

Key Management Personnel, Board of Governors and Professional advisers**Key management personnel**

Key management personnel are defined as members of the Corporate Management Team and were represented by the following in 2018/19:

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)

Governing Body

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

Mrs C Shaw acted as Clerk to the Corporation throughout the period.

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

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

Internal auditors:

RSM Risk Assurance Services LLP
9th Floor
3 Hardman Street
Manchester
M3 3HF

Bankers:

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

Solicitors:

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

Contents	Page
Report of the Governing Body	3
Statement of Corporate Governance and Internal Control	11
Statement of Regularity, Propriety and Compliance	18
Statement of the Responsibilities of the Members of the Governing Body	19
Independent Auditors' Report to the Governing Body	20
Reporting Accountant's Assurance Report on Regularity	23
Statement of Comprehensive Income and Expenditure	25
College Statement of Changes in Reserves	26
Balance Sheet as at 31 July 19	27
Statement of Cash Flows	28
Notes to the Accounts	29-46

Report of the Governing Body

Nature, Objectives and Strategy

The Governing Body present their report together with the financial statements and auditor's report for the year ended 31 July 2019.

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; a revised version of which was adopted in 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 was reviewed in March 2019.

Strategy

In December 2017 the College adopted a strategic plan for the period 2017-2021. 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 needs 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 an 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

Resources

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

The College employs 161 people (expressed as full-time equivalents), of whom 94 are teaching staff.

The college enrolled 1,768 16-to-18 year-old students and 232 HE students.

The College has £2,352m of net assets (inclusive of £5,829m pension liability)

The College site has outstanding accommodation from which to deliver education. Further appropriate development will be implemented as part of the approved property strategy in order to ensure all parts of the estate remain fit for purpose and comply with legislative requirements.

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 and Maple Group colleges. The Principal is a member of the St. Helens Association of Secondary Head Teachers. 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
- Education sector funding bodies and 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.

Development and Performance

Ofsted

A hugely successful Ofsted Inspection was carried out in April; after an inspection gap of 12 years, the college was the first college in over 10 years to retain an Outstanding Grade

Financial results

The College generated an operating deficit in the year of £(485)k (2017/18 – deficit of £259k), with total comprehensive income of £(2,692)k (2017/18 – £1,046k). This is a worsening financial position; despite student numbers increasing, funding per head has remained unchanged for four years, and expenditure (particularly pay related) has continued to rise.

The annual actuarial pension valuation has had a significant adverse effect on the financial out-turn.

Reserves

The College has accumulated reserves of £2,352k and cash balances of £1,904k. The College plans to use any accumulated reserves and cash balances to maintain a sound financial base for 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.

Developments

The College continued to implement the property strategy of investment in planned maintenance and access audit projects with £274k of capital expenditure during the year.

Sources of Income

The College places significant reliance on the government funding agencies (Education & Skills Funding Agency) for its principle funding source, largely from recurrent grants. In 2018/19 the main government funding body provided 82.7% of the College's total income.

Future Prospects

Developments

The college plans to examine the range of courses offered to prospective students to ensure that students are properly equipped to meet prospective economic requirements.

Capital schemes to meet the delivery of future 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 July 2019 which sets objectives for the period to 2021.

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.

Cash flows and liquidity

At £438k (2017/2018 £628k), operating cash in-flow is satisfactory resulting in an overall reduced cash balance of £1,904k.

The College is servicing a long-term borrowing agreement currently at a value of £2.8m that was introduced to finance the 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 at around £2m in the two-year 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.

Reserves Policy

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 £856k (2018: £3,490k). It is the Governing Body's intention to maintain reserves over the life of the strategic plan through the generation of minimal annual operating surpluses.

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.

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.

Government funding policy

The College has considerable reliance on continued government funding through the education sector funding bodies and external University partners. In 2018/19, 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 after the election 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 in a diminishing pool of students. College recruitment has been negatively affected 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 ongoing cuts in public sector spending whilst maintaining the student experience.

This risk is mitigated in a number of ways:

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

Academisation

Conversion to a stand-alone single academy trust.

The College remains in an uncertain position due to

- Finalisation of instrument and articles of association that will meet the requirements of the Catholic Education Service and the Education & Skills Funding Agency.
- Implementation of adjustment to Education Act to recognise the distinct legal status of Catholic sixth form colleges that will therefore allow progress towards academisation for the college.
- Uncertainty surrounding the costs of the breakage fees associated with the bank loan resulting from required transfer of legal status.

These risks will be mitigated by

- Communication and negotiation with agencies associated with the change to the legal status.
- Further investigation and consideration of the financial implications of academisation should the legal constraints be relaxed.
- Application for funding where necessary to support the costs of transfer.

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.

This risk is mitigated by an agreed deficit recovery plan with the Merseyside Pension Fund.

Key Performance Indicators

Financial health

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

Student Numbers

In 2018/19 the College has delivered activity that has produced £7,633k in funding body main allocation funding (2017/18 – £8,028k). The College enrolments was 1,768 students against a target of 1,738 students (2017/18 1,850).

Student Achievements

Examination results were maintained at outstanding levels again this year. The pass rate at Advanced level was 98.6% (2017/18 98.2%) and 100% for Btec provision. The percentage of high grades (A/B) was 50.3% (2017/18 51.5%).

Value added

The value added score for the College (as measured by ALPs) continued to be exceptional, with a Grade 4 (Very good) for Advanced level and Grade 3 (Excellent) for Btec provision.

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.

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 students including 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.

Equality and Diversity

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 updated its access audit. Experts in this field conducted a full access audit during 2014 and the results of this were incorporated into the approved property strategy for implementation.
- 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	4	Fte employee no.	3
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Percentage of time	
0%	3
1 – 50%	1
51 – 99%	0
100%	0

Total cost facility time	£370
Total pay bill	£7.6m
Percentage of total bill spent on facility time	0

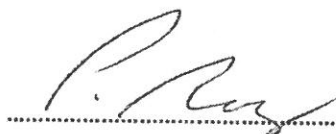
Payment Performance

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 2018 to 31 July 2019, the College paid 98% of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

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 10th December 2019 and signed on its behalf by:



Rev Paul Rooney
Chair

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 2018 to 31st July 2019 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

- i. In accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii. 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 all the provisions of the Code, and it has complied throughout the year ended 31 July 2019. 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.

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 below.

Name	Date of Appointment	Term of Office	Status	Committee Membership	Attendance 2018-2019	Notes
Mrs Kay Arrowsmith	1 st Sept 2017	4 years	Staff	Quality & Standards	89%	
Mr John Fogarty	1 st Jan 2003 Reappointed 1 st Jan 2007 1 st Jan 2011 1 st Jan 2015 1 st Jan 2019	4 years	Foundation	Chair of Finance & Resources	88%	
Mr Mark Harvey	1 st Apr 2015 1 st Apr 2019	4 years	Parent Foundation	Finance & Resources	88%	
Mr Michael Hill	22 nd Aug 2016	Ex officio	Principal	Finance & Resources Quality & Standards Search	88%	
Mr Andrew Jones	1 st Apr 2017	4 years	Co-opted	Chair of Audit	89%	
Mrs Susan Jarvis	1 st Jul 2019	4 years	Co-opted	Audit	N/A	
Mr David Lawson	1 st Jul 2019	4 years	Foundation	Quality & Standards	N/A	
Mr Oliver Maddock	1 st Jul 2017 1 st Jul 2018 1 st Apr 2019	1 year 1 year 4 years	Student Associate Foundation	Quality & Standards	100%	Foundation Governor appointment superseded Associate Membership.
Mr Michael Martin	1 st Mar 2018	4 years	Foundation	Vice Chair of Governors Chair of Quality & Standards Remuneration Search	100%	Appointed as Vice Chair of Governors from 24.6.19.
Ms Tracy Mawson	1 st Feb 2019	4 years	Co-Opted	Audit	100%	
Mr Donal McCormack	1 st Apr 2003 Reappointed 1 st Apr 2007 1 st Apr 2011 1 st Apr 2015	4 years	Foundation	Chair of Governors Finance & Resources Remuneration Chair of Search	100%	Term of Office expired 31.3.19

Carmel College

Notes to the Financial Statements

Mr John McCormick	1 st Jul 2014 1 st Jul 2018	4 years	Associate	Audit	100%	
Miss Samantha McQuiggan	1 st Jul 2018	1 year	Student	Quality & Standards	78%	
Mr Thomas Mitchell	1 st Mar 2018	4 years	Foundation	Quality & Standards	89%	
Mr Conal Neafcy	1 st Jul 2015 1 st Jul 2019	4 years 4 years	Associate Foundation	Quality & Standards Finance & Resources	50%	
Miss Caroline Nencini	1 st Jul 2014 1 st Jul 2018	4 years	Foundation	Vice Chair of Governors Finance & Resources	60%	Resigned 13.2.19
Mrs Rebecca Papaspyridis	1 st Apr 2019	4 years	Parent	Quality & Standards	100%	
Mr Andrew Rannard	1 st Feb 2019	4 years	Foundation	Finance & Resources	33%	
Rev Paul Rooney	1 st Sept 2017	4 years	Foundation	Chair of Governors Audit Remuneration Search Quality and Standards Vice Chair of Governors	100%	Appointed as Chair of Governors from 24.6.19. Vice Chair of Governors between 1.4.19 and 23.6.19. On 24.6.19 ceased to be a Member of the Audit Committee and became a Member of the Quality and Standards Committee.
Mr Naheem Shafiq	1 st Jul 2019	4 years	Associate	Finance & Resources	N/A	
Mrs Helen Stevenson	1 st Apr 2001 1 st Apr 2005 1 st Apr 2009 1 st Apr 2013 1 st Apr 2017	4 years	Foundation	Remuneration Search	N/A	Resigned 10.10.18
Mr Aiden Studdard	1 st Jul 2019	1 year	Student	Quality & Standards	N/A	
Clerk to the Governing Body The independent Clerk to the Governing Body is Mrs Catherine Shaw.						

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.

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 Committee, Quality and Standards Committee, 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.

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 four 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 carried out a self-assessment of its own performance during the year ended 31st July 2019 and graded itself as outstanding on the Ofsted scale.

Remuneration Committee

Throughout the year ending 31 July 2019, 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 and other senior post-holders.

Details of remuneration for the year ended 31 July 2019 are set out in note 7 of the financial statements.

Audit Committee

The Audit Committee comprises five 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 on a termly basis and provides a forum for reporting by the College's internal, reporting accountants and financial statements auditors, who have access to the committee for independent discussion, without the presence of College management. The committee also receives and considers reports from the main 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, 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.

Quality and Standards Committee

The Quality and Standards Committee comprises of six members of the Governing Body. The 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 on a termly basis and provides a forum for reporting by the College's quality managers.

Finance and Resources Committee

The Finance and Resources Committee comprises of five members of the Governing Body. The 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 on a termly basis 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 designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of college policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Carmel College throughout the year ended 31 July 2019 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 2019 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.

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, the reporting accountant for regularity, in their management letters and other reports.

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

The 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. 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 2019 meeting, the Governing Body carried out the annual assessment for the year ended 31 July 2019 by considering documentation from the corporate management team and internal audit, and taking account of events since 31 July 2019.

Based on the advice of the Audit Committee and the Principal, 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 10th December 2019 and signed on its behalf by:

Signed



Paul Rooney
Chair

Signed



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 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.

Signed 

Mike Hill
Accounting Officer

10th December 2019

Signed 

Paul Rooney
Chair

10th December 2019

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 2015 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 Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare financial statements on the going concern basis unless it is inappropriate to assume the College will continue in operation.

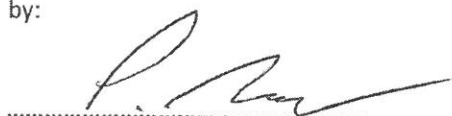
The Governing Body is also required to prepare a Report of the Governing Body which describes what it is trying to do and how it is going about it including the legal and administrative status of the College.

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 are not put at risk.

Approved by order of the members of the Governing Body on 10th December 2019 and signed on its behalf by:



Rev Paul Rooney

Chair of Governing Body

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

We have audited the financial statements of Carmel College for the year ended 31 July 2019 which comprise the statement of comprehensive income, the statement of changes in reserves, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards, including Financial Reporting Standard FRS102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice) and the Accounts Direction 2018 to 2019 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 2019 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 2015 FE HE SORP) and the Accounts Direction 2018 to 2019 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 Auditors 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 has 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 Report of the Independent Auditors thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, 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 the information and explanations required for the audit were not received.

Responsibilities of governors

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 19, 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.

Our 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 a Report of the Independent Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

This report is made solely to the Corporation, as a body, in accordance with Article 23 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 auditors' 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

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



Date: 10th December 2019

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 of the financial memorandum and funding agreement with the Education & Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Carmel College during the period 1st August 2018 to 31st July 2019 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 Department. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which the Department has other assurance arrangements in place.

This report is made solely to the Governing Body of Carmel College and the Department 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 Department those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Governing Body of Carmel College and the Department 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 and 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 2018 to 31 July 2019 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 jointly by the Department. We performed a limited assurance engagement as defined in that framework.

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

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

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

The work undertaken to draw our conclusions 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 year to 31 July 2019 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Signed:



Murray Smith LLP

Chartered Accountants and Statutory Auditors

Darland House

44 Winnington Hill

Northwich

Cheshire CW8 1AU

10th December 2019

Statement of Comprehensive Income

	<u>Note</u>	2019 £'000	2018 £'000
Income			
Funding body grants	2	8,138	8,538
Tuition fees & education contracts	3	1,406	1,483
Other income	4	288	119
Investment income	5	10	5
Total income		9,842	10,145
Expenditure			
Staff costs	6	7,584	7,580
Other operating expenses	8	1,590	1,619
Depreciation	10	900	885
Interest and other finance costs	9	253	287
Total expenditure		10,327	10,371
(Deficit) before other gains and losses		(485)	(226)
Loss on disposal of assets			(33)
(Deficit) for the year		(485)	(259)
Actuarial (loss)/ gain in respect of pension schemes	19	(2,207)	1,305
Total Comprehensive Income for the year		(2,692)	1,046
Represented by:			
Unrestricted comprehensive income		(2,692)	1,046

The statement of comprehensive income is in respect of continuing activities.

College Statement of Changes in Reserves

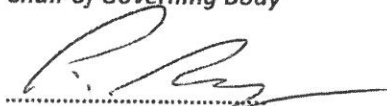
	Income & expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Balance at 1st August 17	2,386	1,612	3,998
Deficit from the income & expenditure account	(259)	-	(259)
Other comprehensive income	1,305	-	1,305
Transfers between revaluation and income and expenditure reserves	58	(58)	0
Balance at 31st July 2018	3,490	1,554	5,044
Balance at 1st August 18	3,490	1,554	5,044
Deficit from the income & expenditure account	(485)		(485)
Other comprehensive income	(2,207)		(2,207)
Transfers between revaluation and income and expenditure reserves	58	(58)	0
Balance at 31st July 2019	856	1,496	2,352

Balance Sheet as at 31 July 2019

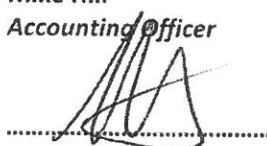
	<u>Note</u>	<u>2019</u> <u>£'000</u>	<u>2018</u> <u>£'000</u>
Non current assets			
Tangible fixed assets	10	<u>22,044</u>	<u>22,669</u>
		<u>22,044</u>	<u>22,669</u>
Current assets			
Trade and other receivables	11	349	354
Cash and cash equivalents		<u>1,904</u>	<u>2,147</u>
		<u>2,253</u>	<u>2,501</u>
Creditors - amounts falling due within one year	12	<u>(1,159)</u>	<u>(1,304)</u>
Net current assets		<u>1,094</u>	<u>1,197</u>
Total assets less current liabilities		<u>23,138</u>	<u>23,866</u>
Creditors - amounts falling due after more than one year	13	<u>(14,957)</u>	<u>(15,576)</u>
Provisions			
Defined benefit obligations	15	<u>(5,829)</u>	<u>(3,246)</u>
Total net assets		<u>2,352</u>	<u>5,044</u>
Unrestricted Reserves			
Income and expenditure account		856	3,490
Revaluation reserve		<u>1,496</u>	<u>1,554</u>
Total unrestricted reserves		<u>2,352</u>	<u>5,044</u>

The financial statements on pages 25 to 48 were approved and authorised for issue by the Governing Body on 10th December 2019 and were signed on its behalf by:

Rev Paul Rooney
Chair of Governing Body



Mike Hill
Accounting Officer



Statement of Cash Flows

		2019 <u>£'000</u>	2018 <u>£'000</u>
	<u>Note</u>		
Cash flow from operating activities			
(Deficit) for the year		(485)	(259)
Adjustment for non-cash items			
Depreciation		900	885
Decrease/(increase) in debtors		5	240
(Decrease)/increase in creditors due within one year		(146)	(321)
(Decrease) in creditors due after one year		(455)	(455)
Pension costs less contributions payable		376	223
Adjustment for investing of financing activities			
Investment income		(10)	(5)
Interest payable		253	287
Loss on disposal of fixed assets		-	33
Net cash flow from operating activities		<u>438</u>	<u>628</u>
Cash flows from investing activities			
Investment income		10	5
Payments made to acquire fixed assets		(274)	(223)
		<u>(264)</u>	<u>(218)</u>
Cash flows from financing activities			
Interest paid		(253)	(287)
Repayments of amounts borrowed		(164)	(164)
		<u>(417)</u>	<u>(451)</u>
(Decrease) in cash and cash equivalents in the year		<u>(243)</u>	<u>(41)</u>
Cash and cash equivalents at beginning of the year	16	2,147	2,188
Cash and cash equivalents at end of the year	16	1,904	2,147

Notes to the Accounts

1 Statement of accounting policies and estimation techniques

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

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2018 to 2019* 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 £2.8m 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. Any under achievement for the Adult Education Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure

account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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 discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

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.

Non-current Assets - Tangible fixed assets

Tangible fixed assets are stated at cost/deemed cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 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*

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

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in 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 2016 to value the pensions liability at 31 July 2019. 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

	2019	2018
	£'000	£'000
Recurrent grants		
Education and Skills Funding Agency - adult	(9)	10
Education and Skills Funding Agency - 16-18	7,642	8,018
Specific grants		
Education and Skills Funding Agency	50	55
Releases of government capital grants	455	455
	<u>8,138</u>	<u>8,538</u>

3 Tuition fees and education contracts

	2019 <u>£'000</u>	2018 <u>£'000</u>
Higher Education (HE) contracts	1,133	1,265
Other Contracts	<u>273</u>	<u>218</u>
	<u>1,406</u>	<u>1,483</u>

4 Other income

	2019 <u>£'000</u>	2018 <u>£'000</u>
Other income generating activities	241	43
Miscellaneous income	<u>47</u>	<u>76</u>
	<u>288</u>	<u>119</u>

5 Investment Income

	2019 <u>£'000</u>	2018 <u>£'000</u>
Other interest receivable	10	5
Total	<u>10</u>	<u>5</u>

6 Staff Costs

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

	<u>£'000</u>	<u>£'000</u>
Wages & salaries	5,734	5,867
Social security	535	556
Other pension costs	<u>1,315</u>	<u>1,157</u>
Payroll sub total	<u>7,584</u>	<u>7,580</u>
Total staff costs	<u>7,584</u>	<u>7,580</u>

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.

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

	2019	2018
	No	No
The number of key management personnel including the Accounting Officer was:	5	7

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

	Key management personnel		Other Staff	
	2019	2018	2019	2018
£50,001 to £55,000	1	1	3	3
£55,001 to £60,000	-	1	-	-
£60,001 to £65,000	1	1	-	-
£70,001 to £75,000	-	1	-	-
£75,001 to £80,000	2	1	-	-
£80,001 to £85,000	-	1	-	-
£100,001 to £110,000	1	1	-	-
	<u>5</u>	<u>7</u>	<u>3</u>	<u>3</u>

Key management personnel compensation is made up as follows:

	2019	2018
	£'000	£'000
Salaries	370	499
Employers National Insurance	41	58
Benefits in kind	-	-
	<u>411</u>	<u>557</u>
Pension contributions	55	75
Total key management personnel compensation	<u><u>466</u></u>	<u><u>632</u></u>

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

The total compensation includes amounts payable to the Accounting Officer (who is also the highest paid officer) of:

	2019	2018
	£'000	£'000
Salaries	103	100
Benefits in kind	-	-
	<u>103</u>	<u>100</u>
Pension contributions	16	16
Total emoluments	<u><u>119</u></u>	<u><u>116</u></u>

The remuneration package of designated Senior Post Holders, is subject to annual review by the Remuneration Committee of the governing body who use benchmarking information to provide objective guidance.

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

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

	2019	2018
	£'000	£'000
Principal's basic salary as a multiple of the median of all staff	3.14	3.11
Principal's total remuneration as a multiple of the median of all staff	3.19	3.16

Compensation for loss of office paid to former key management personnel

The total compensation includes amounts payable to a member of the identified key personnel above of:

	2019	2018
	£	£
Compensation paid to the former post holder	0	17,500

The severance payment was approved by the Corporate Management Team.

The members of the College other than 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

	2019	2018
	<u>£'000</u>	<u>£'000</u>
Teaching costs	182	223
Non-teaching costs	857	898
Premises costs	551	498
Total	<u>1,590</u>	<u>1,619</u>

	2019	2018
	<u>£'000</u>	<u>£'000</u>

Other operating expenses include:

Auditors' remuneration

- Financial statements audit	8	8
- Internal audit	13	13

Hire of other assets - operating leases	<u>41</u>	<u>44</u>
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9 Interest Payable

	2019	2018
	<u>£'000</u>	<u>£'000</u>
On bank loans, overdrafts and other loans:	158	173
Net interest on defined pension liability (note 19)	95	114
Total	<u>253</u>	<u>287</u>

10 Tangible Fixed Assets

	Freehold Buildings £'000	Equipment £'000	Total £'000
Cost or Valuation			
At 1 August 2018	29,541	1,517	31,058
Additions	138	136	274
Disposals	-	(11)	(11)
At 31 July 2019	29,679	1,642	31,321
Depreciation			
At 1 August 2018	7,232	1,156	8,388
Charge for period	742	158	900
Elimination in respect of disposals	-	(11)	(11)
At 31 July 2019	7,974	1,303	9,277
Net Book Value			
At 31 July 2019	21,705	339	22,044
Net Book Value			
At 1 August 2018	22,309	361	22,670

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

11 Trade and other receivables

	2019 £'000	2018 £'000
Amounts falling due within one year:		
Trade receivables	61	19
Prepayments and accrued income	288	335
	349	354

12 Creditors: amounts falling due within one year

	2019	2018
	<u>£'000</u>	<u>£'000</u>
Bank Loan	164	164
Trade payables	21	12
Accruals and deferred income	136	266
Deferred income - government capital grants	455	455
Holiday pay accrual	383	407
	<u>1,159</u>	<u>1,304</u>

13 Creditors: amounts falling due after one year

	2019	2018
	<u>£'000</u>	<u>£'000</u>
Bank Loan	2,665	2,829
Deferred income - government capital grants	12,292	12,747
	<u>14,957</u>	<u>15,576</u>

14 Maturity of debt

	2019	2018
	<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	2,009	2,173
Total	<u>2,829</u>	<u>2,993</u>

A 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 £2,829,000.

15 Provisions

	Defined benefit obligations £'000
At 1 August 2018	(3,246)
Expenditure in the period	(419)
Additions in period	(2164)
At 31 July 2019	<u><u>(5,829)</u></u>

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Note 18.

16 Cash and cash equivalents

	At 1 Aug 2018 £'000	Cash flows £'000	Other Changes £'000	At 31 July 2019 £'000
Cash and cash equivalents	2,147	(243)	-	1,904
Overdrafts	-	-	-	-
Total	<u><u>2,147</u></u>	<u><u>(243)</u></u>	<u><u>-</u></u>	<u><u>1,904</u></u>

17 Capital and other commitments

	2019 £'000	2018 £'000
Commitments contracted for at 31 July	0	102
	<u><u>0</u></u>	<u><u>102</u></u>

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 pension schemes, the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by 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 2016 and the MPF 31 March 2016.

Total Pension cost for the year	Year ended 2019	Year ended 2018
	£'000	£'000
Teachers Pension Scheme:contributions	601	638
Merseyside Pension Scheme:		
Contributions paid	419	405
FRS 102(28) charge	95	114
Charge to the statement of comprehensive income	514	519
Enhanced pension charge to Statement of Comprehensive income	-	-
Total Pension Cost for Year within staff costs	1,115	1,157

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

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/9). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019-20 academic year.

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

The pension costs paid to TPS in the year amounted to £601k (2018: £639k)

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 2019 was £526k, of which employer's contributions totalled £419k and employees' contributions totalled £107k. The agreed contribution rates for future years are 14.7% plus lump sum contribution to historic deficit recovery for the college, and 5.5% to 12.5% for employees, depending on salary.

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

	At 31 July 2019	At 31 July 2018
Rate of increase in salaries	3.70%	3.60%
Rate of increase for pensions in payment/inflation	2.30%	2.20%
Discount rate for scheme liabilities	2.20%	2.90%

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

	At July 2019	At July 2018
<i>Retiring today</i>		
Males	22.2	22
Females	25	24.8
<i>Retiring in 20 years</i>		
Males	25.2	25
Females	27.9	27.8

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

		Value at 31 July 2019 £'000		Value at 31 July 2018 £'000
Equity instruments	39.30%	3,911	41.40%	3,772
Government Bonds	6.80%	677	6.5%	592
Other Bonds	22.80%	2,270	22.6%	2,059
Property	7.60%	757	7.2%	656
Cash/Liquidity	5.40%	538	5.9%	538
Other	18.10%	1,802	16.4%	1,494
Total fair value of plan assets		9,955		9,111
Actual return on plan assets		563		585

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

Movement in net deficit benefit (liability)/asset during year

	2019 £'000	2018 £'000
Net defined benefit (liability) in scheme at 1 August	(3,246)	(4,328)
Movement in year:		
Current service cost	(500)	(514)
Employer service cost (net of employee contributions)		
Employer Contributions	419	405
Past service cost	200	
Net interest on the defined (liability)/asset	(95)	(114)
Actuarial (loss)/gain	(2,207)	1,305
Net defined benefit (liability) at 31 July	(5,429)	(3,246)

Asset and Liability Reconciliation

	2019 £'000	2018 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	12,357	12,566
Current service cost	500	514
Interest cost	357	326
Contributions by Scheme participants	108	104
Experience gains and losses on defined benefit obligations	-	-
Changes in financial assumptions	2,499	(940)
Estimated benefits paid	(237)	(213)
Past Service cost	200	-
Curtailments and settlements	-	-
Defined benefit obligations at end of period	<u><u>15,784</u></u>	<u><u>12,357</u></u>
Changes in fair value of plan assets		
Fair value of plan assets at start of period	9,111	8,238
Interest on plan assets	271	220
Return on plan assets	-	-
Employer contributions	419	405
Contributions by Scheme participants	108	104
Estimated benefits paid	(237)	(213)
Administrative expenses	(9)	(8)
Remeasurements (assets)	292	365
Fair value of plan assets at end of period	<u><u>9,955</u></u>	<u><u>9,111</u></u>

These accounts show a past service cost of £200k in respect of the McCloud/Sergeant judgment which ruled that the transitional protection for some members of public service schemes implemented when they were reformed constituted age discrimination. This provision is just under 2.3% of the total scheme liability as at 31 March 2019. The calculation of adjustment to past service costs, arising from the outcome of the Court of Appeal judgment is based on a number of key assumptions including:

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

The other financial and demographic assumptions adopted to calculate the past service cost are the same as those used to calculate the overall scheme liability. Adopting different assumptions, or making other adjustments to reflect behavioural changes stemming from the judgment, would be expected to change the disclosed past service cost. Similarly, allowing for variations in individual

members' future service or salary progression is expected to produce higher costs. The past service cost is particularly sensitive to the difference between assumed long term general pay growth and

the CPI. For example, the above figures are based on an assumed real pay growth of 1.5% per annum above CPI. Were the assumed future real pay growth instead to be set at zero then the potential additional costs in relation to McCloud would not be significant and could be taken as zero. Figures for other levels of real pay growth could be obtained approximately by interpolation from the above. For example, assuming future real pay growth of 0.75% per annum above CPI would result in (approximate) additional past service of liabilities as at 31 July 2019 of £100,000 and an additional projected service cost for the year commencing 1 August 2019 of £20,000.

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.

The total expenses paid to or on behalf of the Governors during the year was £64; 1 governor (2018: £165; 2 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the College during the year (2018: None).

21 Amounts disbursed as agent: Bursary Fund

	2019 £'000	2018 £'000
Funding body grants	199	203
Interest earned	-	-
	<u>199</u>	<u>203</u>
Disbursed to Students	(199)	(228)
Administration fee	(9)	(10)
Amount consolidated in financial statements	3	38
	<u>3</u>	<u>38</u>
Overspend/(underspend) at 31 July	<u>(6)</u>	<u>3</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.