



Report and  
Financial  
Statements for  
the year ended  
31 July 2020

Capel Manor College

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# Strategic Report

The Corporation presents its annual report and audited financial statements for the year ended 31 July 2020.

## Nature, Objectives and Strategies

### Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Capel Manor College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016, is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 21 to 24.

The Corporation was incorporated as Capel Manor Horticultural and Environmental Centre. The Secretary of State granted consent to the Corporation to change the College's name to Capel Manor College.

### Public Benefit

Capel Manor College is an exempt charity under Part 3 of the Charities Act 2011.

In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit.

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

- Providing opportunity for personal and professional development through widening participation, tackling social exclusion and social mobility
- Providing outstanding learning and student experiences
- Supporting transition into employment or progression to higher study
- Maintaining excellent links with employers, industry and commerce to provide a voice of industry and enhance student opportunity
- Providing publicly accessible greenspace and amenities for local communities
- Maintaining strong links with the Greater London Authority to support the green economy in London and the London Economic Action Partnership (LEAP)

## The acquisition of the Mottingham campus

Following a recommendation from the FE Commissioner, on 1 January 2020, the College acquired Mottingham, a campus in Bromley, southeast London from the education administrators of Kent-based Hadlow College.

Mottingham is a 9-acre freehold property. The acquisition included all the land, buildings, assets and chattels valued at £364k (note 10). 22 staff (along with their pension liabilities in the Kent LGPS) and 180 students were transferred to the College.

## Strategic overview

Our Governors (who are also referred to in this document as members of the Corporation), senior leaders and staff share a mission, vision and set of values that express who we are, how we behave and binds the College together as a community including its students. These statements are shared overleaf.

## Our mission

To support the environment and green skills in London

## Our vision

An environmentally, economically and socially sustainable future for our students

## Our strategic goals



Remain a confident, aspirational, inspirational, and consistently outstanding college making learning opportunities accessible to all Londoners



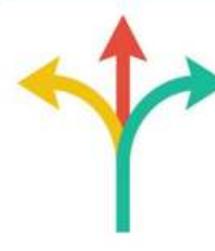
Equip our students with the knowledge, practical skills and personal behaviours needed to fulfil worthwhile careers and individual development and promote productivity and economic wellbeing



Engage in environmentally sound and financially sustainable management of green space, farms, animal collections and related businesses, for the benefit of the public, and education



Provide outstanding resources, education and training activities that we manage sustainably and considerately, with nature and the climate in mind.



Support lifelong learning to enhance individuals' prospects and social mobility via clear and sustainable pathways from entry to advanced levels of study leading to rewarding careers



Actively seek the views of employers, students and other organisations to remain responsive and current and maintain strong partnerships and collaborative ventures locally, nationally and internationally

## Our values

We strive to be:

### **Aspirational**

We proactively and continuously seek the best from ourselves and each other through ambition, perseverance and resilience

### **Responsible**

We care about the environment, animals and people promoting harmony, respect and sustainability

### **Professional**

We encourage behaviours and standards that inspire personal and professional achievement

### **Creative**

We encourage passion, creativity, innovation and enterprise to enrich vocational and personal development

### **Listening**

We listen to employers, our sectors and each other, and act on feedback

### **Fair**

We value individuals and our community, promoting diversity through inclusiveness and equality through openness and mutual respect

The College recognises the very real and pressing challenges we all face through climate change, falling biodiversity, food security and threats to the environment and sustainability. The College is uniquely positioned as the only specialist provider of environmental and land-based education and training in London and we have responsibilities to support those already working in, or considering entering, the green economy.

For each of the strategic goals defined by our mission, vision and values, we have set specific objectives as follows:

### **Strategic Goal One - Remain a confident, aspirational, inspirational, and consistently outstanding college making learning opportunities accessible to all Londoners.**

**Objective A** Provide the highest quality education and training opportunities for students demonstrated by an overall, sustained self-assessment of outstanding.

**Objective B** Increase total student headcount maintaining a broad and balanced vocational curriculum relevant to environmental and land-based needs of London and a healthy balance between different cohorts of student with:

- More capacity in central / west London
- More capacity in east London
- More capacity in south London
- More capacity in north London.

**Objective C** Encourage and sustain a highly motivated and expert workforce focused on enhancing the outcomes and best possible experience for students.

### **Strategic Goal Two - Equip our students with the knowledge, practical skills and personal behaviours needed to fulfil worthwhile careers and individual development and promote productivity and economic wellbeing.**

**Objective A** Help students acquire the personal characteristics and transferrable skills needed to be personally confident and professionally competent.

**Objective B** Provide a wide-range of relevant and up-to-date technology and equipment to encourage and develop the best possible industry skills and innovation.

**Objective C** Provide a learning and working environment and culture that encourages enterprise, entrepreneurialism and innovation.

### **Strategic Goal Three - Engage in environmentally sound and financially sustainable management of green space, farms, animal collections and related businesses, for the benefit of the public, and education.**

**Objective A** Maintain robust financial control and good financial health for sustained re-investment in human and physical resources.

**Objective B** Diversify income through a range of commercial activities and enterprises relevant to the land-based and environmental sector ensuring each makes a positive financial contribution to the College.

**Objective C** Demonstrate high-quality environmental and land management and the highest standards in our land-based and environment businesses and enterprises to enhance the curriculum and the College's reputation.

## **Strategic Goal Four - Provide outstanding resources, education and training activities that we manage sustainably and considerately, with nature and the climate in mind.**

- Objective A** Demonstrate our ambition for climate change reduction through the best possible sustainable practices, responsible management of the estates and quality buildings and facilities.
- Objective B** Provide a resilient, responsive and flexible environment for technology and technological innovation to maximise learning opportunities and environmental opportunities.

## **Strategic Goal Five - Support lifelong learning to enhance individuals' prospects and social mobility via clear and sustainable pathways from entry to advanced levels of study leading to rewarding careers.**

- Objective A** Provide the widest possible opportunities, and where possible reduce barriers, to encourage the widest possible inclusion in land-based and environmental education and careers.
- Objective B** Provide the highest quality education and training opportunities and high-quality support, advice and recreational facilities to support students' personal development to ensure the College remains attractive and responsive to students.
- Objective C** Create living opportunities for overseas students and students studying away from home.

## **Strategic Goal Six - Actively seek the views of employers, students and other organisations to remain responsive and current and maintain strong partnerships and collaborative ventures locally, nationally and internationally.**

- Objective A** Provide educational and training that fulfils the needs of employers with appropriate entry-points, pathways and modes of delivery to maximise inclusion and support for land-based and environmental careers.
- Objective B** Ensure the College remains current, relevant and responsive to the land-based and environmental sectors with listening strategies based on employer-liaison and student surveys.
- Objective C** Develop and maintain local, regional, national and internal partnerships that support and enhance the College.

## **Coronavirus (COVID-19) and the global pandemic**

Like all similar institutions, COVID-19 had a significant impact on the operations of the College during 2019-20. Following government guidelines, we closed our doors on 23 March to all but the most vulnerable students, and those who are the children of key workers, moving most staff and students to home working and home study. From 15 June, we partially re-opened to continue some face-to-face teaching and learning.

We continued to maintain our gardens, farms and zoos throughout lockdown, although all of them were closed to the public, with the exception of Forty Hall Farm which actually increased its trading during this period supplying high-quality organic food to the residents of Enfield.

These closures ceased all income from the remaining commercial operations and, together with additional costs of the adjustments needed to make the College COVID-secure, dramatically changed the financial outlook.

The College claimed the government's Job Retention Scheme and other available support, and subsequently the College has been able to re-open some limited commercial operations to generate income and seek further financial aid, to support our cost base.

COVID-19 affected the teaching and learning from 23 March. Most lessons went online and practical lessons ceased until a partial return from June. The normal end of term was put back to the end of summer time to extend the amount of teaching time available and allow students to catch up on missed practical skills. Examinations and many summative assessments were cancelled and students were awarded 'centre-assessed grades'.

## Academic Performance

### Student Recruitment

The funding allocation for 2019/20 from the ESFA was £8,205k for 16-19 learners. The College recruited 1,011 students under 19 years of age in 2019/20. The final Individual Learner Record (ILR) for 2019/20 reported £8,321k of 16-18 Programme Study activity (£116k above allocation). For its adult provision, the College delivered classroom activity to the value of £2,030k (£325k below allocation). Apprenticeship income was £453k. The College is grateful that the normal reconciliation rules were removed for 2019/20 by the ESFA and GLA in response to the pandemic as planned recruitment for the later 5 months of the year was not possible due to the lockdown.

Because of COVID-19, examinations and normal assessments of students were curtailed. The College submitted a true Centre Assessment of Grades and performed adaptive assessments to determine the grades for students.

The academic performance for 2019-20 is:

- The overall achievement for the College (all student ages, all levels of study) was 87.7% which is 0.9% higher than the previous year.
- The achievement for students that are 16-18 years-old is 89.8% which is 3.4% higher than the previous year.
- The achievement for students over 19 years-old is 88.2%, 1.3% lower than the previous year.
- The overall achievement for maths and English is 80.3%, 10% higher than the previous year.
- The overall timely achievement for Apprenticeships is 46.4% which was significantly impacted by COVID-19.

While a significant proportion of teaching and learning was delivered online, the normal quality processes have adapted to maintain standards and continuous improvement.

The College was last inspected by Ofsted in November 2016 when it was graded as **Good**. It is currently self-assessing as 'Good'.

Since then further progress has been made with a much stronger quality team supporting the teaching staff and organisational development. New systems have been introduced and the virtual learning environment improved to better track students' progress and provide information and feedback.

In March 2020, there was a positive peer-review of its provision by Landex that noted good progress and reaffirmed the College's status as a specialist provider of land-based education and training.

## Students by School and Centre

	Entfield	Crystal Palace Park	Gunnersbury Park	Brooks Farm	Regents Park	Mottingham	Total for All Centres
<b>Overall Number of Students for Each School</b>							
Apprenticeships & Business Development	125	8	36	-	55	-	224
Animal Management, Saddlery and Dog Grooming	458	199	137	35	-	175	1004
Arboriculture, Agriculture and Environmental Conservation	179	21	28	-	-	-	228
Floristry and Event Styling	133	14	30	-	-	-	177
Foundation Learning and Schools	42	19	8	-	-	-	69
Garden Design	100	16	-	-	227	-	343
Horticulture and Landscaping	276	75	92	-	315	-	758
<b>Total for all Schools</b>	<b>1313</b>	<b>352</b>	<b>331</b>	<b>35</b>	<b>597</b>	<b>175</b>	<b>2803*</b>

\* Total includes students who have enrolled at more than one centre throughout the year, number of distinct students 2768

## Students by Level

	Full and Part Time Learners				Higher Education	Work-based Learners			Cost Recovery Learners	Professional Short Course Learners	Total for All Levels
	Pre-Level 1	Level 1	Level 2	Level 3	Level 4+	Level 1	Level 2	Level 3			
<b>Overall Number of Students for Each School</b>											
Apprenticeships & Business Development	-	-	-	-	-	-	201	21	-	-	222
Animal Management and Saddlery	-	115	339	468	68	-	-	-	11	-	1001
Arboriculture, Agriculture and Environmental Conservation	-	30	75	38	-	-	-	-	-	100	243
Floristry and Event Styling	3	28	123	27	1	-	-	-	-	-	182
Foundation Learning and Schools	46	12	-	-	-	-	-	-	13	-	71
Garden Design	-	52	123	187	-	-	-	-	15	-	377
Horticulture and Landscaping	-	126	514	36	-	-	-	-	-	71	747
<b>Total for all</b>	<b>49</b>	<b>363</b>	<b>1174</b>	<b>756</b>	<b>69</b>	<b>0</b>	<b>201</b>	<b>21</b>	<b>39</b>	<b>171</b>	<b>2843</b>

\* Total includes students who have enrolled onto more than one level throughout the year, number of distinct students 2768.

The above tables provide two different profiles of the student population.

The proportion of learners with declared disabilities was 24.4% and the proportion of learners with declared learning difficulties was 26.1%. The College Black, Asian and Mixed Ethnicity (BAME) cohort remains high for the sector at 29.1%. This is one of the best diversity ratios for any land-based college. The College is actively seeking an even better diversity representation through policies, practices and marketing.

To date, there has been a relatively low incidence of COVID-19 within the College and the College continues to proactively monitor and respond to developments.

## Sustainability

Capel Manor aspires to be a green employer as well as placing biodiversity, sustainability and climate change mitigation central to our provision. Our Charter for the environment and sustainability sets ambitious and attainable targets for our own response to climate change including:

- We aim to achieve net zero emissions for ourselves no later than 2030 and 20 years ahead of the UK target.
- We aim to establish, and meet, our own ambitious targets and progress measures for responding to climate change, to guide our journey to a net zero position.
- We will use our knowledge, skills and resources to protect and conserve the landscape and natural resources we own and manage, for the benefit of people, wildlife and the wider environment in London
- We will work with others to build sustainable futures for the natural environment
- We will engage students and the community at every reasonable opportunity to develop the future workforce and volunteers needed to preserve and enhance the natural world for future generations
- We will seek ways to improve the carbon literacy, the awareness of environmental impact and the ways to reduce emissions, amongst the College community and our stakeholders

## People

The College employs approximately 313 people (expressed as 257 full time equivalents); of whom 110 are teaching staff (expressed as 97 FTE staff).

## Financial Objectives

The College's financial objectives are:

- to achieve an annual operating surplus
- to pursue alternative sources of funding, on a selective basis, consistent with the College's strategic objectives and maintain its independent status
- to generate sufficient levels of income to support and enhance the asset base of the College
- to further improve the College's shorter term liquidity

## Performance Indicators

A series of performance indicators have been agreed to monitor the successful implementation of the financial objectives.

<b>Key Performance Indicator</b>	<b>Measure/Target</b>	<b>Actual for 2019/20</b>
<i>Operating surplus/ sector EBITDA as % of income</i>	≥ 3%	6.3%
<i>Staff costs as a % of income</i>	≤ 65%	74%
<i>(excl. FRS102)</i>	≤ 65%	68%
<i>Operating cash flow</i>	> 0	£1k
<i>Liquidity (adjusted current ratio)</i>	≥ 1.6:1	3.6:1
<i>Total borrowing as a % of income</i>	≤ 4%	0%
<i>Adjusted cash days in hand</i>	≥ 30	88
<i>Operating deficit/surplus</i>	>0	(£544k)
<i>(excl. FRS102 and Mottingham)</i>	>0	£101k

## Financial Position

### Financial results

The results for 2019-20 are greatly influenced by the revaluation of the LGPS liabilities and, to a lesser extent, by COVID-19.

The Group generated a loss before other gains and losses in the year of £544k (2018/19: loss £987k), with total comprehensive income of £16,009k (2018/19: £14,060k).

The impact of FRS102 pension reporting was to increase the deficit by £5,008k in the year (2018/19: an increase of £1,799k). An additional pension liability of £69k arose on the acquisition of the Mottingham campus from Hadlow College. This results in an increase of 101% in the pension deficit valuation. The total deficit needs to be financed over a 24 year period and thus does not impact the next 12 months or the College as “A Going Concern”. The abnormal circumstances that created this outcome are not expected to pertain for this 24 year period though the College now expects further increases to the employer contribution rate.

The factors driving this increase in the pension liability are common to all FE colleges and not specific to Capel Manor College. This valuation fully provides for:

- The Guaranteed Minimum Pension (GMP) equalisation (the High Court in England ruled on 26 October 2018 that all GMP benefits in UK pension plans must be equalised for males and females. The outcome of this judgement will affect any UK defined benefit scheme which has been contracted out of the State pension arrangements resulting in members of the scheme having a GMP);
- The McCloud judgement (the Court of Appeal’s ruling that the Government’s 2015 public sector pension reforms unlawfully treated existing public sectors differently based upon members’ age on the 1 April 2012 has also adversely affected the pension valuation); and
- Current market values which have resulted in the discount rate being reduced from 2.2% to 1.4%.

The College has no control on this aspect of its operations which is determined annually by the pension scheme actuary.

At 31 July 2020, the College has net current assets of £3,181k, no long term debt and cash and short term investment balances of £3,739k. The group wishes to continue to accumulate reserves and cash balances in order to reinvest in its current operations and fund future development opportunities as they arise.

The group's reserves decreased in the year by £4,543k (2018/19: decreased by £1,794k). This arises from the loss of £544k (2018/19: loss of £987k) and an actuarial loss of £3,999k (2018/19: actuarial loss of £807k).

Tangible fixed asset additions during the year amounted to £878k (note 10). This was split between Mottingham (£364k), property (£445k) and equipment (£69k).

The College has significant reliance on the education sector funding bodies for its principal funding, largely from recurrent grants. In 2019/20 the FE funding bodies provided 79% (2018/19: 77%) of the College's total income.

The group accounts incorporate the results of Forty Hall Community Vineyard Limited and Capel Manor Limited (note 11).

## Treasury policies and objectives

Treasury management is the management of the College's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. The College has a treasury management policy in place.

## Cash flows and liquidity

Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum/Funding Agreement.

The group made a net cash inflow of £1k (2018/19: outflow of £361k) in the year (Consolidated Statement of Cash Flows).

## Reserves Policy

The group has negative reserves of £1,155k; being net assets of £8,795k offset by pension liabilities of £9,950k. As part of its normal finance control, the College seeks to hold liquid reserves equivalent to three months trading. Presently, this would normally equate to a reserve of £4m.

A capital application has been submitted to develop the Mottingham campus which would require the College to invest £3.5m. £1.4m will be provided from College funds with the rest subject to borrowing, repayable from cash inflows over the following seven years.

It is the Corporation's intention to increase reserves through the generation of annual operating surpluses.

## Current and Future Development and Performance

### Financial Health

The financial health of the College for 2019/20 is **Outstanding**. Should the planning application to develop the Mottingham campus be successful, this is expected to remain at "Good" over the next three year period.

### Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the 2019/20 accounting year, the College paid 95 per cent of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

## Future developments

The College recognises the importance of the environment and greenspace in London both now, and in the future and the role the College has to play in supporting the environment and those working in the environment and land-based sector.

The College is seeking to grow through increasing student numbers and in particular the provision for 16-19 year olds, Apprenticeships and Higher Education.

The existing network of campus-based facilities across London is being enhanced and developed to provide greater and better opportunities for learning.

The College’s open, collaborative approach to working in partnership with employers and local authorities is being pursued for maximum effectiveness and engagement.

## Premises and estates

The College operates six campuses across London; Enfield and Forty Hall Farm, Mottingham, Crystal Palace Park, Regents’ Park, Gunnersbury Park and Brooks Farm.

Enfield is the largest (34 acres) and oldest of the centres and is the hub of the College. Forty Hall Farm lies within two miles of the Enfield campus and is a growing, organically run 150 acres farm, vineyard and market garden. Legal title to the 9.35 acre freehold land and buildings on the Hadlow Mottingham campus was transferred to the College on 1 January 2020.

The College leases its other sites in Crystal Palace Park, Gunnersbury Park, Regent’s Park and Brooks Farm.

## Reputation

The College has an excellent reputation for practical vocational training both regionally and nationally and is increasingly attracting overseas students. Its unique model of education and training embedded in real-world experiences and fundamentally linked to employers is increasingly admired.

## Principal Risks and Uncertainties

The College has a Risk management strategy that reflects the Corporation’s risk appetite, changes in the risks facing the College, and where possible, action to mitigate the possibility of these risks damaging the College. The College utilises the internal audit system and encourages good communications with its staff and stakeholders to further develop systems to protect the College’s assets and reputation.

Principal risk	Strategic objective(s) linked to the principal risk	Description of principal risk	Risk areas covered by principal risk	High level controls / mitigation in place
A failure in curriculum, academic achievement and progress	<ul style="list-style-type: none"> <li>Be a consistently outstanding College</li> <li>Create clear and sustainable pathways from entry to advanced levels of study, research and expertise leading to rewarding careers</li> <li>Provide the best and widest possible range of resources, education and training activities</li> </ul>	A poorly defined curriculum, or poor quality teaching, learning, and assessment, results in insufficient student progress and declining academic performance that causes damage to the reputation of the College.	<ul style="list-style-type: none"> <li>Curriculum</li> <li>Quality of teaching and learning</li> <li>Academic performance</li> <li>Progress and progression</li> </ul>	<ul style="list-style-type: none"> <li>Curriculum planning process</li> <li>Teaching observation</li> <li>SAR/QIP processes</li> <li>Student records and tracking systems</li> <li>Performance reviews</li> <li>KPIs</li> <li>Student surveys</li> <li>External quality assurance</li> </ul>

Principal risk	Strategic objective(s) linked to the principal risk	Description of principal risk	Risk areas covered by principal risk	High level controls / mitigation in place
<b>A failure to provide a student experience of sufficiently high quality and range</b>	<ul style="list-style-type: none"> <li>Support lifelong learning to enhance individuals' prospects, productivity, social mobility and economic effectiveness</li> <li>Be an inspirational and aspirational College</li> <li>Equip students of all ages with knowledge, skills and behaviours to support the green environment and land-based industries</li> </ul>	An unsafe environment or insufficient support for students causes declining academic performance, poor preparedness for work, declining student numbers and damage to the reputation of the College.	<ul style="list-style-type: none"> <li>Safeguarding</li> <li>Advice and guidance</li> <li>Employer links</li> <li>Educational partnerships</li> <li>Student personal development, behaviour and welfare</li> <li>Enrichment activities</li> <li>Alumni</li> </ul>	<ul style="list-style-type: none"> <li>Safeguarding team and systems</li> <li>Safeguarding training for all</li> <li>Matrix standard for careers advice</li> <li>Learner surveys</li> <li>Curriculum planning process</li> <li>Employer surveys and employer liaison groups</li> </ul>
<b>Insufficient student recruitment and grant funding to support the curriculum</b>	<ul style="list-style-type: none"> <li>Be an expanding College</li> </ul>	Insufficient student recruitment reduces the funding needed to maintain or grow the provision, and leads to declining financial health or performance.	<ul style="list-style-type: none"> <li>Student marketing and recruitment</li> <li>Student records</li> <li>Management information</li> </ul>	<ul style="list-style-type: none"> <li>Strategic and income related target setting</li> <li>KPIs</li> <li>Marketing and enrolment review meetings</li> <li>Marketing strategy</li> <li>DSAT validation of ILR</li> <li>Internal audit</li> </ul>
<b>A failure to maintain an appropriate workforce, and organisational structure</b>	<ul style="list-style-type: none"> <li>Be a consistently outstanding College</li> <li>Be an inspirational and aspirational College</li> </ul>	Insufficient staff, or poorly developed and demotivated staff, or the ineffective deployment and utilisation of staff causes a decline in overall performance, and damage to the reputation of the College.	<ul style="list-style-type: none"> <li>Staff recruitment and retention</li> <li>Staff continuity and succession</li> <li>Staff deployment and utilisation</li> <li>Legal compliance</li> <li>Organisation structure</li> <li>Staff development</li> <li>Equality, diversity and inclusion</li> </ul>	<ul style="list-style-type: none"> <li>KPIs</li> <li>Internal audit</li> <li>Workforce / organisational development</li> <li>Equality and diversity working group</li> <li>Business planning</li> <li>Change management</li> </ul>
<b>A failure to diversify income, control costs or provide sufficient income from other sources</b>	<ul style="list-style-type: none"> <li>Be an expanding College</li> <li>Open our farms, gardens, animal collections, facilities and services for commercial, recreational and educational benefit</li> </ul>	A failure to control finances and secure sufficient additional non-funded income, provide additional security through a diversified turnover, and maintain or grow the provision, or loss of financial control, leads to declining performance or financial health of the College.	<ul style="list-style-type: none"> <li>Commercial marketing</li> <li>Commercial income</li> <li>Debt</li> <li>Value for money</li> <li>Budgeting and forecasting</li> <li>Capital investment</li> <li>Fraud</li> <li>Financial control</li> <li>Fundraising</li> <li>Other Partnerships</li> </ul>	<ul style="list-style-type: none"> <li>Strategic and income related target setting</li> <li>KPIs</li> <li>Marketing review meetings</li> <li>External and regulatory audits</li> <li>Internal audit</li> <li>External project management of capital programmes</li> <li>Financial regulations</li> <li>Staff development</li> <li>Business planning</li> </ul>

Principal risk	Strategic objective(s) linked to the principal risk	Description of principal risk	Risk areas covered by principal risk	High level controls / mitigation in place
<b>A failure to maintain appropriate estates and facilities to support the curriculum and business development</b>	<ul style="list-style-type: none"> <li>• Provide the best and widest possible range of resources, education and training activities</li> <li>• Equip students of all ages with knowledge, skills and behaviours to support the green environment and land-based industries</li> <li>• Make learning and opportunity accessible to all Londoners and wider audiences</li> <li>• Manage green space, animal collections and related businesses and play an active role improving the natural environment and landscape of London</li> </ul>	Unsafe, inadequate, or poor quality estates, resources and facilities damages the reputation, student and staff recruitment and overall performance of the College.	<ul style="list-style-type: none"> <li>• Campus accessibility</li> <li>• IT infrastructure</li> <li>• Safe workplace</li> <li>• Accommodation</li> <li>• Capital projects</li> <li>• Facilities</li> <li>• Cyber protection</li> <li>• Leases and licences</li> <li>• Business continuity</li> <li>• Gardens and grounds</li> </ul>	<ul style="list-style-type: none"> <li>• Internal audit</li> <li>• Health and safety working group</li> <li>• KPIs</li> <li>• Space and occupancy surveys</li> <li>• Staff surveys</li> <li>• Student surveys</li> <li>• Customer surveys</li> <li>• Firewalls</li> <li>• Cloud-based systems and managed services</li> <li>• Resilient and distributed network structures</li> <li>• Staff development</li> <li>• Business planning</li> </ul>
<b>A failure of meet all requirements of legal and regulatory compliance</b>	<ul style="list-style-type: none"> <li>• Be a consistently outstanding College</li> </ul>	Error or omission in the legal and regulatory duties causes financial or reputational damage to the College.	<ul style="list-style-type: none"> <li>• Data protection</li> <li>• Legal compliance</li> <li>• Employment law</li> <li>• Equalities act</li> </ul>	<ul style="list-style-type: none"> <li>• Internal audit</li> <li>• Independent review and reporting</li> <li>• KPIs</li> </ul>
<b>A failure in the Governance and leadership of the College</b>	<ul style="list-style-type: none"> <li>• All strategic objectives</li> </ul>	Poor or insufficient governance and leadership fails to meet strategic objectives and damages the reputation, financial health, performance or progress of the College.	<ul style="list-style-type: none"> <li>• Risk management</li> <li>• Communications</li> <li>• Legal compliance</li> <li>• Governance</li> <li>• Strategy</li> <li>• National, regional and local policy</li> <li>• Social issues and mobility</li> <li>• Competition</li> </ul>	<ul style="list-style-type: none"> <li>• Annual governance performance reviews and skills audit</li> <li>• KPIs</li> <li>• Internal audit</li> <li>• Governor training</li> <li>• Staff development</li> </ul>

Other specific risks affecting the College are detailed below, some of which are not directly within the control of the College and other risks may adversely affect the College:

### 1. Government Funding

The College has considerable reliance on continued government funding through the ESFA. In 2019/20, 79% of the College’s revenue was public funded.

The following key issues may impact on future funding:

- Changes to Apprenticeship levy-based funding and new standards
- Reduction of funding especially the Adult Education Budget
- Removal of the specialist weighting for land based colleges
- Devolution
- The recruitment of Higher Education students

- The uptake of Advanced Learning Loans
- Competition from schools for 16-18 year old students
- Changes from existing qualifications to T-Levels

## 2. Tuition Fees

The College annually reviews tuition fees in line with cost of living and market forces.

Risks are mitigated by:

- Ensuring the curriculum is high quality and relevant;
- Ensuring students perceive value for money for students;
- Close monitoring of competition and changes in demand.

## 3. Maintain adequate funding of pension liabilities

The financial statements report the share of the pension scheme deficit on the College's balance sheet in line with the requirements of FRS 102.

Accounting for defined benefit pension schemes under FRS 102 is a risk as the relevant pension scheme is not under the direct control of the College. It is accounted for in accordance with the advice of an independent qualified actuary who applies significant judgements in relation to assumptions for future salary increases, inflation, investment returns and member longevity, which all underpin their evaluations.

## 4. Failure to maintain the financial viability of the College

The College's current financial health grade is classified as "**Outstanding**" as described above. This is largely the consequence of astute financial management.

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.

Risks are mitigated by:

- Rigorous budget setting procedures and sensitivity analysis;
- Regular in year budget monitoring;
- Robust financial controls;
- Exploring ongoing procurement efficiencies.

## Stakeholder Relationships

In line with other colleges and with universities, Capel Manor College has many stakeholders. These include:

- Students and staff;
- Education sector funding bodies;
- Employers;
- Local authorities, Government Offices/ Regional Development Agencies/LEPs;
- Local communities;
- Other Further Education institutions;
- Professional bodies;
- The Greater London Authority;
- Higher Education Institutions;
- The Livery companies of London;
- NGO's and other regulatory authorities.

The College recognises the importance of these relationships and engages in regular communication with them through the College internet site and by meetings.

## Equality and Diversity and Inclusion Policy

The College is committed to ensuring equality of opportunity for all its students, staff and the broader community which it serves. We welcome, celebrate and value the diversity of our learning community and seek to promote an inclusive learning and working environment where everyone can achieve to their full potential.

The College respects and values the diversity of students and staff who share different aspects of their identity, for example in terms of their race and ethnicity, gender, sexual orientation, gender, reassignment, religion and belief, disability or marital/civil partnership, socio-economic status and age. The College aims to ensure Equality, Diversity and Inclusion is reflected through the curriculum, enrichment activities and the range of direct and indirect student support services.

The College publishes Annual Equality Diversity reports and has an Equality, Diversity and Inclusion working group to ensure compliance with the relevant specific equality duties outlined in the Equality Act 2010. The College also undertakes equality impact assessments on new policies and procedures. Equality impact assessments are also undertaken for existing policies and procedures on a prioritised basis.

### Disability statement

The College has achieved Level 1 of the Employers 'Disability Confident Committed' award and has committed to the principles and objectives of the Positive about Disabled People 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 is committed to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities for everyone.

The College is making a formal commitment to achieve the 'Mindful Employer' charter to assist the mental health wellbeing of staff. The College provides mandatory Equality, Diversity and Inclusion training for all new starters and forms part of the induction training.

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

- a) The College has appointed staff who provide information, advice and arrange support where necessary for students with disabilities/learning difficulties.
- b) There is a range of specialist equipment, e.g. hearing loops which the College can make available for use by students alongside a range of various assistive technology.
- c) The College will appoint specialist staff to support students with learning difficulties and/or disabilities when required. There are a number of student support assistants who can provide a variety of support for learning.
- d) The College offers staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
- e) Counselling and welfare services are described in the student handbook, which is also available to students together with details on our additional learning support services which are covered as part of induction and at other times throughout the year.

## 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. During the period 1 August 2019 to 31 July 2020 the College did not have any representatives and thus no time was incurred.

## Going Concern

After making appropriate enquiries, the Corporation 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.

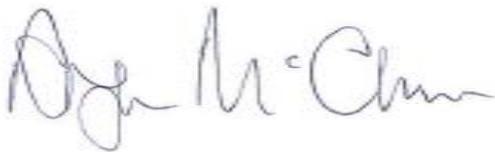
The College has cash and short term deposits of £3,739k, net current assets of £3,181k, no debt and net current liabilities of £1,155k (after deducting a £9,950k pension liability). The actuaries' pension valuation for the year ended 31 July 2020 increased the deficit by £5,008k; an increase of 101%.

Cash flow projections show the College to be able to meet its debts as they fall due during the period of 12 months from the date of approval of these financial statements. College management plan to generate surpluses from the current and future expansion of the student population to fund the business and its liabilities.

## Disclosure of Information to the Auditor

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

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



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Roger McClure  
Chair of Governors

16 December 2020

## Key Management Personnel

Principal, Chief Executive and Accounting Officer - Malcolm Goodwin

Vice Principal – Christine Bianchin

Executive Director of Finance & IT- Damien Fallon

Executive Director of HR & Central Services – Susanne Datta

Executive Director of Estates and Commercial Operations – Steven Girling

Clerk to the Corporation and Company Secretary – Joanne Coffey

## Professional Advisers

### ***Financial Statements and Regularity Auditors***

Buzzacott LLP  
130 Wood Street  
London  
EC2V 6DL

### ***Bankers***

Bank of Scotland PLC  
300 Lawn Market  
Royal Mile  
Edinburgh  
EN1 2PH

Clydesdale Bank PLC  
88 Wood Street  
London  
EC2V 7QQ

### ***Internal Auditors***

Scrutton Bland  
Fitzroy House  
Crown Street  
Ipswich  
Suffolk  
IP1 3LG

Barclays Bank PLC  
1 Churchill Place  
London  
E15 HHP

### ***Solicitors***

Duffield Harrison  
Rathmore House  
56 High Street  
Hoddesdon  
Herts.  
EN11 8EX

Lloyds Bank PLC  
25 Gresham Street  
London  
EC2V 7HN

## Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2019 to 31 July 2020 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

- i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii. in full accordance with the guidance to colleges from the Association of Colleges in The English Colleges' Foundation Code of Governance ("the Foundation Code"); and
- iii. having due regard to the UK Corporate Governance Code ("the Code") insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the College has adopted and complied with the Foundation Code. We have not adopted and therefore do not apply the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.

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 2020. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of the Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted on 28 March 2017.

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 Corporation

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

<b>Governors serving on the College Board during 2019-20</b>						
<b>Name</b>	<b>Date of Appointment: (A) Re-Appointment(s): (B), (C), (D), (E), (F), (G)<sup>1</sup></b>	<b>Term of office</b>	<b>Date of end of service</b>	<b>Method of appointment</b>	<b>Committees served</b>	<b>Corporation meeting attendance</b>
Dr Heather Barrett-Mold OBE	(A) Appointed at the end of the Summer term 25 March 2015 (B) 3 April 2019	4 years  4 years		Governing Body	<ul style="list-style-type: none"> <li>• Corporation (Vice Chair)</li> <li>• Academic</li> <li>• Search, Governance and Remuneration</li> <li>• Strategy</li> <li>• Finance and Resources<sup>2</sup></li> </ul>	6/6
Patricia Brown	(A) 11 December 2019	4 years		Governing Body	<ul style="list-style-type: none"> <li>• Corporation</li> </ul>	0/5
Carl Butler	(A) 17 October 2019	1 year	1 September 2020	Student Body/ Governing Body	<ul style="list-style-type: none"> <li>• Corporation</li> <li>• Academic</li> <li>• Health and Safety/Estates<sup>3</sup></li> </ul>	5/6
Paul Campbell	(A) 10 July 2013 (B) 2 July 2017	4 years 4 years	1 September 2020	Governing Body	<ul style="list-style-type: none"> <li>• Corporation</li> <li>• Health and Safety/Estates<sup>3</sup></li> <li>• Strategy</li> </ul>	5/6
Dr Sheila Cunningham	(A) 21 April 2020	4 years		Governing Body	<ul style="list-style-type: none"> <li>• Corporation</li> <li>• Academic (Observer)</li> </ul>	2/2
Dr Beryl De Souza	(A) 2 April 2012 (B) 22 March 2016 (C) 3 April 2019	4 years 3 years 4 years		Governing Body	<ul style="list-style-type: none"> <li>• Corporation</li> <li>• Audit</li> <li>• Health and Safety/Estates<sup>3</sup></li> </ul>	5/6
Peter Doble	(A) 12 December 2018	4 years		Governing Body	<ul style="list-style-type: none"> <li>• Corporation</li> <li>• Finance and Resources<sup>2</sup></li> <li>• Strategy</li> </ul>	6/6
David Domoney	(A) 2 April 2014 (B) 28 March 2018	4 years 4 years		Governing Body	<ul style="list-style-type: none"> <li>• Corporation</li> <li>• Strategy (Co-opted)</li> </ul>	2/6

<b>Governors serving on the College Board during 2019-20</b>						
<b>Name</b>	<b>Date of Appointment: (A) Re-Appointment(s): (B), (C), (D), (E), (F), (G)<sup>1</sup></b>	<b>Term of office</b>	<b>Date of end of service</b>	<b>Method of appointment</b>	<b>Committees served</b>	<b>Corporation meeting attendance</b>
Doug Fussell	(C) 10 December 2008 (D) 4 April 2012 (E) 20 July 2016 (F) 3 April 2019	3 years 7m 4 years 3 years 1 year	1 September 2020	Governing Body	<ul style="list-style-type: none"> <li>• Corporation</li> <li>• Finance and Resources<sup>2</sup></li> <li>• Search, Governance and Remuneration</li> <li>• Strategy</li> </ul>	5/6
Malcolm Goodwin	(A) 1 August 2017	Ongoing		Principal	All Committees except Audit Strategy and Remuneration	6/6
Cecily Eltringham	(A) 17 October 2019	1 year	4 February 2020	Student Body/ Governing Body	<ul style="list-style-type: none"> <li>• Corporation</li> <li>• Academic</li> <li>• Health and Safety/Estates<sup>3</sup></li> </ul>	1/2
Cara Glynn	(A) 16 March 2020	4 months	15 July 2020	Student Body/ Governing Body	<ul style="list-style-type: none"> <li>• Corporation</li> <li>• Academic</li> <li>• Health and Safety/Estates<sup>3</sup></li> </ul>	3/3
Don Gratton	(C) 14 December 2011 (D) 9 December 2015 (E) 13 December 2017	4 years 2 years 2 years	11 December 2019	Governing Body	<ul style="list-style-type: none"> <li>• Corporation</li> <li>• Finance and Resources<sup>2</sup></li> <li>• Search, Governance and Remuneration</li> </ul>	1/1
Marilyn Hawkins	(A) 3 April 2019	4 years	1 November 2019	Governing Body	<ul style="list-style-type: none"> <li>• Corporation</li> <li>• Academic</li> <li>• Finance and Resources<sup>2</sup></li> <li>• Search, Governance and Remuneration</li> </ul>	0/0
Robert Howard	(A) 14 July 2010 (B) 9 July 2014 (C) 18 July 2018	4 years 4 years 4 years		Governing Body	<ul style="list-style-type: none"> <li>• Corporation</li> <li>• Audit</li> </ul>	6/6
Guy Jones-Owen	(A) 28 March 2018	4 years		Governing Body	<ul style="list-style-type: none"> <li>• Corporation</li> <li>• Audit</li> </ul>	4/6

<b>Governors serving on the College Board during 2019-20</b>						
<b>Name</b>	<b>Date of Appointment: (A) Re-Appointment(s): (B), (C), (D), (E), (F), (G)<sup>1</sup></b>	<b>Term of office</b>	<b>Date of end of service</b>	<b>Method of appointment</b>	<b>Committees served</b>	<b>Corporation meeting attendance</b>
Joanne Laban	(A) 11 December 2019	4 years		Governing Body	<ul style="list-style-type: none"> <li>• Corporation</li> </ul>	3/5
Roger McClure	(A) 30 June 2016 (B) 15 July 2020	4 years 4 years		Governing Body	<ul style="list-style-type: none"> <li>• Corporation (Chair)</li> <li>• Finance and Resources<sup>2</sup></li> <li>• Search, Governance and Remuneration</li> <li>• Academic (Observer)</li> <li>• Strategy</li> <li>• Estates<sup>3</sup></li> </ul>	6/6
Lady Milnes Coates	(A) 12 December 2012 (B) 7 December 2016	4 years 4 years		Governing Body	<ul style="list-style-type: none"> <li>• Corporation</li> <li>• Finance and Resources<sup>2</sup></li> </ul>	6/6
Jarryd Russell	(A) 17 October 2019	1 year	15 July 2020	Student Body/ Governing Body	<ul style="list-style-type: none"> <li>• Corporation</li> <li>• Academic</li> <li>• Health and Safety/Estates<sup>3</sup></li> </ul>	5/5
Sarah Seery	(A) 17 July 2019	2 years		Staff Body/ Governing Body	<ul style="list-style-type: none"> <li>• Corporation</li> <li>• Academic</li> <li>• Health and Safety/Estates<sup>3</sup></li> </ul>	6/6
James Wisdom	(C) 12 December 2007 (D) 10 December 2008 (E) 14 July 2010 (F) 10 July 2013 (G) 28 March 2017	1 year 2 years 4m 3 years 4 years 4 years		Governing Body	<ul style="list-style-type: none"> <li>• Corporation</li> <li>• Academic</li> <li>• Strategy</li> </ul>	6/6
Joanne Coffey served as Clerk to the Corporation in 2019-20.						

<b>Governors serving on the College Board during 2019-20</b>						
<b>Name</b>	<b>Date of Appointment: (A) Re-Appointment(s): (B), (C), (D), (E), (F), (G)<sup>1</sup></b>	<b>Term of office</b>	<b>Date of end of service</b>	<b>Method of appointment</b>	<b>Committees served</b>	<b>Corporation meeting attendance</b>
<b>NOTES:</b>						
<ol style="list-style-type: none"> <li>1. Date of appointment data is provided for the last three terms of office in respect of governors who have held office in excess of ten years.</li> <li>2. The Finance and General Resources Committee was renamed the Finance and Resources Committee on 11 December 2019</li> <li>3. A new Estates Committee was formed on 21 April 2020, which oversees Estates matters (originally overseen by Finance and Resources Committee) and incorporated the Health and Safety Committee</li> </ol>						

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

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues. The Corporation meets each term.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Strategy, Finance and Resources, Search, Governance and Remuneration, Academic, Health and Safety (now the Estates committee) and Audit. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Clerk to the Corporation at: Capel Manor College, Bullsmoor Lane, Enfield, Middlesex, EN1 4RQ.

The Clerk to the Corporation 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 Corporation, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Corporation as a whole.

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

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

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

The College also has a Patron, Vice Presidents and an Honorary Fellow who served in an honorary capacity during the year.

<b>Patron and President: The Marchioness of Salisbury</b>	
<b>Honorary Vice Presidents</b>	
Mr Roger Abraham	Mr Douglas Fussell (from 15 July 2020)
Mr John Bennett	Mr Donald Gratton
Mr Bob Binney	Dr David G Hessayon, VMM (Senior Vice President)
Ms Irene Byard (Honorary Fellow)	Mr Vincent Lawton
Ms Christine Cohen, OBE	Brigadier Andrew Parker Bowles OBE
Mr Kenneth Crowther	Mr Malcolm Parkinson MBE
Mr Graham Eustance, OBE	Mr Gordon Rae
Mr David Everett	Dame Marion Roe, DBE
Major Charles Fenwick, LVO	The Rt. Hon Lord Tebbit, CH,PC
Mr Ian S Ferguson	Mr John Wilson
Lord Graham of Edmonton	

Appointment as a Vice President reflects an outstanding contribution to the College or partnership with a person who could provide invaluable links or expertise.

**Appointments to the Corporation**

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search, Governance and Remuneration Committee, consisting of five members of the Corporation, which is responsible for the selection and

nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required. Members of the Corporation are appointed for a term of office of up to four years, not exceeding more than three full terms of office, unless exceptionally voted to serve additional terms.

## Corporation performance

The Clerk to the Corporation carried out an assessment of the Corporation for the year ended 31 July 2020. On 16 December 2020, the Governing Body agreed that the Corporation had been effective.

## Remuneration

Throughout the year ended 31 July 2020, the College's Search, Governance and Remuneration Committee comprised five members of the Corporation. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other key management personnel.

Details of remuneration for the year ended 31 July 2020 are set out in note 6 to the financial statements.

## Audit Committee

The Audit Committee comprises three members of the Corporation (excluding the Accounting Officer and Chair) and an optional Independent Member. The Committee operates in accordance with written terms of reference approved by the Corporation.

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

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 follow-up reviews to ensure that such recommendations have been implemented.

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

## Internal Control

### Scope of responsibility

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

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum between Capel Manor College and the funding bodies. He is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

## The purpose of the system of internal control

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

## Capacity to handle risk

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

## The Risk and Control Framework

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

- comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the governing body
- regular reviews by the governing body of periodic and annual financial reports which indicate financial performance against forecasts
- setting targets to measure financial and other performance
- clearly defined capital investment control guidelines
- the adoption of appropriate formal project management disciplines, where appropriate
- the responsibility of all Sub-Committees to assess their own risk.

Capel Manor College has an internal audit service, which operates in accordance with the requirements of the ESFA's *Post16 Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. 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 systems 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. The Principal's review of the effectiveness of the system of internal control is informed by:

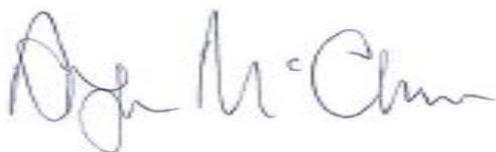
- the work of the internal auditors
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework
- comments made by the College's financial statements auditors and the reporting accountant for regularity assurance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

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

The Accounting Officer and Senior Leadership Team receive 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 Principal and Senior Leadership Team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Senior Leadership Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its November 2020 meeting, the Audit Committee, on behalf of the Corporation, carried out the annual assessment for the year ended 31 July 2020 by considering documentation from the Senior Leadership Team and the internal audit, and taking account of events since 31 July 2020.

Based on the advice of the Audit Committee and the Accounting Officer, the Corporation is of the opinion that the 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 Corporation on 16 December 2020 and signed on their behalf by:



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Roger McClure  
Chair of Governors

16 December 2020

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Malcolm Goodwin  
Accounting Officer

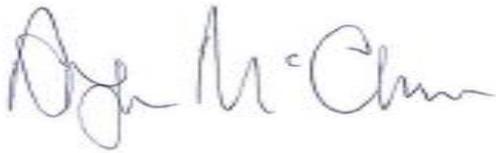
16 December 2020

## Governing Body's Statement on Regularity, Propriety and Compliance

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

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

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



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Roger McClure  
Chair of Governors

16 December 2020

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Malcolm Goodwin  
Accounting Officer

16 December 2020

## Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the Corporation's grant funding agreements and contracts with the ESFA and GLA, the Corporation, through its Accounting Officer, is required to prepare financial statements and an operating and financial review for each financial year in accordance with the *Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's College Accounts Direction and the UK's Generally Accepted Accounting Practice*, and which gives a true and fair view of the state of affairs of the Corporation and surplus/deficit of income over expenditure for that period.

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

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- assess whether the Corporation is a going concern, noting the key supporting assumptions, qualifications or mitigating actions, as appropriate (which must be consistent with other disclosures in the accounts and auditor's report)
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the Corporation will continue in operation.

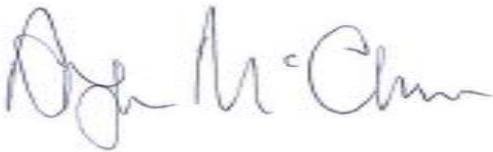
The Corporation is also required to prepare a Member's Report which describes what it is trying to do and how it is going about it, including the legal and administrative status of the Corporation.

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Corporation, and which 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 in order to safeguard its assets and to prevent and detect fraud and other irregularities.

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

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

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



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Roger McClure  
Chair of Governors

16 December 2020

# Independent Auditor's Report to the Corporation of Capel Manor College

## Opinion

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

In our opinion, the financial statements:

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

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group 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 Corporation's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Corporation has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and the parent 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 Corporation is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Matters on which we are required to report by exception**

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

- proper accounting records have not been kept by the parent college; or
- the parent college financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of the Corporation**

As explained more fully in the statement of responsibilities of members of the Corporation, the Corporation 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 Corporation 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 Corporation is responsible for assessing the group's and the parent college's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporation either intends to liquidate the group or the parent college or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

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

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

### **Use of our Report**

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

Signed:

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Buzzacott LLP  
Statutory Auditor  
130 Wood Street, London, EC2V 6DL

Date:

## Reporting Accountant's Assurance Report on Regularity

To: The Corporation of Capel Manor College and Secretary for Education acting through Education and Skills Funding Agency (the ESFA).

In accordance with the terms of our engagement letter dated 5 June 2017 and further to the requirements and conditions of funding in the ESFA's grant funding agreements and contracts, or those of any other public funder, including the Greater London Authority we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest, in all material respects, the expenditure disbursed and income received by Capel Manor College during the period 1 August 2019 to 31 July 2020 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the post-16 Audit Code of Practice ("the Code") issued by the ESFA and in any relevant conditions of funding concerning adult education notified by a relevant funder. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record returns, for which the ESFA or devolved authority has other assurance arrangements in place.

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

### Respective responsibilities of Capel Manor College and the reporting accountant

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

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

### Approach

We conducted our engagement in accordance with the Code issued by the ESFA and the Greater London Authority. 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 and propriety of the college's income and expenditure.

The work undertaken to draw to our conclusion includes:

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

## Conclusion

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

Signed:

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Buzzacott LLP  
Chartered Accountants  
130 Wood Street, London, EC2V 6DL

Date:

## Consolidated Statements of Comprehensive Income

	Notes	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
<b>INCOME</b>					
Funding body grants	2	12,625	12,625	10,795	10,795
Tuition fees and education contracts	3	1,386	1,386	1,516	1,516
Other income	4	1,614	1,100	1,720	1,152
Acquisition of Mottingham	10	364	364	-	-
Investment income	5	20	20	29	29
<b>Total income</b>		<b>16,009</b>	<b>15,495</b>	<b>14,060</b>	<b>13,492</b>
<b>EXPENDITURE</b>					
Staff costs	6	11,445	11,309	10,368	10,133
Other operating expenses	7	4,029	3,750	4,137	3,854
Depreciation	10	975	974	462	462
Interest and other finance costs	8	102	102	80	80
<b>Total expenditure</b>		<b>16,551</b>	<b>16,135</b>	<b>15,047</b>	<b>14,529</b>
Loss for the year before tax		(542)	(640)	(987)	(1,037)
Taxation	9	2	2	-	-
Loss for the year after tax		(544)	(642)	(987)	(1,037)
Actuarial loss in respect of pensions	22	(3,999)	(3,999)	(807)	(807)
<b>Total comprehensive expenditure for the year</b>		<b>(4,543)</b>	<b>(4,641)</b>	<b>(1,794)</b>	<b>(1,844)</b>
The Statement of comprehensive income is in respect of continuing activities.					
Represented by:					
Restricted comprehensive income		-	-	-	-
Unrestricted comprehensive income		(4,543)	(4,641)	(1,794)	(1,844)
		<b>(4,543)</b>	<b>(4,641)</b>	<b>(1,794)</b>	<b>(1,844)</b>

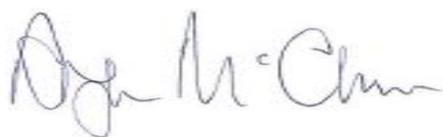
## Consolidated and College Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
<b>Group</b>			
Balance as at 31 July 2018	4,572	610	5,182
Loss from the income and expenditure account	(987)	-	(987)
Other comprehensive income – actuarial loss	(807)	-	(807)
Transfers between revaluation and income and expenditure reserves	10	(10)	-
Total comprehensive cost for the year	(1,784)	(10)	(1,794)
Balance at 31 July 2019	2,788	600	3,388
Loss from the income and expenditure account	(544)	-	(544)
Other comprehensive income – actuarial loss	(3,999)	-	(3,999)
Transfers between revaluation and income and expenditure reserves	10	(10)	-
Total comprehensive cost) for the year	(4,533)	(10)	(4,543)
Balance as at 31 July 2020	(1,745)	590	(1,155)
<b>College</b>			
Balance at 31 July 2018	4,542	610	5,152
Loss from the income and expenditure account	(1,037)	-	(1,037)
Other comprehensive income – actuarial loss	(807)	-	(807)
Surpluses gift aided by subsidiaries	27	-	27
Transfers between revaluation and income and expenditure reserves	10	(10)	-
Total comprehensive cost for the year	(1,807)	(10)	(1,817)
Balance at 31 July 2019	2,735	600	3,335
Loss from the income and expenditure account	(642)	-	(642)
Other comprehensive income – actuarial loss	(3,999)	-	(3,999)
Surpluses gift aided by subsidiaries	50	-	50
Transfers between revaluation and income and expenditure reserves	10	(10)	-
Total comprehensive cost for the year	(4,581)	(10)	(4,591)
Balance at 31 July 2020	(1,846)	590	(1,256)

## Balance Sheets as at 31 July

	Notes	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
<b>Non-current assets</b>					
Tangible fixed assets	10	7,646	7,642	7,743	7,743
Investments	11	-	-	-	-
<b>Total fixed assets</b>		<u>7,646</u>	<u>7,642</u>	<u>7,743</u>	<u>7,743</u>
<b>Current assets</b>					
Stocks		90	10	91	15
Trade and other receivables	12	1,054	1,061	481	470
Short term deposits	13	769	769	940	940
Cash and cash equivalents		2,970	2,823	2,969	2,939
<b>Total current assets</b>		<u>4,883</u>	<u>4,663</u>	<u>4,481</u>	<u>4,364</u>
Less: Creditors – amounts falling due within one year	14	(1,702)	(1,579)	(1,789)	(1,725)
<b>Net current assets</b>		<u>3,181</u>	<u>3,084</u>	<u>2,692</u>	<u>2,639</u>
<b>Total assets less current liabilities</b>		<u>10,827</u>	<u>10,726</u>	<u>10,435</u>	<u>10,382</u>
Less: Creditors – amounts falling due after more than one year	15	(2,032)	(2,032)	(2,105)	(2,105)
Provisions: Defined benefit obligations	16	(9,950)	(9,950)	(4,942)	(4,942)
<b>Total net assets</b>		<u>(1,155)</u>	<u>(1,256)</u>	<u>3,388</u>	<u>3,335</u>
<b>Unrestricted Reserves:</b>					
Income and expenditure account		(1,745)	(1,846)	2,788	2,735
Revaluation reserve		590	590	600	600
<b>Total reserves</b>		<u>(1,155)</u>	<u>(1,256)</u>	<u>3,388</u>	<u>3,335</u>

The financial statements on pages 36 to 61 were approved and authorised for issue by the Corporation on 16 December 2020 and were signed on its behalf on that date by:



Roger McClure  
Chair of Governors

16 December 2020

Malcolm Goodwin  
Accounting Officer

16 December 2020

## Consolidated Statement of Cash Flows

	Notes	2020 £'000	2019 £'000
Cash flow from operating activities			
Loss for the year		(544)	(987)
Adjustment for non-cash items:			
Depreciation		975	462
Decrease/(increase) in stocks		1	(22)
Increase in debtors		(573)	(244)
(Decrease)/increase in creditors		(87)	333
(Decrease)/increase in creditors due after one year		(73)	53
Pensions costs less contributions payable		1,009	992
Adjustment for investing or financing activities:			
Acquisition of Mottingham assets		(364)	-
Investment income		(20)	(29)
Net cash flow from operating activities		<u>324</u>	<u>558</u>
Cash flows from investing activities			
Payments made to acquire fixed assets		(514)	(756)
Investment income		20	29
Decrease/(increase) in short term deposits		171	(192)
		<u>(323)</u>	<u>(919)</u>
Increase/(decrease) in cash and cash equivalents in the year		<u>1</u>	<u>(361)</u>
Cash and cash equivalents at beginning of the year			
	17	2,969	3,330
Cash and cash equivalents at end of the year			
	17	2,970	2,969

# Notes to the Accounts

## 1. Accounting policies

### Statement of accounting policies

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

### Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP) and the College Accounts Direction for 2019-20 and in accordance with Financial Reporting Standard 102 – “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

### Basis of accounting

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

### Basis of consolidation

The consolidated financial statements include the College and its subsidiaries, Forty Hall Community Vineyard Limited and Capel Manor Limited controlled by the group. Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Intra-group sales and profits are eliminated fully on consolidation. All financial statements are made up to 31 July 2020.

The College has another subsidiary company, Enfield Veg Co Limited, which remained dormant in the financial year ended 31 July 2020.

### Going concern

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

The College currently has no loans outstanding.

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

Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Education Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body at the end of November 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.

Non-recurrent grants from the funding bodies or other bodies received in respect of the acquisition of fixed assets are capitalised, held as deferred income and recognised in income in line with depreciation over the life of the assets, under the accrual method as permitted by

FRS 102. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

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.

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

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

### **Accounting for Post-retirement benefits**

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

#### ***Teachers' Pension Scheme (TPS)***

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

As stated in note 22, 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 scheme and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

#### ***Local Government Pension Scheme (LGPS)***

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

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

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

### **Short term employment benefits**

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

### **Non-current Assets - Tangible fixed assets**

#### ***Land and buildings***

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. The associated credit is included in the revaluation

reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account reserve on an annual basis. Building improvements made since incorporation are included in the balance sheet at cost. Freehold land is not depreciated as it is considered to have an infinite useful life. Freehold buildings are depreciated on a straight line basis over their expected useful economic life to the College of between 10 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of 10 years. Improvements to leasehold property are depreciated over the remaining life of the lease.

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

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account, and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

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

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

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

### ***Assets under construction***

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July. They are not depreciated until they are brought into use.

### ***Subsequent expenditure on existing fixed assets***

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- Market value of the fixed asset has subsequently improved
- Asset capacity increases
- Substantial improvement in the quality of output or reduction in operating costs
- Significant extension of the asset's life beyond that conferred by repairs and maintenance

### ***Buildings owned by third parties***

Where the College enjoys the use of an asset which it does not own and for which no rental or a nominal rental is paid, if practicable, a value is attributed to this benefit and capitalised, with a corresponding credit to deferred capital grants which are subsequently released to the income and expenditure account over the useful economic life of the asset at the same rate as the depreciation charge on the related asset.

### ***Equipment***

Equipment costing less than £5,000 per individual item is written off to the income and expenditure account in the period of acquisition, unless it is part of a scheme of capital work. All other equipment is capitalised at cost. Equipment inherited from the Local Education Authority is included in the balance sheet at valuation.

Inherited equipment has been depreciated on a straight-line basis over its remaining useful economic life to the College of between one and three years from incorporation and is now fully depreciated. All other equipment is depreciated over its useful economic life as follows:

- building improvements – the shorter of 10 years on a straight-line basis or the remainder of the lease term
- equipment – 5 years on a straight-line basis
- motor vehicles – 4 years on a straight-line basis

A full year of depreciation is charged in the year of acquisition.

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

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

### **Leased assets**

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

### **Investments**

The investments in the subsidiary companies are accounted for at cost less impairment in the individual financial statements.

### **Inventories**

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

### **Cash and cash equivalents**

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

### **Financial Liabilities and equities**

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 and short term deposits held by the group are classified as basic financial instruments in accordance with FRS102. These instruments are initially recorded at the transaction price less any transaction costs (historic cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost; however the College has calculated that the difference between the historic 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 Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax, so that it can only recover around 6% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

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

### **Provisions**

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.

### **Borrowing costs**

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

### **Agency arrangements**

The College acts as an agent in the collection and payment of certain discretionary support funds and adult learning grants. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure account and are shown separately in note 24, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant. The College employs one member of staff dedicated to the administration of Learner Support Funds applications and payments.

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

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

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

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

- Tangible fixed assets

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

- Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 22, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 July 2020. Any differences between

the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

- Provision for bad debts

Provision is made in full against the value of a debt where its recovery has become uncertain.

**2 Funding body grants**

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
<b>Recurrent grants</b>				
ESFA- adult	526	526	2,107	2,107
GLA - adult	1,769	1,769	-	-
ESFA– 16-18	7,360	7,360	6,331	6,331
ESFA– apprenticeships	453	453	444	444
<b>Specific grants</b>				
ESFA– high needs funding	1,785	1,785	1,592	1,592
ESFA-Teachers' Pension	196	196	-	-
Coronavirus Job Retention Scheme	149	149	-	-
Capacity and Delivery Fund	165	165	123	123
Releases of deferred capital grants	57	57	41	41
EFSA Discretionary learner support	33	33	157	157
GLA Discretionary learner support	132	132	-	-
<b>Total</b>	<b>12,625</b>	<b>12,625</b>	<b>10,795</b>	<b>10,795</b>

The Corporation furloughed its catering and commercial income generating staff under the government's Coronavirus Job Retention Scheme. The funding received in respect of 16 staff of £149k relates to staff costs which are included within staff costs. The College paid 100% of salary though the grant only supported 80% of the cost. No staff were made redundant.

**3 Tuition fees and education contracts**

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Tuition fees	1,386	1,386	1,489	1,489
Education contracts	-	-	27	27
<b>Total</b>	<b>1,386</b>	<b>1,386</b>	<b>1,516</b>	<b>1,516</b>

Tuition fees funded by bursaries: Included within the above amounts are tuition fees funded by bursaries of £27k (2019: £40k).

**4 Other income**

	Group 2020	College 2020	Group 2019	College 2019
	£'000	£'000	£'000	£'000
Residencies and catering	152	148	236	234
ESFA Free school meal funds	76	76	71	71
Other income generating activities	167	57	318	65
Farming income	386	11	314	31
Capital grants	23	23	21	21
Teaching related activities	79	79	240	240
Examination and registration costs	125	125	125	125
Premises income	249	229	174	151
Other income	357	352	221	214
<b>Total</b>	<b>1,614</b>	<b>1,100</b>	<b>1,720</b>	<b>1,152</b>

**5 Investment income**

	Group 2020	College 2020	Group 2019	College 2019
	£'000	£'000	£'000	£'000
Other interest receivable	20	20	29	29
<b>Total</b>	<b>20</b>	<b>20</b>	<b>29</b>	<b>29</b>

**6 Staff costs – Group and College**

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

	2020 No.	2019 No.
Teaching staff	97	80
Non-teaching staff	160	147
<b>Total Staff</b>	<b>257</b>	<b>227</b>

Staff costs for the above persons

	Group 2020	College 2020	Group 2019	College 2019
	£'000	£'000	£'000	£'000
Wages and salaries	7,747	7,629	6,963	6,775
Social security costs	765	759	630	612
Other pension costs	2,212	2,200	1,859	1,830
Payroll sub total	10,724	10,588	9,452	9,217
Contracted out staffing services	721	721	916	916
<b>Total Staff costs</b>	<b>11,445</b>	<b>11,309</b>	<b>10,368</b>	<b>10,133</b>

**Key Management Personnel**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Leadership Team which comprises the Principal, the Clerk to the Governing Body and the Senior Leadership Team.

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

	2020 No.	2019 No.
The number of key management personnel including the Accounting Officer was:	<u>6</u>	<u>7</u>

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

	Key management personnel		Other staff	
	2020 No.	2019 No.	2020 No.	2019 No.
£20,001 to £25,000	-	2		
£30,001 to £35,000	1	-		
£45,001 to £50,000	-	1		
£70,001 to £75,000	1	2	-	-
£75,001 to £80,000	2	1	-	-
£80,001 to £85,000	1	-	-	-
£125,001 to £130,000	1	1	-	-
	<u>6</u>	<u>7</u>	<u>-</u>	<u>-</u>

Key management personnel compensation is made up as follows:

	2020 £'000	2019 £'000
Salaries	471	436
Employers National Insurance	<u>57</u>	<u>53</u>
	528	489
Pension contributions	<u>90</u>	<u>70</u>
Total emoluments	<u>618</u>	<u>559</u>

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

The above emoluments include amounts payable to the Accounting Officer (who is also the highest paid key management personnel):

	2020 £'000	2019 £'000
Salary	128	126
Pension contributions	<u>29</u>	<u>20</u>
	<u>157</u>	<u>146</u>

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

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

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

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

The Principal and Chief Executive reports to the Chair of the governing body, who conducts 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

	2020 £'000	2019 £'000
Principal's basic salary as a multiple of the median of all staff	4.5	5.8
Principal and CEO's total remuneration as a multiple of the median of all staff	5.5	7.2

**7 Other operating expenses**

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Teaching costs	868	864	856	850
Non-teaching costs	2,006	1,732	2,092	1,815
Premises costs	1,155	1,155	1,189	1,189
<b>Total</b>	<b>4,029</b>	<b>3,750</b>	<b>4,137</b>	<b>3,854</b>

## Other operating expenses include:

	2020 £'000	2019 £'000
Auditor's remuneration: Financial statements and regularity audit	29	32
Internal audit	22	22
Other services provided by the financial statements auditor - tax compliance and non-audit services	27	2
Hire of assets under operating leases	250	285

**8 Interest and other finance costs – Group and College**

	2020 £'000	2019 £'000
Net interest on defined pension liability (note 22)	102	80
<b>Total</b>	<b>102</b>	<b>80</b>

**9 Taxation**

The tax provision arises on the surplus generated by Forty Hall Community Vineyard Limited during the year. The surplus of Capel Manor Limited will be gift aided to the College.

**10 Tangible fixed assets (Group)**

	Land and Buildings				Total £'000
	Freehold £'000	Under Construction £'000	Long leasehold £'000	Plant and Equipment £'000	
Cost or valuation					
At 1 August 2019	10,815	353	3,383	1,991	16,542
Disposals	(2,220)	-	(2,382)	(1,194)	(5,796)
Abortive costs	-	(572)	-	-	(572)
Mottingham acquisition	326	-	-	38	364
Additions in year	180	219	46	69	514
At 31 July 2020	<u>9,101</u>	<u>-</u>	<u>1,047</u>	<u>904</u>	<u>11,052</u>
Depreciation					
At 1 August 2019	4,124	30	3,017	1,628	8,799
Disposals	(2,220)	-	(2,382)	(1,194)	(5,796)
Abortive costs	-	(572)	-	-	(572)
Charge for the year	228	542	57	148	975
At 31 July 2020	<u>2,132</u>	<u>-</u>	<u>692</u>	<u>582</u>	<u>3,406</u>
Net book value at 31 July 2020	<u>6,969</u>	<u>-</u>	<u>355</u>	<u>322</u>	<u>7,646</u>
Net book value at 31 July 2019	<u>6,691</u>	<u>323</u>	<u>366</u>	<u>363</u>	<u>7,743</u>

Abortive costs were in respect of a building project at the Crystal Palace site. Following the acquisition of the Mottingham campus the decision was made to abort the Crystal Palace project and all related costs to date were written off. The College is now seeking to obtain planning permission to build at the Mottingham campus.

Following a recommendation from the FE Commissioner, on 1 January 2020, the College acquired Mottingham, a campus in Bromley, southeast London from the education administrators of Kent-based Hadlow College.

Mottingham is a 9-acre freehold property. The acquisition included all the land, buildings, assets and chattels valued at £364k. The associated due diligence costs of £89k are charged to other operating expenses.

The Secretary of State for Education retains the right to 100% of any net sale proceeds from the land for a period of 40 years from the transfer date, through an overage clause.

**Tangible fixed assets (College only)**

	Land and buildings		Long leasehold £'000	Plant and Equipment £'000	Total £'000
	Freehold £'000	Under Construction £'000			
Cost or valuation					
At 1 August 2019	10,815	353	3,383	1,970	16,521
Disposals	(2,220)	-	(2,382)	(1,194)	(5,796)
Abortive costs	-	(572)	-	-	(572)
Mottingham acquisition	326	-	-	38	364
Additions	180	219	46	64	509
At 31 July 2020	9,101	-	1,047	878	11,026
Depreciation					
At 1 August 2019	4,124	30	3,017	1,607	8,778
Disposals	(2,220)	-	(2,382)	(1,194)	(5,796)
Abortive costs	-	(572)	-	-	(572)
Charge for the year	228	542	57	147	974
At 31 July 2020	2,132	-	692	560	3,384
Net book value at 31 July 2020	6,969	-	355	318	7,642
Net book value at 31 July 2019	6,691	323	366	363	7,743

Land and buildings were valued in 1996 at depreciated replacement cost by a firm of independent chartered surveyors. Other tangible fixed assets inherited from the LEA at incorporation have been valued by the College on a depreciated replacement cost basis with the assistance of independent professional advice. If fixed assets had not been revalued before being deemed as cost on transition they would have been included at £nil historical cost.

Land and buildings with a net book value of £590k (2019: £600k) have been partly financed by exchequer funds, through for example the receipt of capital grants. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum with the SFA, to surrender the proceeds.

The College occupies land and buildings at Forty Hall Farm. 4.85 hectares of land at the farm are held on a 99 year lease at a peppercorn rent. The farm buildings and a further 64 hectares of land are held under an agricultural tenancy. The College has a partnership agreement with the London Borough of Enfield to manage and conserve the farm estate and to restore the derelict buildings on site. The properties are maintained and insured by the College. The properties are included in the balance sheet at £nil cost, as the properties were in a state of disrepair at the start of the tenancy.

**11 Non-current investment (College)**

	2020 £	2019 £
Investments in subsidiary companies	5	5
<b>Total</b>	<u>5</u>	<u>5</u>

The College owns 100 per cent of the issued ordinary £1 shares of Capel Manor Limited, a company incorporated in England and Wales. Capel Manor Limited owed £26,258 to the College at 31 July 2020 (2019: £3,609 receivable). The principal business activity of Capel Manor Limited is to develop profitable commercial income streams from which it will distribute all its trading profits to the College under gift aid.

The College owns a 50% share in Forty Hall Community Vineyard Limited, a company incorporated in England and Wales. The College owed Forty Hall Community Vineyard Limited £480 at 31 July 2020 (2019 - £3,278). The principal business activity of Forty Hall Community Vineyard Limited is the operation of a commercial vineyard that provides a community therapeutic resource via a locally appointed management committee of volunteers.

The College owns 100 per cent of the issued ordinary £1 shares of Enfield Veg Co Limited, a company incorporated in England and Wales. The company did not trade during the year.

**12 Trade and other receivables**

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Amounts falling due within one year:				
Trade debtors	567	548	126	117
Prepayments and accrued income	353	353	341	339
Amounts owed from subsidiary undertakings	-	26	-	-
Other debtors	<u>134</u>	<u>134</u>	<u>14</u>	<u>14</u>
<b>Total</b>	<u>1,054</u>	<u>1,061</u>	<u>481</u>	<u>470</u>

**13 Current investments**

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Short term deposits	<u>769</u>	<u>769</u>	<u>940</u>	<u>940</u>
<b>Total</b>	<u>769</u>	<u>769</u>	<u>940</u>	<u>940</u>

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

**14 Creditors: amounts falling due within one year**

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Payments received in advance	404	392	288	285
Trade creditors	141	125	244	231
Other taxation and social security	174	171	176	176
Accruals and deferred income	634	627	827	823
Deferred income – Government capital grants	73	73	80	80
Amounts owed to subsidiary undertakings	-	-	-	7
Other creditors	276	191	174	123
<b>Total</b>	<b>1,702</b>	<b>1,579</b>	<b>1,789</b>	<b>1,725</b>

**15 Creditors: amounts falling after one year**

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Deferred income – Government capital grants	2,032	2,032	2,105	2,105
<b>Total</b>	<b>2,032</b>	<b>2,032</b>	<b>2,105</b>	<b>2,105</b>

**16 Provisions (Group and College)**

Defined benefit obligations

	2020 £'000	2019 £'000
At 1 August 2019	(4,942)	(3,143)
Kent LGPS deficit on acquisition (note 21)	(69)	-
Expenditure in the period	(1,009)	(992)
Actuarial loss in period	(3,930)	(807)
<b>At 31 July 2020</b>	<b>(9,950)</b>	<b>(4,942)</b>

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Note 22.

The principal assumptions for this calculation are:

	2020	2019
Price inflation	2.2%	2.2%
Discount rate	1.4%	2.2%

**17 Cash and Cash Equivalents**

	At 31 July 2019 £'000	Cash flows £'000	At 31 July 2020 £'000
Cash and cash equivalents	<u>2,969</u>	<u>1</u>	<u>2,970</u>
Total	<u>2,969</u>	<u>1</u>	<u>2,970</u>

**18 Capital commitments (Group and College)**

	2020 £'000	2019 £'000
Commitments contracted for at 31 July	<u>-</u>	<u>-</u>
Authorised but not contracted at 31 July	<u>8,997</u>	<u>9,163</u>

**19 Lease obligations (Group and College)**

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

	2020 £'000	2019 £'000
Land and buildings:		
Expiring within one year	244	259
Expiring within two and five years inclusive	371	568
Expiring in over five years	1,990	2,323
	<u>2,605</u>	<u>3,150</u>
Equipment:		
Expiring within one year	41	40
Expiring within two and five years inclusive	-	-
	<u>41</u>	<u>40</u>

## **20 Contingent liability**

The College took advantage of a VAT exemption of £610k in the construction of an Animal Care building that was completed in the year ending 31 July 2015. This arises from the building being used to educate 16-18 year old students. This exemption is subject to a ten year review (2025) in which any education of adults must not exceed 5% of the student population. Governors have adopted a strategy that will prevent the liability from crystallising. A contingent liability of £61k per annum exists should that strategy fail.

## **21 Kent Local Government Pension Scheme**

The College acquired the Mottingham campus from Hadlow College on 1 January 2020. In so doing, 23 staff were TUPE'd to the College. Being members of Kent LGPS scheme, the College has made pension deductions using the rules of that scheme but was unable to remit them to the scheme as the College was not a recognised employer to that scheme. At 31 July 2020 £14k was due to Kent LGPS.

This situation was resolved when the Secretary of State for Education gave permission for the College to be a member of two LGPS schemes. Funds were paid over in September 2020. Ultimately, negotiations will commence between the Enfield and Kent LGPS schemes for these staff to transfer to the Enfield scheme during the 2021-22 year.

On acquisition, the College accepted a pension liability estimated at £69k (assets £256k, liabilities £325k). This is disclosed as part of the pension liability on the balance sheet:

Defined benefit obligations:	2020	2019
	£'000	£'000
Enfield LGPS	9,881	4,942
Kent LGPS	69	-
	<u>9,950</u>	<u>4,942</u>
Total liability		

As at 31 July 2020 it has not been possible to obtain an actuarial valuation of the College's share of the scheme assets and liabilities. Any change in value since 1 January 2020 is not expected to be material.

## **22 Pension and similar 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 London Borough of Enfield Local Authority. Both are defined-benefit schemes.

Total pension cost for the year	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Teachers' Pension Scheme: contributions paid		680		416
Local Government Pension Scheme: Contributions paid	625		531	
FRS 102 charge	907		912	
Charge to the Income and Expenditure Account (staff costs)		1,532		1,443
Total Pension Cost for Year (note 6)		2,212		1,859

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

Contributions amounting to £188k (2018/19: £123k) were payable to the schemes at 31 July and are included within creditors.

### Teachers' Pension Scheme

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

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

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

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

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

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

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/19). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 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 £680k (2018/19: £416k).

### Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate funds administered by the London Borough of Enfield Local Authority. The total contributions made for the year ended 31 July 2020 were £867k, of which employer's contributions totalled £625k and employees' contributions totalled £242k. The agreed contribution rates for future years are 15.8% for employers and range from 5.5% to 12.5% for employees, depending on salary.

### Principal Actuarial Assumptions

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

	At 31 July 2020	At 31 July 2019
Rate of increase in salaries	3.7%	3.7%
Rate of increase for pensions in payment and to deferred pensions	2.2%	2.2%
Discount rate for scheme liabilities	1.4%	2.2%
Rate of increase in inflation (Consumer Price Index)	2.2%	2.2%
Commutation of pensions to lump sums	70%	70%

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

	At 31 July 2020	At 31 July 2019
	Years	Years
Retiring today		
Males	22.4	23.4
Females	24.3	25.8
Retiring in 20 years		
Males	23.0	25.0
Females	25.0	27.6

The College's share of the assets and liabilities in the scheme and the actual return on plan assets were:

	Value at 31 July 2020 £'000	Value at 31 July 2019 £'000
Equities	6,084	5,940
Property	777	932
Government Bonds	988	1,722
Corporate Bonds	1,909	1,877
Cash	579	544
Other	2,831	1,929
	<hr/>	<hr/>
Total market value of assets	13,168	12,944
	<hr/>	<hr/>
Actual return on plan assets	<u>(379)</u>	<u>671</u>

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

	2020 £'000	2019 £'000
Fair Value of plan assets	13,168	12,944
Present value of plan liabilities	<u>(23,049)</u>	<u>(17,886)</u>
Net pensions liability (Note 16)	<u>(9,881)</u>	<u>(4,942)</u>

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

	2020 £'000	2019 £'000
<b>Amounts included in staff costs:</b>		
Current service cost	1,521	896
Past Service cost	-	547
Total	<u>1,521</u>	<u>1,443</u>

	2020 £'000	2019 £'000
<b>Amounts included in finance costs:</b>		
Net interest cost	<u>(102)</u>	<u>(80)</u>
	<u>(102)</u>	<u>(80)</u>

	2020 £'000	2019 £'000
<b>Amount recognised in Other Comprehensive Income:</b>		
Return on pension plan assets	(671)	671
Experience losses arising on defined benefit obligations	<u>(3,259)</u>	<u>(1,478)</u>
<b>Amount recognised in Other Comprehensive Income</b>	<u>(3,930)</u>	<u>(807)</u>

	2020 £'000	2019 £'000
<b>Movement in net defined benefit liability during year:</b>		
<b>Net defined benefit liability in scheme at 1 August</b>	(4,942)	(3,143)
Movement in year:		
Current service cost	(1,521)	(896)
Past service cost	-	(547)
Employer contributions	614	531
Net interest	(102)	(80)
Actuarial loss	<u>(3,930)</u>	<u>(807)</u>
<b>Net defined benefit liability at 31 July</b>	<u>(9,881)</u>	<u>(4,942)</u>

**Asset and Liability Reconciliation**

	2020 £'000	2019 £'000
<b>Defined benefit obligations at 1 August</b>	17,886	14,580
Current service cost	1,521	896
Interest cost	394	408
Contributions by scheme participants	239	212
Experience gains and losses on defined benefit obligations	3,259	1,478
Estimated benefits paid	(250)	(235)
Past service cost	-	547
	<u>23,049</u>	<u>17,886</u>
<b>Defined benefit obligations at 31 July</b>	<u>23,049</u>	<u>17,886</u>

**Changes in fair value of plan assets**

	2020 £'000	2019 £'000
<b>Fair value of plan assets at 1 August</b>	12,944	11,437
Interest on assets	292	328
Return on plan assets	(671)	671
Employer contributions	614	531
Contributions by Scheme participants	239	212
Benefits paid	(250)	(235)
	<u>13,168</u>	<u>12,944</u>
<b>Fair value of plan assets at 31 July</b>	<u>13,168</u>	<u>12,944</u>

The estimated value of employer contributions for the year ending 31 July 2021 is £676k.

**23 Related party transactions**

Owing to the nature of the College's operations and the composition of the Governing Body 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 Governing Body 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 standard procurement procedures. There were no such transactions in the year

The total of expenses paid to or on behalf of the Governors during the year was £Nil (2018/19: £1k, 1 Governor). This represents travel and subsistence expenses and other expenses incurred in attending governor meetings and charity events in their official capacity.

No governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2018/19: None).

Transactions and balances with the funding bodies are detailed in notes 2, 12 and 14.

**24 Amounts disbursed as agent**Discretionary support funds

	2020 £'000	2019 £'000
Funding body grants	526	325
Disbursed to students	(287)	(320)
Administration costs	-	-
Amount consolidated in financial statements	(239)	(5)
Balance unspent as at 31 July, included in creditors	-	-
	<u>          </u>	<u>          </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.