

SHREWSBURY COLLEGES GROUP

Financial Statements Year Ended 31 July 2020



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SHREWSBURY
COLLEGES GROUP



Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

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

Shrewsbury Colleges Group

James Staniforth - Principal and CEO; Accounting Officer

Catherine Armstrong - Group Vice Principal, Curriculum Support & Operations

Mark Brown - Group Vice Principal, Information & Strategic Development

Donna Lucas - Group Principal, Human Resource Development

Paul Morgan – Director of A Level Studies

Chris Pemberton - Group Vice Principal, Quality & Curriculum Management

Paul Partridge – Finance Director

Board of Governors

A full list of Governors is given on pages 15 to 17 of these financial statements.

Ms T Cottee is Clerk to the Shrewsbury Colleges Group Board and can be contacted at Shrewsbury Colleges Group, Priory Road, Shrewsbury, SY1 1RX, which is the Principal and Registered Office of the College.

Professional advisers

Financial statements auditor and reporting accountants:	Grant Thornton UK LLP, The Colmore Building, 20 Colmore Circus, Birmingham, B4 6AT
Internal auditors:	TIAA Ltd, Artillery House, Fort Fareham, Newgate Lane, Fareham, PO14 1AH
Bankers:	NatWest, 8 Mardol Head, Shrewsbury, SY1 1HE
Solicitors:	The College uses a variety of legal firms, dependent upon the matter under consideration

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Strategic Report

Nature, Objectives and Strategies

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

Legal status

Shrewsbury Colleges Group is a designated Sixth Form College. The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting the activities of Shrewsbury Colleges Group.

Vision

Shrewsbury Colleges Group, where every student makes outstanding progress.

Mission

Shrewsbury Colleges Group's mission is to:

- Provide outstanding academic and vocational education and training for all 16-19 students and adults.
- Be a local centre of excellence for higher education
- Be the College of choice.

Goals

- To be outstanding for all our students
- To be an outstanding place to work for all our staff
- To add value to our community through working in partnership
- To provide an outstanding environment

Public Benefit

Shrewsbury Colleges Group is an exempt charity under Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 15 to 17.

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:

- High-quality teaching
- Widening participation and tackling social exclusion
- Excellent employment record for students
- Strong student support systems
- Links with employers, industry and commerce.

The delivery of public benefit is covered throughout the Strategic Report.

Financial objectives

The College's financial aim is to maintain a robust financial base. The Education and Skills Funding Agency (ESFA) assesses financial health by scoring of three key metrics to provide an overall financial health score. There are four possible overall health scores: Inadequate, Satisfactory, Good and Outstanding. The College's financial objective is to maintain an overall financial health score of "Good".

Performance indicators

The College is required to complete the annual Finance Record for the Education & Skills Funding Agency. The College is assessed by the Education & Skills Funding Agency as having a "Good" financial health grading.

Key performance Indicator	Target/Budget for 2019/20	Actual for 2019/20
Earnings before Interest, Tax, Depreciation and Amortisation, excluding releases of government capital grants – EBITDA- Education specific	£1.4m	£1.37m
Staff costs as % of income (excluding subcontracted activity)	72.9%	75.5%
Cash available at year end	£2.0m	£2.27m
Current Ratio	More than 1.2	1.2
Borrowing as % of income	Less than 15%	11.5%
Financial Health Score	Good	Good

FINANCIAL POSITION

Financial results

The College generated a loss before other gains and losses in the year of £1,483k (2018/19 – loss of £1,044k), with total comprehensive income of (£5.645m) (2018/19 £7.295m). The impact of FRS102 Pension adjustments relating to the College's LGPS defined benefit scheme and which the College has little influence over, causes significant variations to these results. After excluding the impact of FRS102 Pension charges the underlying operating result for the year was an operating surplus of £10k (2018/19 surplus £99k). This is summarised in the table below:

	2019/20	2018/19
	£'000	£'000
EBITDA (Education specific)	1,368	1,435
Releases of government capital grants	487	467
Depreciation	(1,778)	(1,732)
Interest costs net of interest received	(67)	(74)
Underlying Operating surplus	10	99
Less FRS102 Pension charges in respect of defined benefit pensions	(1,493)	(1,140)
Statutory Operating deficit	(1,483)	(1,044)
Actuarial Loss in respect of Pension revaluations	(4,048)	(6,123)
Revaluation Loss in respect Enhanced Pension provision	(114)	(128)
Total Comprehensive income	(5,645)	(7,295)

During the year the College invested £813k in renewing classroom based equipment and in refurbishing and improving its facilities in order to ensure that these continue to provide and improve the environment needed to support its education provision (2018/19 £1,292k).

During the year the College received donations of £105k from the Radbrook Foundation (2018/19: £87k). These donations are used to support students who would otherwise be unable participate fully in College extracurricular activities or to provide specialised equipment to improve the individual's learning experience.

As a result of the COVID-19 pandemic from 20 March 2020 the College ceased classroom-based delivery, basing ongoing provision for vulnerable students from one of its three campuses. All other ongoing teaching activities were delivered online for the remainder of the year, with the exception of a limited wider opening for students who needed access to specialist equipment or extra support to enable them to better access ongoing teaching and learning activities. The impact of the pandemic lockdown reduced full cost tuition fees by c£0.4m compared to budget, and College catering and letting activities which were reduced by c£.25m compared to budget. Effective and targeted cost management activity during the lockdown period to minimise estates and capital expenditure, together with appropriate use of the job Retention Scheme allowed the College to offset these income reductions.

In recognising the impact of the pandemic on Adult education courses and the need for providers to retain the staff and capacity to deliver these activities in the future, the ESFA and Devolved Authorities have set a threshold for delivery above which they will not seek to recover funding provided for adult education where providers have reasonably been unable to deliver such courses. The College has been able to deliver enough of its Adult Education funded activities during the year and hence the ESFA and Devolved Authorities will not seek to recover funding provided for those Adult Education courses which the College has been unable to deliver.

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.

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.

Cash flows and liquidity

Cash held at the year-end increased by £226k, net of ongoing investments in fixed assets of £813k during the year. The cash position at 31 July 2020 was £2,269k (2018/19: £2,043k). The College has budgeted for a further investment of £1.4m to improve and renew classroom information technology, IT infrastructure and building facilities during 2020-21.

The College responded prudently to reduce expenditure in response to the COVID pandemic, where possible to preserve cash and to redirect resources towards online learning. The College has also provided some support for its local transport providers to mitigate the impact of suspension of these services during lockdown. This approach has successfully offset lost income in the year. As set out above the ESFA and Devolved authorities have also supported the sector by setting an appropriately increased tolerance in respect of under-delivery of AEB funding. This support has protected the College's 2020-21 cashflows as the college has met this tolerance and no clawback of under-delivery of AEB funding received in 2019-20 will be required. In setting its budget for 2020-21 and corresponding cashflows, the College has considered the uncertainties and risks of the ongoing COVID-19 pandemic and has sought to make prudent and cautious assumptions regarding the coming year.

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. For the accounting period ending July 2020, the college recorded an average creditor days figure of 31 days (2018/19: 31 days).

Current and future development and performance

Student numbers

In the year to July 2020 the College had 7,313 funded students (2018/19: 8,240) and 888 non-funded students (2018/19: 922).

Student achievements

The College's vision is to ensure all students make outstanding progress. The College had taken significant steps towards the goal of providing outstanding academic and vocational education and training to 16-18 and adult students. Student achievement across the range and breadth of classroom-based qualifications improved in 2018 and 2019. Apprenticeship achievement improved for college apprentices but declined for sub-contracted apprentices as the consequence of lower levels of performance from out-going sub-contracting partners.

Student performance in 2020 was impacted by COVID-19 and it is not appropriate to make judgements about performance or to make comparisons. The largest single areas of qualifications were A Level and GCSEs (in English language and mathematics), where students were awarded Centre Assessed Grades. The college worked hard to provide these grades with integrity and students achieved the grades they deserved. These grades are not however indicative of college performance.

	2019	2020
Overall Achievement	90%	89%
16-18 Achievement	86%	86%
19+ Achievement	94%	93%
A Level %MTG	67.5%	80.8%
A Level Alps	5	2
DfE A Level progress score (provisional)	+0.04	N/A
A Level grades A*-B	45.5%	58.0%
A Level pass rate	99.9%	99.8%
L3 BTEC % MTG	80.3%	78.5%
L3 BTEC Alps	2	2
L3 BTEC grades DMM+	91%	95.1%
L3 BTEC pass rate	99%	100%
GCSE grades C+	38.7%	53.8%
Apprentice achievement	60.3%	59.6%

Overall achievement was 89% overall achievement. The 16-18 achievement rate was 86% and the 19+ achievement rate was 93%. The largest single area of the College's work is Level 3 graded courses for 16-18 year olds. CAGs in these areas equated to ALPs grades of 2, or performance in the top 10% nationally. GCSE grade 4+ achievement was 53.8%. In 2019 the college GCSE 4+ achievement performance had ranked 5th out of all GFE/tertiary college nationally. The GCSE CAG grades have risen significantly but in the context of an already

high performing college. Apprenticeship achievement rates were 59.6%. The college was unable to complete a significant number of apprenticeships because end point assessment was unavailable because of COVID-19.

Curriculum delivery and developments

Shrewsbury Colleges Group is a designated sixth form college which serves the town of Shrewsbury, much of Shropshire, Telford and Wrekin and Powys. The breadth and range of provision and students means that despite being a designated sixth form college, the reality is that Shrewsbury Colleges Group is effectively a tertiary college and able to allow students to choose between academic and vocational courses as best suits their needs and aspirations. The College also delivers Higher Education courses based on its strength in Engineering, Construction, Counselling, Education Training, Sport, Business and IT. The College operates from three campuses, the Welsh Bridge Campus, the English Bridge Campus and the London Road Campus.

The Welsh and English Bridge Campuses are situated in the heart of the town centre of Shrewsbury. The curriculum offers a broad range of A Levels for 16-18 year olds and a limited number of BTEC single A Level equivalent qualifications. Vocational Art and Design courses are also based at the English Bridge Campus and vocational Applied Science is based at the Welsh Bridge campus. In addition, there is a small one year '2+ programme' which provided a limited range of vocational L2 courses and English and Maths resit opportunities for students. The '2+ programme' has been discontinued from September 2020 with students wishing to take an intermediate year being offered the broad range of full-time vocational courses at the London Road campus.

The London Road Campus offers a wide range of vocational, technical and professional qualifications for 16-18 year olds and for adults. In addition, the Campus offers Higher Education courses taught at a dedicated Higher Education Centre. The college holds contracts from three combined authorities to deliver provision which focuses on training for union representatives. This is a national training programme. The college provides apprenticeship training for a broad range of curriculum areas for local and regional SME and large employers.

The college offer takes account of the training needs of the local and combined authorities, the Marches LEP and local businesses. In 2019-20 the college opened a new brickwork centre to train full-time and apprentices bricklayers to help meet the ambitions of Shropshire and the Marches LEP. The college also commenced construction of a new automotive engineering workshop funded in partnership with the Marches LEP and in response to their strategic ambitions.

Shrewsbury Colleges Group is a member of Shrewsbury Partnerships for Education (SPET) and collaborates with 11-16 providers to share information and develop the 16-19 curriculum. The College is also a partner in the Shropshire and Wrekin Association of Colleges and a member of the West Midlands Sixth Form Colleges' Consortium. The college is also a member of the national Tertiary Colleges Group. The college is collaborating closely with other colleges in the Marches LEP to enhance the L4/L5 offer.

Ofsted

The college was inspected in November 2019 and February 2020 by Ofsted. The final report was published in March 2020, the same week the country went into national lockdown.

Education Programmes for Young People, Adult Learning, Apprenticeships, High Needs and Personal Development were all graded as 'Good'. Safeguarding was deemed to be ineffective, leading to Behaviour and Attitudes, Leadership and Management and Overall Effectiveness to be deemed 'Inadequate'.

The College made a formal complaint about the inspection process and judgement. In addition, the College commissioned an independent review from a safeguarding specialist. The independent report concluded:

"The Shrewsbury Colleges Group campuses are safe places to learn, work and to visit. Every effort has been made by the SLT and Safeguarding Team to ensure the continued safety of both students and staff. There is a strong culture of safeguarding evident which is underpinned by established policies

and procedures. There is substantial evidence to support this statement as detailed in the report. Every effort has been made to ensure safe sites and safe students and staff. It is the auditor's opinion that having visited and worked at many colleges across the country, Shrewsbury Colleges Group is one of the safest".

The College has also received assurance from Shropshire Safeguarding Partnership and West Mercia Police regarding the effectiveness of safeguarding.

At the same time the college has acted to continuously improve safeguarding. The Further Education Commissioner assessment took place in September 2020 and the report states:

"The board and senior managers have responded well to the safeguarding issues that were raised by the recent Ofsted inspection and have improved onsite security. Students welcome the improvements that have been made, reporting they now feel safer".

The college has managed the potential reputational impact effectively and partners have remained supportive. The college recruited a record number of 16-18 year olds in September 2020 and has retained all educational contracts.

COVID-19

The college ceased to operate the normal timetable from the week commencing 23 March as the country went into lock-down. It remained open for vulnerable students. Subject teams moved to remote delivery. Close monitoring of individual students enabled college to chase those with low engagement and target those who needed to be in college to make progress. The college delivered IT equipment to students without access to equipment at home and also provided appropriate support for college bus transport providers during lockdown under government PPN 04/20 guidance to ensure future continuity of this critical service. From 15 June the college moved to wider opening for students who were struggling to work effectively from home. From 22 June, students returned who were studying technical professional courses who needed to complete assessments in the workshops so they could gain their qualifications and progress. A group of apprentices also came into college. More than 90% of students in the first year of their two-year course engaged well with remote learning.

The college opened in September for face to face delivery for all students following the implementation of significant safety measures. The Further Education Commissioner report stated:

"Senior leaders responded well to the COVID-19 pandemic. Rigorous procedures are in place to ensure that staff and students conform to the health and safety measures that have been put in place".

The Further Education Commissioner's team spoke to students from all three of the college campuses and judged that:

"Students were pleased to be back at college and understood the importance of observing the COVID-19 safety measures that the college had put in place".

Future prospects

The Corporation carried out a Going Concern assessment at its December 2020, Finance & Business Operations meeting. The process involved reviewing key considerations supplied by the College auditors, and cash flow projections for the 24 months from December 2020. After carrying out the Going Concern assessment, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future.

The College is independently financially viable and comparatively well placed to face the ongoing financial challenges facing the sector. The College anticipates continuing upward cost pressures on Teachers Pay in

2020/21 inclusive of Teacher Pension contribution costs. Although the increased Teachers Pension costs are offset by an additional government grant these factors will continue place additional further pressure on the financial resilience of the College as well as upon other Sixth Form Colleges and Further Education institutions generally. Despite the challenges of the past 12 months the college has seen increased enrolments from 16-19 year-olds in September 2020. The welcome increase to the core funding rate for these 16-19 year-old students has also allowed the college to plan more confidently for the future. The impact of the ongoing COVID19 pandemic continues to place significant pressures on the college's ability to deliver the desired levels of adult education programmes, apprenticeships and full cost courses during 2020-21.

Resources

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

Tangible resources include land and buildings on three distinct campuses in Shrewsbury, fixtures & fittings, computer hardware & software, motor vehicles and plant & equipment.

Financial

As at 31 July 2020 the College had 15.5 million (2018/19 £15.7m) of net assets (excluding defined benefit pension liabilities), and long-term debt of £2.65m million (2018/19 £2.53m).

People

The College employs 406 (2018/19: 394) people (expressed as full-time equivalents), of whom 171 (2018/19: 149) are teaching staff.

Reputation

The College has a good reputation locally and nationally. Maintaining a quality brand is essential for the College's success at attracting students and external relationships.

Reserves

The college has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation and ensures that there are adequate reserves to support the college's core activities. The college group's reserves include £nil (2019: £nil) held as restricted reserves.

Principal risks and uncertainties

The College operates an effective system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation.

The Senior Leadership Team undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. Where appropriate additional internal controls are implemented and the subsequent appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the Senior Leadership Team also consider any risks which may arise during the year either as a result of a new area of work being undertaken by the College or changes to the education funding landscape.

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

Outlined below are the principal risk factors that affect the College. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

1. Government funding

The College has considerable reliance on continued funding controlled by the government's further education sector funding bodies. In 2019/20, circa 88% (2019/19: 87%) of the College's revenue was ultimately publicly funded and this level of requirement is expected to continue.

2. Maintain its reputation

The College aims to ensure that the experience of all students and apprentices is outstanding, by providing excellence in teaching, learning and assessment. This will ensure outstanding student outcomes, including progression beyond the college into employment or to higher education.

Students, teaching and learning is placed at the heart of the college with systems for target setting, tracking and monitoring and a whole college focus on feedback and growth mind-sets.

3. Impact of the COVID Pandemic and continued changes to Apprenticeship , Adult Education funded, Higher Education and Full Cost training courses.

The college has implemented and continues to follow public health guidance to ensure that its campuses are as safe as possible during the COVID pandemic while meeting the requirements for and delivering the benefits of face to face teaching required by the government and ESFA. Where guidance changes the college adapts the measures in place in response.

The College continues to support large employer's use of their Apprenticeship Levy funds and to enable SME employers to access the Digital Apprenticeship Service to fund training for their apprentices. The College also continues to manage the risks and uncertainties relating devolution of funding for Adult Education provision within Devolved Authority areas. The impact of the ongoing pandemic has increased uncertainty in respect of enrolment of new apprentices. The continued constraints, adaptations and additional expenditure required to enable successful and safe ongoing delivery for these individuals remain ongoing challenges during this period.

The College continues to work closely with the ESFA and those Combined Authorities who now have devolved authority for Adult Education funding. The College continues to ensure that its delivery meets the local priorities of these regions, however there remains an inherently increased risk that the funding of high quality and niche training delivered by the College in these Combined Authority areas may be overlooked in favour of more geographically proximate providers.

The impact of the ongoing pandemic has also created greater uncertainty in respect of enrolment and delivery of Adult Education funded, Full Cost and Higher Education courses. The college has responded to these continued constraints, making appropriate adaptations, using online learning where appropriate, and investing additional expenditure to enable successful, safe ongoing delivery for these individuals. Despite this there remains a continued heightened risk that the college is unable to attract and deliver the expected amount of Adult Education and full cost course training during this period.

4. Maintain adequate funding of pension liabilities

The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS 102. The main risk facing the College is that cash contributions required by the scheme are increased significantly in order to reduce this liability over a shorter period than currently required.

5. Ensuring positive liquidity to service loan repayments

The College manages and monitors its financial performance against budget, and ensures that it can service its loan and meet all bank covenants, while investing to support outstanding teaching, learning and assessment. This is achieved by effective budget setting, regular review of management information and loan covenants, and timely action to address any areas of under-performance.

STAKEHOLDER RELATIONSHIPS

In line with other colleges and with universities, Shrewsbury Colleges Group has many stakeholders. These include:

- Students;
- Education sector funding bodies;
- Sixth Form Commissioner;
- Staff;
- Local employers (with specific links);
- Local authorities;
- Local Enterprise Partnerships (LEPs);
- The local community;
- Other sixth form institutions;
- Trade unions;
- Professional bodies.

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

Equal opportunities

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

Disability statement

The College complies with the requirements of the Equality Act 2010 and is committed to being as inclusive as possible. We welcome the Public Sector Equality Duty and actively consider how we can minimise any disadvantages suffered by people due to their disability and meet their needs during time at our College.

We will:

- a. Assess each student on an individual basis
- b. Identify needs and offer support at an early stage
- c. Work to remove barriers to learning and make reasonable adjustments when needed
- d. Provide a range of specialist facilities, equipment and assistive software
- e. Maintain an experienced team of Learning Support Specialists and Tutors
- f. Provide information for students through our intranet sites
- g. Negotiate exam access requirements with awarding bodies for any on-course assessments and examinations
- h. Ensure easy access wherever possible to our buildings and facilities
- i. Offer familiarisation visits and an informal meeting with one of the Learning Support Specialists or Student Support Tutors
- j. Arrange for support at course interviews
- k. Provide opportunities throughout the year for students to tell us about their support requirements
- l. Maintain a list of specialist equipment, such as laptops, which the College can make available for use by students

- m. Make available on the website an admissions policy for students to access. Appeals against a decision not to offer a place are dealt with under the complaints policy

Trade Union facility time

During the year ending 31 March 2020 there were 3 employees (2018-19: 4 employees) who were relevant union officials, representing 1.80 full-time equivalents. All 3 employees granted paid facility time spend between 1-50% of their working hours on facility time.

During the period April 2019 to March 2020 the total cost of facility time provided was £14,451 (2018-19: £17,289), total pay costs (excluding FRS102 Defined Benefit Pension costs) were £16.6m (2018-19: £16.2m). During the period April 2019 to March 2020 0.087% (2018-19: 0.12%) of total payroll costs was spent on trade union activities. The percentage of total paid facility time spent on paid trade union activities was 100%.

Disclosure of information to auditors

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

Approved by order of the members of the Corporation on 14 December 2020 and signed on its behalf by:



Roger Wilson
Chair

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 1st August 2019 to 31st 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. having due regard to the UK Corporate Governance Code for English Colleges ("the Code).

The College is committed to exhibiting best practice in all aspects of corporate governance. We have not adopted and therefore do not apply the Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the Code we consider to be relevant to the further education sector and best practice. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times.

The Corporation was established under the Further and Higher Education Act 1992, for the purpose of conducting Shrewsbury Colleges Group. 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, in reviewing and setting the College's strategic objectives, they have had due regard for the Charity Commission's guidance on charitable purposes and public benefit and that the required statements appear elsewhere in these financial statements.

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

- high quality teaching and learning;
- widening participation and tackling social exclusion;
- strong student support systems;
- links with employers, industry and commerce.

The Corporation

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

Key:	Q, S&C	Quality, Standards & Curriculum	FBO	Finance & Business Operations
	S&G	Search & Governance	HR	Human Resources
	PIAPSC	Post Inspection Action Plan Steering Committee		

Governors serving on the Shrewsbury Colleges Group Corporation during 2019/20:

Name	Date of Appointment	Term of Office	Expiry of Term	Date of Resignation	Status of Appointment	Committee Served	Attendance in 2019-20
A Allen	Reappointed 18/12/2017	4 year term (2nd term of office)	18/12/2021		Independent	Q, S & C (Chair from 18/11/2019) S&G PIAPSC	95%
A Benghiat	06/07/2020	4 year term (1st term of office)	31/07/2024		Independent		
G. Channon (Chair 12/12/2016 – 07/07/2020)	Reappointed 01/04/2019	4 year term (2nd term of office)	01/04/2023		Independent	F&BO (Chair until 31/03/2020) Remuneration (Chair) PIAPSC (Chair until 07/07/2020)	95%
C. Davies	Reappointed 30/03/2015 Extended on 08/07/2019 from 19/07/2019 to 31/07/2020 (extended to 31/12/2020 on 30/03/2020)	5 year term (2nd term office)	31/12/2020		Independent	Q, S & C (Chair until 18/11/2019) Remuneration	92%
I. Gilmour	Reappointed 21/05/2014 Extended on 26/03/2018 from 21/05/2019 to 13/10/2019	4 year term (2nd term of office)	13/10/2019 (expired)		Independent	Audit Remuneration Special	100%
C. Gore	Reappointed 12/12/2016 (2 nd term of office extended to 31/12/2020 on 30/03/2020)	4 year term (2nd term of office)	31/12/2020		Independent	Q, S & C Search PIAPSC	94%
J. Harry	01/08/2018	4 year term (1 st term of office)	31/07/2022		Staff Governor (Academic)	Audit	78%
H. Hawksworth	26/03/2019	4 year term (1 st term of office)	25/03/2023		Staff Governor (Academic)	Q, S & C	95%

Name	Date of Appointment	Term of Office	Expiry of Term	Date of Resignation	Status of Appointment	Committee Served	Attendance in 2019-20
R. Heath	22/03/2017	4 year term (1 st term of office)	22/03/2021		Independent	F&BO (Chair from 31/03/2020)	86%
R. Lopez	15/10/2019	2 year term (1 st term of office)	14/10/2021		Parent		100%
N. Merchant	Reappointed 18/12/2017	3 year term (2nd term of office)	18/12/2020		Parent	Audit (Chair) Q, S & C PIAPSC	98%
G. Mills	31/03/2020	2 year term (1 st term of office)	31/03/2022		Co-opted	F&BO	100%
D. Pulford	16/03/2019	2 year term (1 st term of office)	16/03/2019 (expired)		Independent	F&BO	100%
D. Pulford	16/03/2019	2 year term (1st term of office)	15/03/2021		Co-opted	F&BO	100%
K. Quant	10/12/2018	1 year term (1 st term of office)	23/03/2023		Independent	Q, S & C	68%
R. Rosson (Vice-Chair 12/12/2016 – 30/10/2019)	02/05/2011 Extended on 10/12/2018 to 30/10/2019	4 year term (3rd term of office)	30/10/2019 (expired)		Independent		100%
R. Sartain	13/06/2016 (1 st term of office extended to 31/12/2020 on 30/03/2020)	4 year term (1 st term of office)	31/12/2020		Independent	Audit	100%
C. Sharp	25/03/2019	2 year term (1 st term of office)	25/03/2021		Co-opted	Audit	100%
J. Staniforth	16/04/2017	-	-		Principal/CEO	F&BO S&G Audit PIAPSC	100%

Name	Date of Appointment	Term of Office	Expiry of Term	Date of Resignation	Status of Appointment	Committee Served	Attendance in 2019-20
M. Thompson	27/11/2019	4 year term (1 st term of office)	30/11/2019 (expired)		Independent	F&BO	100%
P. Tucker	26/09/2017	4 year term (1 st term of office)	24/09/2021		Staff (Support)	F&BO PIAPSC	91%
C. Wassall	15/10/2019 (Extended to 31/12/2020 on 30/03/2020)	1 year term (1 st term of office)	31/12/2020		Student Governor (HE)	Q, S & C	60%
M. Willmot	12/10/2011 Extended on 08/07/2019 to 31/10/2020 (2 nd term of office extended to 31/12/2020 on 30/03/2020)	4 year term(2 nd term of office)	31/12/2020		Independent	Q, S & C S&G (Chair until 13/05/2020)	87%
R. Wilson (Vice Chair from 01/11/2019 to 13/07/2020) (Chair from 13/07/2020 – Present)	25/03/2019	4 year term (1 st term of office)	24/03/2023		Independent	F&BO PIAPSC S&G (Chair from 13/05/2020)	100%
M Wood	09/07/2019	1 year term (1 st term of office)	31/07/2020		Student Governor (16-19)	Q, S & C	85%
Clerk to Corporation T. Cottee – from 03/01/2017							

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 four times year.

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 Audit, Finance & Business Operations, Human Resources, Quality, Standards & Curriculum, Remuneration and Search & Governance.

Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website www.scg.ac.uk or from the Clerk to the Corporation at:

Shrewsbury Colleges Group
London Road
Shrewsbury
Shropshire
SY2 6PR

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 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 Chair and Accounting Officer are separate.

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search & Governance Committee, consisting of at four 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 not exceeding four years; Parent Governors for 3 years and Student Governors for 1 or 2 years, depending on the duration of their course. The Corporation has, during 2019/20, extended the terms of several highly-experienced governors, to recognise their on-going contribution to the role of the Corporation and in response to the need to provide robust and consistent leadership during the Covid19 pandemic. The Corporation has in place a robust succession plan to recruit similarly-skilled individuals during 2020/21, including working with parents to provide additional capacity in safeguarding skills and experience on the Board.

Remuneration Committee

Throughout the year ending 31 July 2020, the College's Remuneration Committee comprised four 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.

The College has not adopted the AOC's Senior Staff Remuneration Code. However, the Board, on the recommendation of the Remuneration Committee, has adopted its own Policy and Procedure for Senior Post Holder Remuneration going forward and to also consider which Governance Code will be most suitable for adoption.

Audit Committee

The Audit Committee comprises four members of the Corporation (excluding the Accounting Officer and Chair) and a co-optee. 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, reporting accountants and financial statements auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the main funding bodies as they affect the College's business.

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

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

The Audit Committee also advises the Corporation on the appointment of internal, reporting accountants and financial statements auditors and their remuneration for audit and non-audit work as well as reporting annually to the Corporation. The delivery of the internal audit was substantially impacted by the COVID19 pandemic and the lockdown on March to June 2020, with three planned reviews being deferred until 2020-21.

The Audit Committee was provided with regular reports on this assurance activity in the College which included the review of the colleges' procurement procedures and subcontractor controls.

Finance & Business Operations Committee

The Finance & Business Operations Committee met 7 times during 2019/20 and provides a forum to consider and inform the Corporation on all aspects of the Corporation's finances, financial strategy and financial policies. The Committee also considers the College's Management Accounts and any proposed capital projects and informs the Corporation of their financial implications. The Committee also considers and informs the Corporation on the College's Property Strategy and Health & Safety.

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/CEO, 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 Agreements between the 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 the 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 formal project management disciplines, where appropriate.

The College management and Governors have assessed the internal controls and developed a Board Assurance Framework, clearly showing the mapping of assurance sources against the risks identified. The College analysed the risks to which it was exposed and a programme of assurance was agreed with the Audit Committee. The College has an internal audit service, which operates in accordance with the requirements of the ESFA's *Post 16 Audit Code of Practice* and to undertake audits on areas highlighted by the Board Assurance Framework. 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 recommendations of the Audit Committee. The Corporation considers annually, a report on the internal audit activity in the College. The report includes the Internal Audit Service's independent opinion on the adequacy and effectiveness of the College's system of risk management controls and governance processes.

Review of effectiveness

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

- the Board Assurance Framework
- the work of the internal auditors
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework
- comments made by the College's financial statements auditors, the reporting accountant for regularity assurance, the appointed funding auditors (for colleges subject to funding audit) 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 senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its November 2020 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2020, by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2020.

Based on the advice of the Audit Committee and the Accounting Officer, the Corporation is of the opinion that the 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 15 January 2021 and signed on its behalf by:



Roger Wilson
Chair



James Staniforth
Accounting Officer

Statement of Regularity, Propriety and Compliance with funding body terms and conditions of funding

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

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

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



Roger Wilson
Chair
15 January 2021



James Staniforth
Accounting Officer
15 January 2021

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 college's grant funding agreements and contracts with ESFA, the corporation – through its accounting officer – is required to prepare financial statements and an operating and financial review for each financial year in accordance with the 2019 Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's college accounts direction and the UK's Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the college and its surplus / deficit of income over expenditure for that period.

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

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

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

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

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

Members of the 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 ESFA are used only in accordance with ESFA's grant funding agreements and contracts and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure so that the benefits that should be derived from the application of public funds from ESFA are not put at risk. Approved by order of the members of the Corporation and signed on its behalf by:



Roger Wilson
Chair

15 January 2021

Independent auditor's report to the Members of the Corporation of Shrewsbury Colleges Group

Opinion

We have audited the financial statements of Shrewsbury Colleges Group (the 'corporation') for the year ended 31 July 2020, which comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Balance Sheet, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is 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 corporation's affairs as at 31 July 2020 and of its deficit of income over expenditure for the year then ended; and
- have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice – Accounting for Further and Higher Education issued in October 2018 and any subsequent amendments

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 corporation 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.

Emphasis of Matter – effects of Covid-19 on the valuation of property investments

We draw attention to Note 19 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the College's share of the pension fund's property investments. As disclosed in Note 19 to the financial statements, the outbreak of Covid-19 has impacted global financial markets and market activity has been impacted. A material valuation uncertainty was therefore disclosed in the pension fund's property valuation reports. Our opinion is not modified in respect of this matter.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

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 Members of the Corporation's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Member of the Corporation have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company'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.

In our evaluation of the Members of the Corporation's conclusions, we considered the risks associated with the corporation's business, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Other information

The Members of the Corporation are responsible for the other information. The other information comprises the information included in the Strategic Report set out on pages 4 to 23, 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.

Opinion on other matters prescribed by the Office for Student's ('OfS') accounts direction (issued October 2019)

In our opinion, in all material respects:

- funds from whatever source administered by the corporation for specific purposes have been properly applied to those purposes and managed in accordance with the relevant legislation;
- funds provided by the OfS, have been applied in accordance with the relevant terms and conditions, and any other terms and conditions attached to them, and
- the requirements of the OfS's accounts direction (issued October 2019) have been met.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice 2018 to 2019 issued by the Education & Skills Funding Agency requires us to report to you if, in our opinion:

- the corporation has not kept adequate accounting records; or

- the corporation's annual accounts are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of the following matters where the OfS accounts direction (issued October 2019) requires us to report to you where:

- the corporation's grant and fee income, as disclosed in the note to the accounts, has been materially misstated; or
- the corporation's expenditure on access and participation activities for the financial year, as disclosed in the note to the accounts, has been materially misstated.

Responsibilities of the Members of the Corporation for the financial statements

As explained more fully in the statement of responsibilities of the Members of the Corporation set out on page 23 the Members of the Corporation are responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Members of the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Members of the Corporation are responsible for assessing the corporation's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Members of the Corporation either intends to liquidate the corporation or to cease operations, or has no realistic alternative but to do so.

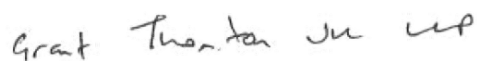
Auditor's responsibilities for the audit of the financial statements

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. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Members of the Corporation as a body, in accordance with the terms of our engagement letter dated 6 October 2020. Our audit work has been undertaken so that we might state to the Members of the Corporation those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the corporation and the Members of the Corporation as a body, for our audit work, for this report, or for the opinions we have formed.



Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham

22 January 2021

Reporting accountant's assurance report on regularity

To the corporation of Shrewsbury Colleges Group and Secretary of State for Education acting through Education and Skills Funding Agency ('ESFA')

In accordance with the terms of our engagement letter dated 6 October 2020 and further to the requirements and conditions of funding in ESFA's grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that, in all material respects, the expenditure disbursed and income received by Shrewsbury Colleges Group 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 ESFA. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record returns, for which ESFA has other assurance arrangements in place.

Respective responsibilities of Shrewsbury Colleges Group and the reporting accountant

The corporation of Shrewsbury Colleges Group is responsible, under the requirements of the Further and Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received are 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 ESFA. We performed a limited assurance engagement as defined in that framework.

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

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

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

The work undertaken to draw our conclusion includes:

- an assessment of the risk of material irregularity and impropriety across the college's activities;
- evaluation of the processes and controls established and maintained in respect of regularity and propriety for the use of public funds through observation of the arrangements in place and enquiries of management;
- consideration and corroboration of the evidence supporting the Accounting Officer's statement on regularity, propriety and compliance and that included in the self-assessment questionnaire (SAQ); and
- limited testing, on a sample basis, of income and expenditure for the areas identified as high risk and included on the SAQ.

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.

Use of our report

This report is made solely to the corporation of Shrewsbury Colleges Group and ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of Shrewsbury Colleges Group and ESFA those matters we are required to state in a limited assurance 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 Shrewsbury Colleges Group as a body, and ESFA, as a body, for our work, for this report, or for the conclusion we have formed.

Grant Thornton UK LLP

Grant Thornton UK LLP
Chartered Accountants
Birmingham

22 January 2021

Statement of Comprehensive Income

	Notes	Year ended 31 July 2020	Year ended 31 July 2019
		£'000	£'000
INCOME			
Funding body grants	2	19,585	19,268
Tuition fees and education contracts	3	2,908	2,836
Other income	4	1,010	1,257
Investment income	5	5	6
Total income		23,508	23,367
EXPENDITURE			
Staff costs	6	17,754	16,671
Other operating expenses	7	4,996	5,604
Depreciation	9	1,778	1,732
Interest and other finance costs	8	463	404
Total expenditure		24,991	24,411
Deficit before other gains and losses		(1,483)	(1,044)
Loss on disposal of assets		-	-
Deficit before tax		(1,483)	(1,044)
Taxation		-	-
Deficit for the year		(1,483)	(1,044)
Actuarial loss in respect of pensions schemes	19	(4,162)	(6,251)
Total Comprehensive Income for the year		(5,645)	(7,295)
Represented by:			
Restricted comprehensive income		-	-
Unrestricted comprehensive income		(5,645)	(7,295)

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

Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Balance at 1st August 2018	(2,838)	6,653	3,815
Surplus/(deficit) from the income and expenditure account	(1,044)	-	(1,044)
Other comprehensive income	(6,251)	-	(6,251)
Transfers between revaluation and income and expenditure reserves	296	(296)	-
Total comprehensive income for the year	(6,999)	(296)	(7,295)
Balance at 31st July 2019	(9,837)	6,357	(3,480)
	£'000	£'000	£'000
Balance at 1st August 2019	(9,837)	6,357	(3,480)
Surplus/(deficit) from the income and expenditure account	(1,483)	-	(1,483)
Other comprehensive income	(4,162)	-	(4,162)
Transfers between revaluation and income and expenditure reserves	296	(296)	-
Total comprehensive income for the year	(5,349)	(296)	(5,645)
Balance at 31st July 2020	(15,186)	6,061	(9,125)

Balance sheet as at 31 July

	Notes	2020 £'000	2019 £'000
Fixed assets			
Tangible Fixed assets	9	23,869	24,834
		23,869	24,834
Current assets			
Stocks		6	3
Trade and other receivables	10	721	1,188
Cash and cash equivalents	15	2,269	2,043
		2,996	3,234
Less: Creditors – amounts falling due within one year	11	(2,496)	(3,261)
Net current (liabilities)/assets		500	(27)
Total assets less current liabilities		24,369	24,807
Creditors – amounts falling due after more than one year	12	(8,831)	(9,150)
Provisions			
Defined benefit obligations	14	(23,186)	(17,674)
Other provisions	14	(1,477)	(1,463)
Total net liabilities		(9,125)	(3,480)
Unrestricted Reserves			
Income and expenditure account		(15,186)	(9,837)
Revaluation reserve		6,061	6,357
Total unrestricted reserves		(9,125)	(3,480)

The financial statements on pages 29 to 49 were approved and authorised for issue by the Corporation and were signed on its behalf on 15 January 2021 by:



Roger Wilson

Chair



James Staniforth

Accounting Officer

Statement of Cash Flows

	Notes	2020 £'000	2019 £'000
Cash flow from operating activities			
Deficit for the year		(1,483)	(1,044)
Adjustment for non-cash items			
Depreciation	9	1,778	1,732
(Increase)/decrease in stocks		(3)	-
(Increase)/decrease in debtors		465	(54)
Increase/(decrease) in creditors due within one year		(562)	136
Increase/(decrease) in creditors due after one year		(439)	(315)
Increase/(decrease) in provisions		(148)	(95)
Pensions costs less contributions payable		1,464	1,107
Adjustment for investing or financing activities			
Investment income	5	(5)	(6)
Interest payable	8	72	80
Net cash flow from operating activities		<u>1,139</u>	<u>1,541</u>
Cash flows from investing activities			
Investment income	5	5	6
Payments made to acquire fixed assets		(746)	(1,435)
		<u>(741)</u>	<u>(1,429)</u>
Cash flows from financing activities			
Interest paid	8	(72)	(80)
New loans		144	-
Repayments of amounts borrowed		(244)	(267)
		<u>(172)</u>	<u>(347)</u>
Increase / (decrease) in cash and cash equivalents in the year		<u>226</u>	<u>(235)</u>
Cash and cash equivalents at beginning of the year	15	2,043	2,278
Cash and cash equivalents at end of the year	15	2,269	2,043

Notes to the Accounts

1 Statement of accounting policies and estimation techniques

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

Basis of preparation

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

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

Basis of accounting

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

Going concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Strategic Report. The financial position of the College, its cashflow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

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

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

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

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

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

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

Accounting for post-employment benefits

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

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method. The TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

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 other recognised gains and losses.

Short term Employment benefits

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

Enhanced Pensions

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

Non-current Assets - Tangible fixed assets

Tangible fixed assets are stated at deemed cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Land and buildings

Freehold buildings are depreciated on a straight line basis over their expected useful economic life to the College of between 25 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 15 and 25 years.

Freehold land is not depreciated.

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

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

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1994, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

Subsequent expenditure on existing fixed assets

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

Equipment

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

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

- technical equipment 5 -10 years
- computer equipment 3 - 5 years
- furniture, fixtures and fittings 5 years

Assets inherited from local education authority

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.

Borrowing costs

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

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives relating to leases signed after 1st August 2014 are spread over the minimum lease term. The College has taken advantage of the transitional exemptions in FRS 102 and has retained the policy of spreading lease premiums and incentives to the date of the first market rent review for leases signed before 1st August 2014.

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as finance leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Cash and cash equivalents

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

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

Financial liabilities and equity

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

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

Taxation

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

The College is VAT registered. 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.

Provisions and contingent liabilities

Provisions are recognised when the College has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

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

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

Agency arrangements

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 19, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 July 2020. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 Funding body grants

	2020	2019
	£'000	£'000
Recurrent grants		
Education & Skills Funding Agency (ESFA)	18,089	18,075
Specific grants		
ESFA non-recurrent grants	1,009	726
Releases of government capital grants	487	467
	<hr/>	<hr/>
Total	19,585	19,268
	<hr/> <hr/>	<hr/> <hr/>

3 Tuition fees and education contracts	2020	2019
	£'000	£'000
Tuition Fees		
HE loan supported courses	499	626
FE loan supported courses	391	422
International students' fees	37	85
Adult Education Fees	425	601
Total fees paid by or on behalf of individuals	1,352	1,734
Education contracts		
Local Education Authority (LEA) & Schools	32	44
Higher Education (HE) income	241	327
Apprenticeship contracts	1,195	529
Other contracts	88	202
	1,556	1,102
Total tuition fees & education contracts	2,908	2,836

4 Other income	2020	2019
	£'000	£'000
Residences, catering & conferences	206	310
Other income generating activities	201	313
Miscellaneous income	603	634
Total	1,010	1,257

Miscellaneous income includes turnover from the following activities: Refectory £206k (*£309k 2018/19*), Training Restaurant £42k (*£70k 2018/19*), Salon £61k (*£93k 2018/19*), Bus & Train Passes £188k (*£199k 2018/19*) and Student visits and trips £94k (*£185k 2018/19*).

5 Investment income	2020	2019
	£'000	£'000
Bank interest receivable	5	6
Total	5	6

6 Staff costs

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

	2020	2019
	No.	No.
Teaching staff	216	207
Non-teaching staff (includes assessors, support tutors and apprenticeship practitioners)	321	316
	<u>537</u>	<u>523</u>
Staff costs for the above persons		
	2020	2019
	£'000	£'000
Wages and salaries	12,625	12,232
Social security costs	1,125	1,081
Other pension costs	3,645	2,799
	<u>17,395</u>	<u>16,112</u>
Payroll sub total		
Contracted out staffing services	314	519
Restructuring - Non contractual	45	40
	<u>45</u>	<u>40</u>
Total Staff costs	<u><u>17,754</u></u>	<u><u>16,671</u></u>

The corporation furloughed some technician, caretaking, estates, cleaning and catering, reception and business development staff under the government's Coronavirus Job Retention Scheme. The funding received of £231,851 relates to staff costs which are included within the staff costs note above as appropriate.

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, Finance Director, vice- principals and Director of A Level Studies.

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

	2020	2019
	No.	No.
The number of key management personnel including the Accounting Officer was:	7.0	7.0

Officer was:

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

	Key management personnel	
	2020	2019
	No.	No.
£70,001 to £80,000 p.a.	2.0	2.0
£80,001 to £90,000 p.a.	4.0	4.0
£140,001 to £150,000 p.a.	1.0	1.0
	<u>7.0</u>	<u>7.0</u>

No individuals other than key management personnel received annual emoluments of more than £60,000.

Key management personnel compensation is made up as follows:

	2020	2019
	£'000	£'000
Salaries - gross of salary sacrifice and waived emoluments	662	633
Employers National Insurance	81	79
Benefits in kind	-	-
	<u>743</u>	<u>712</u>
Pension contributions	133	100
Total key management personnel compensation	<u>876</u>	<u>812</u>

The amounts payable to the Accounting Officer (who is also the highest paid officer) during the year is made up as follows:

	2020	2019
	£'000	£'000
Salaries	148	148
Benefits in kind	-	-
	<u>148</u>	<u>148</u>
Pension contributions	34	24

The Accounting Officer's basic pay divided by the median pay of all other employees (on a full time equivalent basis) was 5.32. The Accounting Officer's total emoluments divided by the median pay of all other employees (on a full-time equivalent basis) was also 5.32.

Casual and agency workers are excluded from this calculation.

7 Other operating expenses

	2020	2019
	£'000	£'000
Teaching costs	1,632	1,923
Non-teaching costs	2,351	2,483
Premises costs	1,013	1,198
Total	<u>4,996</u>	<u>5,604</u>

Other operating expenses include:

	2020	2019
	£'000	£'000
Auditors' remuneration:		
Financial statements audit	30	29
Other audit Services – Teachers' Pensions return	1	1
Internal audit	9	16
Hire of assets under operating leases	43	71

Access and participation spending **2020**
£'000

Discounted Fees	3
Student Bursaries	3
Support & Access	12

8 Interest and other finance costs

	2020	2019
	£'000	£'000
On bank loans, overdrafts and other loans:	72	80
Pension finance costs (note 19)	391	324
Total	463	404

9 Tangible Fixed Assets	Freehold Land and buildings	Assets under Construction	Equipment	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2019	34,986	8	4,841	39,835
Additions	29	595	189	813
Transfers	295	(314)	19	-
Disposals	-	-	-	-
At 31 July 2020	35,310	289	5,049	40,648
Depreciation				
At 1 August 2019	12,028	-	2,973	15,001
Charge for the year	1,114	-	664	1,778
Elimination in respect of disposals	-	-	-	-
At 31 July 2020	13,142	-	3,637	16,779
Net book value at 31 July 2020	22,168	289	1,412	23,869
Net book value at 31 July 2019	22,958	8	1,868	24,834

Land and buildings were valued for the purpose of the 1994 financial statements at depreciated replacement cost by a firm of independent chartered surveyors, in accordance with the RICS Statement of Asset Valuation Practice and Guidance notes. Other tangible fixed assets inherited from the local education authority at incorporation have been valued by the Corporation on a depreciated replacement cost basis with the assistance of independent professional advice.

Land and buildings with a net book value of £22,168,000 (2019: £22,598,000) have been partly financed from exchequer funds through, for example, the receipt of capital grants. Should these assets be sold, the College may be liable, under the terms of its financial memorandum, to surrender the proceeds.

If inherited land and buildings had not been valued, they would have been included at nil value being the historical cost amount.

10 Debtors

	2020	2019
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	171	331
Grant debtors	251	528
Other debtors	110	131
Prepayments and accrued income	189	198
Total	<u>721</u>	<u>1,188</u>

11 Creditors: amounts falling due within one year

	2020	2019
	£'000	£'000
Loans and overdrafts	46	267
Payments received on account	420	575
Trade payables	669	766
Other taxation and social security	415	443
Accruals and deferred income	330	546
Holiday pay accrual	134	134
Deferred income - government capital grants	482	530
Total	<u>2,496</u>	<u>3,261</u>

Creditors falling due within one year includes amounts due in respect of purchases of Fixed Assets £75,611 (2019: £9,216). £75,611 (2019: £9,216) of this is included in trade creditors and £ Nil (2019: £ Nil) is included in accruals.

12 Creditors: amounts falling due after one year

	2020	2019
	£'000	£'000
Loans	2,653	2,533
Deferred income – government capital grants	6,178	6,617
Total	<u>8,831</u>	<u>9,150</u>

13 Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	2020	2019
	£'000	£'000
In one year or less	46	267
Between one and two years	291	267
Between two and five years	872	800
In five years or more	1,490	1,466
Total	<u>2,699</u>	<u>2,800</u>

The bank loan secured on the London Road Campus bears interest at 1.95% above base rate and is repayable by instalments falling due between February 2015 and January 2031.

In November 2019 the College entered into an interest free loan from the Salix Energy Efficiency Fund. This loan incurs no interest and is repayable by instalments falling due between September 2020 and March 2026.

14 Provisions for liabilities and charges	Defined benefit obligations	Restructuring	Enhanced pensions	Total
	£'000	£'000	£'000	£'000
At 1 August 2019	17,674	-	1,463	19,137
Expenditure in the period	(954)	-	(129)	(1,083)
Additions in period	2,418	-	29	2,447
Actuarial loss over the year	4,048	-	114	4,162
At 31 July 2020	23,186	-	1,477	24,663

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

The enhanced pension provision relates to the cost of staff who have already left the College's employ and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:

	2020	2019
Price inflation	2.2%	2.2%
Discount rate	1.3%	2.0%

15 Cash and cash equivalents

	At 1 August 2019	Cash flows	Other changes	At 31 July 2020
	£'000	£'000	£'000	£'000
Cash and cash equivalents	2,043	226	-	2,269
Overdrafts	-	-	-	-
Total	2,043	226	-	2,269

16 Capital and other commitments

	2020	2019
	£'000	£'000
Commitments contracted for at 31 July	<u>492</u>	<u>254</u>
Commitments authorised but not contracted for at 31 July	<u>21</u>	<u>48</u>

17 Lease obligations

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

	2020	2019
	£'000	£'000
Future minimum lease payments due		
Not later than one year	30	15
Later than one year and not later than five years	89	-
Later than five years	15	-
	<u>134</u>	<u>15</u>

18 Unrestricted Reserves

	2020	2019
	£'000	£'000
Income and expenditure account excluding pension liability	9,477	9,300
Defined benefit obligations	(23,186)	(17,674)
Unfunded benefit obligations	(1,477)	(1,463)
Revaluation reserve	6,061	6,357
	<u>(9,125)</u>	<u>(3,480)</u>

19 Defined benefit obligations

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

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

Total pension cost for the year	2020	2019
	£000	£000
Teachers' Pension Scheme: contributions paid	1,590	1,078
Local Government Pension Scheme:		
Contributions paid	954	906
FRS 102 (28) charge	<u>1,102</u>	<u>816</u>
Charge to Statement of Comprehensive Income	2,056	1,722
	<u>3,646</u>	<u>2,800</u>

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 and other educational establishments, including colleges. Membership is automatic for teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension Budgeting and Valuation Account

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.

Valuation of the Teachers' Pension Scheme

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (the Department in April 2019). The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £196 billion giving a notional past service deficit of £22 billion.

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

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

The pension costs paid to TPS in the year amounted to £1,590,000 (2019: £1,078,000)

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Shropshire Council Local Authority. The total contributions made for the year ended 31 July 2020 were £1,267,000, of which employer's contributions totalled £954,000 and employees' contributions totalled £313,000. The agreed contribution rates for future years are 17.5% plus £86,200 for employers and range from 5.50% to 9.90% 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 Mercers.

	At 31 July 2020	At 31 July 2019
Rate of increase in salaries	3.55%	3.70%
Future pensions increases	2.40%	2.30%
Discount rate for scheme liabilities	1.60%	2.10%
Inflation assumption (CPI)	2.30%	2.20%

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
<i>Retiring today</i>		
Males	22.9	23.2
Females	25.0	26.4
<i>Retiring in 20 years</i>		
Males	24.2	25.4
Females	26.6	28.7

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

	Long- term rate of return expected at 31 July 2020	Fair Value at 31 July 2020 £'000	Long-term rate of return expected at 31 July 2019	Fair Value at 31 July 2019 £'000
Equity instruments	48.1%	14,702	50.1%	14,990
Bonds - Other	22.0%	6,725	20.8%	6,223
Property	4.2%	1,284	4.7%	1,406
Cash	1.7%	520	1.8%	539
Other	24.0%	7,336	22.6%	6,762
Total fair value of plan assets		<u>30,567</u>		<u>29,920</u>
Actual long term rate of return		0.2%		3.9%
Actual return on plan assets		<u>(51)</u>		<u>1,170</u>

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

	2020 £'000	2019 £'000
Fair value of plan assets	30,567	29,920
Present value of plan liabilities	(53,753)	(47,594)
Net pensions (liability)/asset (Note 14)	<u>(23,186)</u>	<u>(17,674)</u>

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

	2020 £'000	2019 £'000
Amounts included in staff costs		
Current service cost	1,897	1,405
Past service cost	129	288
Total	<u>2,026</u>	<u>1,693</u>
Amounts included in interest expenditure		
Net interest expenditure	362	291

Amount recognised in Other Comprehensive Income

Return on pension plan assets	(300)	342
Experience losses arising on defined benefit obligations	-	-
Changes in assumptions underlying the present value of plan liabilities	(3,748)	(6,465)
Amount recognised in Other Comprehensive Income	(4,048)	(6,123)

Movement in net defined benefit liability during year

	2020	2019
	£'000	£'000
Net defined benefit liability in scheme at 1 August	(17,674)	(10,444)
Movement in year:		
Current service cost	(1,897)	(1,405)
Employer contributions	954	906
Past service costs	(129)	(288)
Administration expenses	(30)	(29)
Net interest on the defined liability	(362)	(291)
Actuarial (loss)/gain	(4,048)	(6,123)
Net defined benefit liability at 31 July	(23,186)	(17,674)

Asset and Liability Reconciliation

	2020	2019
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	47,594	38,734
Current service cost	1,897	1,405
Interest cost	994	1,119
Contributions by Scheme participants	313	298
Experience gains and losses on defined benefit obligations	-	-
Changes in financial assumptions	3,748	6,465
Estimated benefits paid	(922)	(715)
Past Service cost	129	288
Curtailments and settlements	-	-
Defined benefit obligations at end of period	53,753	47,594
Changes in fair value of plan assets		
Fair value of plan assets at start of period	29,920	28,290
Interest on plan assets	632	828
Return on plan assets	(300)	342
Administration expenses	(30)	(29)
Employer contributions	954	906
Contributions by Scheme participants	313	298
Estimated benefits paid	(922)	(715)
Fair value of plan assets at end of period	30,567	29,920

These accounts show a past service cost of £129,000 in respect of the McCloud / Sergeant judgment which ruled that the transitional protection for some members of public service schemes implemented when they were reformed constituted age discrimination. This provision is just under 0.24% of the total scheme liability as at 31 July 2020. The calculation of adjustment to past service costs arising from the outcome of the Court of Appeal judgment is based on a number of key assumptions including:

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

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

Shropshire County Pension Fund uses valuation techniques to determine the carrying amount of pooled property funds and directly held freehold property of which the College has a share. The outbreak of COVID-19 has impacted global financial markets and as at the valuation date, less weight can be attached to the previous market evidence to inform opinions of value. Valuations on the Pension Fund property are reported on the basis of 'material valuation uncertainty' Consequently less certainty and a higher degree of caution should be attached to the valuation. The college's pension fund property assets total £1,284,000 or 4.2% of total assets (2018-19 £1,406,000 or 4.7%)

In determining the College's share of the scheme's liabilities the estimated additional liabilities arising from the McCloud judgement have been allowed for and included, based on calculations carried out on the individual member data supplied for the 2019 round of actuarial valuations.

20 Related party transactions

Owing to the nature of the College's operations and the composition of the board of governors being drawn from local public and private sector organisations, it possible that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures. During the year ended 31 July 2020 there have been no related party transactions.

No Governor has received any remuneration or waived payments from the College during the year (2019: None).

21 Amounts disbursed as agent

Learner support funds

	2020	2019
	£'000	£'000
Balance at 1 st August	6	48
Transfers from ESFA Creditors	-	91
Funding body grants – hardship & childcare support	399	418
Amount reclaimed from previous year	-	(21)
	<u>405</u>	<u>536</u>
Disbursed to students	(381)	(504)
Administration costs	-	(26)
As at 31 July	<u>24</u>	<u>6</u>

Funding body grants are available solely for students. The College only acts as a paying agent and these grants and related disbursements are therefore excluded from the Statement of Comprehensive Income.

22 Post balance sheet events

The College is awaiting guidance regarding any implications of recent legal cases relating to Guaranteed Minimum Pensions and any related impact on disclosed pension scheme liabilities. At this point, the College is unable to quantify the extent, if any, of adjustments to be made to pension figures included in these financial statements