separately. Pension schemes are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. 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. The net interest cost on the net defined benefit liability/asset is charged to comprehensive income and included within finance costs. Re-measurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on net defined benefit liability) are recognised immediately in other comprehensive income.

#### **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.

### **Tangible Fixed Assets**

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to FRS 102, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

#### Land and Buildings Depreciation

Freehold Land is not depreciated and considered to have an infinite life.

Acquired Buildings are assumed to have a useful economic life of 20-50 years unless specific conditions dictate a shorter life.

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

### **Assets under Construction**

Assets under construction are accounted for at cost, based on the value of architects’ certificates and other direct costs incurred up to 31<sup>st</sup> July in the year in question. They are not depreciated until they are brought into use.

#### Equipment

The purchase of non-IT equipment costing less than £1,000 per individual item, and IT equipment costing less than £500 per individual item, is recognised as an expense in the period of acquisition unless it forms part of a larger investment project. All other items are capitalised at cost.

#### Equipment Depreciation

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

Fixtures and Fittings	Between 10-20 years
General Equipment	5 years
Motor Vehicles	3 years
Computer Equipment	3 years

#### Capital Grants

Where any assets are acquired with the aid of specific grants, then they are capitalised and depreciated in accordance with the above policy. The related grant is accounted for as noted under “Recognition of Income” above. Where income is deferred, it is allocated between creditors due within one year and those due after more than one year.

Capital grants received towards Assets under Construction are treated in the same way, but where the income is deferred, release will not start until those assets are brought into use.

### **Leased assets**

The College has neither Finance Leases nor Hire Purchase agreements currently in force.

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. In accordance with FRS 102 which took effect from 1 August 2014, any lease premiums or incentives relating to leases are spread over the minimum lease term.

### **Stocks**

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

### **Cash and cash equivalents**

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

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

### **Financial instruments**

The College has chosen to adopt sections 11 and 12 of FRS 102 in full in respect of financial instruments.

#### *Financial assets and liabilities*

Financial assets and financial 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 obligations, rather than the financial instrument’s legal form.

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

### **Taxation**

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

The College receives no similar exemption in respect of Value Added Tax.

### **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.

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

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

### **Agency Arrangements**

The College acts as an agent in the collection and payment of Bursary Support Funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the Income and Expenditure Account, except for 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant. A summary of the receipt and use of these funds is shown in Note 28.

### **Judgements in applying accounting policies and key sources of estimation uncertainty**

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

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

### **Other key sources of estimation uncertainty**

- *Tangible Fixed Assets*

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

- *Local Government Pension Scheme*

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

	<b>2020</b> <b>£000s</b>	<b>2019</b> <b>£000s</b>
<b>Recurrent Grants</b>		
Education and Skills Funding Agency – 16-18	13,772	12,995
Releases of Government capital grants	1,138	1,138
Devolved Formula Capital Grant	128	149
Basic Maths Premium	52	62
Capacity and Delivery Funding	53	60
Teachers Pensions Grant	363	0
Free school Meals	98	67
<b>Total</b>	<b><u>15,604</u></b>	<b><u>14,471</u></b>

**3. Tuition fees and education contracts**

	<b>2020</b> <b>£000s</b>	<b>2019</b> <b>£000s</b>
Tuition fees	<u>4</u>	<u>6</u>
<b>Total</b>	<b><u>4</u></b>	<b><u>6</u></b>

**4. Other Grants and Contracts**

	<b>2020</b> <b>£000s</b>	<b>2019</b> <b>£000s</b>
Other grants and contracts	<u>177</u>	<u>112</u>
<b>Total</b>	<b><u>177</u></b>	<b><u>112</u></b>

**5. Other Income**

	<b>2020</b> <b>£000s</b>	<b>2019</b> <b>£000s</b>
Other income generating activities: catering contract	15	24
Other income generating activities: Lettings	19	28
Other income	<u>173</u>	<u>211</u>
<b>Total</b>	<b><u>207</u></b>	<b><u>263</u></b>

**6. Investment Income**

	<b>2020</b> <b>£000s</b>	<b>2019</b> <b>£000s</b>
Bank interest receivable	<u>53</u>	<u>37</u>
<b>Total</b>	<b><u>53</u></b>	<b><u>37</u></b>

**7. Donations**

	<b>2020</b> <b>£000s</b>	<b>2019</b> <b>£000s</b>
Unrestricted	1	1
<b>Total</b>	<b>1</b>	<b>1</b>

**8a. Numbers of staff by department**

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

	<b>2020</b> <b>No</b>	<b>(Restated)</b> <b>2019</b> <b>No</b>
Teaching staff	135	130
Non-teaching staff	121	118
<b>Total Number</b>	<b>256</b>	<b>248</b>

**8b. Analysis of Staff Costs for the above persons**

	<b>2020</b> <b>£000s</b>	<b>2019</b> <b>£000s</b>
Wages and salaries	7,550	7,122
Social Security costs	690	665
Apprenticeship Levy	22	21
Other pension costs (including FRS 102 adjustment of £291,000 – 2019: £253,000)	1,855	1,443
<b>Payroll Sub Total</b>	<b>10,117</b>	<b>9,251</b>
Contracted out Staffing Services	291	237
<b>Total staff costs</b>	<b>10,408</b>	<b>9,488</b>

**8c. Staff Costs**

	<b>2020</b> <b>£000s</b>	<b>2019</b> <b>£000s</b>
Teaching staff	6,320	5,492
Non-teaching staff	3,484	3,485
Apprenticeship Levy	22	21
FRS 102 retirement benefit charge	291	253
<b>Payroll Sub Total</b>	<b>10,117</b>	<b>9,251</b>
Contracted out Staffing Services	291	237
<b>Total</b>	<b>10,408</b>	<b>9,488</b>

**Severance Payments made to former post holders:**

	2020	2019
Contractual	10,000	0
Estimated value of other benefits - including provision for pension Benefits	0	0

**The severance payments were approved by the College’s Audit Committee****8d. 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 College Senior Leadership Team, (comprising the Principal, Vice Principal, Director of Curriculum, Director of Progress, Behaviour and Achievement, Director of Information & Technical Services, Director of Human Resources & Director of Finance and Operations).

**Emoluments of key management personnel, accounting officer and other high paid staff**

	2020	2019
The number of key management personnel including the accounting officer was (Inc departing FD & new Director of Finance & Ops)	<b>8</b>	<b>7</b>

The number of key management personnel, including the Accounting Officer and other staff who received annual emoluments, excluding employer contributions to National Insurance and Pension Contributions but including benefits in kind, in the following ranges was:

**Key Management Personnel**

	2020 Number	2019 Number
£10,001 to £15,000	1	
£25,001 to £30,000	1	
£45,001 to £50,000	1	1
£55,001 to £60,000		4
£60,001 to £65,000	3	
£70,001 to £75,000		1
£75,001 to £80,000	1	
£105,001 to £110,000		1
£115,001 to £120,000	1	
	<u>8</u>	<u>7</u>

Other than key management personnel, there were no staff who received annual emoluments in excess of £60,000.



The table above includes actual salaries paid to key personnel. The table reflects two members of the Senior Leadership Team working on a part time basis and one change in role during the year, the Senior Leadership Team consists of seven members, the table above counts both the departing Director of Finance and Resources and the new Director of Finance and Operations.

Key management personnel compensation are made up as follows:

	<b>2020</b> <b>£000s</b>	<b>2019</b> <b>£000s</b>
Salaries	467	472
Employer’s National Insurance	56	57
Pension contributions	101	84
	<hr/>	<hr/>
<b>Total emoluments</b>	<b>624</b>	<b>613</b>

There were no amounts due to key management personnel that were waived in the year. Salary sacrifice arrangements were in place for 2 members of staff.

The above emoluments include amounts payable to the Accounting Officer (who is also the highest paid officer). Their pay and remuneration as follows:

	<b>Total</b> <b>2020</b> <b>£000s</b>	<b>Restated</b> <b>Total</b> <b>2019</b> <b>£000s</b>
Salary	116	107
Benefits in kind	0	0
	<hr/>	<hr/>
<b>Total emoluments</b>	<b>116</b>	<b>107</b>
Pension contributions	23	21
	<hr/>	<hr/>
	<b>139</b>	<b>128</b>

There was no compensation for loss of office paid to any key management personnel.

The pension contributions in respect of the Accounting Officer and key management personnel are in respect of employer's contributions to the Teachers’ Pension Scheme and Local Government Pension Scheme and are paid at the same rate as for other employees.

No member of the Governing Body received any payment from the institution and during the year there were no travel and subsistence expenses incurred in the course of their duties (2019: nil).

The governing body has adopted the AOC’s Senior Staff Remuneration Code.

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

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

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

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Principal’s basic salary as a multiple of the median of all staff	3.12	3.92
Principal’s total remuneration as a multiple of the median of all staff	3.68	4.68

Principal’s basic salary as a multiple of the median of all staff on an FTE basis is calculated by dividing the Principal’s basic salary by the median salary of all staff on an FTE basis.

Principal’s total remuneration as a multiple of the median of all staff, is calculated by dividing the Principal’s total remuneration (salary NI & Pension) by the median salary of all staff on an FTE basis.

## 9. Other operating expenses

	<b>2020</b>	<b>2019</b>
	<b>£000s</b>	<b>£000s</b>
Teaching costs	636	723
Non-teaching costs	891	833
Premises costs	732	695
Catering	0	6
Catering contract	25	52
Free School Meals	98	67
<b>Total</b>	<b><u>2,382</u></b>	<b><u>2,376</u></b>

Other operating expenses include:

	<b>2020</b>	<b>2019</b>
	<b>£000s</b>	<b>£000s</b>
Auditors’ remuneration:		
Internal audit	3	8
Internal audit related Assurance Services	0	2
Financial Statements Audit and Regularity Assurance	14	0
Other Services provided by the Financial Statements Auditors	0	17
Hire of plant and machinery – operating leases	0	2
	41	39

The amounts shown above are exclusive of VAT.

#### 10. Interest and other finance costs

	2020 £000s	2019 £000s
On bank loans, overdrafts and other loans:	166	174
Pension finance costs (FRS 102 – see also note 23)	<u>97</u>	<u>87</u>
<b>Total</b>	<b><u>263</u></b>	<b><u>261</u></b>

#### 11. Taxation

The members do not believe that the College is liable for any Corporation Tax arising out of its activities during the current and preceding year.

#### 12. Tangible Fixed Assets

	Land and Buildings Freehold £000s	Equipment £000s	Motor Vehicles £000s	Total £000s
<b>Cost or valuation</b>				
At 1 August 2019	54,412	8,581	25	63,018
Additions	-	661	-	661
Disposals	-	(230)	-	(230)
At 31 July 2019	<u>54,412</u>	<u>9,012</u>	<u>25</u>	<u>63,449</u>
<b>Depreciation</b>				
At 1 August 2019	9,199	7,361	21	16,581
Charge for the year	1,052	691	4	1,747
Elimination in respect of disposals	-	(230)	-	(230)
At 31 July 2020	<u>10,251</u>	<u>7,822</u>	<u>25</u>	<u>18,098</u>
<b>Net Book Value at 31 July 2020</b>	<b><u>44,161</u></b>	<b><u>1,190</u></b>	<b><u>0</u></b>	<b><u>45,351</u></b>
Net Book Value at 31 July 2019	<u>45,213</u>	<u>1,220</u>	<u>4</u>	<u>46,437</u>

Land and Buildings includes land valued at £2.2 million inherited from the Local Education Authority on incorporation in 1992. Buildings are shown at cost less depreciation.

Land and buildings with a net book value of £45,213,000 have been partly financed by exchequer funds, through the receipt of capital grants. Should these assets be sold, the College may be liable, under the terms of the Funding Agreement with the funding body, to surrender part of the proceeds.

### 13. Stock

	2020 £000s	2019 £000s
Stationery & IT consumables	20	22
<b>Total</b>	<b>20</b>	<b>22</b>

### 14. Debtors

	2020 £000s	2019 £000s
Amounts falling due within one year:		
Trade receivables	42	132
Prepayments and accrued income	393	399
<b>Total</b>	<b>435</b>	<b>531</b>

### 15. Current investments

	2020 £000s	2019 £000s
Short term deposits	2,250	1,250
<b>Total</b>	<b>2,250</b>	<b>1,250</b>

Deposits are held with banks and building societies operating in the London market and licensed by the Financial Conduct Authority with more than three months to maturity at the balance sheet date. The interest rates for these deposits are fixed for the duration of the deposit at time of placement.

### 16. Creditors: Amounts falling due within one year

	2020 £000s	2019 £000s
Bank loans	169	160
Trade payables	305	253
Employee leave accruals	647	589
Accruals and deferred income	166	145
Taxation and social security	379	388
Deferred income – government capital grants	932	1,138
Deferred income – government revenue grants	279	424
<b>Total</b>	<b>2,877</b>	<b>3,097</b>

**17. Creditors: Amounts falling due after one year**

	<b>2020</b> <b>£000s</b>	<b>2019</b> <b>£000s</b>
Bank loans	2,828	2,998
Deferred income – government capital grants	35,176	36,108
<b>Total</b>	<b>38,004</b>	<b>39,106</b>

**18. Maturity of debt**

	<b>2020</b> <b>£000s</b>	<b>2019</b> <b>£000s</b>
<b>Bank loans</b>		
Bank loans are repayable as follows:		
In one year or less	169	160
Between one and two years	179	170
Between two and five years	818	566
In five years or more	1,831	2,262
<b>Total</b>	<b>2,997</b>	<b>3,158</b>

The College currently has one long term loan which was taken out on 2 January 2009 to fund the New College Project. It carries a fixed interest rate of 5.37% and is unsecured. Repayments commenced in July 2011 and finish in April 2033. The outstanding balance at 31 July 2020 was £2,997,437. The College’s financial instruments have been reviewed and the College is satisfied that all should be classified as “basic” within the terms of FRS 102.

**19. Provision for liabilities**

The only provision is for defined benefit obligations relating to the liabilities under the College’s membership of the Local Government Pension Scheme. Further details are given in Note 23.

	<b>2020</b> <b>£000s</b>	<b>2019</b> <b>£000s</b>
At 1 August 2019	4,832	3,331
Utilised in the year	(388)	(340)
Additional provision in the year	4,867	1,841
<b>At 31 July 2020</b>	<b>9,311</b>	<b>4,832</b>

**20. Cash and cash equivalents**

	At 1 August 2019 £000s	Cash flows £000s	Other changes £000s	At 31 July 2020 £000s
Cash and cash equivalents	4,775	496	-	5,271
<b>Total</b>	<b>4,775</b>	<b>496</b>	<b>-</b>	<b>5,271</b>

**21. Retirement Benefits**

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;  
or
- The Local Government Pension Scheme (LGPS) for non-teaching staff, which is administered by Bedford Borough Council.

Both are multi-employer defined-benefit plans.

**Total pension cost for the year**

	2020 £000s	2019 £000s
<b>Teachers’ Pension Scheme:</b>		
Contributions paid	1,078	736
<b>Local Government Pension Scheme:</b>		
Contributions paid (inc lump sum £90,573 (2019: £114,000))	456	451
FRS 102 (28) charge	291	253
Charge to the Statement of Comprehensive Income	747	704
Enhanced pension charge to Statement of Comprehensive Income	30	3
<b>Total pension cost for the year within staff costs</b>	<b>1,855</b>	<b>1,443</b>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31<sup>st</sup> March 2016 and of the LGPS, 31<sup>st</sup> March 2019.

Contributions amounting to £134,858 (TPS) and £39,572 (LGPS) (2019: £98,005 (TPS) and £37,158 (LGPS)) were outstanding at 31 July 2020 and are included in creditors.

**22. 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, and 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 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 Pensions (Valuations and Employer Cost Cap) Directions 2014 except it has been prepared following the Government’s decision to pause operation of the cost control mechanisms at the time when legal challenges were still pending. Valuations credit the teachers’ pension account with a real rate return assuming funds are invested in notional investments that produce that real rate of return.

The latest actuarial valuation was carried out as at 31<sup>st</sup> 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 £196 billion giving a notional past service deficit of £22 billion and discount rate is 2.8% in excess of CPI.

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

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

The pension cost paid to TPS in the year amounted to £1,078,495 (2019: £735,732).

### **23. Local Government Pension Scheme**

The LGPS is a funded defined-benefit scheme, with assets held in separate trustee-administered funds, administered by Bedford Borough Council. Including lump sums, the total contributions made for the year ended 31<sup>st</sup> July 2020 were £576,978 (2019: £564,000), of which employer’s contributions totalled £455,665 (2019: 451,000) and employees’ contributions totalled £121,313 (2019: £113,000).

The employer’s contribution rate remained at 19.4% during the year. Rates range from 5.5% to 10.5% for employees, depending on salary.

The current valuation does not reflect the expected increase in benefits and therefore liability as a result of Guaranteed Minimum Pension (‘GMP’) equalisation between men and women which is required as a result of the removal of the Additional State Pension. Methodologies for a long-term solution are still being investigated by the Government as set out in the published (January 2019) outcome of the Government Consultation ‘Indexation and Equalisation of GMP in Public Sector Pensions Schemes’ and therefore the expected impact cannot be reliably estimated and consequently no provision/liability has been recognised.

**Principal Actuarial Assumptions**

The following information is based upon a full actuarial valuation of the fund at 31<sup>st</sup> March 2016 updated to 31<sup>st</sup> July 2019 by a qualified independent actuary.

	<b>31 July 2020</b>	<b>31 July 2019</b>
Rate of increase in salaries	3.3%	2.7%
Future pensions increase	2.3%	2.4%
Discount rate for liabilities	1.4%	2.1%
Commutation of pensions to lump sums		
- for service pre-April 2008	50%	50%
- for service post-April 2008	75%	75%

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

	<b>31 July 2020</b>	<b>31 July 2019</b>
<i>Retiring today</i>		
Males	22.2 years	20.7 years
Females	24.3 years	23.2 years
<i>Retiring in 20 years</i>		
Males	23.4 years	21.7 years
Females	26.1 years	24.7 years

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

	<b>31 July 2020</b>	<b>31 July 2019</b>
	<b>Fair</b>	<b>Fair</b>
	<b>Value</b>	<b>Value</b>
	<b>£000s</b>	<b>£000s</b>
Equity instruments	7,965	8,005
Debt instruments	1,888	1,826
Property	1,110	1,131
Cash	704	526
<b>Total fair value of plan assets</b>	<b><u>11,667</u></b>	<b><u>11,488</u></b>
<b>Actual return on plan assets</b>	<b>(412)</b>	<b>233</b>



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

	<b>2020</b>	<b>2019</b>
	<b>£000s</b>	<b>£000s</b>
<b>Amounts included in staff costs</b>		
Current service cost	747	610
	<u>747</u>	<u>610</u>
<b>Total</b>	<u><u>747</u></u>	<u><u>610</u></u>
<b>Amounts included in Interest and Other Finance Costs</b>		
Net interest cost	97	87
	<u>97</u>	<u>87</u>
<b>Total</b>	<u><u>97</u></u>	<u><u>87</u></u>
<b>Amounts included in Other Comprehensive Income</b>		
Return on pension plan assets	(412)	233
Experience gains and losses arising on defined benefit Obligations	(316)	0
Other actuarial gains/(losses) on assets	91	0
Changes in demographic assumption	(774)	613
Changes in assumptions underlying the present value of plan liabilities	(2,680)	(2,007)
	<u>(2,680)</u>	<u>(2,007)</u>
<b>Amount recognised in Other Comprehensive Income</b>	<u><u>(4,091)</u></u>	<u><u>(1,161)</u></u>

**Asset and Liability Reconciliation**

	<b>2020</b>	<b>2019</b>
	<b>£000s</b>	<b>£000s</b>
<b>Changes in the present value of defined benefit obligations</b>		
<b>Defined benefit obligations at start of period</b>	16,320	14,017
Current service cost	747	610
Interest cost	341	388
Contributions by Scheme participants	120	113
Experience gains and losses on defined benefit obligations	316	0
Changes in financial assumptions	2,680	2,007
Changes in demographic assumption	774	(613)
Liabilities assumed/(extinguished) on settlements	0	(37)
Past service costs, including curtailments	0	56
Estimated benefits paid	(320)	(221)
	<u>(320)</u>	<u>(221)</u>
<b>Defined benefit obligations at end of period</b>	<u><u>20,978</u></u>	<u><u>16,320</u></u>

**Changes in fair value of plan assets**

<b>Fair value of plan assets at start of period</b>	11,488	10,686
Interest on plan assets	244	301
Return on plan assets	(412)	233
Administration expense	(10)	(40)
Employer contributions	466	448
Contributions by Scheme participants	120	113
Estimated benefits paid	(320)	(221)
Settlement prices received/(paid)	91	(32)
	<u>11,667</u>	<u>11,488</u>

**24. Post-balance sheet events**

There are no post balance sheet events.

**25. Capital commitments**

	<b>2020</b>	<b>2019</b>
	<b>£000s</b>	<b>£000s</b>
Commitments contracted for at 31 July	<u>245</u>	<u>436</u>

**26. Lease obligations**

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

	<b>2020</b>	<b>2019</b>
	<b>£000s</b>	<b>£000s</b>
Payable within one year	42	41
Payable within two and five years inclusive	<u>31</u>	<u>66</u>
	<u><b>73</b></u>	<u><b>107</b></u>

**27. Contingent liabilities**

The College is not aware of any contingent liabilities.

**28. Learner support funds**

	<b>2020</b>	<b>2019</b>
	<b>£000s</b>	<b>Restated £000s</b>
<b>Amount disbursed as agent:</b>		
Opening balance as at 1 August	40	76
Funding Body Grant - Bursary	471	457
Interest earned	<u>2</u>	<u>2</u>
	513	535
Disbursed to students - Bursary	(489)	(474)
Administration costs	<u>(22)</u>	<u>(21)</u>
<b>Balance unspent as at 31 July, included in Creditors</b>	<u><b>2</b></u>	<u><b>40</b></u>

Funding body grants are available solely for students.

The College only acts as a paying agent and so the grants and related disbursements are excluded from the Statement of Comprehensive Income.

**29. Related Party Transactions**

Owing to the nature of the College’s operations and the composition of the board of governors, being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. In accordance with the College’s financial regulations and normal procurement procedures, governors are required to keep the College informed of any circumstances that may give rise to a conflict of interest in their dealings with the College.

No governor has received any remuneration or waived any payment from the College during the year (2019-20 was none).

## **INDEPENDENT REPORTING ACCOUNTANT’S REPORT ON REGULARITY TO THE CORPORATION OF LUTON SIXTH FORM COLLEGE AND THE SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE EDUCATION AND SKILLS FUNDING AGENCY**

In accordance with the terms of our engagement letter dated 30<sup>th</sup> October 2020 and further to the requirements of funding in the ESFA’s grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Luton Sixth Form College during the period 1 August 2019 to 31 July 2020 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post 16 Audit Code of Practice (“the Code”) issued by the ESFA and in any relevant conditions of funding concerning adult education notified by a relevant funder. 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 Department has other assurance arrangements in place.

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

### **Respective responsibilities of Luton Sixth Form College and the reporting accountant**

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

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

### **Approach**

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

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

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

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

The work undertaken to draw to our conclusion includes:

An assessment of the risk of material irregularity and impropriety across all of the College’s activities; Further testing and review of self-assessment questionnaire including enquiry, identification of control processes and examination of supporting evidence across all areas identified as well as additional verification work where considered necessary; and Consideration of evidence obtained through the work detailed above and the work completed as part of our financial statements audit in order to support the regularity conclusion.

### **Conclusion**

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2019 to 31 July 2020, has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



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20 January 2021