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Reference and administrative details**Governing Body**

A full list of Governors is given on pages 12 and 13 of these financial statements.

Clerk

In September 2020, the Clerk to Governors, Catherine Shaw, left the College following a period of absence. Interim clerking arrangements were put in place until a permanent replacement, Ruth Potter, was appointed with effect from 1 April 2021.

Key management personnel

Key management personnel are defined as members of the Corporate Management Team and were represented by the following in 2020/21:

Mike Hill; Principal, Accounting officer
Michelle Williams; Vice Principal (Strategy & Resources)
Karl Smith; Vice Principal (Curriculum & Quality)
Charles Burton; Assistant Principal (Curriculum)
Janet Gater; Assistant Principal (Student Achievement)

Professional advisers**Financial statements auditors and reporting accountants:**

Murray Smith LLP
Darland House
44 Winnington Hill
Northwich
CW8 1AU

Internal auditors:

Wylie & Bisset LLP
168 Bath Street
Glasgow
G2 4TP

Bankers:

Barclays Bank PLC
1st Floor
3 Hardman Street
Spinningfields
Manchester
M3 3HF

Solicitors:

Cook Lawyers
Manchester Business Park
3000 Aviator Way
Manchester M22 5TG

Report of the Governing Body**Objectives and Strategy**

The Governing Body present their report together with the financial statements and auditor's report for the year ended 31 July 2021.

Legal Status

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

The College adheres to the Instrument and Articles as prescribed by the Archdiocese of Liverpool (March 2015).

From April 2010 Carmel College has been formally designated as a Sixth Form College and was initially designated under the Initial Sixth Form College Corporation Designation (England) Order 2010.

Mission

Carmel College is committed to developing and sustaining all courses and services in a caring and Christian environment. Its Mission is:

“to be a centre of educational excellence, opportunity, challenge and support within a caring, Christian environment”

“A Catholic College for the Community”

The mission is regularly reviewed as part of the college Strategic Planning process.

Strategy

In December 2017 the College extended the adopted strategic plan for the period 2017-2021 to 2022. This plan is updated each year by the development of an annual operating plan. The strategic plan includes a commentary of the environment in which the College operates and the under-pinning Strategic Aims that drive the annual plans of the college. The College management team and Governing Body monitor the performance of the College against these plans.

Strategic Aim 1 Challenge Students and Yourself

To enable all members of the college community to continuously strive to achieve the best possible academic and personal outcomes in the context of an ever changing educational and political landscape.

Strategic Aim 2 Maintain Outstanding Value Added

To maintain quality of provision by sustaining the college position in the in the top 10% of providers nationally.

Strategic Aim 3 Marketing and Liaison

To promote the college to prospective students to enable learners from a wide catchment area to access a high quality post-16 offer, and to raise the profile of Carmel College on a regional and national stage.

Strategic Aim 4 Teaching, Learning and Assessment

To deliver highly effective teaching that enables all students to make substantial and rapid progress.

Strategic Aim 5 Refine the Curriculum offer

To offer a range of high quality, relevant courses to meet the needs of individual learners and address the identified skills needed to provide a highly skilled and versatile workforce.

Strategic Aim 6 Maintain financial Stability

To support the continuation of an outstanding quality education in a value for money environment, continuing to maintain good financial health.

Strategic Aim 7 Maintain and promote the Catholic identity of the college

All members of the college community to live the mission of the College.

Detail of the strategic objective performance may be found in the annual operating plan review.

Financial objectives

The College's financial objectives (Strategic Aim 6) are:

- Maximise the college's efficiency in terms of finance and resources and continue to identify and procure alternative funding streams
- Continue to develop and explore partnerships within the Archdiocese and local community
- Maintain a sound financial base
- To maintain the provision of a viable outstanding sixth form option for the local community

The planning process to compile the Strategic Plan 2022 onwards will culminate in approval of the Strategy at the December 2021 meeting of the Full Governing Body.

Resources

The College has a range of resources that it can deploy in pursuit of its strategic objectives.

The College employed 208 people (expressed as headcount), of whom 102 were teaching staff.

The college enrolled 1,889 16-to-18 year-old students and 288 HE students.

The College has £1,420k of net assets (inclusive of £6,954k pension liability) and long term debt of £2,501k.

The College site has outstanding accommodation from which to deliver education. Further development will be implemented as part of the property strategy 2021 in order to ensure all parts of the estate remain fit for purpose and comply with legislative requirements. In particular the college is refurbishing an existing building to create a T level delivery base at a cost of £740k to be 50% funded by the college and the Department for Education.

The College has an outstanding reputation locally and nationally. Maintaining a quality brand is essential for the College's success at attracting students and external relationships. Relationships with other partners remain strong: in particular, 11-16 High Schools, and other providers across the Archdiocese, Maple Group and Catholic sixth form colleges. The Principal represents the college nationally as a member of the Principal's Reference Group. Locally the Principal is a member of the St. Helens Association of Secondary Head Teachers and the college is an Ambassador for the town.

Stakeholders

Carmel College has many stakeholders. These include:

- Current, past and present students
- Staff and their trade unions. The senior management team are named on page 2. The trade unions of which Carmel staff are members are Unison, GMB, NEU and NASUWT and ASCL.
- Education sector funding bodies and the FE Commissioner
- The Archdiocese of Liverpool
- Partner schools and HE partners
- St Helens Local Authority, Liverpool Combined Authority and Local Enterprise Partnership
- Local employers (with specific links)
- SFCA
- The local community

The College recognises the importance of these relationships and engages in regular communication with them via a variety of methods including the College internet and intranet and regular meetings.

Public Benefit

Carmel College is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Governing Body, who act on appointment of the trustees of the charity, are disclosed on pages 12 and 13. In setting and reviewing the college's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education.

In delivering its mission, the College provides the following identifiable public benefits through the advancement of education to 2,177 enrolled students including 33 students with high needs:

- High-quality teaching
- Excellent results and value added for students from all backgrounds
- Excellent student progression to Higher Education, employment and apprenticeships
- Strong guidance and welfare support for students
- Links with local partners and Liverpool City Region

The college is committed to providing information, advice and guidance to the students it enrolls and to finding suitable courses for as many students as possible.

Development and Performance**Financial results**

The College generated a deficit from operations of £(64)k (2019/20: deficit of £(684)k), with total comprehensive income of £454k (2019/20: £(1,386)k). This is an improving financial position resulting mainly from a less negative impact of the actuarial pension valuation. The annual actuarial pension valuation is however, a significant adverse effect (£442k) on the financial out-turn.

The college received 85% of its total income for 2020/21 as grants from funding bodies, the majority from the Education and Skills Funding Agency for the delivery of 16-18 provision.

The colleges' main asset is the accumulated cash balance that will be used for future investment in college infrastructure.

The college does not have freehold of the land and building which is owned by the Archdiocese of Liverpool.

Cash flows and liquidity

At £1,238k (2019/2020 £530k), operating cash in-flow is good and improved from prior years, resulting in an overall increased cash balance of £2,627k.

The College is servicing a long-term borrowing agreement currently at a value of £2,501k initially introduced to finance a capital build programme.

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.

The College has stable cash balances in excess of £2m in the approved two-year financial forecast. These values may change should there be further investment in buildings or equipment. Surplus funds are invested in bank term deposits spread across two institutions.

Developments

The College continued to implement the property strategy of investment in planned maintenance, access audit projects and equipment to support teaching and learning of £308k capital expenditure during the year.

Reserves

The College has accumulated reserves of £1,420k and cash balances of £2,627k. The College plans to use any accumulated reserves and cash balances to maintain a sound financial base to underpin its continuing operations and for the implementation of any approved future capital developments to ensure that the quality of the facilities offered to students continues to be of the highest standard.

Sources of Income

The College places significant reliance on the government funding agencies (Education and Skills Funding Agency) for its principal funding source, largely from recurrent grants. In 2020/21 the main government funding body provided 85.2% of the College's total income.

Future Prospects**Developments**

The college plans to modify the range of courses offered to prospective students to ensure that students are properly equipped to meet prospective economic requirements; this includes active planning for the delivery of T levels.

Capital schemes to meet the delivery of future T levels, HE and third-party user requirements are planned to improve the efficiency and community resources use of the estate.

Financial plan

The college governors approved a financial plan in June 2021 setting the financial objectives of the college for the period to 2023. The college aims to improve its financial health rating from Good to Outstanding and plans to achieve a surplus in the year to July 2022.

The college planned to maintain student numbers at increased then steady levels for the coming years.

Treasury policies and objectives

The college has treasury management arrangements in place to manage cash flows, banking arrangements, and the risks associated with those activities.

All borrowing (including short term loans for temporary revenue purposes) requires the authorisation of the Governing Body and shall comply with the requirements of the funding agreement.

Reserves

The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation, and ensures that there are adequate reserves to support the College's core activities. As at the balance sheet date the Income and Expenditure reserve stands at £44k (2020: £(472)k). It is the Governing Body's intention to maintain reserves over the life of the strategic plan through the generation of annual operating surpluses.

Principal Risks and Uncertainties**Risk Management**

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

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

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

COVID-19

The college was required to partially close during the lockdown. All learners including those categorised as vulnerable were supported virtually and the college was able to continue to deliver the curriculum to the majority of students.

A comprehensive 'live' risk assessment is in place and the college remained open to all students on a revised COVID management timetable for the majority of the year.

There have been some irrecoverable additional costs directly attributable to the management of COVID-19, however, savings have been achieved in other areas.

The risk of COVID-19 are mitigated by:

- Adherence to and scrutiny of risk assessment
- Increased focus on Health and Safety management
- Significant engagement with external advisors to adhere to best practice
- Engagement with local partners to be part of and contribute to local management solutions

Government funding policy

The College has considerable reliance on continued government funding through the education sector funding bodies and external University partners. In 2020/21, the majority of the College's revenue was ultimately public funded 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.

The College is aware of the following issue which may impact on future funding.

- The post-16 funding rate per student
- The Comprehensive Spending Review due in Autumn will announce any proposed adjustment to the education budget which in turn will lead to funding allocations for students in sixth form education.

These risks are mitigated:

- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies.
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding.
- Annual review of the financial cost model of the College to maintain operations despite the planned reduction in income.

Competition

All providers of post-sixteen education are faced with similar threats to funding. A consequence of this is providers are competing more fiercely for students wishing to study in the post 16 sector. College recruitment has been maintained for the coming year.

The risk of competition is mitigated by:

- Maintenance of excellent college results
- High quality and focussed marketing
- Comprehensive liaison programme

Failure to maintain the financial viability of the college

The College's current financial health grade is classified as Good. Notwithstanding that, the continuing challenge to the College's financial position remains the constraint on further education funding arising from the planned restraint in public sector spending, whilst maintaining the student experience.

This risk is mitigated in a number of ways:

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

Maintenance of adequate funding of pension liabilities

The financial statements report the share of the Local Government pension scheme deficit on the College's balance sheet in line with the requirements of FRS102 at the date of the financial statements. The annual valuation has had a significant negative impact on the published out-turn position of the college for three consecutive years. The valuation and the impact of it is beyond the control of the college.

The risk is mitigated by:

- Clear explanation to the stakeholders of the annual impact
- Strong relationships with partners to ensure the adverse impact is understood

Key Performance Indicators

Financial health

The College financial health plan grading remained Good; despite the constraint on the level of funding and increased cost of operating – particularly of costs associated with staffing.

Student Numbers

In 2020/21 the College has delivered activity that would attract £8,498k funding body main allocation funding (2019/20 - £7,584k). College enrolment was 1,889 students against a target of 1,788 students (2019/20 1,759).

Student Achievements

The examination series for 2020/21 was withdrawn due to the national COVID pandemic. Students were awarded Teacher Assessed Grades. The Level 3 results are:

A*-B / D*-M: 66.1% (2020: 70.7%) (2019: 55.6%) (2018: 54.2%)

A*-C / D*-M: 86.7% (2020: 91.1%) (2019: 79.3%) (2018: 80.7%)

A*-E / D*-P: 99.4% (2020:100%) (2019: 98.6%) (2018: 98.2%)

Value added

The value-added score for the College will be disregarded as evidence of College outcomes due to the award of Teacher Assessed Grades rather than student examination results. This information will only to be used as information and for monitoring purposes for the academic year 2021-22. It cannot be used for judgment on performance.

Staff and Student Involvement

The College believes good communication with staff and students to be very important. There is an effective communication strategy, which includes staff briefings, regular team meetings and a termly update/training programme. The College consults with staff in a variety of ways such as, staff voice focus groups, specific meetings and annual climate survey. Formal representation of staff is through the recognised trade unions. In addition, staff are able to elect a staff Governor. There is also a daily student and college reflection, student representation on the Governing Body, and a Student Council. Each year students are invited to give feedback to the College through enrolment, induction, student voice and learner satisfaction surveys.

Payment Performance

The Late Payment of Commercial Debts (Interest) Act 1998, in the absence of agreement to the contrary, requires organisations 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. During the accounting period 1 August 2020 to 31 July 2021, the College paid 79% of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

Equality and Diversity**Equality**

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

The College operates an Equality and Diversity Committee to ensure compliance with all relevant equality legislation including the Equality Act 2010. The College undertakes equality impact assessments on all new policies and procedures and publishes the results. Equality impact assessments are also undertaken for existing policies and procedures on a prioritised basis. The College has 'E & D Champions' to promote and represent the interests of members of the college for each protected characteristic.

The College is a 'Positive about Disabled' employer and has committed to the principles and objectives of the Positive about Disabled standard. The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. 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, as far as possible, provide identical opportunities to those of non-disabled employees.

The College has an Equality and Diversity staff training programme which all staff attend on an annual basis. Training for new staff is implemented on an on-going basis.

Disability Statement

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

- As part of its property strategy the College regularly reviews its access audit. Experts in this field advise on measures to be implemented to maintain full access.
- The College has a Learning Support Manager who provides information, advice and arranges individual support where necessary for students with disabilities.
- There is a list of specialist equipment which the College can make available for use by students and a range of assistive technology is available across the College.
- The admissions policy for all students is available on the college website. Appeals against a decision not to offer a place are dealt with under the complaints policy.
- The College has invested in the appointment of specialist staff to support students with learning difficulties and/or disabilities. There are a number of study support tutors and classroom assistants who provide a variety of support for learning.
- There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
- Specialist programmes are described in the prospectus, and achievements and destinations are recorded and published in the standard college format.
- Counselling and welfare services are described in the College student guide and are promoted to students at induction.

Trade Union facility time

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

Total number of trade union representatives employed	1	Fte employee no.	0.8
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Percentage of time	
0%	0
1 – 50%	1.6
51 – 99%	0
100%	0

Total cost facility time £32.99 p/h	£594
Total pay bill	£8.4m
Percentage of total bill spent on facility time	0

Going concern

After making appropriate enquiries, the governing body considers that the college has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Events after the reporting period

At the date of the report there are no significant post balance sheet events to report.

Disclosure of information to auditors

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

Approved by the members of the Governing Body on 7th December 2021 and signed on its behalf by:

DocuSigned by:

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Helen Stevenson
Chair of Governing Body

Governance Statement

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1st August 2020 to 31st July 2021 and up to the date of approval of the annual report and financial statements.

Governance Code

The College endeavours to conduct its business:

- i. In accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii. having due regard to the UK Corporate Governance Code 2018 insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance. 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.

In the opinion of the Governors, the College complies with the provisions of the Code as described, and it has complied throughout the year ended 31 July 2021. 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.

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.

Members of the Governing Body

The members who served on the Governing Body during the year and **up to the date of signature of this report** are listed in the table

Name	Date of Appointment	Term of Office	Status	Committee Membership	Attendance 2020-21		Notes
					Committee	Board	
Kay Arrowsmith	1 Sept 2017	4 years	Staff Governor	Quality and Standards	75%	100%	Term of office ended on 31 August 2021
Holly Caldwell	1 July 2020	1 year	Student Governor	Quality and Standards	0%	75%	Term of office ended on 30 June 2021
Mark Dawson	1 July 2021	4 years	Parent Governor	Quality and Standards			No 2020-21 meetings held since date of appointment
Michelle Dutton	1 April 2021	4 years	Associate member	Audit	100%		Resignation submitted on 31 October 2021
John Fogarty	1 Jan 2003 Reappointed 1 Jan 2007 1 Jan 2011 1 Jan 2015 1 Jan 2019	4 years	Foundation Governor	Chair of Finance and Resources Chair of Remuneration	100% 100%	100%	
Mark Harvey	1 Apr 2015 1 Apr 2019	4 years 4 years	Parent Governor Foundation Governor	Audit	100%	75%	
Michael Hill	22 August 2016	Ex officio	Principal	Finance and Resources Quality and Standards Remuneration Search	100% 100% 100% 100%	100%	
Susan Jarvis	1 July 2019	4 years	Co-Opted Governor	Audit	100%	50%	
Andrew Jones	1 April 2017 Reappointed 1 April 2021	4 years	Co-Opted Governor	Chair of Audit Remuneration	100% 100%	100%	
David Lawson	1 July 2019	4 years	Foundation Governor	Quality and Standards	75%	50%	Resignation submitted on 20 October 2021

Oliver Maddock	1 July 2017	1 year	Student Governor Associate Member Foundation Governor	Chair of Search	100%	100%	
	1 July 2018	1 year <i>(superseded by Equ. Gov appointment)</i>		Quality and Standards	100%		
	1 Apr 2019	4 years		Remuneration	100%		
Michael Martin	1 March 2018	4 years	Foundation Governor	Chair of Quality and Standards	100%	100%	Vice Chair of Governors Acting Chair of Governors from 28 May to 31 August 2021
				Remuneration	100%		
				Search	100%		
Tracy Mawson	1 Feb 2019	4 years	Co-Opted Governor	Finance and Resources	100%	100%	
Thomas Mitchell	1 March 2018	4 years	Foundation Governor	Quality and Standards	50%	75%	
Conal Neafcy	1 July 2019	4 years	Foundation Governor	Finance and Resources	0%	25%	
Paul Rooney	1 September 2017	4 years	Foundation Governor	Quality and Standards	75%	100%	Resignation submitted on 26 May 2021 Chair of Governors until 26 May 2021
				Remuneration	66%		
				Search	100%		
Andrew Rannard	1 Feb 2019	4 years	Foundation Governor	Finance and Resources	100%	75%	
Sarah Savage	1 September 2021	4 years	Staff Governor	Quality and Standards			No 2020-21 meetings held since date of appointment
Naheem Shafiq	1 July 2019	4 years	Associate Member	Finance and Resources	50%		
Helen Stevenson	29 June 2021	4 years	Foundation Governor			100%	Chair of Governors from 1 September 2021
Katelyn Willock	1 July 2021	1 year	Student Governor	Quality and Standards			No 2020-21 meetings held since date of appointment
Acting Clerk to the Governing Body up to 31 March 2021 This role was shared between Kathryn O'Hara (Executive Coordinator) and Lesley Campbell Hunter (Independent Clerk).							
Clerk to the Governing Body from 1 April 2021 The independent Clerk to the Governing Body was Ruth Potter.							

The Governance Framework

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

The Governing Body is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Governing Body meets each term (four times in each academic year).

The Governing Body conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Governing Body. These committees are Finance and Resources, Quality and Standards, Remuneration, Search and Audit. Full minutes of all meetings, except those deemed to be confidential by the Governing Body, are available on the College's website at www.carmel.ac.uk or from the Clerk to the Governing Body at:

Carmel College
Prescot Road
St. Helens
Merseyside
WA10 3AG

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 above address.

All governors are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Clerk to the Governing Body, who is responsible to the Board for ensuring

that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Governing Body as a whole.

Formal agendas, papers and reports are supplied to governors in a timely manner, prior to Board meetings. Briefings are provided on an ad hoc basis.

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 judgment.

There is a clear division of responsibility in that the roles of the Chair of the Governing Body and Principal of the College (Accounting Officer) are separate.

A number of meetings were cancelled at the initial introduction of the COVID-19 national lockdown. The conditions applied to the operation of meetings were updated to allow virtual meetings to be held using the appropriate technology, and the business of the meetings missed was transferred to the following scheduled meeting dates. A specific series of Chairs meetings was convened on a working party meeting basis to ensure clear communication regarding the college operation with respect to COVID-19. Procurement Policy Notices were applied with respect to two contracts; catering and transport.

Appointments to the Governing Body

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

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

Governing Body Performance

The Governing Body did not carry out a self-assessment of performance for 2020-21 in the usual format, there was, however, an external review of board performance conducted in the Summer Term (ETF Board Review). The action plan arising from the external review of board performance will be monitored and used to formulate the contents of the Governance self-assessment review for the year ahead.

Remuneration Committee

Throughout the year ending 31 July 2021, the College's Remuneration Committee comprised three members of the Governing Body. The committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal as Accounting Officer, and other senior post-holders.

Details of remuneration for the year ended 31 July 2021 are set out in note 7 of the financial statements.

Audit Committee

The Audit Committee comprises four (three for part of the year) members of the Governing Body (excluding the Principal and Chair). The committee operates in accordance with written terms of reference approved by the Governing Body.

The Audit Committee meets four times in each academic year and provides a forum for reporting by the College's internal auditors, 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 funding bodies, as they affect the College's business.

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

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

The Audit Committee also advises the Governing Body on the appointment of internal auditors, 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.

The Audit Committee met four times in the year to 31 July 2021. The members of the committee and their attendance records are shown below:

Committee member	Meetings attended
Andrew Jones	4
Susan Jarvis	4
Mark Harvey	4
Michelle Dutton	1 of 1

Quality and Standards Committee

The Quality and Standards Committee operates in accordance with written terms of reference approved by the Governing Body. Its purpose is to advise the Governing Body on the adequacy and effectiveness of the College systems to effectively manage the quality of education.

The Quality and Standards Committee meets four times each academic year and provides a forum for reporting by the College's quality managers.

Finance and Resources Committee

The Finance and Resources Committee operates in accordance with written terms of reference approved by the Governing Body. Its purpose is to provide guidance, support and assistance to the Principal and the Governing Body in all matters relating to budgeting, finance, and resourcing of the college.

The Finance and Resources Committee meets four times each academic year and provides a forum for reporting by the College's finance and resource managers.

Internal Control

Scope of responsibility

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.

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 Carmel College and the funding bodies. He 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

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of college policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Carmel College throughout the year ended 31 July 2021 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

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 ending 31 July 2021 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Governing Body.

The risk and control framework

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

- comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Governing Body
- regular reviews by the Governing Body of periodic and annual financial reports which indicate financial performance against forecasts
- setting targets to measure financial and other performance
- clearly defined capital investment control guidelines
- the adoption of formal project management disciplines, where appropriate.

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

Risks faced by the Governing Body

The Governing Body identifies, evaluates and manages risk through the approval of an annual risk register that is derived from the approved key performance targets for the college on an annual basis. The associated risk of each target is described and each risk is evaluated and graded by impact and likelihood and assigned an overall grade to provide clarity of key risks to the operation of the organisation. The mitigation in place to manage each risk and the Governing Body committee at which monitoring reports and data will be presented is provided in the register.

An updated assessment of the key risks is provided to the Audit Committee at each meeting with the addition of new risks as they occur and a review of the grading of each risk at each meeting.

The Risk Management policy is considered and approved on an annual basis.

Control weaknesses identified

There were no significant control weaknesses identified in the year to 31 July 2021.

Responsibilities under funding agreements

The Governing Body has met its contractual responsibilities under its funding agreements and other contracts with the ESFA. This is monitored by regular reporting to individual committees, implementation of

appropriate policies and procedures, and the employment of an internal audit service to cyclically review operating activity of the college.

Statement from the audit committee

The audit committee has advised the board of governors that the corporation has an effective framework for governance and risk management in place. The audit committee believes the college has effective internal controls in place.

The specific areas of work undertaken by the audit committee in 2020/21 and up to the date of the approval of the financial statements are:

- **Estates Management**
This review was designed to assess the strategic and operational arrangements in place in respect of the College's estates management. The review also examined arrangements in place to ensure that the College estate was being managed effectively during the Covid-19 pandemic.
- **Corporate Governance**
This review was designed to ensure that the College had appropriate corporate governance arrangements in place and was actively reviewing these.
- **Student Experience**
This review was designed to ensure that the mechanisms in place at the College were delivering a positive experience to its students. The review considered the enrolment process, course delivery, communication and feedback mechanisms to ensure that any areas of poor performance were highlighted and addressed.
- **Review of Website**
This review was designed to provide assurance that the College's website was user friendly and contained all the expected content. The review considered whether roles and responsibilities for the website regarding content and access were clearly defined, whether feedback was sought from website users and concerns addressed, and whether all appropriate disclosures were on the website.
- **Follow Up Review**
This review was designed to assess whether the College had appropriately implemented the internal audit recommendations made in 2019-20. The review provided the Audit Committee with assurance that prior year recommendations had been implemented within the expected timescales.

Review of effectiveness

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. His review of the effectiveness of the system of internal control is informed by:

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

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

The corporate management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The corporate management team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement.

Carmel College

Notes to the Financial Statements

The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Governing Body's agenda includes a regular item for consideration of risk and control and receives reports thereon from the corporate management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its October 2021 meeting, the Governing Body carried out the annual assessment for the year ended 31 July 2021 by considering documentation from the corporate management team and internal audit, and taking account of events since 31 July 2021.

Based on the advice of the Audit Committee and the Principal as 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 body and the safeguarding of their assets”*.

Approved by order of the members of the Governing Body on 7th December 2021 and signed on its behalf by:

Signed  DocuSigned by:
Helen Stevenson
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Helen Stevenson
Chair of Governing Body

Signed  DocuSigned by:
Mike Hill
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Mike Hill
Accounting Officer

Statement of Regularity, Propriety and Compliance

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

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.

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.

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Signed

Mike Hill
Accounting Officer

7th December 2021

DocuSigned by:

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Signed

Helen Stevenson
Chair of Governing Body

7th December 2021

Statement of Responsibilities of the Members of the Governing Body

The members of the Governing Body are required to present audited financial statements for each financial year.

Within the terms and conditions of the College's grant funding agreements and contracts with the ESFA, the Governing Body - through its Accounting Officer, is required to prepare financial statements and an operating and financial review for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's college accounts direction and the UK's Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the College and its deficit of income over expenditure for that year.

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
- assess whether the College is a going concern, noting the key supporting assumptions qualifications or mitigating actions as appropriate
- prepare financial statements on the going concern basis unless it is inappropriate to assume the College will continue in operation.

The Governing Body is also required to prepare a Report of the Governing Body which describes what it is trying to do and how it is going about it including the legal and administrative status of the College.

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 to enable it to ensure that the financial statements are prepared in accordance with the relevant legislation including the Further and Higher Education Act 1992 and Charities Act 2011, and relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

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

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

Approved by order of the members of the Governing Body on 7th December 2021 and signed on its behalf

by:

DocuSigned by:

Helen Stevenson

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Helen Stevenson
Chair of Governing Body

Independent Auditors' Report to the Governing Body of Carmel College**Opinion**

We have audited the financial statements of Carmel College (the 'College') for the year ended 31 July 2021 which comprise the Statement of Comprehensive Income and Expenditure, the Statement of Changes in Reserves, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice) and the Accounts Direction 2020 to 2021 issued by the Education and Skills Funding Agency (ESFA).

In our opinion, the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2021 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the Statement of Recommended Practice; Accounting for Further and Higher Education (the 2019 FE HE SORP) and the Accounts Direction 2020 to 2021 issued by the ESFA.

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 Governing Body's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Governing Body 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 members of the Governing Body are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our Independent Auditor's Report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, 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.

Opinion on other matters

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Report of the Governing Body for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Governing Body has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the College and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Governing Body.

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

- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- all of the information and explanations required for the audit were not received.

Responsibilities of the Governing Body

As explained more fully in the Statement of Responsibilities of the Members of the Governing Body set out on page 20, the Governing Body is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Governing Body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the 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 intends to liquidate the College or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Independent 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

The audit procedures designed to identify irregularities included:

- enquiry of management and those charged with governance around actual and potential litigation and claims
- enquiry of College staff with responsibilities for tax and compliance matters to identify any instances of non-compliance with laws and regulations
- reviewing any minutes available of meetings of those charged with governance
- reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations
- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, and evaluating the business rationale of significant transactions outside the normal course of business.

Carmel College

Notes to the Financial Statements

There are inherent limitations in the audit procedures described above and, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, intentional misrepresentations or through collusion.

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

Use of our report

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

DocuSigned by:

Murray Smith LLP

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Murray Smith LLP
Chartered Accountants and Statutory Auditor
Darland House
44 Winnington Hill
Northwich
Cheshire
CW8 1AU

Date 7th December 2021

Reporting Accountant's Assurance Report on Regularity**To: The Governing Body of Carmel College and The Secretary of State for Education acting through the Department for Education ("the Department")**

In accordance with the terms of our engagement letter and further to the requirements and conditions of funding in 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, in all material respects, the expenditure disbursed and income received by Carmel College during the period 1 August 2020 to 31 July 2021 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 data returns, for which the ESFA or devolved authority has other assurance arrangements in place.

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

Respective responsibilities of Carmel College and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2020 to 31 July 2021 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

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

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

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

The work undertaken to draw to our conclusion includes:

- review of evidence supporting the College's Regularity Self-Assessment; and
- review of the College's expenditure during the year

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 2020 to 31 July 2021 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

DocuSigned by:


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Murray Smith LLP
Chartered Accountants
Statutory Auditors
Darland House
44 Winnington Hill
Northwich
CW8 1AU

7th December 2021

Statement of Comprehensive Income and Expenditure

	<u>Note</u>	2021 £'000	2020 £'000
Income			
Funding body grants	2	9,436	8,406
Tuition fees and education contracts	3	1,543	1,688
Other income	4	92	50
Investment income	5	2	11
Total income		11,073	10,155
Expenditure			
Staff costs	6	8,389	8,024
Other operating expenses	8	1,595	1,645
Depreciation	10	894	888
Interest and other finance costs	9	259	279
Total expenditure		11,137	10,836
(Deficit) before other gains and losses		(64)	(681)
Loss on disposal of assets		0	(3)
(Deficit) for the year		(64)	(684)
Actuarial gain/(loss) in respect of pension schemes	19	518	(702)
Total Comprehensive Income for the year		454	(1,386)
Represented by:			
Unrestricted comprehensive income		454	(1,386)

All items of income and expenditure relate to continuing activities.

College Statement of Changes in Reserves

	Income & expenditure account <u>£'000</u>	Revaluation reserve <u>£'000</u>	Total <u>£'000</u>
Balance at 1 August 2019	856	1,496	2,352
Deficit from the income & expenditure account	(684)	-	(684)
Other comprehensive income	(702)	-	(702)
Transfers between revaluation and income and expenditure reserves	58	(58)	0
Balance at 31 July 2020	<u>(472)</u>	<u>1,438</u>	<u>966</u>
Balance at 1 August 2020	(472)	1,438	966
Deficit from the income & expenditure account	(64)	-	(64)
Other comprehensive income	518	-	518
Transfers between revaluation and income and expenditure reserves	62	(62)	0
Balance at 31 July 2021	<u>44</u>	<u>1,376</u>	<u>1,420</u>

Balance Sheet as at 31 July 2021

	<u>Note</u>	<u>2021</u> <u>£'000</u>	<u>2020</u> <u>£'000</u>
Non current assets			
Tangible fixed assets	10	<u>20,701</u>	<u>21,287</u>
		<u>20,701</u>	<u>21,287</u>
Current assets			
Trade and other receivables	11	248	377
Cash and cash equivalents		<u>2,627</u>	<u>1,999</u>
		<u>2,875</u>	<u>2,376</u>
Creditors - amounts falling due within one year	12	<u>(1,483)</u>	<u>(1,329)</u>
Net current assets		<u>1,392</u>	<u>1,047</u>
Total assets less current liabilities		22,093	22,334
Creditors - amounts falling due after more than one year	13	(13,719)	(14,338)
Provisions			
Defined benefit obligations	15	(6,954)	(7,030)
Total net assets		<u><u>1,420</u></u>	<u><u>966</u></u>
Unrestricted Reserves			
Income and expenditure account		44	(472)
Revaluation reserve		<u>1,376</u>	<u>1,438</u>
Total unrestricted reserves		<u><u>1,420</u></u>	<u><u>966</u></u>

The financial statements on pages 26 to 48 were approved and authorised for issue by the Governing Body on 7th December 2021 and were signed on its behalf by:

Helen Stevenson
Chair of Governing Body

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Helen Stevenson

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Mike Hill
Accounting Officer

DocuSigned by:

Mike Hill

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Statement of Cash Flows

	Note	2021 £'000	2020 £'000
Cash flow from operating activities			
(Deficit) for the year		(64)	(684)
Adjustment for non-cash items			
Depreciation		894	888
Decrease/(increase) in debtors		129	(28)
(Decrease)/increase in creditors due within one year		154	170
(Decrease) in creditors due after one year		(455)	(455)
Pension costs less contributions payable		323	368
Adjustment for investing or financing activities			
Investment income		(2)	(11)
Interest payable		259	279
Loss on disposal of fixed assets		0	3
Net cash flow from operating activities		<u>1,238</u>	<u>530</u>
Cash flows from investing activities			
Investment income		2	11
Payments made to acquire fixed assets		<u>(308)</u>	<u>(134)</u>
		<u>(306)</u>	<u>(123)</u>
Cash flows from financing activities			
Interest paid		(140)	(148)
Repayments of amounts borrowed		<u>(164)</u>	<u>(164)</u>
		<u>(304)</u>	<u>(312)</u>
Increase/(Decrease) in cash and cash equivalents in the year			
		<u><u>628</u></u>	<u><u>95</u></u>
Cash and cash equivalents at beginning of the year	16	1,999	1,904
Cash and cash equivalents at end of the year	16	2,627	1,999

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 2019* (the 2019 FE HE SORP), the *College Accounts Direction for 2020 to 2021* and in accordance with Financial Reporting Standard 102 – “*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Basis of accounting

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

Going concern

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

The College currently has £2.5m of loans outstanding with bankers on terms negotiated in 2010. The terms of the existing agreement are for 25 years. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

Accordingly, the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

Recognition of income

Revenue grant funding

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. 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 funding is not subject to reconciliation and is therefore not subject to contract adjustments.

Where part of a government grant is deferred, the deferred element is recognised as deferred income within creditors and allocated between creditors due within one year and creditors due after more than one year as appropriate.

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

Capital grant funding

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

Fee income

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

Investment Income

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

Agency arrangements

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

Accounting for post-employment benefits

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

Teachers' Pension Scheme

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

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

Merseyside Pension Fund (LGPS)

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

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

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

Short term Employment benefits

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

Tangible fixed assets

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

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

Land and buildings

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

- Buildings – 40 years
- Refurbishments – 40 years

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

Freehold buildings are depreciated over their expected useful economic life to the College of between 20 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 20 and 50 years.

Where land and buildings are acquired with the aid of specific government grants, they are capitalised and depreciated as above. The related grants are credited to a deferred income account

within creditors, and are released to the income and expenditure account over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

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

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 2001, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

Subsequent expenditure on existing fixed assets

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

Equipment

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

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

- technical equipment 5 years
- computer equipment 5 years
- furniture, fixtures and fittings 5 years

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

Borrowing costs

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

Cash and cash equivalents

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

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

Financial liabilities and equity

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

All loans, investments and short-term deposits held by the 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 is not registered for 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.

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

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

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

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

Other key sources of estimation uncertainty

- Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- 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 the notes, will impact the carrying amount of the pension liability. The actuary has used a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 to value the pensions liability at 31 July 2021. 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

	2021	2020
	<u>£'000</u>	<u>£'000</u>
Recurrent grants		
Education and Skills Funding Agency - 16-18	8,520	7,584
Specific grants		
Teacher Pension Scheme contribution grant	319	308
Principal's Reference Group	5	3
Designated capital grant	47	47
Basic Maths	18	-
16-19 Tuition Fee Fund	34	-
Covid testing	27	-
Bursary Fund administration fee	11	9
Releases of government capital grants	455	455
	<u>9,436</u>	<u>8,406</u>

3 Tuition fees and education contracts

	2021	2020
	<u>£'000</u>	<u>£'000</u>
Higher Education (HE) contracts	1,358	1,367
Other Contracts	185	321
	<u>1,543</u>	<u>1,688</u>

4 Other income

	2021	2020
	<u>£'000</u>	<u>£'000</u>
Other income generating activities	82	45
Miscellaneous income	10	5
	<u>92</u>	<u>50</u>

5 Investment Income

	2021	2020
	£'000	£'000
Other interest receivable	2	11
Total	<u>2</u>	<u>11</u>

6 Staff Costs

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

	2021	2020
	No.	No.
Teaching staff	102	107
Non-teaching staff	106	100
	<u>208</u>	<u>207</u>
Staff costs for the above persons		
	£'000	£'000
Wages & salaries	6,124	5,837
Social security	581	538
Other pension costs	1,684	1,649
Payroll sub total	<u>8,389</u>	<u>8,024</u>
Total staff costs	<u>8,389</u>	<u>8,024</u>

The college operates the following salary sacrifice scheme: childcare vouchers

7 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 Corporate Management Team which comprise the Principal, Vice Principals, and Assistant Principals, some of whom are employed on a part-time basis.

All key management personnel take part in the continuous college performance management process and all met their personal targets. The college met the performance targets set as part of the self-assessment and quality improvement process. The college is graded Outstanding in all areas in its Denominational Inspection, which matches the Outstanding grade awarded by Ofsted in the summer of 2019; student value added at the College is excellent and has been sustained over time; the quality of teaching and learning is outstanding; a culture of high expectations permeates the College at all levels.

The college continues to meet planned ESFA financial health targets.

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

	2021 No.	2020 No.
The number of key management personnel including the Accounting Officer was:	<u>5</u>	<u>5</u>

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

	Key management personnel		Other Staff	
	2021	2020	2021	2020
£55,001 to £60,000	1	1	1	-
£60,001 to £65,000	-	1	-	-
£65,000 to £70,000	1	-	-	-
£70,001 to £75,000	-	-	-	-
£75,001 to £80,000	-	2	-	-
£80,001 to £85,000	2	-	-	-
£100,001 to £110,000	1	1	-	-
	<u>5</u>	<u>5</u>	<u>1</u>	<u>0</u>

Including part time workers grossed up to full time equivalent and staff on maternity, paternity or sickness leave at their usual rate of pay, 1 member of key management personnel was paid in the £60,001 to £65,000 banding in 2021 (2020: 2).

Key management personnel compensation is made up as follows:

	2021	2020
	<u>£'000</u>	<u>£'000</u>
Salaries	393	380
Employers National Insurance	49	45
Benefits in kind	-	-
	<u>442</u>	<u>425</u>
Pension contributions	90	82
Total key management personnel compensation	<u><u>532</u></u>	<u><u>507</u></u>

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

Carmel College**Notes to the Financial Statements**

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

	2021	2020
	<u>£'000</u>	<u>£'000</u>
Salaries	107	104
Benefits in kind	-	-
	<u>107</u>	<u>104</u>
Pension contributions	25	24
Total emoluments	<u>132</u>	<u>128</u>

The remuneration package of designated Senior Post Holders including the Principal, is subject to annual review by the Remuneration Committee of the governing body who use college performance and benchmarking information to provide objective guidance to support the decisions made.

The Principal reports to the Chair of Governing Body, and undergoes annual review of their performance against the college's overall objectives using both qualitative and quantitative measures of performance.

Relationship of Principal pay and remuneration expressed as a multiple

	2021	2020
	<u>£'000</u>	<u>£'000</u>
Principal's basic salary as a multiple of the median of all staff	4.30	3.33
Principal's total remuneration as a multiple of the median of all staff	4.44	3.63

Compensation for loss of office paid to former key management personnel

No compensation payments were made to former key management personnel for the period of this report.

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

8 Other Operating Expenses

	2021	2020
	<u>£'000</u>	<u>£'000</u>
Teaching costs	157	167
Non-teaching costs	926	966
Premises costs	512	512
Total	<u><u>1,595</u></u>	<u><u>1,645</u></u>

	2021	2020
	<u>£'000</u>	<u>£'000</u>
Other operating expenses include:		
Auditors' remuneration		
- Financial statements audit	9	8
- Internal audit fees	7	10
Hire of other assets - operating leases	37	39
	<u><u> </u></u>	<u><u> </u></u>

9 Interest and other finance costs

	2021	2020
	<u>£'000</u>	<u>£'000</u>
On bank loans, overdrafts and other loans:	140	148
Net interest on defined pension liability (note 19)	119	131
Total	<u><u>259</u></u>	<u><u>279</u></u>

10 Tangible Fixed Assets

	Freehold Buildings £'000	WIP £'000	Equipment £'000	Total £'000
Cost or Valuation				
At 1 August 2020	29,725		1,698	31,423
Additions	115	17	176	308
Disposals	-		-	0
At 31 July 2021	29,840	17	1,874	31,731
Depreciation				
At 1 August 2020	8,717	-	1,419	10,136
Charge for period	746	-	148	894
Elimination in respect of disposals	-	-	-	-
At 31 July 2021	9,463	0	1,567	11,030
Net Book Value				
At 31 July 2021	20,377	17	307	20,701
<i>Net Book Value</i>				
At 1 August 2020	21,008	-	279	21,287

Land and buildings were valued in April 2001 at depreciated replacement cost by independent chartered surveyors, Dixon Webb.

11 Trade and other receivables

	2021 £'000	2020 £'000
Amounts falling due within one year:		
Trade receivables	-	3
Prepayments and accrued income	248	374
	248	377

12 Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Bank Loan	164	164
Trade payables	54	63
Accruals and deferred income	370	233
Deferred income - government capital grants	455	455
Holiday pay accrual	440	414
	1,483	1,329

13 Creditors: amounts falling due after one year

	2021	2020
	<u>£'000</u>	<u>£'000</u>
Bank Loan	2,337	2,501
Deferred income - government capital grants	11,382	11,837
	<u>13,719</u>	<u>14,338</u>

14 Maturity of debt

	2021	2020
	<u>£'000</u>	<u>£'000</u>
Bank loans and overdrafts		
Bank loans and overdrafts are repayable as follows:		
In one year or less	164	164
Between one and two years	164	164
Between two and five years	492	492
In five years or more	1,681	1,845
Total	<u>2,501</u>	<u>2,665</u>

An unsecured bank loan (Barclays plc) at 5.43 per cent is repayable by instalments falling due between 1 September 2013 and 31 July 2036. The balance remaining on the loan at year-end is £2,501,000.

15 Provisions

	Defined benefit obligations
	£'000
At 1 August 2020	(7,030)
Expenditure in the period	435
Additions in period	(359)
At 31 July 2021	<u>(6,954)</u>

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

16 Cash and cash equivalents

	At 1 Aug 2020 £'000	Cash flows £'000	Other Changes £'000	At 31 July 2021 £'000
Cash and cash equivalents	1,999	628	-	2,627
Overdrafts	-	-	-	-
Total	1,999	628	-	2,627

17 Capital and other commitments

	2021 £'000	2020 £'000
Commitments contracted for at 31 July	3	28
	3	28

18 Events after the reporting period

There are no events after the reporting period.

19 Defined benefit obligations

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

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

Total Pension cost for the year	Year ended	Year ended
	2021	2020
	<u>£'000</u>	<u>£'000</u>
Teachers Pension Scheme: contributions	926	854
Merseyside Pension Scheme:		
Contributions paid	435	427
FRS 102(28) charge	323	368
Charge to the statement of comprehensive income	758	795
Enhanced pension charge to Statement of Comprehensive income		-
Total Pension Cost for Year within staff costs	<u>1,684</u>	<u>1,649</u>

Teachers' Pension Scheme

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

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

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

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

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

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

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018-19). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2020-21 academic year.

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

The pension costs paid to TPS in the year amounted to £926k (2020: £854k)

Merseyside Pension Fund

The Merseyside Pension Fund is a funded defined-benefit scheme, with the assets held in separate funds administered by Wirral Local Authority. The total contribution made for the year ended 31 July 2021 was £553k, of which employer's contributions totalled £434k and employees' contributions totalled £119k. The agreed contribution rates for future years are 18.1% plus lump sum contribution to historic deficit recovery for the college, and 5.5% to 12.5% for employees, depending on salary according to a national scale. Under the funding policy the college made a three year prepayment of £169k to fund a deficit in the retirement benefit plan.

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 updated to 31 July 2021 by a qualified independent actuary.

	At 31 July 2021	At 31 July 2020
Rate of increase in salaries	4.10%	3.80%
Rate of increase for pensions in payment/inflation	2.70%	2.40%
Discount rate for scheme liabilities	1.60%	1.60%

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

	At July 2021	At July 2020
<i>Retiring today</i>		
Males	21	20.9
Females	24.1	24
<i>Retiring in 20 years</i>		
Males	22.6	22.5
Females	26.0	25.9

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

		Value at 31 July 2021 £'000		Value at 31 July 2020 £'000
Equity instruments	42.40%	5,211	39.80%	4,140
Government Bonds	2.8%	344	3.6%	375
Other Bonds	23.5%	2,889	22.6%	2,352
Property	7.8%	959	7.4%	770
Cash/Liquidity	3.7%	455	8.8%	916
Other	19.8%	<u>2,434</u>	17.8%	<u>1,852</u>
Total fair value of plan assets		<u>12,292</u>		<u>10,405</u>
Weighted average expected long term rate of return	12.3%		0.8%	
Actual return on plan assets		<u>1,513</u>		<u>(85)</u>

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

	2021 £'000	2020 £'000
Fair value of plan assets	12,292	10,405
Present value of plan liabilities	<u>(19,246)</u>	<u>(17,435)</u>
Net pensions (liability)/asset (note 19)	<u>(6,954)</u>	<u>(7,030)</u>

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

	2021 £'000	2020 £'000
Amounts included in staff costs		
Current service cost	758	665
Past service cost	<u>0</u>	<u>47</u>
Total	<u>758</u>	<u>712</u>
Amounts included in investment income		
Net interest income	<u>(119)</u>	<u>(122)</u>
	<u>(119)</u>	<u>(122)</u>
Amount recognised in Other Comprehensive Income		
Return on pension plan assets	0	0
Experience losses arising on defined benefit obligations	270	113
Changes in assumptions underlying the present value of plan liabilities	248	(815)
Amount recognised in Other Comprehensive Income	<u>518</u>	<u>(702)</u>

Carmel College**Notes to the Financial Statements**

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

Movement in net defined (liability)/asset during year

	2021	2020
	£'000	£'000
Net defined (liability) in scheme at 1 August	(7,030)	(5,829)
Movement in year:		
Current service cost	(758)	(665)
Employer Contributions	435	344
Past service cost	0	(47)
Net interest on the defined (liability)/asset	(119)	(131)
Actuarial (loss)/gain	518	(702)
Net defined (liability) at 31 July	<u>(6,954)</u>	<u>(7,030)</u>

Asset and Liability Reconciliation

	2021	2020
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	17,435	15,784
Current service cost	758	665
Interest cost	279	346
Contributions by Scheme participants	119	111
Experience gains and losses on defined benefit obligations	(270)	(113)
Changes in financial assumptions	1,095	783
Estimated benefits paid	(170)	(188)
Past Service cost	0	47
Curtailments and settlements	-	-
Defined benefit obligations at end of period	<u>19,246</u>	<u>17,435</u>

Changes in fair value of plan assets

Fair value of plan assets at start of period	10,405	9,955
Interest on plan assets	170	224
Return on plan assets	0	-
Employer contributions	435	344
Contributions by Scheme participants	119	111
Estimated benefits paid	(170)	(188)
Administrative expenses	(10)	(9)
Remeasurements (assets)	1,343	(32)
Fair value of plan assets at end of period	<u>12,292</u>	<u>10,405</u>

The figures presented reflect the following features:

- A small increase in the CPI inflation assumption
- Relatively low increase in overall investment returns
- The incorporation of the 2019 actuarial results into the figures. There is some gain from the life expectancy assumption being shorter, but other factors also come into play which are generally negative for the college.

In summary the general trend is:

- An decrease in deficit, primarily driven by a change in actuarial valuation of liabilities
- An increase in projected 'income and expenditure' figures for 2021/22 as compared to 2020/2021.

20 Related Party Transactions

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

There were no expenses paid to or on behalf of the Governors during the year (2020: £nil).

No Governor has received any remuneration or waived payments from the College during the year (2020: None).

21 Amounts disbursed as agent: Bursary Fund

	2021	2020
	<u>£'000</u>	<u>£'000</u>
Funding body grants	240	196
Interest earned	-	-
	<u>240</u>	<u>196</u>
Disbursed to Students	(149)	(187)
Administration fee	(11)	(9)
Amount consolidated in financial statements	0	0
	<u>(80)</u>	<u>0</u>
Overspend/(underspend) at 31 July	<u>(80)</u>	<u>0</u>
Represented by:		
FSMs	(68)	0
General funds	(12)	0
	<u>(80)</u>	<u>0</u>

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